

## MAJOR AGRARIAN LAWS AND ISSUANCES

REPUBLIC ACT NO. 1199

August 30, 1954

### AN ACT TO GOVERN THE RELATIONS BETWEEN LANDHOLDERS AND TENANTS OF AGRICULTURAL LANDS (LEASEHOLDS AND SHARE TENANCY)

#### PART I. GENERAL PROVISIONS

**SECTION 1. *Title.*** — This Act shall be known as the "Agricultural Tenancy Act of the Philippines."

**SECTION 2. *Purposes.*** — It is the purpose of this Act to establish agricultural tenancy relations between landholders and tenants upon the principle of school justice; to afford adequate protection to the rights of both tenants and landholders; to insure an equitable division of the produce and income derived from the land; to provide tenant- farmers with incentives to greater and more efficient agricultural production; to bolster their economic position and to encourage their participation in the development of peaceful, vigorous and democratic rural communities.

**SECTION 3. *Agricultural Tenancy Defined.*** — Agricultural tenancy is the physical possession by a person of land devoted to agriculture belonging to, or legally possessed by, another for the purpose of production through the labor of the former and of the members of his immediate farm household, in consideration of which the former agrees to share the harvest with the latter, or to pay a price certain or

ascertainable, either in produce or in money, or in both.

**SECTION 4. *Systems of Agricultural Tenancy; Their Definitions.*** — Agricultural tenancy is classified into leasehold tenancy and share tenancy.

Share tenancy exists whenever two persons agree on a joint undertaking for agricultural production wherein one party furnishes the land and the other his labor, with either or both contributing any one or several of the items of production, the tenant cultivating the land personally with the aid of labor available from members of his immediate farm household, and the produce thereof to be divided between the landholder and the tenant in proportion to their respective contributions. Leasehold tenancy exists when a person who, either personally or with the aid of labor available from members of his immediate farm household, undertakes to cultivate a piece of agricultural land susceptible of cultivation by a single person together with members of his immediate farm household, belonging to or legally possessed by, another in consideration of a price certain or ascertainable to be paid by the person cultivating the land either in percentage of the production or in a fixed amount in money, or in both.

**SECTION 5. *Definitions of Terms.*** — As used in this Act:

- (a) A tenant shall mean a person who, himself and with the aid available from within his immediate farm household, cultivates the land belonging to, or possessed by, another, with the latter's consent for purposes of production, sharing the produce with the landholder under

the share tenancy system, or paying to the landholder a price certain or ascertainable in produce or in money or both, under the leasehold tenancy system.

- (b) A landholder shall mean a person, natural or juridical, who, either as owner, lessee, usufructuary, or legal possessor, lets or grants to another the use or cultivation of his land for a consideration either in shares under the share tenancy system, or a price certain or ascertainable under the leasehold tenancy system.
- (c) Agricultural year is the period of time necessary for the raising of seasonal agricultural products, including the preparation of the land, and the sowing, planting and harvesting of the crop: Provided, however, That in the case of coconuts, citrus, coffee, ramie, and other crops where more than one harvest is obtained from one planting, the words "agricultural year" shall mean the period of time from the preparation of land to the first harvest and thereafter from harvest to harvest. In both cases, the period of time may be shorter or longer than a calendar year.
- (d) Farm implements include hand tools or machines ordinarily employed in a farm enterprise.
- (e) Work animals include animals ordinarily employed in a farm enterprise. The words include carabaos, horses, bullocks, etc.

- (f) Pulling of the seedlings is a phase of farm work in which seedlings are uprooted from the seed beds immediately before transplanting.
- (g) Final harrowing in the last stage in pulverizing the soil into fine particles in readying the field for the transplanting of the seedlings.
- (h) Reaping is the cutting of rice stalks.
- (i) Harvesting shall mean the gathering of the fruits or produce of a crop other than rice.
- (j) Piling into small stacks used as a term in rice share tenancy shall mean the piling into several small stacks within the tenant's holdings of reaped and bundled stalks containing the grain, preparatory to their transportation to the place designated for their threshing.
- (k) Piling into big stacks used as a term in rice share tenancy shall mean the piling into one huge stack of the several small stacks of reaped and bundled stalks containing grain, which constitute the entire harvest of the tenant from his holdings, preparatory to threshing.
- (l) Proven farm practices include those sound farming practices which have attained general acceptance through usage or are officially recommended by the Department of Agriculture and Natural Resources.
- (m) Fair rental value is an amount of money not in excess of allowable depreciation plus six per cent interest per annum on the investment

computed at its market value: Provided, however, That the fair rental value for the work animal or animals and farm implements required to produce the crop shall not exceed five per cent of the gross harvest for the animal or animals and five per cent for implements: And, provided, further, That whenever a tractor or power and the necessary implements are utilized interchangeably with work animals in the same holding during the same agricultural year the rental shall not exceed ten per cent for the combined services.

- (n) Immediately after as used in this Act shall be inclusive of the last day of harvesting, threshing or processing and the next five days thereafter.
- (o) Immediate farm household includes the members of the family of the tenant, and such other person or persons, whether related to the tenant or not, who are independent upon him for support and who usually help him operate the farm enterprise.
- (p) Incapacity means any cause or circumstances which prevents the tenant from fulfilling his contractual obligations and those imposed by this Act.
- (q) Inspect means to examine and observe. However, such examinations and observations shall not include any acts of intimidation or coercion.
- (r) Auxiliary crop is any product raised other than the crop to which the cultivation of the land is

principally devoted; and excluding the produce of the lot referred to in Section twenty-six.

**SECTION 6. *Tenancy Relationship; Its Definition.*** — Tenancy relationship is a juridical tie which arises between a landholder and a tenant once they agree, expressly or impliedly, to undertake jointly the cultivation of land belonging to the former, either under the share tenancy or leasehold tenancy system, as a result of which relationship the tenant acquires the right to continue working on and cultivating the land, until and unless he is dispossessed of his holdings for any of the just causes enumerated in Section fifty or the relationship is terminated in accordance with Section nine.

**SECTION 7. *Tenancy Relationship; How established; Security of Tenure.*** — Tenancy relationship may be established either verbally or in writing, expressly or impliedly. Once such relationship is established, the tenant shall be entitled to security of tenure as hereinafter provided.

**SECTION 8. *Limitations of Relation.*** — The relation of landholder and tenant shall be limited to the person who furnishes land, either as owner, lessee, usufructuary, or legal possessor, and to the person who actually works the land himself with the aid of labor available from within his immediate farm household.

**SECTION 9. *Severance of Relationship.*** — The tenancy relationship is extinguished by the voluntary surrender of the land by, or the death or incapacity of, the tenant, but his heirs or the members of his immediate farm household may continue to work the

land until the close of the agricultural year. The expiration of the period of the contract as fixed by the parties, and the sale or alienation of the land do not of themselves extinguish the relationship. In the latter case, the purchaser or transferee shall assume the rights and obligations of the former landholder in relation to the tenant. In case of death of the landholder, his heir or heirs shall likewise assume his rights and obligations.

**SECTION 10. *Contracts; Nature and Continuity of Conditions.*** — The terms and conditions of tenancy contracts, as stipulated by the parties or as provided by law, shall be understood to continue until modified by the parties. Modifications of the terms and conditions of contracts shall not prejudice the right of the tenant to the security of his tenure on the land as determined in Section six, seven, and forty-nine.

**SECTION 11. *Freedom to Contract in General.*** — The landholder and the tenant shall be free to enter into any or all kinds of tenancy contract, as long as they are not contrary to law, morals or public policy. Except in case of fraud, error, force, intimidation or undue influence, when such contract is reduced to writing and registered as hereinafter provided, the latter shall be conclusive evidence of what has been agreed upon between the contracting parties, if not denounced or impugned within thirty days after its registration.

Said contract shall be contrary to law, morals and public policy;

A. In Share Tenancy

- (a) If the tenant is to receive less than the corresponding share for the different contributions be made to the production of the farm as hereinafter provided.
- (b) If it is stipulated that the tenant or any member or his immediate farm household shall without compensation perform any work or render any service not connected with the tenant's duties and obligations provided under this Act.

B. In Leasehold Tenancy

- (a) If the tenant-lessee is to pay to the landholder, lessor, as a consideration for the use of the land, an amount in excess of that hereinafter provided for the kind and class of land involved.
- (b) If the tenant-lessee is to pay the landholder- lessor a consideration in excess of the amount prescribed as fair rental value, as determined pursuant to the provisions of this Act, for the use of work animals, services and/or farm implements belonging to the landholder-lessor, in case it is agreed between the parties that the latter shall furnish any or all of these items of production.
- (c) If it is stipulated that, as a condition precedent to the commencement or continuance of the lease, the tenant-lessee shall rent work animals, services or farm implements, or shall make use of any store or services operated by the landholder-lessor or any other person, or that

the landholder-lessor may impose fines, deductions and/or assessments, or that the tenant-lessee shall, without compensation, perform any work or render any service not connected with the tenant's duties and obligations provided under this Act.

**SECTION 12. *Form and Registration of Contract.*** — A contract of tenancy in writing, in order to be conclusive as evidence, shall be drawn in quadruplicate in the language or dialect known to all the parties thereto and signed or thumb-marked both by the landholder or his authorized representative, and the tenant himself, before two witnesses, one to be chosen by each party. If any of the parties does not know to read, one of the witnesses, to be chosen by him, shall read the contents of the document to him. Each of the contracting parties shall retain a copy of the contract and the third and fourth copies shall be delivered to the municipal treasurer of the municipality where the land which is the subject-matter of the contract is located, who shall file and register the third copy in his office and forward the fourth copy to the court: Provided, That in order that a tenancy contract may be registered, it shall be the duty of the municipal treasurer and tenant, respectively, and to place an annotation on each copy of the fact of registration in his office, stating the date, time and place of registration as well as the entry or registration number.

The form of contract shall be uniform and shall be prepared and furnished by the court. The contracting parties shall acknowledge the execution of the contracting before the municipal treasurer or justice of the peace or the mayor of the municipality where

the land is situated. No fees or stamps of any kind shall be paid or required.

When one of the parties is unable to read, in case of doubt the burden of proof to show that he understood the terms of the contract shall rest upon the other party who is able to read.

**SECTION 13. *Registry of Tenancy Contracts.*** — For the purposes of this Act, the municipal treasurer of the municipality wherein the land which is the subject-matter of a tenancy contract is situated shall keep a record of all such contracts entered into within his jurisdiction, to be known as "Registry of Tenancy Contracts." He shall keep this registry together with a copy of each contract entered therein, and make annotations on said registry of all subsequent acts relative to each contract, such as its renewal, novation, cancellation, etc.: Provided, That the municipal treasurer shall not charge any fee for the registration of said contracts or of any subsequent acts relative thereto, none of which shall be subject to the documentary stamp tax.

**SECTION 14. *Change of System.*** — The tenant shall have the right to change the tenancy contract from one of share tenancy to the leasehold tenancy and vice versa and from one crop-sharing arrangement to another of the share tenancy. If the share tenancy contract is in writing and is duly registered, the right may be exercised at the expiration of the period of the contract. In the absence of any written contract, the right may be exercised at the end of the agricultural year. In both cases the changed to the leasehold system shall be effective one agricultural year after the tenant has served notice of his intention to change upon the landholder.

**SECTION 15. *Interest on Loans or Advances.*** — On all loans or advances obtained by the tenant from the landholder in connection with the cultivation, planting, harvesting and other incidental expenses for the improvement of the crop planted, as well as loans or advances for the subsistence of the tenant and his family, the interest which may be stipulated shall not exceed eight per centum per calendar year: Provided, That on all loans or advances other than money, such as grain or other agricultural products, made computed on the basis of the current price of the produce at the time it was loaned. Violation of the provisions of this section shall be punished in accordance with the Usury Law.

**SECTION 16. *Memorandum of Loans or Advances.*** — Any obligation referring to any amount either in money or in kind, including the payment of interest, which the tenant may have received from time to time as loan or advance from the landholder, shall be void unless the same, or some note or memorandum thereof, be in writing in a language or dialect known to the party charged, and subscribed by said party, or by his authorized agent.

**SECTION 17. *Form of Final Accounting.*** — The final accounting between landholder and tenant at the end of each agricultural year shall be effected within ten days after the threshing in case of rice and within the same period of time after the harvest or gathering of the fruits in the case of crops. In case of crops which have to be said in processed form, the final accounting shall be within five days after the sale is consummated and the sales receipt shall be exhibited to the tenant.

The accounting shall be made to appear in a not or memorandum written in a language or dialect known to the tenant and signed by both parties in the presence of two witnesses who shall be selected by each party. Each of the contracting parties shall be furnished with a copy of said note or memorandum and such final accounting, once duly signed by both parties and two witnesses, shall be deemed conclusive evidence of its contents, except in case of fraud, error, force, intimidation or undue influence. When one of the parties is unable to read, the burden of proof, in case of doubt, to show that he understood the accounting, shall rest upon the other party who is able to read.

In the absence of a written accounting in accordance with the preceding paragraph, the tenant may, within three years from the date of the threshing of the crop in question, petition the Court to compel the landholder to render an accounting of the same in accordance with this section.

**SECTION 18. *Settlement of Debts.*** — Once the accounting is made, any amount of money which the landholder may have advanced to the tenant for expenses of cultivation, harvesting or gathering of the crop or for his own private use, as well as any amount of grain or agricultural products advanced for his subsistence and that of his family, shall be paid by the tenant out of his share either in grain or in money, at the option of the latter; Provided, That such grain or agricultural products shall be appraised in money according to their current market value at the place where the land is located at the time of their delivery to the tenant: Provided, further, That in case his share is not sufficient, his outstanding debt shall be reduced to money and shall bear an interest of not more than

ten per cent per annum: And provided, finally, That the remaining debts of the tenant once converted into money shall not again be converted into kind. Said outstanding debt money may, however, be paid in money or in agricultural products appraised at the local current market price at the time of payment.

**SECTION 19. *Exemption from Lien and/or Attachment.*** — Twenty-five per centum of the tenant's share of the produce of the land in share tenancy, or of the entire produce in leasehold tenancy, one work animal and one of each kind of farm implement belonging to the tenant, provided that the value of such work animal and implements do not exceed five hundred pesos, shall be exempt from lien and attachment.

**SECTION 20. *Use of Official Weights and Measures.*** — In all transactions entered into between the landholder and the tenant concerning agricultural products the official weights and measures of the Government shall be used.

**SECTION 21. *Ejectment: Violation; Jurisdiction.*** — All cases involving the dispossession of a tenant by the landholder or by a third party and/or the settlement and disposition of disputes arising from the relationship of landholder and tenant, as well as the violation of any of the provisions of this Act, shall be under the original and exclusive jurisdiction of such court as may now or hereafter be authorized by law to take cognizance of tenancy relations and disputes.

## PART II. THE SHARE SYSTEM

### CHAPTER I. COMMON PROVISIONS

#### SECTION 22. *Rights of the Tenant.* —

- (1) The tenant shall be free to work elsewhere whenever the nature of his farm obligation warrants his temporary absence from his holdings.
- (2) The tenant shall, aside from his labor, have the right to provide any of the contributions for production whenever he can do so adequately and on time.
- (3) The tenant's dwelling shall not, without his consent, be removed from the lot assigned to him by the landholder, unless there is a severance of the tenancy relationship between them as provided under Section nine, or unless the tenant is ejected for cause, and only after the expiration of forty-five days following such severance of relationship or dismissal for cause. If the tenant is dismissed without just cause and he is constrained to work elsewhere, he may choose either to remove his dwelling at the landholder's cost or demand the value of the same from the landholder at the time of the unjust dismissal.
- (4) The tenant shall have the right to be indemnified for his labor and expenses in the cultivation, planting, or harvesting and other incidental expenses for the improvement of the crop raised in case he is dispossessed of his holdings, whether such dismissal is for a just cause and not, provided the crop still exists at the time of the dispossession.

**SECTION 23. *Obligations for the tenant.*** — It shall be the obligation of the tenant:

- (1) To cultivate and take care of the farm, the growing crop and other improvements entrusted to him as a good father of a family, by doing all the work necessary in accordance with proven farming practices.
- (2) To inform the landholder at once of any trespass committed by a third person upon the farm.
- (3) To take reasonable care of the work animals and farm implements used in the point undertaking. He shall not use the work animals and farm implements entrusted to him by the landholder for purposes other than those intended, or allowed their use by other persons without the knowledge and consent of the landholder. The tenant shall not abandon or surrender his holdings and leave the farm and growing crop and other improvements unattended during the watch season, except for just and reasonable cause. In case of such unjustified abandonment or surrender, any or all of his expected share in the crop may, in the discretion of the court, be forfeited in favor of the landholder to the extent of the damage caused thereby. Any of the following shall be considered just and reasonable cause for the tenant to terminate the tenancy relationship;
  - (a) Cruel, inhuman or offensive treatment on the part of the landholder or his representative toward the tenant or any member of his immediate farm household.

- (b) Non-compliance on the part of the landholder with any of the obligations imposed upon him by the provisions of this Act or by the contract.
- (c) If the landholder or his representative compels the tenant or any member of his immediate farm household to do any work or render any service not in any way connected with his farm work, or even without compulsion if no compensation is paid.
- (d) Commission of a crime by the landholder or his representative against the tenant or any member of his immediate farm household.

**SECTION 24. *Prohibitions to Tenant.* —**

- (1) It shall be unlawful for the tenant, whenever the area of his holdings is five hectares or more, or is sufficient size to make him and the members of his immediate farm household fully occupied in its cultivation, to contract to work at the same time on two or more separate holdings belonging to different landholders under any system of tenancy, without the knowledge and consent of the land-holder with whom he first entered into tenancy relationship.
- (2) It shall be unlawful for a share-tenant to employ a sub-tenant to furnish labor or any phase of the work required of him under this Act, except in cases of illness or any temporary incapacity on his part, in which eventuality the tenant or any member of his immediate farm household is under obligation to report such illness or incapacity to the landholder. Payment to the sub-tenant, in whatever form, for services rendered on the land

under this circumstance, shall be for the account of the tenant.

- (3) Subject to provisions of the next preceding paragraph, land entrusted for cultivation to a leasehold tenant shall not be sub-let nor shall the lease be assigned by the tenant to another person, except with the written consent of the lessor.

**SECTION 25. *Rights of the Landholder:* —**

- (1) The landholder shall have the right to choose the kind of crop and the seeds with the tenant shall plant in his holdings: Provided, however, That if the tenant should object, the court shall settle the conflict, according to the best interest of both parties.
- (2) The landholder shall have the right to require the use of fertilizer of the kind or kinds shown by proven farm practices to be adapted to the requirements of the land.
- (3) The landholder shall have the right to inspect and observe the extent of compliance on the part of the tenant with the terms and conditions of their contract and the provisions of this Act.
- (4) In cases where the crop has to be sold in processed form before division and the tenant has no representative, the landholder, shall have the right to deal with millers or processors in representation of the tenant.

**SECTION 26. *Obligations of the Landholder:***

- (1) The landholder shall furnish the tenant an area of not less than one thousand square meters where the latter may construct his dwelling, raise vegetables, poultry, pigs, and other animals and engage in minor industries, the products of which shall accrue to the tenant exclusively.
- (2) The landholder shall keep the tenant in the peaceful possession and cultivation of his landholdings which are the subject matter of the contract.

**SECTION 27. *Prohibitions to the Landholder:***

- (1) The landholder shall not dispossess the tenant of his holdings except for any of the causes enumerated in Section fifty, and without the cause having been proved before, and the dispossession authorized by, the court; otherwise, he shall, aside from the penalty of fine and/or imprisonment provided for any violation of this Act, be liable to the tenant for damages to the extent of the landholder's right under Section twenty-two of this Act.
- (2) The landholder shall be responsible for the payment of taxes levied by the Government upon the land which is the subject-matter of the contract and it shall be unlawful to make the tenant bear in part of all of the same, either directly or indirectly.
- (3) The landholder shall not require the tenant to bear, directly or indirectly, any part of the rent, "canon" or other consideration which he, the

former, may be under obligation to pay to a third person for the use of the land.

**SECTION 28. *Expenses for Seeds; Fertilizer; Pest and Weed Control Expenses.***

- (1) The same amount of seeds or seedlings used in the production of any crop shall be deducted from the gross harvest and returned to the party who furnished the same.
- (2) The cost of fertilizer and expenses for pest and weed control as evidenced by sales invoices shall be paid out of the gross harvest and returned to the party who advanced the cost and expenses.

**SECTION 29. *Irrigation System.*** — The cost of the construction of an irrigation system, including the distributory canals, shall be borne exclusively by the landholder. The cost of maintenance and operation of the system shall, however, be borne by the landholder and the tenant in proportion to their respective shares in the harvest.

**SECTION 30. *Auxiliary Crop.*** — In case the land is planted to an auxiliary crop, the tenant shall receive eighty per centum and the landholder twenty per centum of the net produce, provided all expenses of production are borne by the tenant. Auxiliary crops shall, not, however, be construed to include the crops or products raised from the garden, poultry and other industries carried on the lot specifically provided for the tenant under Section 26(a) hereof.

**SECTION 31. *Cost of Fertilizer, etc.; when to be Advanced by the landholder.*** — Whenever the use of fertilizer or the application of insect, disease and

rodent control measures is directed by the landholder, he shall advance their cost, which shall be deducted from the gross produce.

## Chapter II. Rice Share Tenancy

**SECTION 32. *Share Basis.*** — The parties shall, on ricelands which produces a normal average of more than forty cavans per hectare for the three agricultural years next preceding the current harvest, receive as shares in the gross produce, after setting aside the same amount of palay used as seed, and after deducting the cost of fertilizer, pest and weed control, reaping and threshing, the amount corresponding to the total equivalent of their individual contributions, computed as follows;

### Contribution Participation

1. Land 30%
2. Labor 30%
3. Farm implements 5%
4. Work Animals 5%
5. Final harrowing of the field immediately before transplanting 5%
6. Transplanting 25%

**SECTION 33. *Share basis on Second Class Land.*** — On ricelands, which produce a normal average of forty cavans or less per hectare for the three agricultural years next preceding the current harvest, the participation for the contribution of the land shall be twenty-five per centum and that of labor, thirty-five per centum.

**SECTION 34. *Reimbursement Not Allowed.*** — Contributions or shares in the contribution to the production of the crop in the form of cash, grain or

services, once shouldered or rendered alone by one party may not be reimbursed by the other party after the phase or phases of work required in the joint undertaking shall have been completed.

**SECTION 35. *Sharing of Expenses.*** — In case the landholder and the tenant agree to share equally in the expenses of final harrowing of field and transplanting, the latter may engage the services of persons or helpers to perform these phases of farm work, provided the rates for each shall have been previously determined and agreed upon between the landholder and the tenant. In case of disagreement upon said rates, the party who undertakes to the corresponding share in the harvest, after deducting the expenses of reaping.

**SECTION 36. *Further Rights of the Tenant.*** — In addition to the provision of Section twenty-two, the tenant shall have the right to:

1. Determine when to scatter the seeds, to transplant the seedlings, and to reap the harvest, provided they shall be in accordance with proven farm practices and after due notice to the landholder.
2. Choose the thresher which shall thresh the harvest whenever it is the best available in the locality and the best suited to the landholder's and tenant's needs and provided the rate charged is equal to or lower than the rate charged by the owner of other threshers under similar circumstances: Provided, further, That in cases where there are more than tenant the selection of the majority of the tenants shall prevail: Provided, finally, That if the landholder is the owner of a thresher and is ready and willing to grant equal or lower rates

under the same conditions, the use of the landholder's thresher shall be given preference.

3. Apply appropriate pest, insect, disease and rodent control measures whenever in his judgment such action is necessary: Provided, however, That if a tenant fails to apply any of the above control measures after the landholder has made a request in writing for such action, he shall be liable for any loss resulting from such failure.
4. Apply fertilizer of the kind or kinds shown by proven farm practices to be adapted to the requirements of the land, provided the landholder has not exercised his right under Section twenty-five to require the use of such fertilizer.

**SECTION 37. *Further Rights of the Landholder.*** — In addition to the provisions of Section twenty-five, the landholder, by himself or through his representative, may determine:

1. The proper height of pilapils or dikes according to the local practices.
2. The location and size of irrigation canals.
3. The site for the stacking of the harvest, provided it shall not be farther than one kilometer from the center of the area cultivated by a majority of the tenants.
4. The date of threshing.

Provided, however, That in case of disagreement by the tenant in any of the foregoing instances, the court shall determine whatever may be in the interest or both parties.

**SECTION 38. *Labor; What It Constitutes.*** — The tenant shall perform the following as the labor contributed by him under Section thirty-two;

1. The preparation of the seedbed which shall include plowing, harrowing, and watering of the seedbed, the scattering of the seeds, and the care of the seedlings.
2. The plowing, harrowing, and watering of the area he is cultivating, except final harrowing of the field as an item of contribution specified in Section thirty-two of this Act.
3. The maintenance, repair and weeding of dikes, paddies, and irrigation canals in his holdings.
4. The pulling and bundling of the seedlings preparatory to their transplanting.
5. Care of the growing plants.
6. Gathering and bundling of the reaped harvest.
7. The piling of the bundles into small stacks.
8. The preparation of the place where the harvest is to be stacked.
9. Gathering of the small stacks and their transportation to the place where they are to be stacked.
10. Piling into a big stack preparatory to threshing.

**SECTION 39. *Prohibition on Pre-Threshing.*** — It shall be unlawful for either the tenant or the landholder, without mutual consent, to reap or thresh a portion of the crop at any time previous to the date set for its threshing. Any violation by either party shall be treated and penalized in accordance with this Act and/or under the general provisions of law applicable to the act committed.

**SECTION 40. *Place of Crop Division.*** — The division of the crop shall be made in the same place where the harvest has been threshed and each party shall transport his share to his warehouse or barn, unless the contrary is stipulated by the parties.

### **Chapter III. Share Tenancy on Crops other than Rice**

**SECTION 41. *Basis of Shares in Crops other than Rice.*** — The landholder and the tenant on lands which produce crops either than rice shall be free to enter into any contract stipulating the ratio of crop division. In the absence of a stipulation, the customs of the place shall govern: Provided, That whether the basis of division of the crop is the contract between the parties or the customs of the place, the share of the tenant for his labor in the production shall not less than thirty per cent of the harvest or produce, after deducting the expenses for harvesting and/or initial processing: Provided, further, That in cases where the share of the tenant is, according to local practices or customs prevailing at the time of the approval of this Act, more than the minimum herein set, the tenant's share thus established by local practices or customs shall prevail and be considered the minimum.

### PART III. THE LEASEHOLD TENANCY

**SECTION 42. *Landholder-Lessor and Tenant-Lessee, Defined.*** - Any person, natural or juridical, either as owner, lessee, usufructuary or legal possessor or agricultural land, who lets, leases or rents to another said property for purposes of agricultural production and for a price certain or ascertainable either in an amount of money or produce, shall be known as the landholder-lessor; and any person who, with the consent of the former, tills, cultivates or operates said land, susceptible of cultivation by one individual, personally or with the aid of labor available from among his own immediate farm household, is a tenant-lessee.

**SECTION 43. *Rights and Obligations of Tenant-Lessee.*** — With the creation of the tenancy relationship arising out of the contract between the landholder-lessor and tenant-lessee, the latter shall have the right to enter the premises of the land, and to the adequate and peaceful enjoyment thereof. He shall have the right to work the land according to his best judgment, provided this manner and method of cultivation and harvest are in accordance with proven farm practices. Upon termination of the relationship, he shall be entitled to one half of the value of the improvements made by him, provided they are reasonable and adequate to the purposes of the lease.

The tenant-lessee shall pay the consideration stipulated in the lease contract provided it shall not exceed the limit fixed in Section forty-six. In the absence of stipulation, the consideration shall be that established in said Section forty-six. He shall make proper use of the land and the improvements thereon

and shall be under obligation to cultivate it as a good father of a family, by doing all the work considered reasonable and necessary in accordance with proven farm practices. He is likewise obliged to take reasonable care of the work animals and farm implements that may be delivered to him by the land-holder, in case it is agreed between the parties that the landholder-lessor shall furnish any or all of them.

**SECTION 44. *Rights of Landholder-lessor.*** — The landholder-lessor or his duly authorized representatives shall have the right to inspect the premises of the land which is the subject of the lease for the purpose of ascertaining the tenant's compliance with the provisions of the contract and of this Act, but in no case shall he exercise any coercion, intimidation or violence in word or deed.

**SECTION 45. *Manner of Rental Payment.*** — Payment of the consideration for the use of land may be made either in an amount certain or ascertainable in money or in produce, or both.

**SECTION 46. *Consideration for the Use of Land.*** —

- (1) The consideration for the use of ricelands, shall not be more than thirty per centum of the gross produce for first class lands and not more than twenty-five per centum for second class lands. Classification of ricelands shall be determined by productivity: first class lands being those which yield more than forty cavans per hectare and second class lands being those which yield forty cavans or less, the same to be computed upon the normal average harvest of the three preceding years.

- (2) The consideration for agricultural land where exist fruit trees and other useful trees and plants, from which the whole or any portion of the produce of the said land is taken, shall not be more than what have been specified in the preceding section: Provided, however, That additional considerations for the employment of said trees and useful plants, if the principal product is rice or other crops, shall be decided and specified by negotiation between the landholder-lessor and the tenant-lessee; Provided, further, That where the tenant-lessee, during the period of the lease and/or in consideration thereof, plants and/or takes care of said trees and plants, with the consent of the landholder-lessor, the tenant-lessee shall be compensated by the latter in the manner agreed between them.
- (3) The consideration for the use of sugar lands, fishponds, saltbeds and of lands devoted to the raising of livestock shall be governed by stipulation between the parties.

**SECTION 47. *Rental of Work Animals, etc., and Applicability of Schedules.*** — Upon agreement of the parties, the tenant-lessee may make use of such work animals, farm implements or services belonging to the landholder-lessor as are available for hire, the consideration of which shall be based on their fair rental value.

The rates on the fair rental value for the use of work animals, farm implements and services, belonging to the landholder-lessor shall be those provided in Schedules "A", "B", and "C", which shall apply upon approval of this Act and shall remain in force, unless

the Secretary of Agricultural and Natural Resources revises the same in accordance with Section fifty-two.

**SECTION 48. *Loans and Interests.*** — Loans, either in money or in kind, obtained by a tenant-lessee from the landholder lessor shall be payable at the time stipulated: Provided, however, That this shall not be construed as prejudicing the right of the borrower to repay his obligation before the date of maturity. The loan, unless it is otherwise stipulated, shall be payable in money at not more than eight per cent interest per annum, computed from the date of the indebtedness was contracted up to and including the date of payment. A note or memorandum to evidence such indebtedness shall be executed in accordance with the provisions of Section sixteen.

#### **PART IV. SECURITY OF TENURE**

**SECTION 49. *Ejectment of Tenant.*** — Notwithstanding any agreement or provision of law as to the period, in all cases where land devoted to any agricultural purpose is held under any system of tenancy, the tenant shall not be dispossessed of his holdings except for any of the causes hereinafter enumerated and only after the same has been proved before, and the dispossession is authorized by, the court.

**SECTION 50. *Causes for the Dispossession of a Tenant.*** — Any of the following shall be a sufficient cause for the dispossession of a tenant from his holdings:

- (1) The bona fide intention of the landholder to cultivate the land himself personally or through the employment of farm machinery and implements: Provided, however, That should the landholder not

cultivate the land himself or should fail to employ mechanical farm implements for a period of one year after the dispossession of the tenant, it shall be presumed that he acted in bad faith and the land and damages for any loss incurred by him because of said dispossession: Provided, further, That the land-holder shall, at least one year but not more than two years prior to the date of his petition to dispossess the tenant under this subsection, file notice with the court and shall inform the tenant in writing in a language or dialect known to the latter of his intention to cultivate the land himself, either personally or through the employment of mechanical implements, together with a certification of the Secretary of Agriculture and Natural Resources that the land is suited for mechanization: Provided, further, That the dispossessed tenant and the members of his immediate household shall be preferred in the employment of necessary laborers under the new set-up.

- (2) When the current tenant violates or fails to comply with any of the terms and conditions of the contract or any of the provisions of this Act: Provided, however, That this subsection shall not apply when the tenant has substantially complied with the contract or with the provisions of this Act.
- (3) The tenant's failure to pay the agreed rental or to deliver the landholder's share: Provided, however, That this shall not apply when the tenant's failure is caused by a fortuitous event or force majeure.
- (4) When the tenant uses the land for a purpose other than that specified by agreement of the parties.

- (5) When a share-tenant fails to follow those proven farm practices which will contribute towards the proper care of the land and increased agricultural production.
- (6) When the tenant through negligence permits serious injury to the land which will impair its productive capacity.
- (7) Conviction by a competent court of a tenant or any member of his immediate family or farm household of a crime against the landholder or a member of his immediate family.

**SECTION 51. *Burden of Proof*.** — The burden of proof to show the existence of a lawful cause for the ejectment of a tenant shall rest upon the landholder.

#### **PART V. SPECIAL PROVISIONS**

**SECTION 52. *Duties of the Secretary of Agriculture and Natural Resources*.** — It shall be the duty of the Secretary of Agriculture and Natural Resources to:

1. Conduct such educational programs as circumstances may require adequately to acquaint tenants and landholders with their rights and responsibilities under this Act.
2. Revise the rental rates provided for in Schedules "A", and "B", whenever such revision is made necessary by changes in values and prices, so that the rental rates shall conform to the standard of fair rental value as defined in Section 5(m).
3. Facilitate the preparation and registration of landholder-tenant contracts through the distribution of

appropriate printed forms and instructions to guide the interested parties in drafting and executing rental agreements. The forms of contracts must bear the approval of the court.

4. Conduct surveys and researches to determine the extent of compliance, adaptability to different crops and areas and the fairness of this Act to all parties affected by its implementation.
5. Submit an annual report to the President containing an analysis showing the progress made toward attaining the objectives enumerated in Section two of this Act and recommendations concerning methods of improving the implementation and general effectiveness of this Act. Copies of this report shall be provided to members of the Congress.

**SECTION 53. *Duties of Secretary of Justice.*** — The Secretary of Justice, through the Executive Judge of the Court, shall be responsible for formulating a national enforcement program, among other things, through the assignment of judges and personnel, which will insure the full enforcement of the provisions of this Act.

**SECTION 54. *Representation by Counsel.*** — In all cases wherein a tenant cannot afford to be represented by counsel, it shall be the duty of the Public Defender of the Department of Labor to represent him, upon proper notification by the party concerned, or the court of competent jurisdiction shall assign or appoint counsel de oficio for the indigent tenant.

**SECTION 55. *Applicability of General Laws.*** — The provisions of existing laws which are not inconsistent

herewith shall apply to the contracts governed by this Act as well as to acts or omissions by either party against each other during, and in connection with, their relationship.

**SECTION 56. *Doubts to Be Solved in Favor of the Tenant.*** -In the interpretation and enforcement of this Act and other laws as well as of the stipulations between the landholder and the tenant, the courts and administrative officials shall solve all grave doubts in favor of the tenant.

**SECTION 57. *Penal Provision.*** — Violation of any of the provisions of this Act shall be punished with a fine not exceeding two thousand pesos or imprisonment not exceeding one year, or both in the discretion of the Court.

**SECTION 58. *Separability of Provisions.*** — If for any reason, any section or provision of this Act shall be questioned in any court, and shall be held to be unconstitutional or invalid, no other section or provision of this Act shall be effected thereby.

**SECTION 59. *Repealing Provisions.*** — Public Act Numbered Four thousand fifty-four, as amended by Republic Act Numbered Thirty-four, Commonwealth Act Numbered Fifty-three, Commonwealth Act Numbered Four hundred sixty-one as amended by Republic Act Numbered Forty-four, and all laws, rules and regulations inconsistent herewith are hereby repealed.

**SECTION 60. *Effective Date.*** — This Act shall take effect upon its approval.

Approved: August 30, 1954

## SCHEDULE "A"

The rental value of work animals and farm implements other than machinery, shall not exceed the allowable depreciation charges plus six per cent (6%) interest per annum computed on the market value of the said work animals and farm implements not fixed in this Schedule shall be those prevailing in the locality where the said animals and implements are rented.

Item	Market Value	Period of Depreciation in years	Allowable Depreciation charge	Allowable interest at 6 %	Fair Rental value per anum
1. Bullock	600.00	7	85.91	36.00	121.00
2. Horse, (native)	150.00	8	18.75	9.00	27.75
3. Cattle	200.00	7	28.57	12.00	40.57
4. Plow, iron	40.00	5	8.00	2.40	10.40
		2	12.50	1.50	14.00
5. Plow wooden	25.00	5	3.60	1.00	4.68
6. Harrow iron	18.00	10	40.00	24.00	64.00
7. Carreton (native cart)	400.00				

## SCHEDULE "B"

The rental value for farm machineries inclusive of tractors, tractor equipment, engines, motors, and pumps shall not exceed the allowable depreciation equal to one-tenth (1/10) of the current market value plus interest at six per cent (6% per annum).

## SCHEDULE "C"

The amounts to be charged by the landholder when he performs services in the operation of the farm enterprise shall not current the rates in the locality where such services are rendered.

**REPUBLIC ACT NO. 1400**

(September 9, 1955)

**AN ACT DEFINING A LAND TENURE POLICY, PROVIDING FOR AN INSTRUMENTALITY TO CARRY OUT THE POLICY, AND APPROPRIATING FUNDS FOR ITS IMPLEMENTATION**

**SECTION 1. *Short title.*** — This Act shall be known as the "Land Reform Act of 1955."

**SECTION 2. *Declaration of policy.*** — It is the declared policy of the State to create and maintain an agrarian system which is peaceful, prosperous and stable, and to this end the Government shall establish and distribute as many family-size farms to as many landless citizens as possible through the opening up of public agricultural lands and the division and distribution of private agricultural lands where agrarian conflicts exist, either by private arrangement with the owners or through expropriation proceedings.

**THE LAND TENURE ADMINISTRATION**

**SECTION 3. *Creation and composition.*** — For the purpose of carrying out the policy enunciated in this Act, there is hereby created a Land Tenure Administration, hereinafter called the Administration, which shall be directly under the control and supervision of and responsible to the President of the Philippines. The Administration shall consist of a Chairman and two members who shall be appointed by the President with the consent of the Commission on Appointments and shall hold office for a period of

five years. They may be removed for cause or for incapacity to discharge the duties of their office.

**SECTION 4. *Qualifications and compensation of members.*** — No person shall be appointed Chairman or member of the Administration unless he is natural born citizen of the Philippines, at least thirty-five years of age, and not related by affinity or consanguinity within the fourth civil degree to any landowner who may be affected by this Act.

The Chairman shall receive an annual compensation of fifteen thousand pesos and the members shall each receive an annual compensation of twelve thousand pesos.

**SECTION 5. *Functions.*** — It shall be the responsibility of the Administration to:

- (1) Make studies on the land tenure problems throughout the Philippines, prepare over-all long range plans to solve such problems, and keep the President and the Congress of the Philippines fully informed of the progress of the land tenure reform program;
- (2) Initiate immediate investigation in areas reporting land tenure difficulties and recommend appropriate action without delay;
- (3) Inform the President and the Congress of the Philippines of any deficiency of the other departments or agencies of the Government in the implementation of legislation bearing on or affecting the land tenure reform;

- (4) Prepare a plan for the systematic opening of virgin lands of the public domain for distribution to tenants, preference to be given to those tenants who are ejected by virtue of mechanization and to other landless citizens; and
- (5) To implement and carry out the expropriation and the resale or lease of urban lands already authorized by existing laws.

**SECTION 6. *Powers.*** — In pursuance of the policy enunciated in section two hereof, the Administration is authorized to:

- (1) Purchase private agricultural lands for resale at cost to bona fide tenants or occupants, or in the case of estates abandoned by the owners for the last five years, to private individuals who will work the lands themselves and who are qualified to acquire or own lands but who do not own more than six hectares of lands in the Philippines;
- (2) Initiate and prosecute expropriation proceedings for the acquisition of private agricultural lands in proper cases, for the same purpose of resale at cost: Provided, That the power herein granted shall apply only to private agricultural lands as to the area in excess of three hundred hectares of contiguous area if owned by natural persons and as to the area in excess of six hundred hectares if owned by corporations: Provided, further, That land where justified agrarian unrest exists may be expropriated regardless of its area.

- (3) Prepare a schedule of areas of family-size farm units, not exceeding six hectares each, for different crops in different localities; and
- (4) Promulgate such rules and regulations as may be necessary for the successful implementation of the provisions of this Act.

**SECTION 7. *Appointment of subordinate officials and employees.*** — To enable the Administration to implement the provisions of this Act more effectively, it shall have a Legal Staff, a Technical Staff and a Financial Staff, the personnel of which shall be appointed by the Administration which shall also fix their compensation.

**The Administration shall appoint, subject to Civil Service rules and regulations, fix the compensation and determine the duties of such officials and employees as the exigencies of the service may require. The Administration shall establish and prescribe its own rules, regulations, standards and records for the employment, promotion, transfer, welfare and compensation of employees and officers of the Administration and provide a system of organization to for responsibility and promote efficiency.**

**SECTION 8. *Assistance of other departments and agencies.*** — The Administration may call upon any department or agency of the Government for assistance and cooperation on any matter connected with the functions and powers of the Administration.

## NEGOTIABLE LAND CERTIFICATES

**SECTION 9. *Issuance.*** — The President, for the purposes provided for in this Act and upon recommendation of the Secretary of Finance and concurred in by the Monetary Board, is hereby authorized to issue negotiable land certificates upon the request of the Administration: Provided, That only sixty million a year will be issued during the first two years, and thirty million each year during the succeeding years.

Negotiable land certificates shall be issued in denomination of one thousand pesos or multiples of one thousand pesos and shall be payable to bearer on demand and presentation at the Central Bank. These certificates if presented for payment after five years from the date of issue shall earn interest at the rate of four per centum per annum; if presented for payment after ten years from the date of issue shall earn interest at the rate of four and one-half per centum per annum; and if presented for payment after fifteen years from the date of issue shall earn interest at the rate of five per centum per annum.

**SECTION 10. *Uses of certificates.*** — Negotiable land certificates may be used by the holder thereof for any of the following purposes:

- (1) Payment for agricultural lands or other properties purchased from the Government: Provided, however, That in the case of purchase of agricultural lands, the purchaser is not otherwise prohibited to own or hold agricultural lands under the Constitution;

- (2) Payment for the purchase of shares of stock or of the assets of any industrial or commercial corporations owned or controlled by the Government;
- (3) Payment of all tax obligations of the holder thereof, or of any debt or monetary obligation of the holder to the Government or any of its instrumentalities or agencies, including the Rehabilitation Finance Corporation and the Philippine National Bank: Provided, however, That payment of indebtedness shall not be less than twenty per centum of the total indebtedness of the debtor; and
- (4) As surety or performance bonds, in all cases where the Government may require or accept real property as bonds.

## **NEGOTIATED PURCHASE OF PRIVATE AGRICULTURAL LANDS**

**SECTION 11. *Lands subject to the purchase.*** — The Administration, acting for and on behalf of the Government, may negotiate to purchase any privately owned agricultural land when the majority of the tenants therein petition for such purchase.

**SECTION 12. *Action on the petition.*** — Upon receipt of the petition, the Administration shall;

- (1) Within thirty days, determine on the basis of the information contained in the petition, the suitability of the land for purchase, notify the petitioners and the landowner accordingly, and fix the date for preliminary negotiation;

- (2) Within sixty days from the preliminary negotiation, conduct investigations and technical surveys to determine title to the land and its real value, taking into account (a) the prevailing prices of similar lands in the immediate area, (b) the soil conditions topography and climate hazards, (c) actual production, (d) accessibility, and (e) improvements; and
- (3) Fix, within ninety days from the preliminary negotiation, the date for final negotiation.

**SECTION 13. *Deposit by tenants.*** — Before fixing the date for final negotiation under section twelve, paragraph (3), and in the interest of public welfare, the Administration shall require the tenants to form a cooperative to be affiliated with a government financing cooperative agency. Such cooperative agency shall deposit with the Administration an amount not exceeding twenty-five per centum of the annual gross produce of the principal crop or crops of such land on the basis of the average of harvest of the three years immediately preceding the year the petition was filed. This deposit shall be credited to the selling price to the tenants in accordance with the individual contribution of each to said deposit.

**SECTION 14. *Payment.*** — In negotiating for the purchase of agricultural land, the Administration shall offer to pay the purchase price wholly in land certificates or partly in legal tender and partly in land certificates: Provided, That the amount to be paid in legal tender shall in no case exceed fifty per centum of the purchase price: Provided, further, That the landowner, if he desires and the Administration so

agrees, may be paid, by way of barter or exchange, with such residential, commercial or industrial land owned by the Government as may be agreed upon by the parties.

**SECTION 15. *Outstanding debts of tenants.*** — In cases where the landowner is willing to accept payment wholly in land certificates, the Administration is authorized to include in the price to be paid the landowner all the outstanding debts, evidenced in writing, of the tenants to said landowner, the Administration to be thereafter reimbursed in accordance with such rules and regulations as it may promulgate: Provided, That the resulting increase in price by virtue of such inclusion will not be more than ten per centum of the total cost of the land agreed upon in the negotiated sale.

#### **EXPROPRIATION OF PRIVATE AGRICULTURAL LANDS**

**SECTION 16. *When proper.*** — The Administration may initiate and prosecute expropriation proceedings for the acquisition of private agricultural land subject to the provisions of section six, paragraph (2), upon petition of a majority of the tenants and after it is convinced of the suitability of such land for subdivision into family-size farm units, and that public interest will be served by its immediate acquisition, when any of the following conditions exists:

- (1) That the landowner falling within the terms of section six, paragraph (2), continues to refuse to sell after all efforts have been exhausted by the Administration to negotiate for its purchase; or

- (2) That the landowner is willing to sell under sections eleven and twelve but cannot agree with the Administration as to the price and/or the manner of its payment.

**SECTION 17. *Petition.*** — The petition, in case the landowner refuses to sell, shall be filed in the manner and form to be prescribed by the Administration. However, before initiating expropriation proceedings, the Administration shall make one last effort to purchase the land by negotiated sale.

**SECTION 18. *Possession of the land; procedure.*** — The Administration after commencing the expropriation suit may take immediate possession of the land upon deposit, with the Court which has acquired jurisdiction over the expropriation, of money or a certificate of deposit of a depository of the Republic of the Philippines as provided in section three of Rule 69 of the Rules of Court equal to the value of the land as provisionally and promptly determined by the Court taking into consideration the factors mentioned in section twelve, paragraph (2).

Thereafter the procedure in the Rules of Court with respect to eminent domain proceedings shall be followed. Pending judicial expropriation proceedings the owner of the land sought to be expropriated shall be given annually such allowance as his latest income tax return, prior to the institution of the proceedings, shows to be his net income from the land. Such allowance shall be approved by the court having jurisdiction and shall be deducted from the final amount awarded as compensation to the owner.

**SECTION 19. *Payment.*** — After the court has made a final determination of the just compensation for the land expropriated, it shall be paid wholly in cash unless the landowner chooses to be paid wholly or partly in land certificates, in which case section fifteen shall apply.

**SECTION 20. *Prohibition against alienation.*** — Upon the filing of the petition referred to in sections twelve and sixteen, the landowner cannot alienate any portion of the land covered by such petition except in pursuance of the provisions of this Act, or enter into any form of contract to defeat the purposes of this Act, and no ejectment proceedings against any tenant or occupant of the land covered by the petition shall be instituted or prosecuted until it becomes certain that the land shall not be acquired by the Administration.

### GENERAL PROVISIONS

**SECTION 21. *Resale of lands purchased or expropriated subject to condition.*** — It shall be a condition in all resale contracts and annotated on the Torrens titles of lands acquired and subdivided by authority of this Act that said lands shall not be subdivided, sold or in any manner transferred or encumbered without prior consent of the Administration and only to qualified farmers or tenants or to government banking institutions or agencies.

**SECTION 22. *Exemption from tax.*** — All land certificates issued by authority of this Act shall be exempt from all forms of taxes. The purchase price paid by the Government for any agricultural land acquired for resale to tenants under the authority of this Act, whether through negotiation or

expropriation, shall not be considered as income of the landowner concerned for purposes of the income tax.

**SECTION 23. *Definition of terms.*** — For the purposes of this Act, the following terms are defined as follows:

- (1) Agricultural lands — shall mean lands devoted to agricultural production and shall include the farm home lots.
- (2) Family-size farm units — shall mean such area of farm land not exceeding six hectares as will permit the efficient use of the labor resources of the farm family, taking into account the addition of such supplementary labor as may be necessary either for seasonal peak loads or during the developmental and transitional stages of the family itself.
- (3) At cost — shall mean the purchase price plus six per cent interest per annum for twenty-five years which includes the one per cent per annum for administration expenses, plus actual expenses for survey, subdivision and registration. The total, divided into twenty-five equal installments, shall be the annual cost to the tenant for twenty-five years.

**SECTION 24. *Payment of family-size farms sold to veterans and other government employees.*** —

Veterans of the Armed Forces of the Philippines and other government employees with backpay certificates from the Government are hereby authorized to use their backpay certificates in

payment of family-size farms that may be acquired by them by authority of this Act.

**SECTION 25. *Trust fund.*** — All collections from the redistribution of the lands acquired by the Administration, after deducting the one per cent for administration expenses and the actual expenses for survey, subdivision and registration, shall be kept in the National Treasury as a special trust fund to be used exclusively for the redemption of the land certificates and bonds issued by authority of this Act.

**SECTION 26. *Sinking fund; appropriation.*** — A sinking fund shall be established in such manner that the total annual contribution thereto, accrued at such rate of interest as may be determined by the Secretary of Finance in consultation with the Monetary Board, shall be sufficient to redeem at maturity the land certificates and bonds issued under this Act. Said fund shall be under the custody of the Central Bank for which shall invest the same in such manner as the Monetary Board may approve; shall charge all expenses of such investment to said sinking fund; and shall credit the same with the interest on investments and other income belonging to it.

A standing annual appropriation not exceeding twenty million pesos is hereby made out of the general fund in the National Treasury to provide for the sinking fund created in this section and to carry into effect the purposes of this Act.

In addition, there is hereby appropriated out of the bond issue authorized under Republic Act Numbered One thousand, the sum of one hundred million pesos to carry out the provisions of this Act.

**SECTION 27. *Appropriation for the Administration.*** — There is hereby appropriated out of any funds in the National Treasury not otherwise appropriated, the sum of three hundred thousand pesos for salaries, per diems, traveling expenses, furniture, office supplies and other expenses that may be incurred by the Administration for the fiscal year 1955-1956. The expenses of the Administration for the succeeding years shall be provided for in the corresponding annual general appropriation acts.

**SECTION 28. *Transfer of functions of the Division of Landed Estates, Bureau of Lands.*** — Upon the organization of the Administration, the Division of Landed Estates in the Bureau of Lands shall stand abolished and its functions, powers and duties, personnel, records, equipment and balances of appropriation shall thereupon be transferred to the said Administration.

**SECTION 29. *Repeal of laws.*** — All acts or parts of acts which are inconsistent with the provisions of this Act are hereby repealed.

**SECTION 30. *Effectivity.*** — This Act shall take effect upon its approval.

Approved: September 9, 1955

**REPUBLIC ACT NO. 3844**

August 8, 1963

**AN ACT TO ORDAIN THE AGRICULTURAL LAND REFORM CODE AND TO INSTITUTE LAND REFORMS IN THE PHILIPPINES, INCLUDING THE ABOLITION OF TENANCY AND THE CHANNELING OF CAPITAL INTO INDUSTRY, PROVIDE FOR THE NECESSARY IMPLEMENTING AGENCIES, APPROPRIATE FUNDS THEREFOR AND FOR OTHER PURPOSES**

PRELIMINARY CHAPTER, TITLE, DECLARATION OF POLICY AND COMPOSITION OF CODE

**SECTION 1. *Title.*** — This Act shall be known as the Agricultural Land Reform Code.**SECTION 2. *Declaration of Policy.*** — It is the policy of the State:

- (1) To establish owner-cultivatorship and the economic family-size farm as the basis of Philippine agriculture and, as a consequence, divert landlord capital in agriculture to industrial development;
- (2) To achieve a dignified existence for the small farmers free from pernicious institutional restraints and practices;
- (3) To create a truly viable social and economic structure in agriculture conducive to greater productivity and higher farm incomes;

- (4) To apply all labor laws equally and without discrimination to both industrial and agricultural wage earners;
- (5) To provide a more vigorous and systematic land resettlement program and public land distribution; and
- (6) To make the small farmers more independent, self-reliant and responsible citizens, and a source of genuine strength in our democratic society.

**SECTION 3. *Composition of Code.*** — In pursuance of the policy enunciated in Section two, the following are established under this Code:

- (1) An agricultural leasehold system to replace all existing share tenancy systems in agriculture;
- (2) A declaration of rights for agricultural labor;
- (3) An authority for the acquisition and equitable distribution of agricultural land;
- (4) An institution to finance the acquisition and distribution of agricultural land;
- (5) A machinery to extend credit and similar assistance to agriculture;
- (6) A machinery to provide marketing, management, and other technical services to agriculture;
- (7) A unified administration for formulating and implementing projects of land reform;

- (8) An expanded program of land capability survey, classification, and registration; and
- (9) A judicial system to decide issues arising under this Code and other related laws and regulations.

## CHAPTER I - AGRICULTURAL LEASEHOLD SYSTEM

### SECTION 4. *Abolition of Agricultural Share Tenancy.*

— Agricultural share tenancy, as herein defined, is hereby declared to be contrary to public policy and shall be abolished: Provided, That existing share tenancy contracts may continue in force and effect in any region or locality, to be governed in the meantime by the pertinent provisions of Republic Act Numbered Eleven hundred and ninety-nine, as amended, until the end of the agricultural year when the National Land Reform Council proclaims that all the government machineries and agencies in that region or locality relating to leasehold envisioned in this Code are operating, unless such contracts provide for a shorter period or the tenant sooner exercise his option to elect the leasehold system: Provided, further, That in order not to jeopardize international commitments, lands devoted to crops covered by marketing allotments shall be made the subject of a separate proclamation that adequate provisions, such as the organization of cooperatives, marketing agreements, or other similar workable arrangements, have been made to insure efficient management on all matters requiring synchronization of the agricultural with the processing phases of such crops: Provided, furthermore, That where the agricultural share tenancy contract has ceased to be operative by virtue of this Code, or where such a

tenancy contract has been entered into in violation of the provisions of this Code and is, therefore, null and void, and the tenant continues in possession of the land for cultivation, there shall be presumed to exist a leasehold relationship under the provisions of this Code, without prejudice to the right of the landowner and the former tenant to enter into any other lawful contract in relation to the land formerly under tenancy contract, as long as in the interim the security of tenure of the former tenant under Republic Act Numbered Eleven hundred and ninety-nine, as amended, and as provided in this Code, is not impaired: Provided, finally, That if a lawful leasehold tenancy contract was entered into prior to the effectivity of this Code, the rights and obligations arising therefrom shall continue to subsist until modified by the parties in accordance with the provisions of this Code.

**SECTION 5. *Establishment of Agricultural Leasehold Relation.*** — The agricultural leasehold relation shall be established by operation of law in accordance with Section four of this Code and, in other cases, either orally or in writing, expressly or impliedly.

**SECTION 6. *Parties to Agricultural Leasehold Relation.*** — The agricultural leasehold relation shall be limited to the person who furnishes the landholding, either as owner, civil law lessee, usufructuary, or legal possessor, and the person who personally cultivates the same.

**SECTION 7. *Tenure of Agricultural Leasehold Relation.*** — The agricultural leasehold relation once established shall confer upon the agricultural lessee the right to continue working on the landholding until such leasehold relation is extinguished. The

agricultural lessee shall be entitled to security of tenure on his landholding and cannot be ejected therefrom unless authorized by the Court for causes herein provided.

**SECTION 8. *Extinguishment of Agricultural Leasehold Relation.*** — The agricultural leasehold relation established under this Code shall be extinguished by:

- (1) Abandonment of the landholding without the knowledge of the agricultural lessor;
- (2) Voluntary surrender of the landholding by the agricultural lessee, written notice of which shall be served three months in advance; or
- (3) Absence of the persons under Section nine to succeed to the lessee, in the event of death or permanent incapacity of the lessee.

**SECTION 9. *Agricultural Leasehold Relation Not Extinguished by Death or Incapacity of the Parties.*** —

In case of death or permanent incapacity of the agricultural lessee to work his landholding, the leasehold shall continue between the agricultural lessor and the person who can cultivate the landholding personally, chosen by the agricultural lessor within one month from such death or permanent incapacity, from among the following: (a) the surviving spouse; (b) the eldest direct descendant by consanguinity; or (c) the next eldest descendant or descendants in the order of their age: Provided, That in case the death or permanent incapacity of the agricultural lessee occurs during the agricultural year, such choice shall be exercised at the end of that agricultural year: Provided, further, That in the event the agricultural lessor fails to exercise his choice

within the periods herein provided, the priority shall be in accordance with the order herein established.

In case of death or permanent incapacity of the agricultural lessor, the leasehold shall bind his legal heirs.

**SECTION 10. *Agricultural Leasehold Relation Not Extinguished by Expiration of Period, etc.*** — The agricultural leasehold relation under this Code shall not be extinguished by mere expiration of the term or period in a leasehold contract nor by the sale, alienation or transfer of the legal possession of the landholding. In case the agricultural lessor sells, alienates or transfers the legal possession of the landholding, the purchaser or transferee thereof shall be subrogated to the rights and substituted to the obligations of the agricultural lessor.

**SECTION 11. *Lessee's Right of Pre-emption.*** — In case the agricultural lessor decides to sell the landholding, the agricultural lessee shall have the preferential right to buy the same under reasonable terms and conditions: Provided, That the entire landholding offered for sale must be pre-empted by the Land Authority if the landowner so desires, unless the majority of the lessees object to such acquisition: Provided, further, That where there are two or more agricultural lessees, each shall be entitled to said preferential right only to the extent of the area actually cultivated by him. The right of pre-emption under this Section may be exercised within ninety days from notice in writing which shall be served by the owner on all lessees affected.

**SECTION 12. *Lessee's Right of Redemption.*** — In case the landholding is sold to a third person without the

knowledge of the agricultural lessee, the latter shall have the right to redeem the same at a reasonable price and consideration: Provided, That the entire landholding sold must be redeemed: Provided, further, That where these are two or more agricultural lessees, each shall be entitled to said right of redemption only to the extent of the area actually cultivated by him. The right of redemption under this Section may be exercised within two years from the registration of the sale, and shall have priority over any other right of legal redemption.

**SECTION 13. *Affidavit Required in Sale of Land Subject to Right of Pre-emption.*** — No deed of sale of agricultural land under cultivation by an agricultural lessee or lessees shall be recorded in the Registry of Property unless accompanied by an affidavit of the vendor that he has given the written notice required in Section eleven of this Chapter or that the land is not worked by an agricultural lessee.

**SECTION 14. *Right of Pre-emption and Redemption Not Applicable to Land to be Converted into Residential, Industrial and Similar Purposes.*** — The right of pre-emption and redemption granted under Sections eleven and twelve of this Chapter cannot be exercised over landholdings suitably located which the owner bought or holds for conversion into residential, commercial, industrial or other similar non-agricultural purposes: Provided, however, That the conversion be in good faith and is substantially carried out within one year from the date of sale. Should the owner fail to comply with the above condition, the agricultural lessee shall have the right to repurchase under reasonable terms and conditions said landholding from said owner within one year after the aforementioned period for conversion has

expired: Provided, however, That the tenure of one year shall cease to run from the time the agricultural lessee petitions the Land Authority to acquire the land under the provisions of paragraph 11 of Section fifty-one.

**SECTION 15. *Agricultural Leasehold Contract in General.*** — The agricultural lessor and the agricultural lessee shall be free to enter into any kind of terms, conditions or stipulations in a leasehold contract, as long as they are not contrary to law, morals or public policy. A term, condition or stipulation in an agricultural leasehold contract is considered contrary to law, morals or public policy:

- (1) If the agricultural lessee is required to pay a rental in excess of that which is hereinafter provided for in this Chapter;
- (2) If the agricultural lessee is required to pay a consideration in excess of the fair rental value as defined herein, for the use of work animals and/or farm implements belonging to the agricultural lessor or to any other person; or
- (3) If it is imposed as a condition in the agricultural leasehold contract:
  - (a) that the agricultural lessee is required to rent work animals or to hire farm implements from the agricultural lessor or a third person, or to make use of any store or services operated by the agricultural lessor or a third person; or
  - (b) that the agricultural lessee is required to perform any work or render any service

other than his duties and obligations provided in this Chapter with or without compensation; or

- (c) that the agricultural lessee is required to answer for any fine, deductions and/or assessments. Any contract by which the agricultural lessee is required to accept a loan or to make payment therefor in kind shall also be contrary to law, morals or public policy.

**SECTION 16. *Nature and Continuity of Conditions of Leasehold Contract.*** — In the absence of any agreement as to the period, the terms and conditions of a leasehold contract shall continue until modified by the parties: Provided, That in no case shall any modification of its terms and conditions prejudice the right of the agricultural lessee to the security of his tenure on the landholding: Provided, further, That in case of a contract with a period an agricultural lessor may not, upon the expiration of the period increase the rental except in accordance with the provisions of Section thirty-four.

**SECTION 17. *Form and Registration of Contract.*** — Should the parties decide to reduce their agreement into writing, the agricultural leasehold contract shall be drawn in quadruplicate in a language or dialect known to the agricultural lessee and signed or thumb-marked both by the agricultural lessee personally and by the agricultural lessor or his authorized representative, before two witnesses, to be chosen by each party. If the agricultural lessee does not know how to read, the contents of the document shall be read and explained to him by his witness. The contracting parties shall acknowledge the execution

of the contract before the justice of the peace of the municipality where the land is situated. No fees or stamps of any kind shall be required in the preparation and acknowledgment of the instrument. Each of the contracting parties shall retain a copy of the contract. The justice of the peace shall cause the third copy to be delivered to the municipal treasurer of the municipality where the land is located and the fourth copy to the Office of the Agrarian Counsel.

Except in case of mistake, violence, intimidation, undue influence, or fraud, an agricultural contract reduced in writing and registered as hereinafter provided, shall be conclusive between the contracting parties, if not denounced or impugned within thirty days after its registration.

**SECTION 18. *Registration of Leasehold Contract.*** —

The municipal treasurer shall, upon receipt of his copy of the contract, require the agricultural lessee and agricultural lessor to present their respective copies of the contract, and shall cause to be annotated thereon the date, time and place of registration as well as its entry or registration number.

**SECTION 19. *Registry of Agricultural Leasehold Contracts.*** —

The Municipal Treasurer of the municipality wherein the land is situated shall keep a record of all such contracts drawn and executed within his jurisdiction, to be known as "Registry of Agricultural Leasehold Contracts". He shall keep this registry together with a copy of each contract entered therein, and make annotations on said registry of all subsequent acts relative to each contract, such as its renewal, novation, cancellation, etc. No registration fees or documentary stamps shall be required in the registration of said contracts or of any subsequent acts relative thereto.

**SECTION 20. *Memorandum of Loans.*** — No obligation to pay money on account of loans including interest thereon obtained by the agricultural lessee from the agricultural lessor or his representative shall be enforceable unless the same or a memorandum thereof be in writing in a language or dialect known to the agricultural lessee, and signed or thumb-marked by him, or by his agent.

**SECTION 21. *Exemption from Lien and/or Execution.*** — The following shall be exempt from lien and/or execution against the agricultural lessee:

- (1) Twenty-five per centum of the entire produce of the land under cultivation; and
- (2) Work animals and farm implements belonging to the agricultural lessee: Provided, that their value does not exceed one thousand pesos. But no article or species of property mentioned in this Section shall be exempt from execution issued upon a judgment recovered for its price or upon a judgment of foreclosure of a mortgage thereon.

**SECTION 22. *Use of Accepted Standards of Weights and Measures.*** — In all transactions entered into between the agricultural lessee and the agricultural lessor concerning agricultural products the official or, upon agreement of the parties, the accepted standards of weights and measures shall be used.

**SECTION 23. *Rights of Agricultural Lessee in General.*** — It shall be the right of the agricultural lessee:

- (1) To have possession and peaceful enjoyment of the land;
- (2) To manage and work on the land in a manner and method of cultivation and harvest which conform to proven farm practices;
- (3) To mechanize all or any phase of his farm work; and
- (4) To deal with millers and processors and attend to the issuance of quedans and warehouse receipts for the produce due him.

**SECTION 24. *Right to a Home Lot.*** — The agricultural lessee shall have the right to continue in the exclusive possession and enjoyment of any home lot he may have occupied upon the effectivity of this Code, which shall be considered as included in the leasehold.

**SECTION 25. *Right to be Indemnified for Labor.*** — The agricultural lessee shall have the right to be indemnified for the cost and expenses incurred in the cultivation, planting or harvesting and other expenses incidental to the improvement of his crop in case he surrenders or abandons his landholding for just cause or is ejected therefrom. In addition, he has the right to be indemnified for one-half of the necessary and useful improvements made by him on the landholding: Provided, That these improvements are tangible and have not yet lost their utility at the time of surrender and/or abandonment of the landholding, at which time their value shall be determined for the purpose of the indemnity for improvements.

**SECTION 26. *Obligations of the Lessee.*** — It shall be the obligation of the agricultural lessee:

- (1) To cultivate and take care of the farm, growing crops, and other improvements on the landholding as a good father of a family and perform all the work therein in accordance with proven farm practices;
- (2) To inform the agricultural lessor within a reasonable time of any trespass committed by third persons upon the farm, without prejudice to his direct action against the trespasser;
- (3) To take reasonable care of the work animals and farm implements delivered to him by the agricultural lessor and see that they are not used for purposes other than those intended or used by another without the knowledge and consent of the agricultural lessor: Provided, however, That if said work animals get lost or die, or said farm implements get lost or are destroyed, through the negligence of the agricultural lessee, he shall be held responsible and made answerable therefor to the extent of the value of the work animals and/or farm implements at the time of the loss, death or destruction;
- (4) To keep his farm and growing crops attended to during the work season. In case of unjustified abandonment or neglect of his farm, any or all of his expected produce may, upon order of the Court, be forfeited in favor of the agricultural lessor to the extent of the damage caused thereby;

- (5) To notify the agricultural lessor at least three days before the date of harvesting or, whenever applicable, of threshing; and
- (6) To pay the lease rental to the agricultural lessor when it falls due.

**SECTION 27. *Prohibitions to Agricultural Lessee.*** — It shall be unlawful for the agricultural lessee:

- (1) To contract to work additional landholdings belonging to a different agricultural lessor or to acquire and personally cultivate an economic family-size farm, without the knowledge and consent of the agricultural lessor with whom he had entered first into household, if the first landholding is of sufficient size to make him and the members of his immediate farm household fully occupied in its cultivation; or
- (2) To employ a sub-lessee on his landholding: Provided, however, That in case of illness or temporary incapacity he may employ laborers whose services on his landholding shall be on his account.

**SECTION 28. *Termination of Leasehold by Agricultural Lessee During Agricultural Year.*** — The agricultural lessee may terminate the leasehold during the agricultural year for any of the following causes:

- (1) Cruel, inhuman or offensive, treatment of the agricultural lessee or any member of his immediate farm household by the agricultural lessor or his representative with the knowledge and consent of the lessor;

- (2) Non-compliance on the part of the agricultural lessor with any of the obligations imposed upon him by the provisions of this Code or by his contract with the agricultural lessee;
- (3) Compulsion of the agricultural lessee or any member of his immediate farm household by the agricultural lessor to do any work or render any service not in any way connected with farm work or even without compulsion if no compensation is paid;
- (4) Commission of a crime by the agricultural lessor or his representative against the agricultural lessee or any member of his immediate farm household; or
- (5) Voluntary surrender due to circumstances more advantageous to him and his family.

**SECTION 29. *Rights of the Agricultural Lessor.*** — It shall be the right of the agricultural lessor:

- (1) To inspect and observe the extent of compliance with the terms and conditions of their contract and the provisions of this Chapter;
- (2) To propose a change in the use of the landholding to other agricultural purposes, or in the kind of crops to be planted: Provided, That in case of disagreement as to the proposed change, the same shall be settled by the Court according to the best interest of the parties concerned: Provided, further, That in no case shall an agricultural lessee be ejected as a consequence of the conversion of the land to

some other agricultural purpose or because of a change in the crop to be planted;

- (3) To require the agricultural lessee, taking into consideration his financial capacity and the credit facilities available to him, to adopt in his farm proven farm practices necessary to the conservation of the land, improvement of its fertility and increase of its productivity: Provided, That in case of disagreement as to what proven farm practice the lessee shall adopt, the same shall be settled by the Court according to the best interest of the parties concerned; and
- (4) To mortgage expected rentals.

**SECTION 30. *Obligations of the Agricultural Lessor.*** — It shall be the obligation of the agricultural lessor:

- (1) To keep the agricultural lessee in peaceful possession and cultivation of his landholding; and
- (2) To keep intact such permanent useful improvements existing on the landholding at the start of the leasehold relation as irrigation and drainage system and marketing allotments, which in the case of sugar quotas shall refer both to domestic and export quotas, provisions of existing laws to the contrary notwithstanding.

**SECTION 31. *Prohibitions to the Agricultural Lessor.*** — It shall be unlawful for the agricultural lessor:

- (1) To dispossess the agricultural lessee of his landholding except upon authorization by the Court under Section thirty-six. Should the

agricultural lessee be dispossessed of his landholding without authorization from the Court, the agricultural lessor shall be liable for damages suffered by the agricultural lessee in addition to the fine or imprisonment prescribed in this Code for unauthorized dispossession;

- (2) To require the agricultural lessee to assume, directly or indirectly, the payment of the taxes or part thereof levied by the government on the landholding;
- (3) To require the agricultural lessee to assume, directly or indirectly, any part of the rent, "canon" or other consideration which the agricultural lessor is under obligation to pay to third persons for the use of the land;
- (4) To deal with millers or processors without written authorization of the lessee in cases where the crop has to be sold in processed form before payment of the rental; or
- (5) To discourage, directly or indirectly, the formation, maintenance or growth of unions or organizations of agricultural lessees in his landholding, or to initiate, dominate, assist or interfere in the formation or administration of any such union or organization.

**SECTION 32. *Cost of Irrigation System.*** — The cost of construction of a permanent irrigation system, including distributory canals, may be borne exclusively by the agricultural lessor who shall be entitled to an increase in rental proportionate to the resultant increase in production: Provided, That if the agricultural lessor refuses to bear the expenses of

construction the agricultural lessee or lessees may shoulder the same, in which case the former shall not be entitled to an increase in rental and shall, upon the termination of the relationship, pay the lessee or his heir the reasonable value of the improvement at the time of the termination: Provided, further, That if the irrigation system constructed does not work, it shall not be considered as an improvement within the meaning of this Section.

SECTION 33. Manner, Time and Place of Rental Payment. — The consideration for the lease of the land shall be paid in an amount certain in money or in produce, or both, payable at the place agreed upon by the parties immediately after threshing or processing if the consideration is in kind, or within a reasonable time thereafter, if not in kind.

In no case shall the agricultural lessor require the agricultural lessee to file a bond, make a deposit or pay the rental in advance, in money or in kind or in both, but a special and preferential lien is hereby created in favor of the agricultural lessor over such portion of the gross harvest necessary for the payment of the rental due in his favor.

**SECTION 34. *Consideration for the Lease of Riceland and Lands Devoted to Other Crops.*** — The consideration for the lease of riceland and lands devoted to other crops shall not be more than the equivalent of twenty-five per centum of the average normal harvest during the three agricultural years immediately preceding the date the leasehold was established after deducting the amount used for seeds and the cost of harvesting, threshing, loading, hauling and processing, whichever are applicable: Provided, That if the land has been cultivated for a

period of less than three years, the initial consideration shall be based on the average normal harvest during the preceding years when the land was actually cultivated, or on the harvest of the first year in the case of newly-cultivated lands, if that harvest is normal: Provided, further, That after the lapse of the first three normal harvests, the final consideration shall be based on the average normal harvest during these three preceding agricultural years: Provided, furthermore, That in the absence of any agreement between the parties as to the rental, the maximum allowed herein shall apply: Provided, finally, That if capital improvements are introduced on the farm not by the lessee to increase its productivity, the rental shall be increased proportionately to the consequent increase in production due to said improvements. In case of disagreement, the Court shall determine the reasonable increase in rental.

**SECTION 35. *Exemption from Leasehold of Other Kinds of Lands.*** — Notwithstanding the provisions of the preceding Sections, in the case of fishponds, saltbeds, and lands principally planted to citrus, coconuts, cacao, coffee, durian, and other similar permanent trees at the time of the approval of this Code, the consideration, as well as the tenancy system prevailing, shall be governed by the provisions of Republic Act Numbered Eleven hundred and ninety-nine, as amended.

**SECTION 36. *Possession of Landholding; Exceptions.*** — Notwithstanding any agreement as to the period or future surrender, of the land, an agricultural lessee shall continue in the enjoyment and possession of his landholding except when his dispossession has been authorized by the Court in a judgment that is final and executory if after due hearing it is shown that:

- (1) The agricultural lessor-owner or a member of his immediate family will personally cultivate the landholding or will convert the landholding, if suitably located, into residential, factory, hospital or school site or other useful non-agricultural purposes: Provided; That the agricultural lessee shall be entitled to disturbance compensation equivalent to five years rental on his landholding in addition to his rights under Sections twenty-five and thirty-four, except when the land owned and leased by the agricultural lessor, is not more than five hectares, in which case instead of disturbance compensation the lessee may be entitled to an advanced notice of at least one agricultural year before ejectment proceedings are filed against him: Provided, further, That should the landholder not cultivate the land himself for three years or fail to substantially carry out such conversion within one year after the dispossession of the tenant, it shall be presumed that he acted in bad faith and the tenant shall have the right to demand possession of the land and recover damages for any loss incurred by him because of said dispossessions.
- (2) The agricultural lessee failed to substantially comply with any of the terms and conditions of the contract or any of the provisions of this Code unless his failure is caused by fortuitous event or force majeure;
- (3) The agricultural lessee planted crops or used the landholding for a purpose other than what had been previously agreed upon;

- (4) The agricultural lessee failed to adopt proven farm practices as determined under paragraph 3 of Section twenty-nine;
- (5) The land or other substantial permanent improvement thereon is substantially damaged or destroyed or has unreasonably deteriorated through the fault or negligence of the agricultural lessee;
- (6) The agricultural lessee does not pay the lease rental when it falls due: Provided, That if the non-payment of the rental shall be due to crop failure to the extent of seventy-five per centum as a result of a fortuitous event, the non-payment shall not be a ground for dispossession, although the obligation to pay the rental due that particular crop is not thereby extinguished; or
- (7) The lessee employed a sub-lessee on his landholding in violation of the terms of paragraph 2 of Section twenty-seven.

**SECTION 37. *Burden of Proof*.** — The burden of proof to show the existence of a lawful cause for the ejectment of an agricultural lessee shall rest upon the agricultural lessor.

**SECTION 38. *Statute of Limitations*.** — An action to enforce any cause of action under this Code shall be barred if not commenced within three years after such cause of action accrued.

## CHAPTER II - BILL OF RIGHTS FOR AGRICULTURAL LABOR

**SECTION 39. *Rights for Agricultural Labor.*** — To enable the farm workers to enjoy the same rights and opportunities in life as industrial workers, they shall enjoy the following:

- (1) Right to self-organization;
- (2) Right to engage in concerted activities;
- (3) Right to minimum wage;
- (4) Right to work for not more than eight hours;
- (5) Right to claim for damages for death or injuries sustained while at work;
- (6) Right to compensation for personal injuries, death or illness; and
- (7) Right against suspension or lay-off.

**SECTION 40. *Right to Self-Organization.*** — The farm workers shall have the right to self-organization and to form, join or assist farm workers' organizations of their own choosing for the purpose of collective bargaining through representatives of their own choosing: Provided, That this right shall be exercised in a manner as will not unduly interfere with the normal farm operations. Individuals employed as supervisors shall not be eligible for membership in farm workers' organizations under their supervision but may form separate organizations of their own.

**SECTION 41. *Right to Engage in Concerted Activities.*** — The farm workers shall also have the right to engage in concerted activities for the purpose of

collective bargaining and other mutual aid or protection.

For the purpose of this and the preceding Section, it shall be the duty of the farm employer or manager to allow the farm workers, labor leaders, organizers, advisers and helpers complete freedom to enter and leave the farm, plantation or compound at the portion of the same where said farm workers live or stay permanently or temporarily.

**SECTION 42. *Right to Minimum Wage.*** — Notwithstanding any provision of law or contract to the contrary, farm workers in farm enterprises shall be entitled to at least P3.50 a day for eight hours' work: Provided, that this wage may, however, be increased by the Minimum Wage Board as provided for in Republic Act Numbered Six hundred and two.

**SECTION 43. *Right to Eight Hours' Work.*** — Notwithstanding the provision of existing laws to the contrary, farm workers shall not be required to work for more than eight hours daily. When the work is not continuous, the time during which the farm worker is not working and can leave his working place and can rest completely shall not be counted.

Work may be performed beyond eight hours a day in case of actual or impending emergencies caused by serious accidents, fire, flood, typhoon, epidemic, or other disaster or calamity, or in case of urgent work to be performed on farm machines, equipment or installations in order to avoid a serious loss which the farm employer or manager would otherwise suffer, or some other just cause of a similar nature, but in all such cases the farm workers shall be entitled to receive compensation for the overtime work

performed at the same rate as their regular wages, plus at least twenty-five per centum additional, based on their daily wages.

No farm employer or manager shall compel a farm worker to work during Sundays and legal holidays: Provided, however, That should the farm worker agree to work on said days, he shall be paid an additional sum of at least twenty-five per centum of his regular compensation; Provided, further, That the farm employer or manager shall not be held liable for any claim for overtime work which he had not previously authorized, except if the work rendered was to avoid damages to crops, produce, work animals or implements, buildings or the like. Any agreement or contract between the farm employer or manager and the farm worker contrary to the provisions of this Section shall be null and void.

**SECTION 44. *Right of Action for Damages.*** — Notwithstanding the provisions of existing laws to the contrary, Act Numbered Eighteen hundred and seventy-four, as amended, entitled "An Act to extend and regulate the responsibility of employers for personal injuries and death suffered by their employees while at work", shall apply to farm workers insofar as it may be applicable.

**SECTION 45. *Right to Compensation for Personal Injuries, Death, or Illness.*** — Notwithstanding the provisions of existing laws to the contrary, Act Numbered Thirty-four hundred and twenty-eight, as amended, entitled "An Act prescribing the compensation to be received by employees for personal injuries, death or illness contracted in the performance of their duties", shall apply to farm workers insofar as it may be applicable.

**SECTION 46. *Right Against Suspension of Lay-off* . —** The landowner, farm employer or farm manager shall not suspend, lay-off or dismiss any farm worker without just cause from the time a farm workers' organization or group of farm workers has presented to the landowner a petition or complaint regarding any matter likely to cause a strike or lockout and a copy thereof furnished with the Department of Labor, or while an agricultural dispute is pending before the Court of Agrarian Relations. If it is proved during the said period that a worker has been suspended or dismissed without just cause, the Court may direct the reinstatement and the payment of his wage during the time of his suspension or dismissal or of any sum he should have received had he not been suspended or dismissed, without prejudice to any criminal liability of the landowner, farm employer or farm manager as prescribed by Section twenty-four of Commonwealth Act Numbered One hundred and three, as amended.

**SECTION 47. *Other Applicable Provisions*.** — All other existing laws applicable to non-agricultural workers in private enterprises which are not inconsistent with this Code shall likewise apply to farm workers, farm labor organizations and agrarian disputes as defined in this Code, as well as to relations between farm management and farm labor and the functions of the Department of Labor and other agencies.

**SECTION 48. Exceptions to Preceding Section.** — The preceding Sections of this Chapter, except Sections forty, forty-one, forty-two and forty-three shall not apply to farm enterprises comprising not more than twelve hectares.

### CHAPTER III - LAND AUTHORITY

#### ARTICLE I . ORGANIZATION AND FUNCTIONS OF THE LAND AUTHORITY

**SECTION 49. *Creation of the Land Authority.*** — For the purpose of carrying out the policy of establishing owner-cultivatorship and the economic family-size farm as the basis of Philippine agriculture and other policies enunciated in this Code, there is hereby created a Land Authority, hereinafter called the Authority, which shall be directly under the control and supervision of the President of the Philippines. The Authority shall be headed by a Governor who shall be appointed by the President with the consent of the Commission on Appointments.

He shall be assisted by two Deputy Governors who shall be appointed by the President with the consent of the Commission on Appointments, each of whom shall head such operating departments as may be set up by the Governor. The Governor and the Deputy Governors shall hold office for five years.

**SECTION 50. *Qualifications and Compensation of Governors.*** — No person shall be appointed Governor or Deputy Governor of the Authority unless he is a natural-born citizen of the Philippines, with adequate background and experience in land reform here and/or elsewhere, and at least thirty-five years of age.

The Governor shall receive an annual compensation of twenty-four thousand pesos; the Deputy Governors shall each receive an annual compensation of eighteen thousand pesos.

**SECTION 51. *Powers and Functions.*** — It shall be the responsibility of the Authority:

- (1) To initiate and prosecute expropriation proceedings for the acquisition of private agricultural lands as defined in Section one hundred sixty-six of Chapter XI of this Code for the purpose of subdivision into economic family-size farm units and resale of said farm units to bona fide tenants, occupants and qualified farmers: Provided, That the powers herein granted shall apply only to private agricultural lands subject to the terms and conditions and order of priority herein below specified:
  - a. all idle or abandoned private agricultural lands, except those held or purchased within one year from the approval of this Code by private individuals or corporations for the purpose of resale and subdivision into economic family-size farm units in accordance with the policies enunciated in this Code: Provided, That the subdivision and resale shall be substantially carried out within one year from the approval of this Code;
  - b. all private agricultural lands suitable for subdivision into economic family-size farm units, owned by private individuals or corporations worked by lessees, no substantial portion of whose landholding in relation to the area sought to be expropriated, is planted to permanent crops under labor administration, in excess of seventy-five hectares except all private agricultural lands under labor administration and lands acquired under Section seventy-one of this Code; and

- c. in expropriating private agricultural lands declared by the National Land Reform Council or by the Land Authority within a land reform district to be necessary for the implementation of the provisions of this Code, the following order of priority shall be observed:
1. idle or abandoned lands;
  2. those whose area exceeds 1,024 hectares;
  3. those whose area exceeds 500 hectares but is not more than 1,024 hectares;
  4. those whose area exceeds 144 hectares but is not more than 500 hectares; and
  5. those whose area exceeds 75 hectares but is not more than 144 hectares.
- (2) To help bona fide farmers without lands or agricultural owner-cultivators of uneconomic-size farms to acquire and own economic family-size farm units;
- (3) To administer and dispose of agricultural lands of the public domain under the custody and administration of the National Resettlement and Rehabilitation Administration prior to the approval of this Code and such other public agricultural lands as may hereafter be reserved by the President of the Philippines for resettlement and sale, in accordance with such terms and conditions as are set forth under this Chapter: Provided, That the exercise of the authority granted herein, as well as in the preceding sub-paragraph, shall not contravene public policy on the permanency of forest

- reserves or other laws intended for the preservation and conservation of public forests;
- (4) To develop plans and initiate actions for the systematic opening of alienable and disposable lands of the public domain for speedy, distribution to and development by deserving and qualified persons or corporations;
  - (5) To recommend to the President, from time to time after previous consultation with the Secretary of Agriculture and Natural Resources, what portion of the alienable or disposable public lands shall be reserved for settlement or disposition under this chapter;
  - (6) To give economic family-size farms to landless citizens of the Philippines who need, deserve, and are capable of cultivating the land personally, through organized resettlement, under the terms and conditions the Authority may prescribe, giving priority to qualified and deserving farmers in the province where such lands are located;
  - (7) To reclaim swamps and marshes, obtain titles thereto whenever feasible and subdivide them into economic family-size farms for distribution to deserving and qualified farmers;
  - (8) To undertake measures which will insure the early issuance of titles to persons or corporations who have actually settled and cultivated disposable alienable lands of the public domain;
  - (9) To survey, subdivide and set aside lands or areas of landholdings under its administration for

economic family-size farms, large-scale farm operations, town sites, roads, parks, government centers and other civic improvements as circumstances may warrant and to submit subdivision survey plans conducted either by the government or private surveyors on parcels of lands under its administration for verification and approval either by the Director of Lands or by the Land Registration Commission;

- (10) To inform the Agricultural Productivity Commission and the Office of the Agrarian Counsel of the problems of settlers and farmers on lands under its administration;
- (11) To acquire for agricultural lessees exercising their right of pre-emption under Chapter I of this Code, any landholdings mentioned thereunder;
- (12) To conduct land capability survey and classification of the entire country and print maps;
- (13) To make such arrangements with the Land Bank with respect to titles of agricultural lands of the public domain under its administration as will be necessary to carry out the objectives of this Code;
- (14) To expropriate home lots occupied by agricultural lessees outside their landholdings for resale at cost to said agricultural lessees; and
- (15) To submit to the President of the Philippines and to both Houses of Congress through their presiding officers, to the Secretary of Finance and to the Auditor General within sixty days of the close of the fiscal year, an annual report showing its accomplishments during the year;

the expropriation proceedings it has undertaken; the expenditures it has incurred and other financial transactions undertaken with respect thereto.

**SECTION 52. *Appointment of Subordinate Officials and Employees.*** — The Governor shall organize the personnel in such departments, divisions and sections of the Authority as will insure their maximum efficiency. He shall appoint, subject to civil service rules and regulations, fix the compensation, subject to WAPCO rules and regulations, and determine the duties of subordinate officials and employees as the exigencies of the service may require.

## **ARTICLE II. EXPROPRIATION OF PRIVATE AGRICULTURAL LANDS**

**SECTION 53. *Compulsory Purchase of Agricultural Lands.*** — The Authority shall, upon petition in writing of at least one-third of the lessees and subject to the provisions of Chapter VII of this Code, institute and prosecute expropriation proceedings for the acquisition of private agricultural lands and home lots enumerated under Section fifty-one. In the event a landowner agrees to sell his property under the terms specified in this Chapter and the National Land Reform Council finds it suitable and necessary to acquire such property, a joint motion embodying the agreement, including the valuation of the property, shall be submitted by the Land Authority and the land-owner to the Court for approval: Provided, That in such case, any person qualified to be a beneficiary of such expropriation or purchase may object to the valuation as excessive, in which case the Court shall determine the just compensation in accordance with Section fifty-six of this Code.

**SECTION 54. *Possession of the Land; Procedure.*** — The Authority, after commencing the expropriation suit, may take immediate possession of the land upon deposit with the Court that has acquired jurisdiction over the expropriation proceedings in accordance with the Rules of Court, of money, and bonds of the Land Bank, in accordance with the proportions provided for under Section eighty of this Code, equal to the value as determined by the Court in accordance with the provisions of Section fifty-six hereof.

**SECTION 55. *Expeditious Survey and Subdivision.*** — Immediately after the Authority takes possession of lands to be acquired by it under this Code, it shall undertake a subdivision survey of the land into economic family-size farms which shall be immediately assigned to beneficiaries selected in accordance with Section one hundred and twenty-eight subject to such rules and regulations as it may prescribe.

**SECTION 56. *Just Compensation.*** — In determining the just compensation of the land to be expropriated pursuant to this Chapter, the Court, in land under leasehold, shall consider as a basis, without prejudice to considering other factors also, the annual lease rental income authorized by law capitalized at the rate of six per centum per annum. The owner of the land expropriated shall be paid in accordance with Section eighty of this Act by the Land Bank and pursuant to an arrangement herein authorized.

**SECTION 57. *Duty of Court in Expropriation Proceedings.*** — In expropriation proceedings, it shall be the duty of the Court to include in its resolution or

order of expropriation a provision that the Land Authority shall, after taking possession of the land and after the subdivision thereof, allow the Land Bank to have the title thereto for the purpose of paying the owner the just compensation therefor.

**SECTION 58. *Issuance of Certificates of Title for Parcel or Lot.*** — After the payment of just compensation on the land expropriated the Land Bank shall cause the issuance of separate certificates of titles for each parcel or lot in accordance with the subdivision survey made under Section fifty-five.

**SECTION 59. *Prohibition Against Alienation and Ejectment.*** — Upon the filing of the petition referred to in Section fifty-three the landowner may not alienate any portion of the land covered by such petition except in pursuance of the provisions of this Code, or enter into any form of contract to defeat the purposes of this Code, and no ejectment proceedings against any lessee or occupant of the land covered by the petition shall be instituted or prosecuted until it becomes certain that the land shall not be acquired by the Authority.

**SECTION 60. *Disposition of Expropriated Land.*** — After separate certificates of titles have been issued in accordance with Section fifty-eight, the Land Authority, on behalf of the Republic of the Philippines and in representation of the Land Bank as the financing agency, shall allot and sell each parcel or lot to a qualified beneficiary selected under Section fifty-five of this Code, subject to uniform terms and conditions imposed by the Land Bank: Provided, That the resale shall be at cost which shall mean the purchase price not more than six per centum per annum, which shall cover administrative expenses,

and actual expenses for subdivision, surveying, and registration: Provided, further, That such cost shall be paid on the basis of an amortization plan not exceeding twenty-five years at the option of the beneficiary.

In case some agricultural lessees working portions of agricultural lands acquired by the government under this Code prefer to remain as lessees thereof, which preference shall be expressed in writing and attested by a representative of the Office of Agrarian Counsel, the resale and redistribution to them shall be deferred until such time that such lessees are ready and willing to assume the obligations and responsibilities of independent owners, which shall be manifested by a written notice to this effect by the lessees and which shall oblige the Land Authority forthwith to allot and sell such portions to such lessees under the same uniform terms and conditions. Pending the sale, such lessees shall continue to work on their landholdings and receive the produce thereof, subject, however, to the requirement that they pay the Land Bank the allowable rental established in Section thirty-four. The Land Bank shall apply the rental to the six percent added to the acquisition price and credit the balance to the acquisition cost in the name of the lessee as partial payment for the land.

The Land Authority shall administer said parcels of land during the period they are under lease. Competent management and adequate production credit shall be provided in accordance with the program developed by the Land Reform Project Team for such area.

**SECTION 61. *Organization of Cooperative Associations.*** — For the purpose of more efficient

management, adoption of modern farm methods and techniques, and spreading risk, either through diversification of farm projects or mutual assumption of risks the farmer beneficiaries may organize themselves into cooperative associations with the advice or assistance of the Agricultural Productivity Commission and in accordance with the guidelines established by said Commission for such associations.

**SECTION 62. *Limitation on Land Rights.*** — Except in case of hereditary succession by one heir, landholdings acquired under this Code may not be resold, mortgaged, encumbered or transferred until after the lapse of ten years from the date of full payment and acquisition and after such ten-year period, any transfer, sale or disposition may be made only in favor of persons qualified to acquire economic family-size farm units in accordance with the provisions of this Code: Provided, That a purchaser who acquired his landholding under a contract to sell may secure a loan on the same from any private lending institution or individual for an amount not exceeding his equity on said landholding upon a guaranty by the Land Bank.

**SECTION 63. *Inscription of Specific Prohibition Against Resale and Subdivision of Landholding.*** — Certificates of titles of landholdings acquired by the Land Authority and resold to purchasers shall contain therein a specific inscription prohibiting further subdivision and the resale, transfer or encumbrance of said landholdings except as provided in the preceding Section.

**SECTION 64. *Exemption from Attachment.*** — Lands acquired under the provisions of this Chapter shall be exempt from execution and attachment, except

when the land itself is the property mortgaged, in accordance with Section sixty-two of this Code.

**SECTION 65. *Precedence of Expropriation Cases.*** — Expropriation cases filed by the Authority under provisions of this Chapter shall take precedence over all other civil cases pending before the Court and shall be terminated within a period not exceeding six months from the date of filing.

### **ARTICLE III. DISTRIBUTION OF AGRICULTURAL LANDS OF THE PUBLIC DOMAIN**

**SECTION 66. *Title to Public Agricultural Land.*** — Upon reservation by the President of the Philippines of public agricultural land available for disposition by the Land Authority, such land shall be surveyed, titled and transferred to the Land Bank, which shall reduce said title into individual titles for specific parcels or lots in accordance with the subdivision survey conducted by the Land Authority under paragraph 9 of Section fifty-one: Provided, however, That existing laws governing the acquisition of public lands shall have been complied with.

The Land Authority shall thereupon distribute in accordance with the provisions of this Code, each parcel or lot, subject to the terms and conditions of the Land Bank, to a beneficiary selected pursuant to Section seventy-one or in accordance with paragraph 3 of Section fifty-one, to a beneficiary selected pursuant to paragraph 3 of Section one hundred twenty-eight.

**SECTION 67. *Census of Settlements.*** — The Authority shall take a census of all settlements already made or started by farmers on their own initiative on public

agricultural lands, forest lands, and on private titled lands which had been cleared, occupied and cultivated wholly or partially by them, with or without legal sanction. The census shall include, among other things, the bona fide character of the settlements, the character of the settlers or farmers, the exact status of the lands settled, the feasibility of enlarging the settlements, particularly in connection with the resources of the land occupied and the neighboring areas, actual and potential accessibility to markets, as well as strategic location of the settlement with respect to national security.

**SECTION 68. *Assistance to Settlers in Transporting Themselves and Their Belongings.*** — The Authority may, in certain projects, assist settlers in transporting themselves, their belongings, work animals and farm equipment, if any, from the communities from which they are migrating to the settlement areas reserved for the purpose and for subsistence necessary until credit can be provided by government financing agencies, or by any other credit institution by loaning to them the full amount required for such purposes. These loans from the Land Authority shall be non-interest bearing, shall constitute a lien upon the land, and shall be amortized over a period of ten years, payable annually beginning with the end of the third year, after the date of arrival in the settlement areas, subject to the right of the borrower to pay in the full at any time prior to the maturity of the loan.

**SECTION 69. *Assistance to Settlers in Securing Equipment.*** — The Authority may assist the settlers in securing equipment, supplies and materials needed; or assist the cooperative associations of the new settlers in securing the most advantageous prices or terms on farm implements and supplies needed.

**SECTION 70. *Providing Housing and Accommodations to Settlers.*** — The Authority may help provide housing and other accommodations for the new settlers upon their arrival in the settlement areas by the stationing them in properly surveyed and subdivided lots reserved for the purpose: help them organize community activities; and cooperate with the Bureau of Health, the Bureau of Public Schools and other pertinent agencies of the Government, in providing services necessary for the proper establishment of community facilities.

**SECTION 71. *Power of the Land Authority to Sell to Holders of Bonds Issued to Former Landowners Whose Lands Have Been Purchased for Redistribution.*** — The Land Authority shall sell, for a price not less than the appraised value, any portion not exceeding one hundred forty-four hectares in the case of individuals or one thousand twenty-four hectares in the case of corporations of the public agricultural lands transferred to the Land Bank which is suitable for large-scale farm operations to any holder, who is qualified to acquire agricultural lands through purchase, of bonds issued to former landowners whose lands have been purchased for redistribution under this Code, subject to the condition that the purchaser shall, within two years after acquisition, place under cultivation at least thirty per centum of the entire area under plantation administration and the remaining seventy per centum within five years from the date of acquisition. The Governor of the Land Authority shall issue the title of said land upon showing that the purchaser has begun the development and cultivation of his land under plantation administration: Provided, That public agricultural land sold as hereinabove specified shall

not be the object of any expropriation as long as the same shall be developed and cultivated for large-scale production under farm labor management, except as allowed by the Constitution.

The selling price of the portion of the public agricultural land sold under this Section shall be credited to the Government's subscription to the Land Bank. As payment for the land sold under this Section, the Land Bank shall accept as sole instruments of payment the bonds issued pursuant to Section seventy-six. Issued bonds accepted as payment for the land sold shall be cancelled to the extent of the amount paid.

All sales under this Code shall be subject to the provision of Chapter V of the Public Land Act covering sales of public agricultural lands insofar as they are not inconsistent with the provisions of this Code.

**SECTION 72. *Duplicate Records to be Furnished the Bureau of Lands.*** — The Land Authority shall furnish the Bureau of Lands with the duplicate records of proceedings on applications for the sale or other disposition of public agricultural lands under its administration.

**SECTION 73. *Transfer of Appropriations, Powers, Functions, etc.*** — The National Resettlement and Rehabilitation Administration and the Land Tenure administration are hereby abolished and their powers and functions not inconsistent with this Code, balances of all appropriations, funds, equipment, records and supplies, as well as agricultural lands, public and private, under their administration, are hereby transferred to the Authority: Provided, That the

function of the Land Tenure Administration with respect to the expropriation of urban lands as provided by existing laws is hereby transferred to and all hereafter be undertaken by the People's Homesite and housing Corporation.

In addition to the appropriations herein transferred there is hereby appropriated from the general funds in the National Treasury not otherwise appropriated the sum of five million pesos, or so much thereof as may be necessary, to carry out the purposes of this Code.

To carry out the land capability survey and classification mentioned in paragraph 12 of Section fifty-one and Section one hundred thirty-two of this Code, there is hereby appropriated out of the unappropriated funds of the National Treasury the amount of ten million pesos.

## CHAPTER IV - LAND BANK

**SECTION 74. *Creation.*** — To finance the acquisition by the Government of landed estates for division and resale to small landholders, as well as the purchase of the landholding by the agricultural lessee from the landowner, there is hereby established a body corporate to be known as the "Land Bank of the Philippines", hereinafter called the "Bank", which shall have its principal place of business in Manila. The legal existence of the Bank shall be for a period of fifty years counting from the date of the approval hereof. The Bank shall be subject to such rules and regulations as the Central Bank may from time to time promulgate.

**SECTION 75. *Powers in General.*** — To carry out this main purpose, the Bank shall have the power:

- (1) To prescribe, repeal, and alter its own by laws, to determine its operating policies, and to issue such rules and regulations as may be necessary to achieve the main purpose for the creation of the Bank;
- (2) To adopt, alter and use a corporate seal;
- (3) To acquire and own real and personal property and to sell, mortgage or otherwise dispose of the same;
- (4) To sue and be sued, make contracts, and borrow money from both local and foreign sources. Such loans shall be subject to approval by the President of the Philippines and shall be fully guaranteed by the Government of the Philippines;
- (5) Upon recommendation of the Committee on Investments, to hold, own, purchase, acquire, sell or otherwise invest, or reinvest in stocks, bonds or other securities capable of giving the Bank a reasonably assured income sufficient to support its financing activities and give its private stockholders a fair return on their holdings: Provided, however, That pending the organization of the Committee on Investments, the Bank may exercise the powers herein provided without the recommendation of said Committee on Investments: Provided, further, That in case of the dissolution of the Land Bank all unsold public lands transferred to it which may be allocated to the Government of the

Philippines in the course of liquidation of the business of the Bank shall revert to the Department of Agriculture and Natural Resources; and

- (6) To provide, free of charge, investment counselling and technical services to landowners whose lands have been acquired by the Land Bank. For this purpose, the Land Bank may contract the services of private consultants.

**SECTION 76. *Issuance of Bonds.*** — The Land Bank shall, upon recommendation by the Board of Trustees and approval of the Monetary Board of the Central Bank, issue bonds, debentures and other evidences of indebtedness at such terms, rates and conditions as the Bank may determine up to an aggregate amount not exceeding, at any one time, five times its unimpaired capital and surplus. Such bonds and other obligations shall be secured by the assets of the Bank and shall be fully tax exempt both as to principal and income. Said income shall be paid to the bondholder every six (6) months from the date of issue. These bonds and other obligations shall be fully negotiable and unconditionally guaranteed by the Government of the Republic of the Philippines and shall be redeemable at the option of the Bank at or prior to maturity, which in no case shall exceed twenty-five years. These negotiable instruments of indebtedness shall be mortgageable in accordance with established banking procedures and practices to government institutions not to exceed sixty per centum of their face value to enable the holders of such bonds to make use of them in investments in productive enterprises. They shall also be accepted as payments for reparation equipment and materials.

The Board of Trustees shall have the power to prescribe rules and regulations for the registration of the bonds issued by the Bank at the request of the holders thereof.

**SECTION 77. *Issuance of Preferred Shares of Stock to Finance Acquisition of Landed Estates.*** — The Land Bank shall issue, from time to time, preferred shares of stock in such quantities not exceeding six hundred million pesos worth of preferred shares as may be necessary to pay the owners of landed estates in accordance with Sections eighty and eighty-one of this Code. The amount of shares that the Bank may issue shall not exceed the aggregate amount need to pay for acquired estates in the proportions prescribed in said Section eighty of this Code. The Board of Trustees shall include as a necessary part of the by-laws that it shall issue under Section seventy-five of this Code, such formula as it deems adequate for determining the net asset value of its holdings as a guide and basis for the issuance of preferred shares. The shares of stock issued under the authority of this provision shall be guaranteed a rate of return of six per centum per annum. In the event that the earnings of the Bank for any single fiscal year are not sufficient to enable the Bank, after making reasonable allowance for administration, contingencies and growth, to declare dividends at the guaranteed rate, the amount equivalent to the difference between the Bank's earnings available for dividends and that necessary to pay the guaranteed rate shall be paid by the Bank out of its own assets but the Government shall, on the same day that the Bank makes such payment, reimburse the latter in full, for which purpose such amounts as may be necessary to enable the Government to make such

reimbursements are hereby appropriated out of any moneys in the National Treasury not otherwise appropriated. The Bank shall give sufficient notice to the Budget Commissioner and the President of the Philippines in the event that it is not able to pay the guaranteed rate of return on any fiscal period. The guaranteed rate of return on these shares shall not preclude the holders thereof from participating at a percentage higher than six per centum should the earnings of the Bank for the corresponding fiscal period exceed the guaranteed rate of return. The Board of Trustees shall declare and distribute dividends within three months after the close of each fiscal year at the guaranteed rate unless a higher rate of return is justified by the Bank's earnings after making reasonable allowance for administration, contingencies and growth, in which case dividends shall be declared and distributed at a higher rate. The capital gains derived from the sale or transfer of such shares and all income derived therefrom in the form of dividends shall be fully exempt from taxes.

**SECTION 78. *Special Guaranty Fund.*** — In the event that the Bank shall be unable to pay the bonds, debentures, and other obligations issued by it, a fixed amount thereof shall be paid from a special guaranty fund to be set up by the Government, to guarantee the obligation of the Land Bank, and established in accordance with this Section, and thereupon, to the extent of the amounts so paid, the Government of the Republic of the Philippines shall succeed to all the rights of the holders of such bonds, debentures or other obligations: Provided, however, That for the next four years after the establishment of the Bank, the payment to the special guaranty fund should not exceed one million pesos per year, after which period, the Government shall pay into the guaranty

fund the sum of five hundred thousand pesos each year until the cumulative total of such guaranty fund is no less than twenty percent of the outstanding net obligation of the Land Bank at the end of any single calendar year.

The guaranty fund shall be administered by the Central Bank of the Philippines in the manner most consistent with its charter. For the purpose of such fund, there shall be appropriated annually the sum of one million pesos out of any moneys in the National Treasury not otherwise appropriated, until the total amount of twenty million pesos shall have been attained.

**SECTION 79. *Receiving Payments and Time Deposits.***

— The Bank, under the supervision of the Monetary Board and subject to the provisions of the General Banking Act, shall receive savings and time deposits from the small landholders in whose favor public lands or landed estates acquired by the Land Authority have been sold and, for this purpose, establish, and maintain branches and offices in such areas as may be necessary to service such deposits. The Monetary Board shall supervise and authorize the Bank to receive savings and time deposits from the public in areas where facilities for such a service do not exist or cannot be adequately provided by other deposit institutions.

**SECTION 80. *Making Payment to Owners of Landed Estates.***

— The Land bank shall make payments in the form herein prescribed to the owners of land acquired by the Land Authority for division and resale under this Code. Such payment shall be made in the following manner: ten per centum in cash and the remaining balance in six percent, tax-free,

redeemable bonds issued by the Bank in accordance with Section seventy-six, unless the landowner desires to be paid in shares of stock issued by the Land Bank in accordance with Section seventy-seven in an amount not exceeding thirty per centum of the purchase price.

In the event there is an existing lien on encumbrance on the land in favor of any Government institution at the time of acquisition by the Land Bank, the bonds and/or shares, in that order, shall be accepted as substitute collaterals to secure the indebtedness. The profits accruing from payment shall be exempt from the tax on capital gains.

**SECTION 81. *Capital.*** — The authorized capital stock of the Bank shall be one billion five hundred million pesos divided into ninety million shares with a par value of ten pesos each, which shall be fully subscribed by the Government and sixty million preferred shares with a par value of ten pesos each which shall be issued in accordance with the provisions of Sections seventy-seven and eighty-three of this Code. Of the total capital subscribed by the Government, two hundred million pesos shall be paid by the Government within one year from the approval of this Code, and one hundred million pesos every year thereafter for two years for which purpose the amount of two hundred million pesos is hereby appropriated upon the effectivity of this Code, and one hundred million pesos every year for the next two years thereafter, out of the funds in the National Treasury not otherwise appropriated for the purpose: Provided, That if there are not enough funds in the National Treasury for the appropriation herein made, the Secretary of Finance, with the approval of the President of the Philippines, shall issue bonds or other

evidence of indebtedness to be negotiated either locally or abroad in such amount as may be necessary to cover any deficiency in the amount above-appropriated but not exceeding four hundred million pesos, the proceeds of which are hereby appropriated: Provided, further, That the bonds to be issued locally shall not be supported by the Central Bank: Provided, finally, That there is automatically appropriated out of the unappropriated funds in the National Treasury such amounts as is necessary to cover the losses which shall include among other things loss of earnings occasioned by the limitation of the resale cost herein provided such that said amount together with the administrative expenses mentioned in Section ninety hereof shall not exceed in the aggregate the equivalent of two and one-half per centum of its assets limited therein

**SECTION 82. *Government Shares.*** — All shares of stock in the Bank subscribed or owned by the Government shall not be entitled to participate in the income earned by the Bank from its investments and other operations, whether in the form of cash or stock dividends or otherwise. Amounts expended for the administration of the Bank shall not be deemed as a participation of the Government in income.

**SECTION 83. *Preferred Shares.*** — All preferred shares of stock issued under Section seventy-seven of this Code shall be entitled to the income earned by the Bank on its investments and other operations and shall have a limited right to elect annually one member of the Board of Trustees and one member of the Committee on Investments: Provided, That the holders of such preferred shares of stock shall not bring derivative suits against the Bank. Such preferred shares shall be fully transferable: Provided, further,

That upon the liquidation of the Bank, the redemption of such preferred shares shall be given priority and shall be guaranteed at par value.

**SECTION 84. *Voting of Shares.*** — The voting power of all the shares of stock of the Land Bank owned or controlled by the Government shall be vested in the President of the Philippines or in such person or persons as he may from time to time designate.

**SECTION 85. *Use of Bonds.*** — The bonds issued by the Land Bank may be used by the holder thereof and shall be accepted in the amount of their face value as any of the following:

- (1) Payment for agricultural lands or other real properties purchased from the Government;
- (2) Payment for the purchase of shares of stock of all or substantially all of the assets of the following Government owned or controlled corporations: The National Development Company; Cebu Portland Cement Company; National Shipyards and Steel Corporation; Manila Gas Corporation; and the Manila Hotel Company. Upon offer by the bondholder, the corporation owned or controlled by the Government shall, through its Board of Directors, negotiate with such bondholder with respect to the price and other terms and conditions of the sale. In case there are various bondholders making the offer, the one willing to purchase under terms and conditions most favorable to the corporation shall be preferred. If no price is acceptable to the corporation, the same shall be determined by a Committee of Appraisers composed of three members, one to be

appointed by the corporation, another by the bondholder making the highest or only offer, and the third by the two members so chosen. The expenses of appraisal shall be borne equally by the corporation and the successful purchaser.

Should the Government offer for sale to the public any or all of the shares of stock or the assets of any of the Government owned or controlled corporations enumerated herein, the bidder who offers to pay in bonds of the Land Bank shall be preferred provided that the various bids be equal in every respect except in the medium of payment.

- (3) Surety or performance bonds in all cases where the Government may require or accept real property as bonds; and
- (4) Payment for, reparations goods.

**SECTION 86. *Board of Trustees.*** — The affairs and business of the Bank shall be directed, its powers exercised and its property managed and preserved by a Board of Trustees. Such Board shall be composed of one Chairman and four members, one of whom shall be the head of the Land Authority who shall be an ex-officio member of such Board and another to be elected by the holders of preferred shares. The Chairman and two members of the Board of Trustees shall serve on full-time basis with the Bank. With the exception of the head of the Land Authority and the member elected by the holders of preferred shares, the Chairman and all members of the Board shall be appointed by the President with the consent of the Commission on Appointments for a term of

seven years, except that the first Chairman and members to be appointed under this Code shall serve for a period of three, five and seven years, such terms to be specified in their respective appointments. Thereafter the Chairman and members, with the exception of the ex-officio member, appointed after such initial appointment shall serve for a term of seven years including any Chairman or member who is appointed in place of one who resigns or is removed or otherwise vacates his position before the expiration of his seven-year term. The Chairman and the two full-time members of the Board shall act as the heads of such operating departments as may be set up by the Board under the authority granted by Section eighty-seven of this Code. The Chairman shall have authority, exercisable at his discretion, to determine from time to time the organizational divisions to be headed by each member serving full time and to make the corresponding shifts in designations pursuant thereto. The compensation of the Chairman and the members of the Board of Trustees serving full time shall be twenty-four thousand and eighteen thousand pesos, respectively. The other members of the Board shall receive a per diem of one hundred pesos for each session of the Board that they attend.

**SECTION 87. *The Chairman and Vice-Chairman.*** — The Chairman of the Board shall be the chief executive officer of the Bank. He shall have direct control and supervision of the business of the Bank in all matters which are not by this Code or by the by-laws of the Bank specifically reserved to be done by the Board of Trustees. He shall be assisted by an Executive Vice-Chairman and one or more vice-chairman who shall be chosen and may be removed by the Board of Trustees. The salaries of the Vice-

Chairmen shall be fixed by the Board of Trustees with the approval of the President of the Philippines.

**SECTION 88. *Qualifications of Members.*** — No person shall be appointed Chairman or member of the Board unless he is a man of accepted integrity, probity, training and experience in the field of banking and finance, at least thirty-five years of age and possessed of demonstrated administrative skill and ability.

**SECTION 89. *Committee on Investments.*** — There shall be a Committee on Investments composed of three members; the member of the Board of Trustees elected by the holders of preferred shares as Chairman, one member to be appointed by the President of the Philippines from among the government members of the Board of Trustees, and another member to be selected by the holders of preferred shares under Section eighty-three of this Code. The Committee on Investments shall recommend to the Board of Trustees the corporations or entities from which the Land Bank shall purchase shares of stock.

The Land Bank shall not invest in any corporation, partnership or company wherein any member of the Board of Trustees or of the Committee on Investments or his spouse, direct descendant or ascendant has substantial pecuniary interest or has participation in the management or control of the enterprise except with the unanimous vote of the members of the Board of Trustees and of the Committee on Investments, excluding the member interested, in a joint meeting held for that purpose where full and fair information of the extent of such interest or participation has been adequately disclosed in writing and recorded in the

minutes of the meeting: Provided, That such interested member shall not in any manner participate in the deliberations and shall refrain from exerting any pressure or influence whatever on any official or member of the Bank whose functions bear on or relate to the investment of the funds of the Bank in the enterprise: Provided, further, That the total investment in any single corporation, partnership, company, or association shall not exceed five per centum of the total investible funds.

**SECTION 90. *Personnel; Cost of Administration.*** — The Administrative expenses of the Bank during any single fiscal year shall not in any case exceed two and one-half per centum of its total assets. The Board of Trustees shall provide for an organization and staff of officers and employees necessary to carry out the functions of the Bank, fix their compensation, and appoint and remove such officers and employees for cause. The Bank officers and employees shall be subject to the rules and regulations issued by the Civil Service Commission but shall not fall under the Wage and Position Classification Office. The Board of Trustees shall recommend to the Civil Service Commission rules and regulations for the recruitment, appointment, compensation, administration, conduct, promotion and removal of all Bank officers and employees under a strict merit system and prepare and conduct examinations under the supervision of said Commission.

**SECTION 91. *Legal counsel.*** — The Secretary of Justice shall be ex-officio legal adviser of the Bank. Any provision of law to the contrary notwithstanding, the Land Bank shall have its own Legal Department, the chief and members of which shall be appointed by the Board of Trustees. The composition, budget

and operating expenses of the Office of the Legal Counsel and the salaries and traveling expenses of its officers and employees shall be fixed by the Board of Trustees and paid by the Bank.

**SECTION 92. *Auditor.*** — The Auditor General shall be the ex-officio auditor of the Bank and shall appoint a representative, who shall be the auditor in charge of the auditing office of the Bank. The Auditor General shall, upon the recommendation of the auditor of the Bank, appoint or remove the personnel of the auditing office. The compensation, budget and operating expenses of the auditing office and the salaries and traveling expenses of the officers and employees thereof shall be fixed by the Board of Trustees and paid by the Bank notwithstanding any provision of law to the contrary.

**SECTION 93. *Report on Condition of Bank.*** — The representative of the Auditor General shall make a quarterly report on the condition of the Bank to the President of the Philippines, to the Senate through its President, to the House of Representatives through its Speaker, to the Secretary of Finance, to the Auditor General and to the Board of Trustees of the Bank. The report shall contain, among other things, a statement of the resources and liabilities including earnings and expenses, the amount of capital stock, surplus, reserve and profits, as well as losses, bad debts, and suspended and overdue paper carried in the books as assets of the Bank, and a plantilla of the Bank.

**SECTION 94. *Auditing Rules and Regulations.*** — The Auditor General shall, with respect to the Bank, formulate improved and progressive auditing rules and regulations designed to expedite the operations

of the Bank and prevent the occurrence of delays and bottlenecks in its work.

**SECTION 95. *Removal of Members.*** — The President of the Philippines may, at any time, remove the Chairman or any member of the Board appointed by him if the interest of the Bank so requires, for any of the following causes:

- (1) Mismanagement, grave abuse of discretion, infidelity in the conduct of fiduciary relations, or gross neglect in the performance of duties;
- (2) Dishonesty, corruption, or any act involving moral turpitude; and
- (3) Any act or performance tending to prejudice or impair the substantial rights of the stockholders.

Conviction of the Chairman or a member for a crime carrying with it a penalty greater than arrest of mayor shall cause the removal of such Chairman or member without the necessity of Presidential action.

The Chairman or member may, in any of the above cases, be civilly liable for any damage that may have been suffered by the stockholders.

**SECTION 96. *Transfer of Claims and Liabilities.*** — The assets of the former Land Tenure Administration and the National Resettlement and Rehabilitation Administration in the form of claims and receivables arising from the sale or transfer of private and public lands, agricultural equipment, machinery, tools and work animals, but excluding advances made for

subsistence, to small landholders shall, after an exhaustive evaluation to determine their true asset value, be irrevocably transferred to the Bank under such arrangements as the Land Authority and the Bank shall agree upon. Thereafter, the Bank shall have authority and jurisdiction to administer the claims, to collect and make adjustments on the same and, generally, to do all other acts properly pertaining to the administration of claims held by a financial institution. The Land Authority, upon request of the Bank, shall assist the latter in the collection of such claims. The Land Authority shall be entitled to collect from the Bank no more than the actual cost of such collection services as it may extend. The claims transferred under this Section shall not be considered as part of the Government's subscription to the capital of the Bank.

**SECTION 97. *Regulation.*** — The Bank shall not be subject to the laws, rules and regulations governing banks and other financial institutions of whatever type except with respect to the receipt of savings and time deposits in accordance with Section seventy-nine of this Code, in which case the legal reserve and other requirements prescribed by the Central Bank for such deposits shall apply. The Bank shall be operated as an autonomous body and shall be under the supervision of the Central Bank.

**SECTION 98. *Tax Exemption.*** — The operations, as well as holdings, equipment, property, income and earnings of the Bank from whatever sources shall be fully exempt from taxation.

**SECTION 99. *Organization of Bank.*** — The Bank shall be organized within one year from the date that this Code takes effect.

**SECTION 100. *Penalty for Violation of the Provisions of this Chapter.*** — Any trustee, 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 violations of any of the provisions of this Chapter, shall be punished by a fine not to exceed ten thousand pesos or by imprisonment of not more than five years, or both such fine and imprisonment at the discretion of the Court.

## **CHAPTER V - AGRICULTURAL CREDIT ADMINISTRATION**

**SECTION 101. *Reorganization of ACCFA to Align Its Activities.*** — The administrative machinery of the Agricultural Credit and Cooperative Financing Administration created under Republic Act Numbered Eight hundred twenty-one, as amended by Republic Act Numbered Twelve hundred and eighty-five, shall be reorganized to enable it to align its activities with the requirements and objectives of this Code and shall be known as the Agricultural Credit Administration.

**SECTION 102. *Financing.*** — To finance the additional credit functions of the Agricultural Credit Administration as a result of the land reform program laid down in this Code, there is hereby appropriated the sum of one hundred fifty million pesos out of funds in the National Treasury not otherwise appropriated in addition to existing appropriations for the Agricultural Credit and Cooperative Financing Administration.

**SECTION 103. *Privilege of Rediscounting.*** — The Agricultural Credit Administration is hereby granted the privilege of rediscounting with the Central Bank of

the Philippines, the Development Bank of the Philippines and the Philippine National Bank eligible evidence of indebtedness acquired by it in carrying on its authorized activities, at an interest rate equal to the lowest charged by the above financing institution on any private person or entity.

**SECTION 104. *Power to Obtain Additional Funds.*** — Nothing in this Section shall limit the power of the Agricultural Credit Administration to obtain from the Central Bank of the Philippines, the Development Bank of the Philippines, the Philippine National Bank and other financing institutions, such additional funds as may be necessary for the effective implementation of this Act: Provided, That such additional funds are to be utilized as loans to farmers and/or farmers' cooperatives.

**SECTION 105. *Loaning Activities.*** — Loaning activities of the Agricultural Credit Administration shall be directed to stimulate the development and operation of farmers' cooperatives. The term "Farmers' Cooperatives" shall be taken to include all cooperatives relating to the production and marketing of agricultural products and those formed to manage and/or own, on a cooperative basis, services and facilities, such as irrigation and transport system, established to support production and/or marketing of agricultural products.

Under such rules and regulations in accordance with generally accepted banking practices and procedures as may be promulgated by the Agricultural Credit Administration, Rural Banks and Development Banks may, in their respective localities, be designated to act as agents of the Agricultural Credit Administration in regard to its loaning activities.

**SECTION 106. *Credit to Small Farmers.*** — Production loans and loans for the purchase of work animals, tillage equipment, seeds, fertilizers, poultry, livestock, feed and other similar items, may be extended to small farmers as defined in Republic Act Numbered Eight hundred twenty-one, based upon their paying capacity and such securities as they can provide, and under such terms and conditions as the Agricultural Credit Administration may impose, provided the amount thereof does not exceed two thousand pesos, or such amount as may be fixed by the President, but in no case shall the amount of loan exceed eighty per centum of the value of the collateral pledged. In instances where credit is extended for items which are not consumed in their use, such items may be pledged as security therefor. The Agricultural Credit Administration shall promulgate such rules and regulations as may be necessary in the extension of the loans herein authorized so as to assure their repayment: Provided, That such rules and regulations shall follow and be in accordance with generally accepted financing practices and procedures.

**SECTION 107. *Security for Loans.*** — The production of the borrower, after deducting the lease rental and/or liens thereon, shall be accepted as security for loans: Provided, That said production is pledged to the Agricultural Credit Administration with appropriate safeguards to insure against its unauthorized disposition: Provided, further, That the amount of loan shall not exceed sixty per centum of the value of the estimated production.

**SECTION 108. *Loans to Cooperatives.*** — The Agricultural Credit Administration is hereby authorized

to extend such types of loans as it may deem necessary for the effective implementation of this Code, to eligible farmers' cooperatives as herein defined, under such terms and conditions as it may impose and with such securities as it may require. A farmers' cooperative that has been registered with the Securities and Exchange Commission and affiliated with the Agricultural Credit Administration shall be eligible for loans if, in the judgment of the latter, its organization, management and business policies are of such character as will insure the safety and effective use of such loans.

**SECTION 109. *Loans for Construction or Acquisition by Purchase of Facilities.*** — Loans for the construction or acquisition by purchase of facilities of farmers' cooperatives may be granted by the Agricultural Credit Administration.

**SECTION 110. *Interest on Loans.*** — The total charges including interest and insurance fees on all kinds of loans shall not be more than eight per centum per annum: Provided, That if an impairment of the capitalization of the Agricultural Credit Administration is imminent by reason of the limitation of the interest rate herein provided, there is automatically appropriated out of the unappropriated funds in the National Treasury such amounts as is necessary to cover the losses of the Agricultural Credit Administration, but not exceeding six million pesos for any one year.

**SECTION 111. *Institution of Supervised Credit.*** — To provide for the effective use of credit by farmers, the Agricultural Credit Administration may institute a program of supervised credit in cooperation with the Agricultural Productivity Commission.

**SECTION 112. *Guidance to Cooperatives.*** — The Agricultural Credit Administration shall have the power to register and provide credit guidance or assistance to all agricultural cooperatives including irrigation cooperatives and other cooperative associations or fund corporations.

**SECTION 113. *Auditing of Operations.*** — For the effective supervision of farmers' cooperatives, the head of the Agricultural Credit Administration shall have the power to audit their operations, records and books of account and to issue subpoena and subpoena duces tecum to compel the attendance of witnesses and the production of books, documents and records in the conduct of such audit or of any inquiry into their affairs. Any person who, without lawful cause, fails to obey such subpoena or subpoena duces tecum shall, upon application of the head of Agricultural Credit Administration with the proper court, be liable to punishment for contempt in the manner provided by law and if he is an officer of the association, to suspension or removal from office.

**SECTION 114. *Prosecution of Officials.*** — The Agricultural Credit Administration, through the appropriate provincial or city fiscal, shall have the power to file and prosecute any and all actions which it may have against any and all officials or employees of farmers' cooperatives arising from misfeasance or malfeasance in office.

**SECTION 115. *Free Notarial Services.*** — Any justice of the peace, in his capacity as notary ex-officio, shall render service free of charge to any person applying for a loan under this Code either in administering the

oath or in the acknowledgment of instruments relating to such loan.

**SECTION 116. *Free Registration of Deeds.*** — Any register of deeds shall accept for registration, free of charge any instrument relative to a loan made under this Code.

**SECTION 117. *Writing-off Unsecured and Outstanding Loans.*** — Subject to the approval of the President upon recommendation of the Auditor General, the Agricultural Credit Administration may write-off from its books, unsecured and outstanding loans and accounts receivable which may become uncollectible by reason of the death or disappearance of the debtor, should there be no visible means of collecting the same in the foreseeable future, or where the debtor has been verified to have no income or property whatsoever with which to effect payment. In all cases, the writing-off shall be after five years from the date the debtor defaults.

**SECTION 118. *Exemption from Duties, Taxes and Levies.*** — The Agricultural Credit Administration is hereby exempted from the payment of all duties, taxes, levies, and fees, including docket and sheriff's fees, of whatever nature or kind, in the performance of its functions and in the exercise of its powers hereunder.

## **CHAPTER VI - AGRICULTURAL PRODUCTIVITY COMMISSION**

**SECTION 119. *Creation of the Agricultural Productivity Commission.*** - For the purpose of accelerating progressive improvement in the productivity of farms,

the advancement of farmers and the strengthening of existing agricultural extension services through the consolidation of all/promotional, educational and informational activities pertaining to agriculture, the present Bureau of Agricultural Extension of the Department of Agriculture and Natural Resources is hereby placed directly under the executive supervision and control of the President and hereinafter renamed Agricultural Productivity Commission.

Upon the effectivity of this Code, the Agricultural Tenancy Commission of the Department of Justice, together with its powers, duties, responsibilities, files, records supplies, equipment, personnel and unexpended balance of appropriations, is hereby placed under the Agricultural Productivity Commission as a separate office thereof.

**SECTION 120. *Commissioner of the Agricultural Productivity Commission.*** — The Agricultural Productivity Commission shall be administered by an Agricultural Productivity Commissioner who shall be appointed by the President with the consent of the Commission on Appointments and who shall have a compensation of sixteen thousand pesos per annum. No person shall be appointed as a Agricultural Productivity Commissioner unless he be a holder of at least a Bachelor of Science degree in Agriculture from a reputable school or college of agriculture and shall have practiced agriculture for at least five years, and who is of recognized competence in agricultural economics or any of its equivalents.

**SECTION 121. *Powers and Duties.*** — The Agricultural Productivity Commissioner shall exercise the same

powers and duties vested in the Director of the Bureau of Agricultural Extension.

**SECTION 122. *Division on Cooperatives.*** — In addition to the existing divisions of the Bureau of Agriculture Extension, herein renamed as Agricultural Productivity Commission, there shall be a Division of Cooperatives and such other divisions and sections as the Agricultural Productivity Commissioner may deem necessary to organize in order to carry out the promotional and educational activities of the Commission.

**SECTION 123. *Recruitment, Selection and Training of Extension Workers.*** — The extension workers shall be recruited and selected from graduates of agricultural college with adequate practical experience and training in actual crop, tree, poultry and livestock farming: Provided, however, That in the event there are no graduates of agricultural colleges available, graduates of agricultural high schools may be temporarily employed. Training of extension workers shall be done in conjunction with research institutions to insure their maximum efficiency.

**SECTION 124. *Functions of Extension Workers.*** — In addition to their functions under Republic Act Numbered Six hundred eighty, it shall be the duty of extension workers:

- (1) To reside in the locality where they are assigned, to disseminate technical information to farmers, and to demonstrate improved farm management practices and techniques;
- (2) To work with individual farmers in farm planning and budgeting, guide them in the proper

conduct of farm business and work out schedules of re-payment of loans obtained by farmers;

- (3) To assist farmers in securing the services or assistance of other agencies, or their personnel, having to do with relevant activities and problems of farmers;
- (4) To visit newly-established independent farm operators either singly or collectively at least once a month;
- (5) To conduct educational activities that will acquaint leaseholders and other independent farm operators with their rights and responsibilities under this Code;
- (6) To encourage the formation and growth of private associations, study clubs, committees and other organized groups of farmers, familiarize them with modern methods of farming and interest them to actively participate, collaborate or take the initiative in agricultural research, experimentation and implementation of projects in cooperation with the Agricultural Productivity Commissioner and other agencies; and
- (7) To promote, stimulate and assist in the organization of farmers' cooperatives.

**SECTION 125. *Appropriation.*** — In addition to the funds herein transferred, there is hereby appropriated from the general funds in the National Treasury not otherwise appropriated the sum of five million pesos,

or so much thereof as may be necessary to carry out the purposes of this Chapter.

## **CHAPTER VII - LAND REFORM PROJECT ADMINISTRATION**

**SECTION 126. *Creation of National Land Reform Council.*** — There is hereby created a National Land Reform Council, hereinafter called the Council, which shall be composed of the Governor of the Land Authority, who shall act as Chairman, the Administrator of the Agricultural Credit Administration, the Chairman of the Board of Trustees of the Land Bank, the Commissioner of the Agricultural Productivity Commission and another member appointed by the President upon recommendation of the minority party receiving the second largest number of votes in the last Presidential election who shall hold office at the pleasure of such minority party, unless sooner removed for cause by the President as members and the Agrarian Counsel as legal counsel: Provided, That the Council shall not be considered fully constituted and ready to function until after the member representing the minority party has been appointed by the President of the Philippines: Provided, further, That the minority party shall submit its recommendation to the President within sixty days from the approval of this Code, in the absence of which the Council shall be deemed to be so constituted even without such member from the minority party: Provided, finally, That the minority representative shall receive a per diem of fifty pesos for each day he attends a council meeting, chargeable to the appropriations of the Land Authority.

**SECTION 127. *Meetings; Resolutions.*** — The Chairman of the Council shall convoke the Council as its responsibilities enumerated in Section one hundred twenty-eight may warrant, and shall preside over its meetings.

It shall be the duty of the members to attend any meeting of the Council upon the call of the Chairman. In case of inability, a member may require the officer next in rank in his agency to attend the meeting in his behalf.

A majority vote of the members present if there is a quorum shall be necessary for the approval of a resolution. Upon such approval the resolution shall be final and binding upon all members of the Council and their respective agencies insofar as their functions, powers and duties required under this Code are concerned.

The refusal of any member to implement any resolution or part thereof falling within the scope of the powers granted to his agency shall be sufficient ground for the President of the Philippines to remove said member from office or to impose upon him disciplinary or administrative sanctions.

**SECTION 128. *Functions of National Land Reform Council.*** — It shall be the responsibility of the Council:

- (1) To construct the general program of land reform contemplated by this Code;
- (2) To establish guidelines, plans and policies for its member-agencies relative to any particular land reform project;
- (3) To formulate such rules and regulations as may be necessary to carry out the provisions of this Code for

- (a) the selection of agricultural land to be acquired and distributed under this Code;
  - (b) the determination of sizes of family farms as defined in Section one hundred sixty-six; and
  - (c) the selection of beneficiaries to family farms available for distribution: Provided, That priority shall be given in the following order: First, to members of the immediate family of the former owner of the land within the first degree of consanguinity who will cultivate the land personally with the aid of labor available within his farm household; Second, to the actual occupants personally cultivating the land either as agricultural lessees or otherwise with respect to the area under their cultivation; Third, to farmers falling under the preceding category who are cultivating uneconomic-size farms with respect to idle or abandoned lands; Fourth, to owner-operators of uneconomic-size farms; and Fifth, to such other categories as may be fixed by virtue of this Code, taking into consideration the needs and qualifications of the applicants:
- (4) To revise, approve, or reject any land reform proposal or project; and
  - (5) To proclaim in accordance with the provisions of this Code, which proclamation shall be considered as having been promulgated immediately after three successive weekly

publications in at least two newspapers of general circulation in the region or locality affected by the proclamation, preference being given to local newspapers, if any, that all the government machineries and agencies in any region or locality relating to leasehold envisioned in this Code are operating: Provided, That the conversion to leasehold in the proclaimed area shall become effective at the beginning of the next succeeding agricultural year after such promulgation: Provided, further, That the proclamation shall be made after having considered factors affecting feasibility and fund requirements and the other factors embodied in Sections one hundred twenty-nine, one hundred thirty and one hundred thirty-one.

**SECTION 129. *Creation of Land Reform Districts.*** — The Council shall exercise the functions enumerated in the preceding Section for particular areas which the Council shall select and designate as land reform districts. A district shall constitute one or more reform projects, each project to comprise either a large landed estate or several areas within small estates. In the selection of a district, the Council shall consider factors affecting the feasibility of acquiring for redistribution the areas within the district, including:

- (1) The productivity of the area;
- (2) Its suitability for economic family-size farms;
- (3) The tenancy rate in the area;
- (4) The minimum fixed capital outlay required to develop the area;

- (5) The proximity of the area to resettlement projects; and
- (6) The number of farmers that cultivate uneconomic-size farms, the ability and readiness of such farmers to be resettled, and the availability of idle or abandoned lands that may be acquired or expropriated as well as of other resettlement facilities.

**SECTION 130. *Regional Land Reform Committee.*** — For the purpose of implementing the program and policies of the Council on the local level, the Council shall establish in each region of the Philippines a Regional Land Reform Committee which shall be composed of the representatives of the agencies composing the National Land Reform Council and shall be under the chairmanship of the representative of the Land Authority. The committee shall recommend to the Council such plans for projects of land reform in its jurisdiction as it may deem appropriate. The Committee shall conduct public hearings, gather and analyze data, estimate the essentials of such plans for projects or programs and consolidate its findings in a report to be submitted to the Council for its consideration. The decision of the Council upon such projects or programs shall be returned to the Committee, within thirty days from the submission thereof, for early implementation or execution by said Committee and the agencies represented therein.

**SECTION 131. *Land Reform Project Team.*** — The Regional Land Reform Committee shall direct and assign a Land Reform Project Team for any project or projects within the region, to be composed of an appropriate number of personnel from the member-

agencies. The team shall be headed by a representative of the Land Authority designated by the Committee, but each agency shall, in every case, be duly represented by at least one member in the Team. On the basis of national, regional, and local policies and programs formulated and approved by the Council through the Committee, the Team shall determine (a) the suitability of any area for redistribution into economic family-size farms; (b) the economic size of farm units; (c) the feasibility of acquiring and distributing the area; (d) the willingness of the lessees to assume the responsibilities of ownership; and (e) the financial and other requirements of the project. For this purpose, it shall gather data, obtain opinions, conduct surveys, pursue investigations, and incorporate any information thus established in a development program for the area concerned to be submitted in the form of a consolidated report to the Committee.

## **CHAPTER VIII - LAND CAPABILITY SURVEY AND CLASSIFICATION**

**SECTION 132. *Land Survey to Conform to Legal Requirements.*** — To provide the necessary basis for the implementation of the land reform program formulated under this Code, the Land Authority is hereby authorized to undertake a land capability survey and classification in cooperation with the relevant agencies that will be directly benefited by such survey and classification. The survey shall be made to conform to the requirements of the Department of Agriculture and Natural Resources for implementation of Agricultural programs and forestry inventory, of the Board of Technical Surveys and Maps, and of the National Economic Council and

other agencies for agricultural planning and other purposes.

**SECTION 133. *Cadastral Survey.*** — To resolve the rights of landholders holding unregistered property, the Bureau of Lands is directed to undertake an expanded cadastral survey and land registration program commencing within three months from the passage of this Code.

**SECTION 134. *Costs of Fees and Charges.*** — Notwithstanding any provisions of law to the contrary, the following rules shall apply with respect to the costs, fees and charges in the survey, monumenting, and registration of lands of whatever description and nature had in relation to cadastral proceedings undertaken by the National Government, either alone through its offices, agencies and instrumentalities, or in conjunction with provincial and municipal governments.

**SECTION 135. *Apportionment of Cost of Survey.*** — One-half of the cost of survey and monumenting and registration proceedings shall be fully assessed and collected against each and all of the lots included in cadastral proceedings and shall be apportioned in accordance with the area thereof, but in no case shall less than ten pesos be charged against each lot, the other half being chargeable to the National Government. The amounts taxed against each of the lots or parcels of land shall be considered as a special assessment of taxes against the respective parcels, shall constitute a first lien upon the land and shall be collected by the Director of Lands or his duly authorized representatives in equal installments within a period of three years, bearing interest at the rate of six per centum per annum. The first installment shall

become due and payable at the same time as the general land taxes for the year next succeeding the year in which the assessment of the cost shall be received by the Provincial Treasurer, and shall be collected in the same manner as such general taxes. Each succeeding installment shall become due and payable at the same time as the general land taxes for the corresponding current year and shall be collected in the same manner. The Director of Lands shall for this purpose send to the officer in charge of such collection a copy of said assessment of costs: Provided, however, That the amounts representing the proportional shares of the costs taxed against lots surveyed at the request and expense of their owner and for which a plan other than the cadastral plan has been made by a duly authorized surveyor prior to the decision in the cadastral proceeding, or which have been registered in accordance with the provisions of Act Numbered Four hundred ninety-six, entitled "The Land Registration Act", or surveyed, patented, or leased under the Public Land and Mining Laws, prior to the decision in the cadastral proceeding, or have been declared to the public lands by the Court, shall not constitute a lien against said lot nor shall be collected from the owner thereof: Provided, further, That the owner of any lot may, if he so desires, pay any installment of the costs taxed against his lot at any time before the same becomes due.

**SECTION 136. *Payment of Costs of Land in Its Entirety in Case of Transfer of Land.*** — In case of the sale, transfer, or conveyance, for a pecuniary consideration, of any property, or part thereof, registered by virtue of a decree issued in a cadastral proceeding, prior to the payment of the total amount of the costs taxed against such property in

accordance with the preceding Section endorsed as an encumbrance or lien upon each cadastral certificate of title, the vendor or his legal representative shall pay such costs in their entirety in case the order apportioning the costs has already been issued in the cadastral proceeding in which the property being sold, transferred, or conveyed is included, and the register of deeds concerned shall demand of the vendor, before registering the deed for such sale, transfer, or conveyance of said property, that he exhibit a receipt signed by the Director of Lands or his duly authorized representative showing that such encumbrance or lien has been paid.

**SECTION 137. *Costs of Registration Proceedings.*** — The costs of the registration proceedings under the provisions of this Code shall consist of a sum equivalent to ten per centum of the costs of the survey and monumenting of the land. The amount of the costs of the proceeding so taxed shall be for all services rendered by the Land Registration Commission and the clerk or his deputies in each cadastral proceeding, and the expense of publication, mailing, and posting notice, as well as the notices of the decision and the order apportioning the cost shall be borne by the Land Registration Commission.

**SECTION 138. *Laws Covering Survey and Registration of Land in Forces.*** — Unless otherwise provided in this Chapter, all provisions of law covering the survey and registration of land shall remain in full force and effect.

**SECTION 139. *Revolving Fund.*** — All amounts collected by the Bureau of Lands or its duly

authorized representatives from the owners of the various lots as costs of proceedings, survey, and monumenting in relation to the cadastral survey program herein described shall be paid into a Special Cadastral Program Revolving Fund to finance the cadastral land survey and registration of other unregistered lands.

**SECTION 140. *Appropriation.*** — To finance and support the expanded cadastral land survey and registration program set forth herein, the amount of one hundred million pesos is hereby appropriated out of funds in the National Treasury not otherwise appropriated, which amount shall be paid into a "Special Cadastral Program Revolving Fund", to finance the cadastral land survey and registration of other unregistered areas.

## CHAPTER IX - COURTS OF AGRARIAN RELATIONS

**SECTION 141. *Creation.*** — Courts of Agrarian Relations are hereby organized and established throughout the Philippines in conformity with the provisions of this Chapter.

**SECTION 142. *Regional Districts.*** — Regional districts for the Courts of Agrarian Relations in the Philippines are constituted as follows:

The first Regional District shall consist of the provinces of Cagayan, Batanes, Isabela and Nueva Vizcaya, with seat in Tuguegarao, Cagayan for Branch I and in Ilagan, Isabela for Branch II;

The second Regional District, of the provinces of Ilocos Norte, Ilocos Sur, Abra, Mountain Province, La Union and the City of Baguio, with seat in Laoag,

Ilocos Norte for Branch I and in San Fernando, La Union for Branch II;

The third Regional District of the provinces of Pangasinan and Zambales, and the City of Dagupan, with seat in Lingayen, Pangasinan for Branch I, in Tayug, Pangasinan for Branch II and in Iba, Zambales for Branch III;

The fourth Regional District, of the provinces of Nueva Ecija and Tarlac, and Cabanatuan City, with seat in Cabanatuan City for Branch I, in Guimba, Nueva Ecija for Branch II, in Tarlac, Tarlac for Branch III and in Moncada, Tarlac for Branch IV;

The fifth Regional District, of the provinces of Pampanga, Bataan and Bulacan, with seat in Malolos, Bulacan for Branch I, in San Fernando, Pampanga for Branch II, in Angeles, Pampanga for Branch III and in Balanga, Bataan for Branch IV;

The sixth Regional District, of the City of Manila, Quezon City, Pasay City, the province of Rizal, the City of Cavite, the province of Cavite, the City of Tagaytay, Trece Martires City, and the province of Palawan, with seat in Manila for Branch I (Executive Judge), in Cavite City for Branch II and in Pasig, Rizal for Branch III; The seventh Regional District, of the province of Laguna, the City of San Pablo, the province of Batangas, the City of Lipa, and the provinces of Oriental Mindoro and Occidental Mindoro, with seat in Los Baños, Laguna for Branch I, in Batangas, Batangas for Branch II and in Mamburao, Mindoro Occidental for Branch III;

The eight Regional District, of the province of Quezon, the subprovince of Aurora, the City of Lucena, and

the province of Camarines Norte, with seat in the City of Lucena for Branch I and in Daet, Camarines Norte for Branch II;

The ninth Regional District, of the province of Camarines Sur, Naga City, Legaspi City and the provinces of Albay, Catanduanes, Sorsogon and Masbate, with seat in Naga City for Branch I, in Legaspi City for Branch II and in Sorsogon, Sorsogon for Branch III;

The tenth Regional District, of the province of Capiz, Roxas City, the provinces of Aklan, Romblon, Marinduque and Iloilo, the City of Iloilo, and the province of Antique, with seat in the City of Iloilo for Branch I and in Roxas City for Branch II;

The eleventh Regional District, of the province of Occidental Negros, the Cities of Bacolod and Silay, the province of Oriental Negros, Dumaguete City, and the subprovince of Siquijor, with seat in Bacolod City for Branch I, in Dumaguete City for Branch II and in San Carlos City for Branch III;

The twelfth Regional District, of the province of Samar, the City of Calbayog, the province of Leyte, and the Cities of Ormoc and Tacloban, with seat in Catbalogan, Samar for Branch I and in Ormoc City for Branch II;

The thirteenth Regional District, of the province of Cebu, the City of Cebu, and the province of Bohol, with seat in the City of Cebu for Branch I and in Tagbilaran, Bohol for Branch II;

The fourteenth Regional District, of the provinces of Surigao and Agusan, Butuan City, the province of Oriental Misamis, Cagayan de Oro City, the provinces of Bukidnon, Lanao del Sur and Lanao del Norte, and

the Cities of Iligan and Marawi, with seat in Cagayan de Oro City for Branch I and in Iligan City for Branch II; The fifteenth Regional District, of the province of Davao the City of Davao, the provinces of Cotabato and Occidental Misamis, Ozamiz City, the provinces of Zamboanga del Norte and Zamboanga del Sur, Zamboanga City, Basilan City and the province of Sulu, with seat in the City of Davao for Branch I, Cotabato City for Branch II and Ozamiz City for Branch III.

**SECTION 143. *Judges of Agrarian Relations.*** — The judicial function of the Courts of Agrarian Relations shall be vested in an Executive Judge and the Regional District Judges, who shall be appointed from time to time, depending on the need for their services, by the President of the Philippines with the consent of the Commission on Appointments: Provided, however, That the Executive Judge and the eight Associate Judges, at the time of the approval of this Code, of the Court of Agrarian Relations established and organized under Republic Act Numbered Twelve hundred and sixty-seven, shall continue as Agrarian Judges without need of new appointments by the President of the Philippines and new confirmation of the Commission on Appointments: Provided, further, That upon the approval of this Code, the said Executive Judge shall continue as such with authority to exercise the usual administrative functions over the Court of Agrarian Relations not incompatible with the provisions of this Chapter and shall have his office in Manila without prejudice to his holding court in any district where the requirements of the service so warrant, and the eight Associate Judges shall be assigned as Regional District Judges by the Executive Judge to any of the

regional districts as constituted in the preceding Section.

**SECTION 144. *Qualifications of Judges; Tenure of Office; Compensation.*** — No person shall be appointed as Executive Judge or Regional District Judge unless he has been a citizen of the Philippines for ten years and has practiced law in the Philippines for a period of not less than ten years or has held during a like period, within the Philippines, an office requiring admission to the practice of law in the Philippines as an indispensable requisite.

Regional District Judges shall be appointed to serve during good behavior, until they reach the age of seventy years or become incapacitated to discharge the duties of their office, unless sooner removed in accordance with law.

The judges may be suspended or removed in the same manner and upon the same grounds as judges of the Court of First Instance:

The Executive Judge shall receive an annual compensation which shall be equal to that allowed or may hereafter be allowed for judges of the Court of First Instance and the Regional District Judges shall receive an annual compensation of one thousand pesos less than that of the Executive Judge.

**SECTION 145. *Leave Privileges; Traveling Expenses.*** — Judges of the Courts of Agrarian Relations shall be entitled to same retirement and leave privileges now granted or may hereafter be granted to judges of the court of First Instance. They shall be entitled to traveling expenses when performing their duties outside official stations.

**SECTION 146. *Vacation of Courts of Agrarian Relations.***

— The yearly vacation of Courts of Agrarian Relations shall begin with the first of April and close with the first of June each year.

**SECTION 147. *Assignment of Judges to Vacation Duty.***

— During the month of January of each year the Executive Judge shall issue an order naming the judges who are to remain on duty during the court vacation of that year; and, consistently with the requirements of the judicial service, the assignment shall be so made that no judge shall be assigned to vacation duty, unless upon his own request, with greater frequency than once in two years.

Such order shall specify, in the case of each judge assigned to vacation duty, the territory over which in addition to his own district his authority as vacation judge shall extend.

The Executive Judge may from time to time modify his order assigning the judges to vacation duty as newly arising conditions or emergencies may require.

A judge assigned to vacation duty shall not ordinarily be required to hold court during such vacation; but the Executive Judge may, when in his judgment the emergency shall require, direct any judge assigned to vacation duty to hold during the vacation a special term of court in any district.

**SECTION 148. *Judges of Regional Districts.*** —

Four judges shall be commissioned for each of the fourth and fifth Regional Districts; three judges shall be commissioned for each of the third, sixth, seventh, ninth, eleventh and fifteenth Regional Districts; and two judges for each of the other Regional Districts.

**SECTION 149. *Oath of Office.*** — Before entering upon the discharge of the duties of their office, the judges shall take and subscribe to an oath of office in accordance with the provisions of Section twenty-three of the Revised Administrative Code.

**SECTION 150. *Division of Business Between Branches.*** — All business appertaining to the Courts of Agrarian Relations of each Regional District shall be equitably distributed among the judges of the branches in such manner as shall be agreed upon by the judges themselves. Should the judges fail to agree on the distribution of business, then the Executive Judge shall make the distribution.

**SECTION 151. *Judges' Certification as to Work Completed.*** — The judges of the Courts of Agrarian Relations shall certify at the end of each month that all petitions and motions in all cases pending decision or resolution for a period of thirty days from submission by the parties have been determined and decided before the date of the making of the certificate. No leave shall be granted and no salary shall be paid without such certificate.

**SECTION 152. *Official Station of Regional District Judges.*** — Within thirty days after the approval of this Code, the Executive Judge shall issue an order designating the official station of the judges of the branches of each of the Regional Districts.

**SECTION 153. *Time and Place of Holding Court.*** — Sessions of the Court shall be convened on all working days when there are cases ready for trial or other court business to be dispatched. The hours for the daily session of the Court shall be from nine to twelve

in the morning, and from three to five in the afternoon, except on Saturdays, when a morning session only shall be required: but the judge may extend the hours of session whenever in his judgment it is proper to do so. The judge, in his discretion, may order that but one session per day shall be held instead of two, at such hours as he may deem expedient for the convenience both of the Court and of the public; but the number of hours that the Court shall be in session per day shall be not less than five.

Sessions of the Court shall be held at the places of the official station of the respective judges: Provided, however, That whenever necessary in the interest of speedy and inexpensive justice and litigation, a judge shall hold court in the municipality where the subject matter of the dispute is located, utilizing the sala of the local justice of the peace court for this purpose.

A brief monthly report which shall be submitted within the first five days of the succeeding month showing the number and nature of the cases tried in his sala, the place of hearing in each case, the progress of the litigation with corresponding dates and the disposition made thereon shall be rendered by every judge under his signature and copies thereof shall be furnished the Executive Judge, who shall compile and report in an appropriate form the decisions promulgated in important cases. A judge who fails or neglects to make his report shall, upon first offense, be liable to warning by the Executive Judge, and upon repeated failure or neglect may be suspended or removed from office.

**SECTION 154. *Jurisdiction of the Court.*** — The Court shall have original and exclusive jurisdiction over:

- (1) All cases or actions involving matters, controversies, disputes, or money claims arising from agrarian relations: Provided, however, That all cases still pending in the Court of Agrarian Relations, established under Republic Act Numbered Twelve hundred and sixty-seven, at the time of the effectivity of this Code, shall be transferred to and continued in the respective Courts of Agrarian Relations within whose district the sites of the cases are located;
- (2) All cases or actions involving violations of Chapters I and II of this Code and Republic Act Number Eight hundred and nine; and
- (3) Expropriations to be instituted by the Land Authority: Provided, however, That expropriation proceedings instituted by the Land Tenure Administration pending in the Court of First Instance at the time of the effectivity of this Code shall be transferred to and continued in the respective Courts of Agrarian Relations within whose district the subject matter or property is located.

**SECTION 155. *Powers of the Court; Rules and Procedures.*** — The Courts of Agrarian Relations shall have all the powers and prerogatives inherent in or belonging to the Court of First Instance. The Courts of Agrarian Relations shall be governed by the Rules of Court: Provided, That in the hearing, investigation and determination of any question or controversy pending before them, the Courts without impairing substantial rights, shall not be bound strictly by the technical rules of evidence and procedure, except in expropriation cases.

**SECTION 156. Appeals.** — Appeals from an order or decision of the Courts of Agrarian Relations may be taken to the Court of Appeals on questions of fact and of fact and law or to the Supreme Court on pure questions of law, as the case may be, in accordance with rules governing appeals from the Court of First Instance as provided in the Rules of Court.

**SECTION 157. *Detail of Judges to Another District.*** — Whenever any judge in any of the Court shall certify to the Executive Judge that the condition of the docket in his Court is such as to require the assistance of an additional judge, or when there is any vacancy in any Court, the Executive Judge may, in the interest of justice, with the approval of the Supreme Court, assign any judge of the Court of Agrarian Relations whose docket permits his temporary absence from said Court, to hold session in the Court needing such assistance or where such vacancy exists.

Whenever a judge appointed or assigned in any branch of the Court shall leave his district by transfer or assignment to another Court of equal jurisdiction without having decided a case totally heard by him and which was duly argued or opportunity given for argument to the parties of their counsel, it shall be lawful for him to prepare and sign his decision in said case anywhere within the Philippines and send the same by registered mail to the clerk of court to be filed in the Court as of the date when the same was received by the clerk, in the same manner as if the judge had been present in the Court to direct the filing of the judgment: Provided, however, That if a case has been heard only in part, the Supreme Court, upon petition of any of the interested parties to the case and the recommendation of the respective district judge, may also authorize the judge who has

partly heard the case to continue hearing and to decide said case notwithstanding his transfer or appointment to another court of equal jurisdiction.

**SECTION 158. *Personnel of the Courts of Agrarian Relations.*** — (1) Court Commissioners; Qualifications and Compensation. — There shall be twenty-four Court Commissioners who shall receive an annual compensation of nine thousand pesos each and shall be appointed by the President with the consent of the Commission on Appointments. A Court Commissioner shall be a member of the Philippine Bar and must have been engaged in the practice of law for five years or must have held a position in the government requiring the qualifications of a lawyer for the same period. A Court Commissioner may be assigned by the Executive Judge to assist in the hearing and investigation of cases. Subject to the latter's direction and supervision, he may hear evidence for the Court on any disputed point or issue in any given case or cases and shall after said hearing submit a report of all the cases heard by him together with the records thereof within the period prescribed by the Court. During the hearing he may rule upon questions of pleading and procedure but not on the merits of the case.

(2) Clerks of Court; Qualifications, Duties, Compensation and Bond. — There shall be as many Clerks of Court as there are judges, who shall be appointed by the President of the Philippines with the consent of the Commission on Appointments. Deputy Clerks of Court and such other employees as may be required shall be appointed by the Executive Judge, subject to Civil Service law, rules and regulations.

No person shall be eligible for appointment as Clerk of Court unless he is duly authorized to practice law in the Philippines.

Before entering upon the discharge of the duties of his office, he shall file a bond in the amount of ten thousand pesos in the same manner and form as required of the Clerk of the Supreme Court, such bond to be approved by, and filed with, the Treasurer of the Philippines and shall be subject to inspection by interested parties.

The Clerk of Court shall require his deputy to give an adequate bond as security against loss by reason of his wrong-doing or gross negligence. The Clerks of Court shall each receive an annual compensation of seven thousand two hundred pesos. They shall exercise the same powers and perform the same duties on all matters within the jurisdiction of the Courts as those exercised by the Clerks of Court of the Courts of First Instance.

Clerks of Courts and other subordinate employees of the Courts of Agrarian Relations shall, for administrative purposes, belong to the Department of Justice; but in the performance of their duties, they shall be subject to the supervision of the judges of the Court to which they respectively pertain.

The Commissioners, otherwise known as Hearing Officers of the Court of Agrarian Relations, as well as the Clerks of Court at the time of the approval of this Code, shall continue as such without the need of new appointment by the President of the Philippines and new confirmation by the Commission on Appointments.

**SECTION 159. *Appropriation.*** — There is hereby appropriated the sum of three million five hundred thousand pesos, or so much thereof as may be necessary, out of the unappropriated funds in the Philippine Treasury for expenses for courtrooms and court offices, including equipment for the Courts and their personnel, for salaries, and for other necessary expenses that may be incurred in carrying out the provisions of this Chapter. The amount appropriated shall be carried in succeeding appropriations for the Courts of Agrarian Relations.

## CHAPTER X - OFFICE OF AGRARIAN COUNSEL

**SECTION 160. *Creation of Office of Agrarian Counsel.*** — To strengthen the legal assistance to agricultural lessees and agricultural owner-cultivators referred to in this Code, the Tenancy Mediation Commission is hereby expanded and shall hereafter be known as the Office of the Agrarian Counsel. The head of the Office shall hereafter be known as Agrarian Counsel and shall have the rank, qualifications and salary of First Assistant Solicitor General. He shall be assisted by a Deputy Agrarian Counsel, who shall have the rank, qualifications and salary of Assistant Solicitor General. The Agrarian Counsel and Deputy Agrarian Counsel shall be appointed by the President with the consent of the Commission on Appointments of Congress and shall be under the direct supervision of the Secretary of Justice.

**SECTION 161. *Special Attorneys.*** — There is hereby created in the Office of the Agrarian Counsel eighty additional positions of Special Attorneys, who shall be appointed by the President upon recommendation of the Secretary of Justice and with the consent of the

Commission on Appointments. They shall have the rank, qualifications and salary provided by law for a solicitor in the Office of the Solicitor General with the lowest rank.

**SECTION 162. *Appointment of Subordinate Officials.*** —

The Agrarian Counsel shall appoint the subordinate officials and employees of the Office of Agrarian Counsel, subject to civil service rules and regulations, fix their compensation and prescribe their duties. The compensation of special attorneys transferred to the Office of Agrarian Counsel shall be fixed on salary scales corresponding to solicitors of the Office of the Solicitor General: Provided, That in the fixing of their salary seniority in rank shall be taken into account. The Agrarian Counsel shall have the power to organize such divisions and sections as will insure maximum efficiency of the Office.

**SECTION 163. *Functions of the Office of Agrarian Counsel.*** —

It shall be the responsibility of the Office of the Agrarian counsel, upon proper notification by the party concerned or by the association or organization to which belongs, to represent agricultural lessees, agricultural farm workers and agricultural owner-cultivators referred to in this Code who cannot engage the services of competent private counsel in cases before the Court of Agrarian Relations.

**SECTION 164. *Authority to Administer Oath.*** —

The Agrarian Counsel, the Deputy Agrarian Counsel and the Special Attorneys of the Office of Agrarian Counsel are hereby authorized to administer oaths free of charge.

**SECTION 165. *Appropriations.*** — There is hereby appropriated, in addition to the appropriation of the

Tenancy Mediation Commission for Fiscal Year 1964, the sum of three million pesos, or so much thereof as may be necessary, out of the unappropriated funds in the National Treasury, for salaries, wages, purchase of motor vehicles, supplies, equipment, and other sundry expenses. The amount appropriated herein shall be carried in the appropriations for the Office of the Agrarian Counsel in the General Appropriations Acts for succeeding fiscal years.

## CHAPTER XI - GENERAL PROVISIONS

**SECTION 166. *Definition of Terms.*** — As used in Chapter I of this Code:

- (1) "Agricultural Land" means land devoted to any growth, including but not limited to crop lands, salt beds, fish ponds, idle land and abandoned land as defined in paragraphs 18 and 19 of this Section, respectively.
- (2) "Agricultural lessee" means a person who, by himself and with the aid available from within his immediate farm household, cultivates the land belonging to, or possessed by, another with the latter's consent for purposes of production, for a price certain in money or in produce or both. It is distinguished from civil lessee as understood in the Civil Code of the Philippines.
- (3) "Agricultural lessor" means a person, natural or juridical, who, either as owner, civil law lessee, usufructuary, or legal possessor, lets or grants to another the cultivation and use of his land for a price certain.

- (4) "Agricultural year" means the period of time required for raising a particular agricultural product, including the preparation of the land, sowing, planting and harvesting of crops and, whenever applicable, threshing of said crops: Provided, however, That in case of crops yielding more than one harvest from planting, "agricultural year" shall be the period from the preparation of the land to the first harvest and thereafter from harvest to harvest. In both cases, the period may be shorter or longer than a calendar year.
- (5) "Court" means the Court of Agrarian Relations.
- (6) "Fair rental value" means the value not in excess of allowable depreciation plus six per cent interest per annum on the investment computed at its market value: Provided, That the fair rental value for work animal or animals and farm implements used to produce the crop shall not exceed five per cent of the gross harvest for the work animal or animals and five per cent for implements.
- (7) "Farm implements" means hand tools or machines ordinarily employed in a farm enterprise.
- (8) "Immediate farm household" means the members of the family of the lessee or lessor and other persons who are dependent upon him for support and who usually help him in his activities.
- (9) "Incapacity" means any cause or circumstance which prevents the lessee from fulfilling his

contractual and other obligations under this Code.

- (10) "Inspect" means to enter, examine and observe. Under no circumstance, however, shall such entrance, examination and observation be utilized to commit any act of intimidation or coercion nor shall it be utilized to impair the civil rights of the individuals affected.
- (11) "Proven farm practices" means sound farming practices generally accepted through usage or officially recommended by the Agricultural Productivity Commission for a particular type of farm.
- (12) "Work animals" means animals ordinarily employed in a farm enterprise, such as carabaos, horses, bullocks, etc.
- (13) "Personal cultivation" means cultivation by the lessee or lessor in person and/or with the aid of labor from within his immediate household. As used in Chapter II:
- (14) "Farm employer" includes any person acting directly or indirectly in the interest of a farm employer whether for profit or not, as well as a labor contractor, but shall not include any labor organization (otherwise than when acting as a farm employer) or anyone acting in the capacity of an officer or agent of such labor organization.
- (15) "Farm worker" includes any agricultural wage, salary or piece but is not limited to a farm worker of a particular farm employer unless this Code

explicitly states otherwise and any individual whose work has ceased as a consequence of, or in connection with, a current agrarian dispute or an unfair labor practice and who has not obtained a substantially equivalent and regular employment. Whenever the term "farm worker" is used in this Code, it shall be understood to include farm laborer and/or farm employee.

- (16) "Farm workers' organization" includes any union or association of farm workers which exists, in whole or in part, for the purpose of collective bargaining or dealing with farm employers concerning terms and conditions of employment.
- (17) "Agrarian dispute" means any controversy relating to terms, tenure or conditions of employment, or concerning an association or representation of persons in negotiating, fixing, maintaining, changing, or seeking to arrange terms or conditions of employment, regardless of whether the disputants stand in the proximate relation of farm employers and employees. As used in Chapter III of this Code:
- (18) "Idle lands" means land not devoted directly to any crop or to any definite economic purpose for at least one year prior to the notice of expropriation except for reasons other than force majeure or any other fortuitous event but used to be devoted or is suitable to such crop or is contiguous to land devoted directly to any crop and does not include land devoted permanently or regularly to other essential and more productive purpose.

- (19) "Abandoned lands" means lands devoted to any crop at least one year prior to the notice of expropriation, but which was not utilized by the owner for his benefit for the past five years prior to such notice of expropriation.
- (20) "Economic family-sized farm units" means an area of farm land that permits efficient use of labor and capital resources of the farm family and will produce an income sufficient to provide a modest standard of living to meet a farm family's needs for food, clothing, shelter, and education with possible allowance for payment of yearly installments on the land, and reasonable reserves to absorb yearly fluctuations in income.
- (21) "Suitably for economic family-size farm" refers to situations where a parcel of land whose characteristics, such as climate, soil, topography, availability of water and location, will support a farm family if operated in economic family-size farm units and does not include those where large-scale operations will result in greater production and more efficient use of land.
- (22) "Agricultural owner-cultivator" means any person who, providing capital and management, personally cultivates his own land with the aid of his immediate family and household.
- (23) "Owner-manager" means the owner of a parcel of land devoted to agricultural production who provides the capital and management in the farm enterprise.

- (24) "Labor administration" means cases where farm workers are employed wholly in the agricultural production.
- (25) "Share tenancy" as used in this Code means the relationship which exists whenever two persons agree on a joint undertaking for agricultural production wherein one party furnishes the land and the other his labor, with either or both contributing any one or several of the items of production, the tenant cultivating the land personally with the aid of labor available from members of his immediate farm household, and the produce thereof to be divided between the landholder and the tenant.
- (26) "Tax free" in reference to bonds and shares of stock issued by the Land Bank as payment for acquired private agricultural land shall mean all government taxes, except gift tax and inheritance tax.

**SECTION 167. *Penal Provisions.* —**

- (1) Violation of the provisions of Section thirteen and twenty-seven and paragraph 1 of Section thirty-one of this Code shall be punished by a fine not exceeding one thousand pesos or imprisonment not exceeding one year or both in the discretion of the court. In case of juridical persons, the manager or the person who has charge of the management or administration of the property or, in his default, the person acting in his stead, shall be liable under this Section.
- (2) Any person, natural or juridical, who induces another, as tenant, to execute or enter into a

share tenancy contract with himself or with another in violation of this Code shall be punished by a fine not exceeding five thousand pesos with subsidiary imprisonment in accordance with the Revised Penal Code: Provided, That the execution of a share tenancy contract shall be considered prima facie evidence of such inducement as to the owner, civil law lessee, usufructuary or legal possessor. In case of juridical persons, the manager or the person who has charge of the management or administration of the property or, in his default, the person acting in his stead, shall be liable under this Section.

- (3) Any person who executes an affidavit as required by Section thirteen of Chapter I, knowing the contents thereof to be false, shall be punished by a fine not exceeding one thousand pesos or imprisonment of not more than one year, or both, in the discretion of the court.
- (4) Any person who wilfully violates the provisions of Sections forty and forty-one of this Code shall be punished by a fine of not less than one hundred pesos nor more than one thousand pesos or by imprisonment of not less than one month nor more than one year, or both such fine and imprisonment, in the discretion of the court. If any violation of Sections forty and forty-one of this Code is committed by a corporation, partnership or association, the manager or, in his default, the person acting as such when the violation took place shall be criminally responsible.

- (5) Any person who willfully violates the provisions of Section forty-two of this Code shall, upon conviction thereof, be subject to a fine of not more than two thousand pesos, or upon second conviction, to imprisonment of not more than one year or both such fine and imprisonment, in the discretion of the court. If any violation of the provisions of Section forty-two of this Code is committed by a corporation, partnership or association, the manager or, in his default, the person acting as such when the violation took place shall be criminally responsible.

**SECTION 168. *Pending Application for Mechanization.***

— Any provision of this Code to the contrary notwithstanding, any application for mechanization where corresponding certifications for suitability for mechanization and for availability for resettlement by the Agricultural Tenancy Commission and the National Resettlement and Rehabilitation Administration, respectively, have been issued and proper notices served on the tenants at least two months prior to the approval of this Code shall be given due course and decided in accordance with the pertinent provisions and requirements of Republic Act Numbered Eleven hundred and ninety-nine, as amended.

**SECTION 169. *Personnel of Reorganized or Abolished Agencies.***

— Permanent officials and employees of all existing government agencies which are abolished or reorganized under this Code, subject to Civil Service Rules and regulations, shall be absorbed and shall not be divested of their positions except presidential appointees: Provided, That those presidential appointees who cannot be absorbed and such officials and employees who prefer to be laid-off shall

be given gratuity equivalent to one month salary for every year of service but in no case more than twenty-four month's salary, in addition to all benefits to which they are entitled under existing laws and regulations. To carry out the provisions of this Section, there is hereby appropriated the sum of five hundred thousand pesos out of the unappropriated funds in the National Treasury.

**SECTION 170. *Budgeting and Disbursing of Appropriated Funds.*** — Any provision of this Code or of any existing law to the contrary notwithstanding, not more than sixty per centum of the specific appropriations provided in this Code for operating expenditures shall be used for personnel services: Provided, That in the case of the appropriations for the Agricultural Productivity Commission not more than twenty per centum shall be spent for office personnel and other administrative expenses thereof: Provided, further, That the total operating expenditures of the Agricultural Credit Administration shall not exceed three per centum of its total capitalization in addition to the allowance for losses under Section one hundred ten: Provided, furthermore, That all unexpended balances of all appropriations provided in this Code for operating expenditures shall revert to the National Treasury at the end of the fiscal year in conformity with the provisions of Section twenty-three of Republic Act Numbered Nine hundred ninety-two: And provided, finally, That all the financial requirements of the various agencies established in this Code for their operation except the Land Bank and the Agricultural Credit Administration shall be proposed in the President's budget in order that such appropriation as may be necessary therefor may be provided in the

General Appropriation Acts for the succeeding fiscal years.

**SECTION 171. *Separability of Provisions.*** — If, for any reason, any section or provision of this Code shall be questioned in any court, and shall be held to be unconstitutional or invalid, no other section or provision of this Code shall be affected thereby.

**SECTION 172. *Prior Inconsistent Laws.*** — All laws or parts of any law inconsistent with the provisions of this Code are hereby repealed.

**SECTION 173. *Effective Date.*** — This Code shall take effect upon its approval.

Approved: August 8, 1963

**REPUBLIC ACT NO. 6389**

(September 10, 1971)

**AN ACT AMENDING REPUBLIC ACT NUMBERED THIRTY-EIGHT HUNDRED AND FORTY-FOUR, AS AMENDED, OTHERWISE KNOWN AS THE AGRICULTURAL LAND REFORM CODE, AND FOR OTHER PURPOSES**

**SECTION 1.** Section 1, 2, 3 and 4 of Republic Act No. thirty eight hundred and forty-four, otherwise known as the Agricultural Land Reform Code, are hereby amended to read as follows:

**Sec. 1. Title.** — This Act shall be known as the Code of Agrarian Reforms of the Philippines."

**Sec. 2. Declaration of Policy.** — It is the policy of the State:

- (1) To establish cooperative-cultivatorship among those who live and work on the land as tillers, owner-cultivatorship and the economic family-size farm as the basis of Philippine agriculture and, as a consequence, divert landlord capital in agriculture to industrial development;
- (2) To achieve a dignified existence for the small farmers free from pernicious institutional restraints and practices;
- (3) To create a truly viable social and economic structure in agriculture conducive to greater productivity and higher farm income through a

- cooperative system of production, processing, marketing, distribution, credit and services;
- (4) To apply all labor laws equally and without discrimination to both industrial and agricultural wage e earners;
  - (5) To provide a more vigorous and systematic land resettlement program and public land distribution;
  - (6) To make the small farmers more independent, self-reliant and responsible citizens, and a source of genuine strength in our democratic society;
  - (7) To give first priority to measures for the adequate and timely financing of the Agrarian Reform Program pursuant to House Joint Resolution Numbered Two, otherwise known as the Magna Carta of Social Justice and Economic Freedom; existing laws; executive and administrative orders; and rules and regulations to the contrary notwithstanding;
  - (8) To involve local governments in the implementation of the Agrarian Reform Program; and
  - (9) To evolve a system of land use and classification.

**Sec. 3. *Composition of Code.*** — In pursuance of the policy enunciated in Section two, the following are established under this Code:

- (1) An agricultural leasehold system to replace all existing share tenancy systems in agriculture;

- (2) A system of crediting rental as amortization payment on purchase price;
- (3) A declaration of rights for agricultural labor;
- (4) A machinery for the acquisition and equitable distribution of agricultural land;
- (5) An institution to finance the acquisition and distribution of agricultural land;
- (6) A machinery to extend credit and similar assistance to agricultural lessees, amortizing owners-cultivator, and cooperatives;
- (7) A machinery to provide marketing, management, and other technical assistance and/or services to agricultural lessees, amortizing owners-cultivator, owners-cultivator, and cooperatives;
- (8) A machinery for cooperative development;
- (9) A department for formulating and implementing projects of agrarian reform;
- 10) An expanded program of land capability survey, classification, and registration;
- (11) A judicial system to decide issues arising under this Code and other related laws regulations;  
and
- (12) A machinery to provide legal assistance to agricultural lessees, amortizing owners-cultivator, and owners-cultivator."

**Sec. 4. *Automatic Conversion to Agricultural Leasehold.*** — Agricultural share tenancy throughout the country, as herein defined, is hereby declared contrary to public policy and shall be automatically converted to agricultural leasehold upon the effectivity of this section.

The credit assistance traditionally extended by a land-owner and a local lender to a tenant under the share tenancy systems in agriculture for production loans and loans for the purchase of work animals, tillage equipment, seeds, fertilizers, poultry, livestock feed and other similar items, and advances for the subsistence of a lease and his family, may be continued by said landowner and local lender: Provided, That the total charges on these loans, including interest and service, inspection and issuance fees, shall not exceed fourteen per cent per calendar year and the principal thereof shall not be subject to upward adjustment even in case of extraordinary inflation and/or devaluation: Provided, further, That on all loans or advances other than money, the interest shall be computed on the basis of current price of the goods at the time when the loans or advances were made.

Any work animal and tillage equipment in the possession of a share tenant but owned by a landowner shall automatically be sold to said tenant on installment for a period not exceeding five years and at a price agreed upon by the parties: Provided, however, That the tenant shall pay in advance ten per cent of the price agreed upon.

Existing share tenancy contracts may continue in force and effect in any region or locality, to be governed in the meantime by the pertinent provisions

of Republic Act Numbered Eleven hundred and ninety-nine, as amended, until the end of the agricultural year when the President of the Philippines shall have organized by executive order the Department of Agrarian Reform in accordance with the provisions of this amendatory Act, unless such contracts provide for a shorter period or the tenant sooner exercises his option to elect the leasehold system: Provided, That in order not to jeopardize international commitments, lands devoted to crops covered by marketing allotments shall be made the subject of a separate proclamation by the President upon the recommendation of the department head that adequate provisions, such as the organization of cooperatives, marketing agreement, or other similar workable arrangements, have been made to insure efficient management on all matters requiring synchronization of the agricultural with the processing phases of such crops.

In case some agricultural share tenants do not want to become agricultural lessees of their respective landholding, they shall, with the assistance of the Bureau of Agrarian Legal Assistance, notify in writing the landowners concerned. In such a case, they shall have one agricultural year from the date of the notice to accept leasehold relationship, otherwise the landowner may proceed to their ejectment."

**SECTION 2.** Sections 11 and 12 of the same Code are hereby amended to read as follows:

**Sec. 11. *Lessee's Right of Pre-emption.*** — In case the agricultural lessor decides to sell the landholding, the agricultural lessee shall have the preferential right to buy the same under reasonable terms and conditions: Provided, That the entire landholding

offered for sale must be pre-empted by the Department of Agrarian Reform upon petition of the lessee or any of them: Provided, further, That where there are two or more agricultural lessees, each shall be entitled to said preferential right only to the extent of the area actually cultivated by him. The right of pre-emption under this Section may be exercised within one hundred eighty days from notice in writing, which shall be served by the owner on all lessees affected and the Department of Agrarian Reform.

If the agricultural lessee agrees with the terms and conditions of the sale, he must give notice in writing to the agricultural lessor of his intention to exercise his right of pre-emption within the balance of one hundred eighty day's period still available to him, but in any case not less than thirty days. He must either tender payment of, or present a certificate from the land bank that it shall make payment pursuant to section eighty of this Code on, the price of the landholding to the agricultural lessor. If the latter refuses to accept such tender or presentment, he may consign it with the court.

Any dispute as to the reasonableness of the terms and conditions may be brought by the lessee or by the Department of Agrarian Reform to the proper Court of Agrarian Relations which shall decide the same within sixty days from the date of the filing thereof: Provided, That upon finality of the decision of the Court of Agrarian Relations, the Land Bank shall pay to the agricultural lessor the price fixed by the court within one hundred twenty days: Provided, further, That in case the Land Bank fails to pay within that period, the principal shall earn an interest equivalent to the prime bank rate existing at the time.

"Upon the filing of the corresponding petition or request with the department or corresponding case in court by the agricultural lessee or lessees, the said period of one hundred and eighty days shall cease to run.

Any petition or request for pre-emption shall be solved within sixty days from the filing thereof; otherwise, the said period shall start to run again."

**Sec. 12. *Lessee's right of Redemption.*** — In case the landholding is sold to a third person without the knowledge of the agricultural lessee, the latter shall have the right to redeem the same at a reasonable price and consideration: Provided, That where there are two or more agricultural lessees, each shall be entitled to said right of redemption only to the extent of the area actually cultivated by him. The right of the redemption under this Section may be exercised within one hundred eighty days from notice in writing which shall be served by the vendee on all lessees affected and the Department of Agrarian Reform upon the registration of the sale, and shall have priority over any other right of legal redemption. The redemption price shall be the reasonable price of the land at the time of the sale.

Upon the filing of the corresponding petition or request with the department or corresponding case in court by the agricultural lessee or lessees, the said period of one hundred and eighty days shall cease to run.

Any petition or request for redemption shall be resolved within sixty days from the filing thereof; otherwise, the said period shall start to run again.

The Department of Agrarian Reform shall initiate, while the Land Bank shall finance, said redemption as in the case of pre-emption."

**SECTION 3.** Section fourteen of the same Code is hereby repealed.

**SECTION 4.** Section 32 of the same Code is hereby amended to read as follows:

**Sec. 32. *Cost of Irrigation System.*** — The cost of construction of a permanent irrigation system, including distributory<sup>0</sup> canals, may be borne exclusively by the agricultural lessor who shall be entitled to an increase in rental proportionate to the resultant increase in production: Provided, That if the agricultural lessor refuses to bear the expenses of construction the agricultural lessee/or lessees may shoulder the same, in which case the former shall not be entitled to an increase in rental and shall, upon the termination of the relationship, pay the lessee or his heir the reasonable value of the improvement at the time of the termination: Provided, further, That if the irrigation system constructed does not work, it shall not be considered as an improvement within the meaning of this Section: Provided, furthermore, That the lessees, either as individuals or as groups, shall undertake the management and control of irrigation systems with their respective jurisdiction. However, those constructed and operated by the government may be given to the lessees either as individuals or as groups at their option with the right to maintain, manage and operate such irrigation systems and to collect and receive rentals therefrom: Provided, still further, That the lessees, either as individuals or as groups, shall allocate not more than twenty-five per cent of their collection for rentals to the government if

the irrigation systems has obligations to meet until paid, otherwise such irrigation system will be maintained, managed and operated solely by the lessees either as individuals or as groups, subject to such rules on water rights and water use promulgated by the National Irrigation Administration or such other government agencies authorized by law: Provided, finally, That if the irrigation system is installed and/or constructed at the expense of the landowner or agricultural lessor, the Department of Agrarian Reform shall initiate, while the Land Bank shall finance, the acquisition of such irrigation system at its current fair market value so that the ownership thereof may be vested in the lessees as individuals or groups.

**SECTION 5.** Section 34 of the same Code is hereby amended to read as follows:

**Sec. 34.** *Consideration for the Lease of Riceland and Lands Devoted to Other Crops.* — The consideration for the lease of riceland and lands devoted to other crops shall not be more than the equivalent of twenty-five per centum of the average normal harvest or if there have been no normal harvests, then the estimated normal harvest during the three agricultural years immediately preceding the date the leasehold was established after deducting the amount used for seeds and the cost of harvesting, threshing, loading, hauling and processing, whichever are applicable: Provided, That if the land has been cultivated for a period of less than three years, the initial consideration shall be based on the average normal harvest or if there have been no normal harvests, then the estimated normal harvest during the preceding years when the land was actually cultivated, or on the harvest of the first year in the case of newly cultivated lands, if that

harvest is normal harvests, the final consideration shall be based on the average normal harvest during these three preceding agricultural years.

In the absence of any agreement between the parties as to the rental, the Court of Agrarian Relations shall summarily determine a provisional rental in pursuance of existing laws, rules and regulations and production records available in the different field units of the department, taking into account the extent of the development of the land at the time of the conversion into leasehold and the participation of the lessee in the development thereof. This provisional rental shall continue in force and effect until a fixed rental is finally determined. The court shall determined the fixed rental within thirty days after the petition is submitted for decision.

If capital improvements are introduced on the farm not by the lessee to increase its productivity, the rental shall be increased proportionately to the consequent increase in production due to said improvements. In case of disagreement, the Court shall determine the reasonable increase in rental."

**SECTION 6.** A new section is hereby inserted after Section 34, to be designated as Section "34-A", which shall read as follows:

**Sec. 34-A. *Rental credited as amortization payment on purchase price.*** — The rental paid under the preceding section after the approval of this amendatory Act shall be credited as amortization payment on the purchase price of the landholding tilled by the lessee in any of the following instances:

- (1) When the landholding is expropriated by the government for the lessee; and
- (2) When it is redeemed.

The purchase price of the landholding shall be determined by the parties or the government agencies concerned on the same basis prescribed under section fifty-six of this Code: Provided, That whatever balance remains after crediting as amortization the rental paid, the same may be financed by the Land Bank in the same ratio and mode of payment as provided under section eighty of this Code.

The provisions of Act Numbered Four hundred ninety-six, as amended, and other laws to the contrary notwithstanding, the Land Registration Commission is hereby authorized concurrently with the Bureau of Lands to approve survey plans of lands intended for original registration and to issue transfer certificate of title in favor of the new amortizing-owner-beneficiaries under this section and the Registries of Deeds to register the same. For this purpose, the Land Registration Commissioner shall issue the necessary rules and regulations for the implementation of this provision.

The Department and/or the Bank, in appropriate cases, shall facilitate the immediate issuance of the corresponding transfer certificate of title of the landholding to the new amortizing owner with the encumbrance thereof duly annotated.

Provisions of existing laws, rules and regulations to the contrary notwithstanding, any amortizing owner may use this transfer certificate of title to obtain a loan

from any public or private lending institution and he shall be entitled to borrow therefor an amount not less than sixty per centum of the fair market value of the property: Provided, That the proceeds of such loan shall be applied as follows: fifty per centum as partial payment of any unpaid balance on the landholding and the remaining fifty per centum for the capital improvement of the land and operating capital for farm operations of the amortizing owner.

The payment of all loans obtained pursuant to the provisions of this section shall be guaranteed by the Land Bank and for this purpose, it shall set aside a sinking fund in such amount as may be necessary to be determined by its Board of Trustees.

In case of default in the payment of three consecutive installments on the loan, the lender shall immediately notify, among others, the Land Bank and the department of such default, and thereafter, these agencies shall take the appropriate steps either:

- (1) To answer for the default in case the reason therefore is due to fortuitous event, or
- (2) In any other case, to take over the ownership and administration of said property.

In the latter case mentioned under the preceding paragraph, the government shall endeavor to substitute the defaulting amortizing owner with a new one who does not own any land and who shall be subrogated to the rights, and shall assume the obligations, of the former amortizing owner.

The rules prescribed in the two immediately preceding paragraphs shall apply in case the lessee

defaults in the payment of at least three consecutive rental amortizations, with the former landowner giving the required notice in proper cases.

In all instances where default is due to fortuitous events the Land Bank shall be answerable for such default and the farmers shall be released from the obligations to pay such installment or installments due together with interest thereon.

**SECTION 7.** Section 36(1) of the same Code is hereby amended to read as follows:

- (1) The landholding is declared by the department head upon recommendation of the National Planning Commission to be suited for residential, commercial, industrial or some other urban purposes: Provided, That the agricultural lessee shall be entitled to disturbance compensation equivalent to five times the average of the gross harvests on his landholding during the last five preceding calendar years;

**SECTION 8.** Section 39(2) of the same Code is hereby amended to read as follows:

- (2) Right to engage in concerted activities as defined under Republic Act Numbered Eight hundred and seventy-five.

**SECTION 9.** The Titles of Chapter III and Article I and Section 49 and 50 of the same Code are hereby amended to read as follows:

**CHAPTER III. — DEPARTMENT OF AGRARIAN REFORM.**

**Article I.** — Organization and Functions of the Department of Agrarian Reform.

**Sec. 49.**        *Creation of the Department of Agrarian Reform.* — For the purpose of carrying out the policy of establishing owner-cultivatorship and the economic family size farm as the basis of Philippine agriculture and other policies enunciated in this Code, there is hereby created a Department of Agrarian Reform, hereinafter referred to as Department, which shall be directly under the control and supervision of the President of the Philippines. It shall have authority and responsibility for implementing the policies of the state on agrarian reforms as provided in this Code and such other existing laws as are pertinent thereto.

The Department shall be headed by a Secretary who shall be appointed by the President with the consent of the Commission on Appointments.

"He shall be assisted by one Undersecretary who shall be appointed by the President with the consent of the Commission on Appointments.

**Sec. 50.**        *Qualifications and Compensations of Secretary and Undersecretary.* — No person shall be appointed Secretary or Undersecretary of the Department unless he is a natural born citizen of the Philippines, with proven executive ability and adequate background and experience in land reform here and/or elsewhere for at least five (5) years, and at least thirty-five years of age: Provided, however, That the Undersecretary shall be a career administrator and, at the time of his appointment, shall not be more than fifty-seven (57) years of age,

unless the President has determined that he possesses special qualifications and his services are needed.

The Secretary and the Undersecretary shall have, among other qualifications, demonstrated interest in, and concern for, the needs and problems of the rural and farm populations and the solutions thereto: Provided, That no person who owns any farmholding shall be appointed as Secretary or Undersecretary unless such farmholding is under the leasehold system or the system of agricultural land ownership transfer direct to the tiller.

The Secretary shall receive an annual compensation equivalent to any other executive department secretary; the Undersecretary shall receive an annual compensation equivalent to any other executive department undersecretary.

**SECTION 10.** The following new sections are hereby inserted after Section 50, to be designated as Sections 50-A to 50-I, which shall read as follows:

**Sec. 50-A. *Powers and functions of the Secretary.*** — In addition to the powers and functions specified in this Code, the Secretary shall exercise such powers and perform such functions and duties as are required of any executive department secretary under existing laws."

**Sec. 50-B. *Powers and functions of the Undersecretary.*** — In addition to the powers and functions specified in this Code, the Undersecretary shall exercise such powers and perform such functions and duties as are required of any executive Department Undersecretary under existing laws.

**Sec. 50-C. *Vacancy in office or incapacity.*** — In case of vacancy in the office of Secretary or inability of the Secretary to exercise his powers and perform his functions and duties due to his illness, absence or any other cause, the Undersecretary shall temporarily perform the functions of the said office."

**Sec. 50-D. *Office of the Secretary; Appointment of Personnel.*** — The office of Secretary shall be composed of the Secretary, the Undersecretary, the chiefs of the staff services or units directly under the department proper, together with the personnel thereof.

All personnel of the department proper shall be appointed by the Secretary in accordance with applicable civil service law and rules."

**Sec. 50-E. *Creation of Staff Services; Functions.*** — There shall be created in the department a planning service, a financial and management service, an administrative service, and such other staff services as the Secretary may deem necessary to establish in accordance with this section, each to be headed by a chief, which shall be organized and shall perform the functions as follows:

(1) Planning Service

The Planning Service shall be responsible for providing the department with economical, efficient, and effective services relating to planning, programming and project development.

(2) Financial and Management Service

The Financial and Management Service shall be responsible for providing the department with

staff advice and assistance on budgetary, financial, and management improvement matters.

(3) Administrative Service

The Administrative Services shall be responsible for providing the department with economical, efficient, and effective services relating to personnel, legal assistance, information, records, supplies, equipment, collection, disbursements, security, and custodial work.

**Sec. 50-F. *Creation of Bureaus; Functions.*** — There shall be under the department the following bureaus each to be headed by a Director who shall be assisted by an Assistant Director, charged with the direct implementation of the programs and policies of the Department:

- (1) The Bureau of Farm Management which shall be responsible for the development and implementation of programs on increased productivity, home improvement, and rural youth development;
- (2) The Bureau of Land Acquisition, distribution and development which shall be responsible for the distribution of lands to bona fide farmers, for conducting land capability survey and classification, and for the improvement of lands acquired by the Department;
- (3) The Bureau of Resettlement which shall be responsible for the resettlement of displaced farmers, landless families, and urban workers in the settlement projects of the Department, the construction of houses, roads and other facilities,

and the taking of a census of all proclaimed and unproclaimed resettlements; and

- (4) The Bureau of Agrarian Legal Assistance which shall be responsible for extending legal assistance to farmers including those provided under Republic Act Numbered Forty-eight hundred and eighty-six, the execution of leasehold contracts and apprising the farmers with their rights and duties under the law.

Each of these bureaus may establish such divisions as are necessary for the economical, efficient and effective performance of its functions.

**Sec. 50-G. *Appointment, Qualifications and Compensations of Directors and the Assistant Directors; Appointment of Personnel.*** — The Director of a Bureau and his assistant shall each receive the equivalent compensation and shall be appointed in the same manner as any other director or assistant director of a bureau.

No person shall be appointed director or assistant director of a bureau unless he is a natural-born citizen of the Philippines, with proven executive ability and adequate background and experience in land reform here and/or elsewhere for at least three (3) years, and at least twenty-five years of age; Provided, That the Director or Assistant Director shall be a career administrator and; at the time of his appointment, shall not be more than fifty-seven (57) years of age, unless the President has determined that he possesses special qualifications and his services are needed: Provided, further, That the Director or Assistant

Director shall have, among other qualifications, demonstrated interest in, and concern for, the needs and problems of the rural and farm population and the solutions thereto: Provided, finally, That no persons who owns any farmholding shall be appointed as Director or Assistant Director unless such farmholding is under the leasehold system or the system of agricultural land ownership-transfer direct to the tiller.

All personnel of the Bureaus shall be appointed by the Secretary, upon recommendation of their respective Director, in accordance with applicable civil service law and rules.

**Sec. 50-H. *Functions of Directors and Assistant Directors.*** — The Director or in his absence, the Assistant Director, shall exercise such powers and perform such functions and duties as are provided for under existing laws, in addition to the powers and functions provided for in this Code.

**Sec. 50-I. *Regional and Field Offices.*** — The Department may have regional and other field offices, the number, location and organization of which shall be determined by the Department in conformity with the area pattern prescribed hereunder:

- (1) The Department, in the establishment of regional and other field offices, shall follow the field service area pattern authorized below. There are established ten regions, each with definite regional centers within the region as follows:
  - a. Region No. 1 is called the Ilocos Region, and comprises the provinces of Batanes, Ilocos Norte, Ilocos Sur, Abra, La Union, Benguet,

and Mountain Province and the cities of Baguio, and Laoag, with the regional center at San Fernando, La Union;

- b. Region No. 2 is called the Cagayan Valley Region, and comprises the provinces of Cagayan, Isabela, Nueva Vizcaya, Quirino (Sub-province), Ifugao, and Kalinga-Apayao, with the regional center at Tuguegarao, Cagayan;
- c. Region No. 3 is called the Central Luzon Region, and comprises the provinces of Pangasinan, Tarlac, Nueva Ecija, Pampanga, Zambales, Bulacan, Bataan, and the cities of Angeles, Cabanatuan, Dagupan, Olongapo, Palayan, San Carlos (Pangasinan) and San Jose (Nueva Ecija), with the regional center at San Fernando, Pampanga;
- d. Region No. 4 is called the Southern Tagalog Region, and comprises the provinces of Rizal, Cavite, Laguna, Batangas, Quezon, Marinduque, Oriental Mindoro, Occidental Mindoro, Romblon, Aurora (Sub-province), and Palawan, and the cities of Batangas, Calocan, Cavite, Lipa, Lucena, Manila, Pasay, Puerto Princesa, Quezon, San Pablo, Tagaytay, and Trece Martires with the regional center at greater Manila;
- e. Region No. 5 is called the Bicol Region, and comprises the provinces of Camarines Norte, Camarines Sur, Albay, Catanduanes, Masbate, and Sorsogon, and the cities of Iriga, Legazpi and Naga, with the Regional center at Legazpi City;

- f. Region No. 6 is called the Western Visayas Region, and comprises the provinces of Negros Occidental, Iloilo, Guimaras (Sub-province), Antique, Aklan and Capiz, and the cities of Bacolod, Bago, Cadiz, Iloilo, La Carlota, Roxas, San Carlos (Negros Occidental) and Silay, with regional center at Iloilo City;
- g. Region No. 7 is called the Central and Eastern Visayas Region, and comprises the provinces of Negros Oriental, Siquijor (Sub-province), Cebu, Bohol, Northern Samar, Eastern Samar, Western Samar, Leyte, Southern Leyte, and Biliran (Sub-province) and the cities of Bais, Calbayog, Canlaon, Catbalogan, Cebu, Danao, Dumaguete, Lapu-lapu, Ormoc, Mandawe, Tacloban, Tagbilaran, and Toledo, with the regional center at Cebu City;
- h. Region No. 8 is called the Western Mindanao Region, and comprises the provinces of Misamis Occidental, Lanao del Norte, Lanao del Sur, Zamboanga del Norte, Zamboanga del Sur, and Sulu, and the cities of Basilan, Dapitan, Dipolog, Iligan, Marawi, Oroquieta, Ozamis, Pagadian, Tangub, and Zamboanga with the regional center at Zamboanga City;
- i. Region No. 9 is called the Central Mindanao Region, and comprises the provinces of Camiguin, Misamis Oriental, Bukidnon, Cotabato, and South Cotabato, and the cities of Cagayan de Oro, Cotabato, General Santos, and Gingoog, with the Regional center at Cagayan de Oro City;

- j. Region No. 10 is called the Eastern Mindanao Region, and comprises the provinces of Surigao del Norte, Surigao del Sur, Agusan del Norte, Agusan del Sur, Davao del Norte, Davao Oriental, and Davao del Sur, and the cities of Butuan, Davao, and Surigao, with the regional center at Davao City;
- (2) The Department shall organize an integrated and department-wide field services as the exigencies of the Agrarian Reform Program may require: Provided, That the Department shall establish in every regional or other field office organized, a consultative and coordinating body which shall include in its membership a tiller-lessee representing the agricultural lessees and a representative from the local governments of the area where said office is operating.
- (3) The regional office shall be headed by a Regional Director who may be assisted, whenever necessary, by an Assistant Regional Director. The Regional Director and Assistant Director, if any, shall be appointed by the Secretary in accordance with applicable civil service law and rules; Provided, however, That the Regional Director and Assistant Regional Director shall have the same qualifications as Bureau Director and Assistant Director, respectively.

All personnel of the Regional and other offices shall be appointed by the Secretary upon recommendation of their respective regional director, in accordance with applicable civil

service law and rules: Provided, That applicants from the region, who possess the required qualifications, shall be appointed to vacant positions in the said region, unless nobody among the said applicants is qualified; in which case, applicants from other regions may be considered.

- (4) The Regional Director shall be responsible in carrying out the policies and implementing the plans and programs of the Department in the regional area under his jurisdiction: Provided, however, That when the department's function or activity transcends regional boundaries and requires central and/or inter-regional action, said functions may be performed under the direct supervision and control of the department.
- (5) The Regional offices shall have units on agricultural extension, credit and legal assistance, as well as cooperative development; or personnel in which the functional areas of the department may be represented. There shall be in these regional units as much combination of related functions as possible.
- (6) The functions of a regional office shall be as follows:
  - a. Implement laws, policies, plans, programs, rules and regulations of the Department in the regional areas;
  - b. Provide economical, efficient, and effective service to the people in the area;

- c. Coordinate with regional offices of other departments, bureaus, agencies in the area;
- d. Coordinate with local government units in the area; and
- e. Perform such related functions as may be provided by other existing laws."

**SECTION 11.** The Land Reform Project Administration and its governing body, the National Land Reform Council, under the Office of the President, are hereby abolished; and their functions are transferred to the Department, together with applicable appropriations, records, equipment, property and all the organic, contributed and/or assigned personnel to the Land Reform Project Administration pursuant to this Code, other existing laws and Executive Order Numbered Seventy-five, Series of Nineteen hundred and sixty-four, as well as such personnel as may be necessary from its governing body, the National Land Reform Council.

**SECTION 12.** The Land Authority under the Office of the President and a member-agency of the Land Reform Project Administration is hereby abolished; and its functions are transferred to the Department, together with applicable appropriations, records, equipment, property, and such personnel as may be necessary.

**SECTION 13.** The Secretary shall, in consultation with the Undersecretary and Bureau Directors, allocate by Department Order to the different bureaus, agencies and regional offices of the Department the functions of the agencies, offices and/or units abolished and not otherwise assigned by this Amendatory Act or by

the organization plan of the Department to a particular agency or office.

**SECTION 14.** The Land Bank of the Philippines is hereby attached to the Department as its land financing arm and shall devote all of its resources to agrarian reforms.

The Land Bank of the Philippines and the Agricultural Credit Administration, in addition to the functions and duties assigned to them under existing laws, executive and administrative orders, and rules and regulations, shall be responsible for rendering staff advice and assistance to the Secretary of the Department. The regional offices or field units of these entities and/or instrumentalities shall likewise coordinate and cooperate with the regional office or field units of the Department, respectively.

**SECTION 15.** Within sixty (60) days from the approval of this Amendatory Act, the President by Executive Order shall, upon recommendation of the Special Technical Committee created under Special Order Numbered Eleven, Series of Nineteen hundred and seventy-one, of the Land Reform Project Administration, and the Commission on Reorganization created pursuant to Republic Act No. 5435, as amended, organize the said Department in accordance with the provisions of this Amendatory Act with the end in view of achieving economy and maximum efficiency and effectiveness and of strictly observing the merit system in the retention and promotion of the best qualified personnel: Provided, That the administrative machineries of the entities attached and/or required under this Code to coordinate and cooperate with the Department, as well as the agencies servicing the same, shall also be

reorganized to enable them to align their activities with the requirements and objectives of this Code: Provided, further, That not more than ten per cent of the personnel of the Department and the bureaus, offices, agencies and/or entities under, coordinating or servicing it shall be stationed in the Central Office; Provided, finally, That not more that five per cent of the total personnel in the regional, team, resettlement agency or equivalent field offices shall be stationed in such offices.

**SECTION 16.** Section 51 of the same Code is hereby amended to read as follows:

**Sec. 51. *Powers and Functions.*** — It shall be the responsibility of the Department:

- (1) To initiate and prosecute expropriation proceedings for the acquisition of private agricultural lands as defined in Section one hundred sixty-six of Chapter XI of this Code for the purpose of subdivision into economic family-size farm units and resale of said farm units to bona fide tenants, occupants and qualified farmers: Provided, That the powers herein granted shall apply only to private agricultural lands subject to the terms and conditions and order of priority herein below specified.
  - a. all idle or abandoned private agricultural lands, except those held or purchased within one year from the approval of this Code by private individuals or corporations for the purpose of resale and subdivision into economic family-size farm units of not more than six (6) hectares each in accordance with the policies enunciated in this Code:

Provided, That the subdivision and resale shall be substantially carried out within one year from the approval of this Code;

- b. all private agricultural lands suitable for subdivision into economic family-size farm units of not more than six (6) hectares owned by private individuals or corporation worked by lessees, no substantial portion of whose landholding in relation to the area sought to be expropriated, is planted to permanent crops under labor administration, in excess of twenty-four hectares except all private agricultural lands under labor administration: Provided, That private agricultural lands occupied and cultivated continuously for not less than ten years by tillers or their ascendants who are not farm laborers or lessees may be subject to expropriation under this Code: Provided, further, That any court action filed for the ejectment of the tiller shall not interrupt the running of the ten-year period unless such action is filed within three years from the date of occupancy: Provided, finally, That if the final decision rendered in the court action is favorable to the tiller, the ten-year period shall be considered as continuous and uninterrupted; and
- c. in expropriating private agricultural lands declared by the Department of Agrarian Reform to be necessary for the implementation of the provisions of this Code, the following order of priority shall be considered;

1. idle or abandoned lands;
  2. those whose area exceeds of 1,024 hectares;
  3. those whose area exceeds 500 hectares but is not more than 1,024 hectares;
  4. those whose area exceeds 144 hectares but is not more than 500 hectares;
  5. those whose area exceeds 75 hectares but is not more than 144 hectares; and
  6. those whose area exceeds 24 hectares but is not more than 75 hectares.
- (2) To acquire private agricultural lands regardless of area through negotiated purchase subject to approval of the court as to price for distribution and sale at cost to their actual occupants who are tillers of the land in lots of not more than six hectares: Provided, That where there are several groups or individuals of such tillers petitioning for the acquisition of their respective occupancy, priority shall be given to the group with a greater number of tillers who first filed the petition over a group with a lesser number of tillers, and the latter over individual tillers: Provided, further, That the group or individual who has continuously tilled the land longest shall have the first priority;
- (3) To help bona fide farmers without lands or agricultural owner-cultivators of uneconomic size farms to acquire and own economic family-size farm units of not more than six hectares each;
- (4) To administer and dispose of agricultural lands of the public domain under the custody and administration of the National Resettlement and Rehabilitation Administration and the Economic Development Corps of the Armed Forces of the

Philippines prior to the approval of this Amendatory Act and such other public agricultural lands as may hereafter be reserved by the President of the Philippines or by law for resettlement and sale, in accordance with such terms and conditions as are set forth under this chapter: Provided, That the exercise of the authority granted herein, as well as the preceding subparagraph, shall not contravene public policy on the permanency of forest reserves or other laws intended for the preservation and conservation of public national and municipal forests, parks and watersheds: Provided, further, That said authority shall not be construed to exclude the other modes of disposition of public agricultural lands under the public land Act or to contravene the authority granted by law to the Department of Agriculture and Natural Resources over all public agricultural lands not covered by the Agrarian Reform Program: Provided, finally, That the Secretary of the Department of Agriculture and Natural Resources shall within a period of ten years from the approval of this Amendatory Act, release to the Department of Agrarian Reform for resettlement and sale all lands of the public domain reserved for agricultural resettlement and sale except public agricultural lands which are reserved as settlements for the national cultural minorities under the administration of the Commission on National Integration;

- (5) To develop plans and initiate actions for the systematic opening of alienable and disposable lands of the public domain for speedy distribution to and development by deserving

and qualified persons who do not own any land in sizes of not more than six hectares;

- (6) To recommend to the President, from time to time after previous consultation with the Secretary of Agriculture and Natural Resources, what portion of the alienable, or disposable public lands shall be reserved for resettlement or disposition under this Chapter;
- (7) To give economic family-size farms of not more than six hectares to landless citizens of the Philippines who need, deserve, and are capable of cultivating the land personally, through organized resettlement, under the terms and conditions the Department may prescribe, giving priority to qualified and deserving farmers in the province where such lands are located;
- (8) To reclaim swamps and marshes for agricultural purposes only, obtain titles thereto whenever feasible and subdivide them into economic family-size farms of not more than six hectares for distribution to deserving and qualified farmers;
- (9) To undertake measures which will insure the early issuance of titles to persons or corporations who have actually settled and cultivated alienable lands of the public domain;
- (10) To survey, subdivide and set aside lands or areas of land-holdings under its custody and administration for economic family-size farms, large-scale farm operations, town sites, roads, parks, government centers and other civic improvements as circumstances may warrant: Provided, That the Bureau of Lands and the Land

Registration Commission, as the case may be, shall verify the said surveys or subdivisions, and after such verifications, approve or disapprove the same; and issue, in case of approval of said surveys or subdivisions, the corresponding patents and titles thereto;

- (11) To inform the Agricultural Productivity Commission and the Department of Agriculture and Natural Resources of the problems of settlers and farmers on lands under its administration and in land reform areas: Provided, That it is mandatory for the said Commission and Department to provide field agricultural extension service to these areas upon being informed of the problems obtaining: Provided, further, That settlement projects and lands reform areas, especially private agricultural lands acquired by the government, shall be given first priority in the diffusion of useful and practical information, knowledge and skills on agriculture, soil conservation, livestock, fisheries, forest conservation, public lands and natural resources laws, home economics and rural life, in order to encourage their application through field demonstrations, lectures and conferences, publications and other means of imparting information, stimulation, promotion and organization of agricultural cooperatives and encouragement in the formation and growth of private associations, study clubs, committees and other groups of farmers and members of their family that will enhance their social and economic conditions;
- (12) To acquire for agricultural lessees exercising their right to pre-emption and redemption under

Chapter I of this Code, any land-holdings mentioned thereunder;

- (13) To conduct land capability survey and classification of the entire country and print maps;
- (14) To make such arrangements with the Land Bank with respect to titles of agricultural lands of the public domain under its administration as will be necessary to carry out the objectives of this Code;
- (15) To expropriate home lots occupied by agricultural lessees outside their landholdings for resale at cost to said agricultural lessees;
- (16) To see to it that all agricultural lands, either public or private, distributed by the government to the beneficiaries of the Agrarian Reform Program shall be sold only by the said beneficiaries to the government; and
- (17) To submit to the President of the Philippines and to both Houses of Congress through their presiding officers, to the Secretary of Finance and to the Auditor General within sixty days of the close of the fiscal year, an annual report showing its Accomplishments during the year; the expropriation proceedings it has undertaken; the expenditures it has incurred and other financial transactions undertaken with respect thereto;

**SECTION 17.** Section 56 of the same Code is hereby amended to read as follows:

**Sec. 56. *Just Compensation.*** — In determining the just compensation of the land to be expropriated pursuant to this Chapter, the Court shall consider as basis, the fair market value, without prejudice to considering the assessed value and other pertinent factors.

The owner of the land expropriated shall be paid in accordance with Section eighty of this Code by the Land Bank and pursuant to an arrangement herein authorized."

**SECTION 18.** Section 71 of the same Code is hereby amended to read as follows:

**Sec. 71. *Power of the Department of Agrarian Reform to sell to Holders of Bonds Issued to Former Landowners whose Land have been Purchased for Redistribution.*** — The Department of Agrarian Reform shall sell, for a price not less than the appraised value, any portion not exceeding one hundred forty-four hectares in the case of individuals of the public agricultural lands transferred to the Land Bank which is suitable for large-scale farm operations to any holder, who is qualified to acquire agricultural lands through purchase, of bonds issued to former landowners whose lands have been purchased for redistribution under this Code, subject to condition that the purchaser shall, within two years after acquisition, place under cultivation at least thirty per centum of entire area under plantation administration and the remaining seventy per centum within five years from the date of acquisition. The Secretary shall issue the title of said land upon showing that the purchaser has developed and cultivated at least one-fourth of his land under plantation administration.

Any public agricultural land sold as hereinabove specified shall not be the object of any expropriation as long as the same is developed and cultivated for large-scale production under farm labor management: Provided, however, That after the capital invested therein for development, plus a reasonable margin of profit shall have been fully recovered, or after the lapse of twenty-five years from the date of acquisition, whichever comes earlier, said land shall become expropriable.

The selling price of the portion of the public agricultural land sold under this Section shall be credited to the Land Bank. As payment for the land sold under this Section, the Land Bank shall accept as sole instruments of payment the bonds issued pursuant to Section seventy-six. Issued bonds accepted as payment for the land sold shall be cancelled to the extent of the amount paid.

All sales under this Code shall be subject to the rules and regulations which the Department of Agrarian Reform in consultation with the Land Bank, shall prescribe insofar as they are not inconsistent with the provisions of this Code.

**SECTION 19.** Sec 76 of the same Code is hereby amended to read as follows:

**Sec. 76. *Issuance of Bonds.*** — The Land Bank shall, upon recommendation by the Board of Trustees and approval of the Monetary Board of the Central Bank, issue bonds, debentures and other evidences of indebtedness at such terms, rates and conditions as the Bank may determine up to an aggregate amount not exceeding, at any one time, five times its unimpaired capital and surplus. Such bonds and

other obligations shall be secured by the assets of the Bank and shall be fully tax exempt both as to principal and income. Said income shall be paid to the bondholders every six (6) months from the date of issue. These bonds and other obligations shall be fully negotiable and unconditionally guaranteed by the Government of the Republic of the Philippines and shall be redeemable at the option of the Bank at or prior to maturity, which in no case shall exceed twenty-five years. These negotiable instruments of indebtedness shall be mortgageable in accordance with established banking procedures and practice to government institutions, existing charters and/or laws to the contrary notwithstanding, not to exceed sixty per centum of their face value to enable the holders of such bonds to make use of them in investments in productive enterprises. They are eligible as legal reserves against deposit liabilities of banks, subject to the terms and conditions which the Central Bank of the Philippines may impose. They shall also be accepted as payments for reparation equipment and materials, the provisions of Republic Act Numbered Seventeen hundred and eighty-nine, as amended, to the contrary notwithstanding.

The Board of Trustees shall have the power to prescribe rule and regulations for the registration of the bonds issued by the Bank at the request of the holders thereof."

**SECTION 20.** Section 80 of the same Code is hereby amended to read as follows:

**Sec. 80.**        *Making Payment to Owners of Landed Estates.* — The Land Bank shall make payments in the form herein prescribed to the owners of the land acquired by the Department of Agrarian Reform for

division and resale under this Code. Such payment shall be made in the following manner: twenty per centum in cash and the remaining balance in six per cent, tax-free, redeemable bonds issued by the Bank in accordance with Section twenty-six, unless the landowner desires to be paid in shares of stock issued by the Land Bank in accordance with Section seventy-seven in an amount not exceeding thirty per centum of the purchase price.

In the event there is an existing lien or encumbrance on the land in favor of any Government institution at the time of acquisition by the Land Bank, the bonds and/or shares, in that order, shall be accepted as substitute collaterals to secure the indebtedness, existing charters of these institutions to the contrary notwithstanding.

The profits accruing from payment shall be exempt from the tax on capital gains.

**SECTION 21.** Section 85 of the same Code is hereby amended to read as follows:

**Sec. 85.**        *Use of Bonds.* — The bonds issued by the Land Bank may be used by the holder thereof and shall be accepted in the amount of their face value as any of the following:

- (1) Payment for agricultural lands or other real properties purchased from the Government;
- (2) Payment for the purchase of shares of stock of all or substantially all of the assets of the following Government owned or controlled corporations: The National Development Company; Philippine National Bank; Philippine

National Railways; Cebu Portland Cement Company; National Shipyards and Steel Corporations; Manila Gas Corporation; and the Manila Hotel Company.

Upon offer by the bondholder, the corporation owned or controlled by the Government shall, through its Board of Directors, negotiate with such bondholders with respect to the price and other terms and conditions of the sale. In case there are various bondholders making the offer, the one willing to purchase under terms and conditions most favorable to the corporations shall be preferred. If no price is acceptable to the corporation, the same shall be determined by the Committee of Appraisers composed of three members, one to be appointed by the corporation, another by the bondholder making the highest or only offer, and the third by the two members, so chosen. The expense of appraisal shall be borne equally by the corporation and the successful purchaser.

Should the Government offer for sale to the public any or all of the shares of stock or the assets of any of the Government owned or controlled corporation enumerated herein, the bidder who offers to pay bonds of the Land Bank shall be preferred provided that the various bids be equal in every respect except in the medium of payment.

- (3) Surety, bail bonds for the provisional release of accused persons or performance bonds in all cases where the government may require or accept real property as bonds;

- (4) Payment for reparations goods, the provisions of Republic Act Numbered Seventeen hundred and eighty-nine, as amended, to the contrary notwithstanding;
- (5) Security for loans applied with the Philippine National Bank, Development Bank of the Philippines, Government Service Insurance System, Social Security System, and other government financial institution, existing charters of these institutions to the contrary notwithstanding; and
- (6) Legal reserves against deposit liabilities of banks, subject to the terms and conditions which the Central Bank of Philippines may impose pursuant to the General Banking Act.

**SECTION 22.** Section 101 of the same Code is hereby amended to read as follows:

**Sec. 101. *Reorganization of ACA to align its activities.*** — The administrative machinery of the Agricultural Credit Administration, shall be reorganized to enable it to align its activities with the requirements and objectives of this Code: Provided, That the Board of Governors established by Republic Act Numbered Eight hundred and twenty-one, as amended, shall be composed of a chairman and four (4) members, three (3) of whom shall be the Undersecretary of Agrarian Reform who shall be the Chairman ex-officio, the Administrator of the Agricultural Credit Administration who shall be the Vice-Chairman ex-officio and the Vice-President in charge of agricultural loans of the Philippine National Bank, who shall be ex-officio member thereof. The two other members shall be appointed by the

President of the Philippines with the consent of the Commission of Appointments for a term of three years, one of whom shall represent the farmers-beneficiary of the Agrarian Reform Program and shall be appointed upon recommendation of either or both the farmers and/or cooperatives movement, federation or league existing at the same time such recommendation is submitted, and the other to represent the political party receiving the second highest number of votes in the immediately preceding presidential elections: Provided, however, That the term of the farmers' representative shall ipso facto terminate when such member cease to be in the farmers and/or cooperatives movement, federation or league, and that of the minority party at the pleasure of the nominating political party.

The Administrator shall be the Chief Executive of the Administration and shall serve for a term of six years unless he resigns or is removed for cause. The compensation of the Administrator shall be fixed by the President but shall not be less than twenty-four thousand pesos per annum. The members of the Board shall receive per diems of not more than fifty pesos for each session of the Board that they attend: Provided, however, That the total per diems, including all other remunerations, shall not exceed six hundred pesos a month.

No person shall be appointed as Administrator unless he is a natural-born citizen of the Philippines, with proven executive ability and experience in the field of agricultural cooperatives and/or banking and finance, adequate background and experience in land reform here and/or elsewhere for at least five (5) years, and at least thirty-five years of age: Provided, however, That he shall have, among other

qualifications, demonstrated interest in, and concern for, the needs and problems of the rural population and/or peasantry and the solutions thereto: Provided, further, That no person who owns any farmholding shall be appointed as Administrator unless such farmholding is under the leasehold system or the system of agricultural land ownership-transfer direct to the tiller.

**SECTION 23.** Section 105 and 106 of the same Code are hereby amended to read as follows:

**Sec. 105. *Loaning Activities.*** — Loaning activities of the Agricultural Credit Administration shall be directed to stimulate the development and operation of farmers' cooperatives. The term "Farmers Cooperatives" shall be taken to include all cooperatives relating to the production and marketing of agricultural products and these formed to manage and/or own, on a cooperative basis, agricultural farmlands, services and facilities, such as irrigation and transport systems, established to support production and/or marketing of agricultural products. Under such rules and regulations in accordance with generally accepted banking practices and procedures as may be promulgated by the Agricultural Credit Administration, Rural Banks, Cooperative Banks, and Development Banks may, in their respective localities, be designated to act as agents of the Agricultural Credit Administration in regard to its loaning activities.

**Sec. 106. *Credit to Small Farmers and/or Tillers of the land.*** — Production loans and loans for the purchase of work animals, tillage equipment, seeds, fertilizers, poultry, livestock, feed and other similar items, may be extended to small farmers as defined in

Republic Act Numbered Eight hundred twenty-one and/or tillers of the land, based upon their paying capacity and such securities as they can provide, and under such terms and conditions as the Agricultural Credit Administration may impose, provided the amount thereof does not exceed two thousand pesos, or such amount as may be fixed by the President at any given agricultural year: Provided, That his total outstanding obligations shall not exceed five thousand pesos, but in no case shall the amount of loan exceed eighty per centum of the value of the collateral pledged. In instance where credit is extended for items which are not consumed in their use, such items may be pledged as security thereof. The Agricultural Credit Administration shall promulgate such rules and regulations as may be necessary in the extension of the loans herein authorized so as to assure their repayment: Provided, That such rules and regulations shall follow and be in accordance with generally accepted financing practices and procedures."

**SECTION 24.** Section 108 of the same Code is hereby amended to read as follows:

**Sec. 108. *Loans to Cooperatives.*** — The Agricultural Credit Administration is hereby authorized to extend such types of loans as it may deem necessary for the effective implementation of this Code to eligible farmers' cooperatives as herein defined, under such terms and conditions as it may impose and with such securities as it may require: Provided: That the said Administration is hereby authorized to extend production loans to cooperatives at not more than eight per cent interest per calendar year and directly to the farmers at not more than twelve per cent per calendar year:

Provided, further, That cooperatives are hereby authorized to extend loans directly to their members at not more than twelve per cent per calendar year. A farmers' cooperative that has been registered with the Agricultural Credit Administration shall be eligible for loans if, in the judgment of the latter, its organization, management and business policies are of such character as will insure the safety and effective use of such loans."

**SECTION 25.** Section 110 of the same Code is hereby amended to read as follows:

**Sec. 110. *Total charges on Loans.*** — The total charges including interest, insurance fees and inspection, notarization and other service charges on all kinds of loans shall not be more than twelve per centum per calendar year: Provided, That if an impairment of the capitalization of the Agricultural Credit Administration is imminent by reason of the limitation appropriated out of the unappropriated funds in the National Treasury such amounts as is necessary to cover the losses of the Agricultural Credit Administration, but not exceeding six million pesos for any one year."

**SECTION 26.** Section 112 of the same Code is hereby amended to read as follows:

**Sec. 112. *Registration of and guidance to Cooperatives, Associations and Organizations.*** — The Agricultural Credit Administration shall have the power to register, finance and supervise all agricultural cooperatives, including multi-purpose cooperatives, and farm associations or organizations; and provide credit guidance or assistance to all agricultural, irrigation, and other cooperative

associations, multi-purpose cooperatives, farm organizations or fund corporations: Provided, That all cooperatives, associations or organizations registered under this Section shall have juridical personality.

**SECTION 27.** Section 124 of the same Code is hereby amended to read as follows:

**Sec. 124. *Function of Extension Workers.*** — In addition to their functions under Republic Act Numbered six hundred eighty, it shall be the duty of extension workers:

- (1) To reside in the locality where they are assigned, to disseminate technical information to farm families, and to demonstrate improved farm and home management practices and techniques;
- (2) To work with individual farmers in farm planning and budgeting, guide them in the proper conduct of farm business and work out schedules of re-payment of loans obtained by farmers;
- (3) To assist farmers in securing the services or assistant of other agencies, or their personnel, having to do relevant activities and problems of farmers;
- (4) To visit newly-established independent farm operators either singly or collectively at least once a month;
- (5) To promote and stimulate the growth and development of the youth towards improved farm and home management practices and

techniques, as well as the development of their skills for small-scale industries and the like;

- (6) To encourage the formation and growth of private associations, study clubs, committees and other organized groups of farmers, familiarize them with modern methods of farming and interest them to actively participate, collaborate or take the initiative in agricultural research, experimentation and implementation of projects in cooperation with the Agricultural Productivity Commission and other agencies; and
- (7) To promote, stimulate and assist in the organization of farmers' cooperatives, including multi-purpose cooperatives.

**SECTION 28.** Sections One hundred twenty-six and One hundred twenty-seven of the same Code is hereby repealed.

**SECTION 29.** A new section is hereby inserted after Sec. 128, to be designated therein as "Section 128-A, which shall read as follows:

**Sec. 128-A. *Participation of Local Governments.*** — The Department of Agrarian Reform shall, in every way possible to insure the successful implementation of the Agrarian Reform Program, involve local governments and secure their participation in the various aspects of the program, such as the leasehold system, the acquisition and distribution of private and public agricultural lands, the development of cooperatives and small-scale industries and the like, and the other corollary operational activities that

should be carried out through barrio, municipal, provincial and city governments.

In pursuing this approach, however, the Department shall formulate the policies and programs necessary in the implementation of this Code.

The Department shall also render technical assistance to local governments necessary to carry out the objective of agrarian reforms.

**SECTION 30.** Section 155 of the same Code is hereby amended to read as follows:

**Sec. 155.      *Powers of the Court; Rules of Procedure.***  
— The Courts of Agrarian Relations shall have all the powers and prerogatives inherent in or belonging to the Court of First Instance.

The Courts of Agrarian Relations shall be governed by the Rules of Court: Provided, That in the hearing, investigation and determination of any question or controversy pending before them, the Courts without impairing substantial rights, shall not be bound strictly by the technical rules of evidence and procedure, except in expropriation cases: Provided, further, That in case the persons referred to under Section one hundred sixty-three hereof, are not represented by a lawyer of their own choice, the duly authorized leaders of duly registered farmers organizations may enter their appearances as counsel for their respective member and/or organization before the Court of Agrarian Relations, if the Court is fully convinced that the said leader could competently protect the interest of his client subject to the basic duties and obligations as officers of the Court.

The Court of Agrarian Relations is hereby authorized to conduct compulsory arbitration between agricultural labor and agricultural management, agricultural share tenants and agricultural landlords, and agricultural lessees and agricultural lessors in conflicts arising out of, and in connection with, their agrarian relations upon certification by the Secretary of Justice.

The rights and duties of the parties to the proceedings, the functions and responsibilities of the Court, and the bidding effect of awards, orders and processes of the Court shall be covered by Section six to twenty-four of Commonwealth Act Numbered One hundred three.

Where the litigant is an agricultural tenant, tiller or lessee, he shall be entitled to the rights of a pauper litigant under the rules of Court and the privileges of an indigent litigant under Republic Act Numbered Sixty hundred and thirty-five, without further proof thereof."

**SECTION 31.** Section 163 of the same Code, as amended by Republic Act No. 4886, is further amended to read as follows:

**Sec. 163.** *Functions of the Office of the Agrarian Counsel.* — It shall be the responsibility of the Office of the Agrarian Counsel upon proper notification by the party concerned or by the association or organization to which he belong, to represent tenants, agricultural lessees, agricultural farm workers and agricultural owner-cultivators or the members of their immediate farm household referred to in this Code who cannot engage the services of competent private counsel in cases before the Court of Agrarian Relations. This

responsibility shall include representation before courts, including appellate, in cases civil or criminal, instituted by or against said tenant, agricultural lessees, farm workers or owners-cultivator or the members of their immediate farm household, where the cases arise from or are connected with, or results or effects of an agrarian dispute. The decision of the Office of the Agrarian Counsel to provide legal assistance shall be final.

**SECTION 32.** Section 164 of the same Code is hereby amended to read as follows:

**Sec. 164. *Authority to Administer Oath and Acknowledgment.*** — The Agrarian Counsel, the Deputy Agrarian Counsel and the Special Attorneys of the Office of the Agrarian Counsel are hereby authorized to administer oaths and acknowledgment free of charge."

**SECTION 33.** Section 167 of the same Code is hereby amended by adding after paragraph (5) thereof, the following two paragraphs which shall read as follows:

- (6) Any collusion between an agricultural lessee and an agricultural lessor and between a vendor and a vendee on installment sales to simulate agricultural contracts, agricultural loans, or any application for benefits under the Agrarian Reform program shall be punishable by imprisonment of not more than five years and a fine not exceeding five thousand pesos.

The period for filing the corresponding criminal action for any criminal violation falling under the foregoing provisions of this section shall cease to run, whenever a case is filed before the Court of

Agrarian Relations for the determination of a prejudicial question in relation to the criminal action, until said determination has become final.

**SECTION 34.** To carry out the objectives of this Amendatory Act, and notwithstanding any provisions of existing laws, rules and regulations to the contrary, all lending institutions, whether public or private, shall set aside at least twenty-five per cent of their loanable funds and make it available for agricultural credit to agricultural lessees, owner-cultivator, amortizing owners, and cooperatives, including multi-purpose cooperatives and farm associations and organizations owned and operated by those who live and work on the land as tillers and registered with the Agricultural Credit Administration.

**SECTION 35.** Notwithstanding any provision of existing laws, rules and regulations to the contrary, the Department of Agrarian Reform is hereby authorized to segregate any area of three thousand hectares out of any of its reservations as demonstration farm or pilot project for the resettlement program of the Department on the moshave-type of communal agriculture.

**SECTION 36.** The personnel of the agencies, offices and/or units abolished, merged, renamed and/or reorganized under this Amendatory Act shall have the same rights and privileges afforded to the personnel of abolished or reorganized agencies under the Agricultural Land Reform Code and in pursuance of Section One hundred sixty-nine thereof.

To carry out the provisions of this Section, there is hereby appropriated the sum of One million pesos

out of the unappropriated funds in the National Treasury: Provided, That ten per cent of this appropriation or so much thereof as may be necessary is hereby set aside for the expenses of the organizing staff created under Section 15 hereof.

**SECTION 37.** Any reference to the Land Reform Project Administration, the National Land Reform Council and the Land Authority in the Agricultural Reform Code or under any other existing laws shall be understood to refer to the Department of Agrarian Reform.

**SECTION 38.** If, for any reason, any section or provisions of this Amendatory Act shall be held unconstitutional or invalid, no other section or provision of the same shall be affected thereby.

All laws or parts of any law inconsistent with the provisions of this Amendatory Act are hereby repealed and/or modified accordingly.

**SECTION 39.** This Act shall take effect upon its approval.

Approved: September 10, 1971

**PRESIDENTIAL DECREE NO. 2**

(September 26, 1972)

**PROCLAIMING THE ENTIRE COUNTRY  
AS A LAND REFORM AREA**

WHEREAS, there is pressing need to accelerate the Agrarian Reform Program of the Government for the early attainment of the objectives set forth in Republic Act No. 3844, as amended;

WHEREAS, among such objectives is to achieve dignified existence for the small farmers free from the pernicious institutional restraints and practices which have not only retarded the agricultural development of the country but have also produced widespread discontent and unrest among our farmers, one of the causes of the existing national emergency; and

WHEREAS, it is believed that the lasting objectives of land reform may be sooner realized if the whole country is declared a land reform area;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the constitution as Commander-in-Chief of all the Armed Forces of the Philippines, and pursuant to Proclamation No. 1081 dated September 21, 1972, and General Order No. 1, dated September 22, 1972, as amended, whereby I have assumed direction of the operation of the entire Government, do hereby proclaim the whole country, as land reform area.

All agencies and offices of the Government are enjoined to extend full cooperation and assistance to the Department of Agrarian Reform to insure the successful prosecution of the Agrarian Reform Program.

The Agrarian Reform Coordinating Council created under Executive Order No. 347, series of 1971, is hereby directed to convene immediately to exercise its functions.

The Secretary of Agrarian Reform shall take the necessary steps for the prompt and effective implementation of this decree.

Done in the City of Manila, this 26th day of September, in the year of Our Lord, nineteen hundred and seventy-two.

**PRESIDENTIAL DECREE NO. 27**

October 21, 1972

**DECREEING THE EMANCIPATION OF TENANTS FROM THE BONDAGE OF THE SOIL, TRANSFERRING TO THEM THE OWNERSHIP OF THE LAND THEY TILL AND PROVIDING THE INSTRUMENTS AND MECHANISM THEREFOR**

Inasmuch as the old concept of land ownership by a few has spawned valid and legitimate grievances that gave rise to violent conflict and social tension, The redress of such legitimate grievances being one of the fundamental objectives of the New Society,

Since Reformation must start with the emancipation of the tiller of the soil from his bondage,

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution as Commander-in-Chief of all the Armed Forces of the Philippines, and pursuant to Proclamation No. 1081, dated September 21, 1972, and General Order No. 1 dated September 22, 1972, as amended do hereby decree and order the emancipation of all tenant farmers as of this day, October 21, 1972;

This shall apply to tenant farmers of private agricultural lands primarily devoted to rice and corn under a system of sharecrop or lease-tenancy, whether classified as landed estate or not;

The tenant farmer, whether in land classified as landed estate or not, shall be deemed owner of a portion constituting a family-size farm of five (5) hectares if not irrigated and three (3) hectares if irrigated;

In all cases, the landowner may retain an area of not more than seven (7) hectares if such landowner is cultivating such area or will now cultivate it;

For the purpose of determining the cost of the land to be transferred to the tenant-farmer pursuant to this Decree, the value of the land shall be equivalent to two and one-half (2 ½) times the average harvest of three normal crop years immediately preceding the promulgation of this Decree;

The total cost of the land, including interest at the rate of six (6) per centum per annum, shall be paid by the tenant in fifteen (15) years of fifteen (15) equal annual amortizations;

In case of default, the amortizations due shall be paid by the farmers' cooperative in which the defaulting tenant-farmer is a member, with the cooperative having a right of recourse against him;

The government shall guaranty such amortizations with shares of stock in government-owned and government-controlled corporations;

No title to the land owned by the tenant-farmers under this Decree shall be actually issued to a tenant-farmer unless and until the tenant-farmer has become a full-fledged member of a duly recognized farmer's cooperative;

Title to land acquired pursuant to this Decree or the Land Reform Program of the Government shall not be transferable except by hereditary succession or to the Government in accordance with the provisions of this Decree, the Code of Agrarian Reforms and other existing laws and regulations;

The Department of Agrarian Reform through its Secretary is hereby empowered to promulgate rules and regulations for the implementation of this Decree.

All laws, executive orders, decrees and rules and regulations, or parts thereof, inconsistent with this Decree are hereby repealed and or modified accordingly.

Done in the City of Manila, this 21st day of October, in the year of Our Lord, nineteen hundred and seventy-two.

**PRESIDENTIAL DECREE NO. 152**

(March 13, 1973)

**PROHIBITING THE EMPLOYMENT OR USE OF SHARE TENANTS IN COMPLYING WITH REQUIREMENTS OF LAW REGARDING ENTRY, OCCUPATION, IMPROVEMENT AND CULTIVATION OF PUBLIC LANDS, AMENDING FOR THE PURPOSE CERTAIN PROVISIONS OF COMMONWEALTH ACT NO. 141, AS AMENDED, OTHERWISE KNOWN AS THE PUBLIC LAND ACT**

WHEREAS, one of the objectives of the State is to abolish tenancy and all its attendant evils, and to emancipate the tenant from the bondage of the soil so as to secure for him a dignified existence consistent with his role as the basic foundation of our society;

WHEREAS, several applicants for, or holders of, lands of the public domain do not occupy and cultivate the lands themselves but have resorted to the pernicious practice of employing or using tenants for the purpose of complying with the entry, occupation and cultivation requirements of the Public Land Act;

WHEREAS, although the courts in the past have invariably upheld the right of public land applicants to use tenants in the occupation and cultivation of the lands applied for them, such ruling is no longer in keeping with the state policies and concepts of the New Constitution;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in

me by the Constitution as Commander-in-Chief of all the Armed Forces of the Philippines, and pursuant to Proclamation No. 1081, dated September 21, 1972 and General Order No. 1, dated September 22, 1972, as amended, do hereby decree and order the following:

1. It shall be an essential condition in every application for, or grant of, agricultural lands of the public domain under the provisions of Commonwealth Act No. 141, as amended, that the applicant or his transferee shall enter and work upon, improve and cultivate the land by HIMSELF within the periods prescribed for the various modes of concession under the said Act.
2. The employment or use of share tenants in whatever form for purposes of complying with the requirements of the Public Land Act regarding entry, occupation, improvement and cultivation, is hereby prohibited and any violation hereof shall constitute a ground for the denial of the application, cancellation of the grant and forfeiture of improvements on the land in favor of the government.
3. Lands covered by application or grants that have been rejected, cancelled or revoked for violation of this Decree shall be disposed of to other qualified persons who will till the land themselves but the share tenant actually tilling the land shall be entitled to preferential right to acquire the portion actually tilled by him if he is not otherwise disqualified to apply for the same under the provisions of the Public Land Act.

4. Agricultural lands originally tilled under the provisions of the Public Land Act may be sold to individuals not otherwise disqualified to acquire the same subject to the existing provisions of the Public Land Act. However, it shall be an essential condition in such transactions that the vendee shall cultivate the land himself and shall not employ or use share tenants in the use or enjoyment thereof.
5. Any provision of Commonwealth Act No. 141, as amended, otherwise known as the Public Land Act, or any rule or regulation which is contrary to, or inconsistent herewith, is hereby amended or repealed as the case may be.
6. This Decree shall take effect immediately.

Done in the City of Manila, this 13th day of March, in the year of Our Lord, nineteen hundred and seventy-three.

**PRESIDENTIAL DECREE NO. 946**

(June 17, 1976)

**REORGANIZING THE COURTS OF AGRARIAN RELATIONS, STREAMLINING THEIR PROCEDURES, AND FOR OTHER PURPOSES**

WHEREAS, the present organizational, operational and procedural set-up of the Courts of Agrarian Relations is not conducive to the effective and efficient implementation of the objectives of the accelerated agrarian reform program;

WHEREAS, the inferior economic, intellectual, social, political and cultural position of the tenant-tillers require suitable changes in the structure, manner of operation and rules of procedure of Courts of Agrarian Relations as well as in the orientation of persons having anything to do with agrarian law and reform if they are to render justice and help attain the emancipation of the tenant-tillers as provided in the Constitution; and

WHEREAS, there is, therefore, an imperative need to reorganize the Courts of Agrarian Relations and to streamline their procedures to achieve a just, expeditious and inexpensive disposition of agrarian cases, and to make the said Courts responsive to the goals of the New Society.

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby order and decree:

**SECTION 1. *The Courts of Agrarian Relations; Supervision.*** — The Courts of Agrarian Relations organized and established under Republic Act Numbered thirty-eight hundred and forty-four, as amended, are hereby reorganized and their procedures streamlined in conformity with the provisions of this Decree.

The Supreme Court shall continue to exercise administrative supervision over said Courts.

**SECTION 2. *Regional Districts, Stations; Residences of Judges.*** — The Districts of the Courts of Agrarian Relations shall be the same as those of the Courts of First Instance. The stations of the respective Courts shall be determined by the Supreme Court, except that the Executive Judge shall have his Station in Metropolitan Manila, without prejudice to his holding court in any District where the exigencies of the service so require.

Until otherwise provided by the Supreme Court, the branches (*salas*) of the Courts shall be stationed as follows:

First Regional District: Branch I — Tuguegarao, Cagayan; Branch II — Ilagan, Isabela; Branch III — Santiago, Isabela; Branch IV — Bayombong, Nueva Vizcaya; and Branch V — Cabarroguis, Quirino;

Second Regional District: Branch I — Laoag City; Branch II — San Fernando, La Union; and Branch III — Tabuk, Kalinga-Apayao;

Third Regional District: Branch I — Lingayen, Pangasinan; Branch II — Urdaneta, Pangasinan;

Branch III — Tayug, Pangasinan; and Branch IV — Iba, Zambales;

Fourth Regional District: Branch I — Cabanatuan City; Branch II — Guimba, Nueva Ecija; Branch III — San Jose City; Branch IV — Gapan, Nueva Ecija; Branch V — Tarlac, Tarlac, and Branch VI — Paniqui, Tarlac;

Fifth Regional District: Branch I — San Fernando, Pampanga; Branch II — Angeles City; Branch III — Guagua, Pampanga; Branch IV — Baliuag, Bulacan;

Sixth Regional District: Branch I — Metropolitan Manila (Sala of the Executive Judge);

Seventh Regional District; Branch I — Pasig, Rizal; Branch II — Cavite City; and Branch III — Puerto Princesa City;

Eighth Regional District: Branch I — Calamba, Laguna; Branch II — San Pablo City; Branch III — Lipa City; Branch IV — San Jose, Occidental Mindoro; and Branch V — Calapan, Oriental Mindoro;

Ninth Regional District: Branch I — Lucena City; Branch II — Gumaca, Quezon; and Branch III — Baler, Quezon;

Tenth Regional District: Branch I — Daet, Camarines Norte; Branch II — Naga City; Branch III — Legaspi City; and Branch IV — Sorsogon, Sorsogon;

Eleventh Regional District: Branch I — Iloilo City; Branch II — San Jose, Antique; Branch III — Roxas City; and Branch IV — Kalibo, Aklan;

Twelfth Regional District: Branches I and II — Bacolod City; Branch III — San Carlos City; and Branch IV — Dumaguete City;

Thirteenth Regional District: Branch I — Ormoc City; Branch II — Tacloban, Leyte; and Branch III — Catarman, Northern Samar;

Fourteenth Regional District: Branch I — Cebu City;

Fifteenth Regional District: Branch I — Butuan City; Branch II — Surigao City; and Branch III — Tandag, Surigao del Sur; and

Sixteenth Regional District: Branch I — Davao City; Branch II — Cotabato City; Branch III — Ozamis City; Branch IV — Pagadian City; Branch V — Cagayan de Oro City; and Branch VI — Iligan City.

In the interest of justice, the Supreme Court may transfer stations within the District and establish new Branches (salas).

Every Judge shall reside within a distance of not more than fifty (50) kilometers by the most direct transportation route from his official station.

**SECTION 3. *Judges of the Courts of Agrarian Relations.*** — The functions of the Courts of Agrarian Relations shall be vested in an Executive Judge and the District Judges. They shall be appointed by the President of the Philippines; Provided, however, That the incumbent Executive Judge and District Judges

at the time of the effectivity of this Decree shall continue as Judges without need of new appointments. Upon the effectivity of this Decree, the said Executive Judge shall continue to exercise the administrative functions over the Courts of Agrarian Relations except as otherwise herein provided.

In the event that the Executive Judge is incapacitated to discharge his duties, temporarily or otherwise, the Chief Justice shall designate an Acting Executive Judge from among the District Judges of the Courts of Agrarian Relations.

**SECTION 4. *Qualifications of Judges; Tenure of Office; Compensation.*** — No person shall be appointed as Executive Judge or Regional District Judge of the Courts of Agrarian Relations unless he (a) is a natural born citizen of the Philippines; (b) has practiced law in the Philippines for a period of not less than ten (10) years or has held during a like period an office requiring admission to the practice of law as an indispensable requisite; and (c) has had at least four (4) years of experience and background in agrarian relations law or agrarian reform before, during or after such period of practice or tenure of office: Provided, however, That in exceptionally meritorious cases, his qualification may be dispensed with.

Judges of the Courts of Agrarian Relations shall serve during good behavior, until they reach the age of sixty-five (65) years or become incapacitated to discharge the duties of their office, unless sooner removed from office in accordance with law.

Judges of the Courts of Agrarian Relations shall receive the same compensation as Judges of the Courts of First Instance. The Executive Judge shall

receive such additional compensation and emoluments as may be authorized by the Supreme Court.

**SECTION 5. *Retirement and Leave Privileges; Traveling Expenses.*** — Judges of the Courts of Agrarian Relations shall be entitled to the same retirement and leave privileges now granted or that may hereafter be granted to Judges of the Courts of First Instance. They shall be entitled to traveling expenses as provided for by law.

**SECTION 6. *Assignment of Judges to Vacation Duty.*** — The assignment of Judges of the Courts of Agrarian Relations to vacation duty shall be made by the Chief Justice in consultation with the Executive Judge.

**SECTION 7. *Oath of Office.*** — Before entering upon the discharge of the duties of his office, every Judge shall take and subscribe to an oath of office as prescribed by the Supreme Court, and shall submit to the latter a sworn statement to the effect that all applicable agrarian laws have been observed on his lands, if any, and in those of his wife and minor children.

**SECTION 8. *Division of Business Among Branches.*** — Responsibility for official business appertaining to the Courts of Agrarian Relations of each Regional District, where there are two or more Branches, shall be equitably distributed among the Branches as may be agreed upon by the Judges themselves. Should the Judges fail to agree, then the Executive Judge shall make the proper distribution.

**SECTION 9. *Period for Resolution and/or Decision; Certification.*** — Every Judge of the Courts of Agrarian

Relations shall resolve, within a period of fifteen (15) days from submission by the parties, all petitions, incidents and motions, and decide all cases submitted for decision within a period of thirty (30) days. He shall, at the end of each month, so certify in writing his compliance with the foregoing, and no leave shall be granted and no salary shall be paid without such certificate.

For cases pending decision at the time this Decree takes effect, the period shall be counted from the completion and submission of the transcript of stenographic notes. The stenographers concerned shall submit said transcript not later than thirty (30) days from the effectivity of this Decree.

**SECTION 10. *Time and Place of Holding Court.*** — Sessions of the Courts of Agrarian Relations shall be held on all working days when there are cases ready for trial or incidents set for hearing. The Judge shall extend the sessions whenever necessary. The hours for the daily business of the Courts shall be from eight o'clock in the morning to twelve o'clock noon and from one to five o'clock in the afternoon.

Sessions of the Courts of Agrarian Relations shall be held at the official stations of the respective Branches: Provided, however, that whenever necessary in the interest of just, expeditious and inexpensive administration of justice, a Judge shall hold court in any appropriate place in the municipality, where the subject matter of the dispute is located, preferably in the barrio or barangay center.

**SECTION 11. *Detail of Judges.*** — Whenever the condition of the docket of any Branch within any District requires the assistance of an additional Judge

or Judges, or when there is any vacancy therein, the Executive Judge may assign any Judge of that District whose docket permits his temporary absence from his Court, to hold sessions in the Branch needing such assistance or where the vacancy exists.

Any Judge may be detailed outside his District by the Chief Justice upon consultation with the Executive Judge.

Whenever a Judge of any Branch of the Courts of Agrarian Relations is assigned, transferred or detailed to another Branch or District or to another court of equal rank or jurisdiction without having decided a case totally heard by him and which was duly argued or in which opportunity for argument was given to the parties or their counsel, he shall prepare and sign his decision in said case anywhere within the Philippines and send the same by registered mail to the clerk of court to be filed in the proper Branch as of the date when the same was received by the clerk, which shall to all legal intents and purposes have the same effect as if the Judge were present in the court to direct the filing of the judgment: Provided, however, That if a case has been heard only in part, the Chief Justice, upon petition of any of the interested parties to the case, may authorize the Judge who has partly heard the case to continue hearing and to decide said case notwithstanding his assignment to another Branch or District, under such conditions as the Chief Justice may specify.

**SECTION 12. *Jurisdiction over Subject Matter.*** — The Courts of Agrarian Relations shall have original and exclusive jurisdiction over:

- a) Cases involving the rights and obligations of persons in the cultivation and use of agricultural land except those cognizable by the National Labor Relations Commission; Provided, That no case involving the determination of rentals over any kind of tenanted agricultural land shall be taken cognizance of by the Courts of Agrarian Relations unless there has been a prior fixing of provision rental by the Department of Agrarian Reform, except that the tenant-farmer may directly bring the case for immediate determination by the Courts of Agrarian Relations;
- b) Questions involving rights granted and obligations imposed by laws, Presidential Decrees, Orders, Instructions, Rules and Regulations issued and promulgated in relation to the agrarian reform program; Provided, however, That matters involving the administrative implementation of the transfer of the land to the tenant-farmer under Presidential Decree No. 27 and amendatory and related decrees, orders, instructions, rules and regulations, shall be exclusively cognizable by the Secretary of Agrarian Reform, namely:
- (1) classification and identification of landholdings;
  - (2) identification of tenant-farmers and landowners, and determination of their tenancy relationship;
  - (3) parcellary mapping;

- (4) determination of the total production and value of the land to be transferred to the tenant-farmer;
- (5) issuance, recall or cancellation of certificates of land transfer in cases outside the purview of Presidential Decree No. 816;
- (6) right of retention of the landowner;
- (7) right of the tenant-farmer to a home lot;
- (8) disposition of the excess area in the tenant's farmholding;
- (9) change of crop from rice and/or corn to any other agricultural crop;
- (10) issuance of certification for the conversion of tenanted rice and/or corn land for residential, commercial, industrial, or other urban purposes, it being understood that the authority to issue certificates for conversion of other kinds of tenanted agricultural land for the same purposes remains vested in the Secretary of Agrarian Reform;
- (11) transfer, surrender or abandonment by the tenant-farmer of his farmholding and its disposition; and
- (12) increase of tillage area by a tenant-farmer; Provided, further, That the decision of the Secretary of Agrarian Reform may be appealed to the President of the Philippines.

- c) Cases involving the collection of amortizations on payments for lands acquired under Presidential Decree No. 27, as amended, Commonwealth Act Numbered twenty, as amended, Commonwealth Act Numbered five hundred thirty-nine, as amended, Republic Act Numbered eleven hundred and sixty, as amended, Republic Act Numbered fourteen hundred, as amended, Republic Act Numbered thirty-eight hundred and forty-four, as amended, and other related laws, decrees, orders, instructions, rules and regulations, as well as payment for residential, commercial and industrial lots within the settlement and resettlement areas under the administration and disposition of the Department of Agrarian Reform;
- d) Cases involving collection of amortizations on payments for farm machineries and implements distributed and sold by the Department of Agrarian Reform and the Land Bank of the Philippines to tenant-farmers, agricultural lessees, settlers, owner-cultivators, amortizing owner-cultivators, the Samahang Nayan, compact farms, farmers' cooperatives, and other registered farmers' associations or organizations, as well as payment for indebtedness of settlers by reason of the assistance given them by the Department of Agrarian Reform in the form of seeds, work animals, houses, subsistence, transportation, medicines, farm implements, tools, and the like;
- e) Cases involving collection of amortizations on payments for irrigation systems and/or water

rights grants, as well as irrigation fees, charge and/or rentals;

- f) Cases involving collection of rentals on agricultural lands leased by the Department of Agrarian Reform or Land Bank and collection of agricultural loans granted to tenant-farmers, agricultural lessees, settlers, owner-cultivators, amortizing owner-cultivators, the Samahang Nayon, compact farms, farmers' cooperatives and other registered farmer associations or organizations;
- g) Cases involving the annulment or rescission of lease contracts and deeds of sale, and the cancellation or amendment of titles pertaining to agricultural lands under the administration and disposition of the Department of Agrarian Reform and the Land Bank, as well as emancipation patents issued under Presidential Decree No. 266, homestead patents, free patents, and miscellaneous sales patents to settlers in settlement and resettlement areas under the administration and disposition of the Department of Agrarian Reform;
- h) Cases involving boundary disputes over lands under the administration and disposition of the Department of Agrarian Reform and the Land Bank, which are transferred, distributed and/or sold to tenant-beneficiaries and are covered by deeds of sale, patents and certificates of titles;
- i) Cases arising out of, or in connection with, membership in the Samahang Nayon, compact farms, farmers' cooperatives and other registered farmers' associations or organizations,

and the rights and obligations arising from such membership;

- i) Cases arising directly or indirectly between corporations or partnerships covered by General Order No. 47 and tenant-farmers, agricultural lessees, settlers, owner-cultivators, amortizing owner-cultivators, the Samahang Nayon, compact farms, farmers' cooperatives, and other registered farmers' associations or organizations, and between such corporation or partnerships and other corporations, partnerships, associations or single proprietorships where the question involved affects the rights and interests of the persons herein mentioned;
- k) Cases involving the determination of title to agricultural lands where this issue is raised in an agrarian dispute by any of the parties or a third person in connection with the possession thereof for the purpose of preserving the tenure of the agricultural lessee or actual tenant-farmer and effecting the ouster of the interloper or intruder in one and the same proceeding;
- l) Cases involving the sale, alienation, mortgage foreclosure, pre-emption and redemption of tenanted agricultural land;
- m) Cases involving expropriation of all kinds of land in furtherance of the agrarian reform program;
- n) Expropriation proceedings for public purpose of all kinds of tenanted agricultural land, whether instituted by the State, its political subdivisions and instrumentalities, or corporations and entities authorized by laws to expropriate;

- o) Cases involving acquisition by the Department of Agrarian Reform of irrigation systems and/or water rights grants for the benefit of tenant-farmers, agricultural lessees, settlers, owner-cultivators, amortizing owner-cultivators, the Samahang Nayon, compact farms, farmers' cooperatives, and other registered farmers' associations or organizations, the Department of Agrarian Reform being hereby vested with the authority to construct irrigation systems and apply for water rights grants for the purpose herein provided;
- p) Ejectment proceedings instituted by the Department of Agrarian Reform and the Land Bank involving lands under their administration and disposition, except urban properties belonging to the Land Bank;
- q) Cases involving violations of the penal provisions of Republic Act Numbered eleven hundred and ninety-nine, as amended, Republic Act Numbered thirty eight hundred and forty-four, as amended, Presidential Decrees and laws relating to agrarian reform; Provided, however, That violations of the said penal provisions committed by any Judge shall be tried by the courts of general jurisdiction; and
- r) Violations of Presidential Decrees Nos. 815 and 816. No tenant-farmer in agricultural lands primarily devoted to rice and/or corn shall be ejected or removed from his farmholding until such time as the respective rights of the tenant-farmer and the landowner shall have been determined in accordance with the rules and

regulations implementing Presidential Decree No. 27.

No Judge of the Courts of Agrarian Relations, Courts of First Instance, municipal or city courts, or any other tribunal or fiscal shall take cognizance of any ejectment case or any other case designed to harass or remove a tenant of an agricultural land primarily devoted to rice and/or corn, unless certified by the Secretary of Agrarian Reform as a proper case for trial or hearing by a court or Judge or other officer of competent jurisdiction, and if any such case is filed, the case shall first be referred to the Secretary of Agrarian Reform or his authorized representative in the locality for a preliminary determination of the relationship between the contending parties. If the Secretary of Agrarian Reform or his authorized representative in the locality finds that the case is a proper case for the Court or Judge or other hearing office to hear, he shall so certify and such court, Judge or other hearing officer may assume jurisdiction over the dispute or controversy.

The preliminary determination of the relationships between the contending parties by the Secretary of Agrarian Reform or his authorized representative, is not binding upon the court, Judge or hearing officer to whom the case is certified as a proper case for trial. Said court, Judge or hearing officer, after hearing, may confirm, reverse or modify said preliminary determination as the evidence and substantial merits of the case may warrant.

**SECTION 13. *Territorial Jurisdiction: Venue of Action.***

— All actions except criminal cases falling with the jurisdiction of the Courts of Agrarian Relations shall be commenced by a written complaint filed with the

office of the clerk of court of the Branch within whose territorial jurisdiction the land directly involved is situated.

Every Branch shall have territorial jurisdiction over all cases directly involving lands within the entire Regional District where its official station is located.

Where a party questions the territorial jurisdiction of a Branch, said Branch shall forthwith determine whether the land directly involved in the proceeding is within its territorial jurisdiction. Upon finding the contrary, the said Branch shall promptly forward the case to the Branch within whose territorial jurisdiction the land subject matter or the case is located.

Where the land directly involved straddles two or more Regional Districts, the Branch in any of the said Districts where the case is first instituted, shall have exclusive territorial jurisdiction.

If there be any conflict of territorial jurisdiction between Courts of two or more Regional Districts, the Supreme Court shall resolve such conflict administratively.

Where the land involved is located within a Regional District, but the case is filed in a Branch in another Regional District, and none of the parties objects, that Branch shall proceed to hear the case and decide it on the merits. Where any of the parties objects, but the Branch is of the opinion that it has territorial jurisdiction, it shall likewise proceed to hear the case and decide it on the merits. If on appeal the appellate court finds that the Branch had no territorial jurisdiction over the case, it shall nevertheless decide the appeal on the merits.

Where the question of territorial jurisdiction is not raised in the Courts of Agrarian Relations, all parties are estopped from raising the issue on appeal or in any other proceeding.

Any problem of territorial jurisdiction not covered by the foregoing provisions shall be governed by rules to be promulgated by the Supreme Court.

In the cases covered by paragraph (f), (i) and (j) of the preceding section, where one of the parties involved is a tenant-farmer, agricultural lessee, settler, owner-cultivator or amortizing owner-cultivator, the action shall be commenced and tried in the Regional District where the farmholding of such party is located. Where the action is between parties other than those enumerated, the action shall be commenced and tried in the regional District where the main office of the Samahang Nasyon, compact farm, farmers' cooperative or registered farmers' association or organization is located. Where the action is between a corporation or partnership covered by General Order No. 47, and any other corporation, partnership, association or single proprietorship, the action shall be commenced and tried in the Regional District where the main office of any of the parties is located.

**SECTION 14. *Powers of Courts of Agrarian Relations.***

— Every Court of Agrarian Relations shall have all the powers and prerogatives inherent in or belonging to the Courts of First Instance, including the following:

- a) To punish for direct and indirect contempt;

- b) To preserve and enforce order in its immediate presence;
- c) To enforce order in proceedings before it, or before a person or persons empowered to conduct a judicial investigation under its authority;
- d) To compel obedience to its judgments, orders and processes, and to the lawful orders of Judge out of court, in a case pending therein;
- e) To control, in furtherance of justice, the conduct of its ministerial officers, and of all other persons in any manner connected with a case before it, in every manner appertaining thereto;
- f) To compel the attendance of persons testify in a case pending therein;
- g) To administer or cause to be administered oaths in a case pending therein, and in all other cases where it may be necessary in the exercise of its powers;
- h) To amend and control its processes and orders so as to make them conformable to law and justice;
- i) To authorize a copy of a lost or destroyed pleading or other paper to be filed and used instead of the original, and to restore, and supply deficiencies in its records and proceedings;

- j) To require the assistance of all agencies and offices of the Government in the performance of its duties without additional compensation; and
- k) To allow duly authorized leaders of duly registered farmers' organizations to appear as counsel for their respective members and/or organizations, subject to the basic duties and obligations of officers of the court. Upon appeal, however, the parties shall be represented by members of the Bar only.

Courts of Agrarian Relations may employ all auxiliary writs, processes and other means necessary to carry their jurisdiction into effect.

All writs and processes issued by the Courts of Agrarian relations shall be served and executed free of charge by provincial or city sheriffs, or by any person authorized by the said Courts, in the same manner as writs and processes of Courts of First Instance.

**SECTION 15. *Disqualification of Judges.*** — No Judge of the Courts of Agrarian Relations shall sit in any case in which he, or his wife or child, is pecuniarily interested as heir, legatee, creditor or otherwise, or in which he is related to either party within the sixth degree of consanguinity or affinity, or to counsel within the fourth degree, computed according to the rules of the civil law, or in which he has been executor, administrator, guardian, trustee or counsel, without the written consent of all parties in interest, signed by them and entered upon the record.

**SECTION 16. *Rules of Procedure.*** — The Courts of Agrarian Relation shall adopt uniform rules of

procedure on matters not provided for in this Decree in order to achieve a just, expeditious and inexpensive determination of every action or proceeding filed before them. The rules of Court shall not be applicable to agrarian cases, even in a supplementary character. It is the spirit and intention of this Decree that the Courts of Agrarian Relations shall utilize and employ every and all reasonable means to ascertain the facts of every case in accordance with justice and equity and the merits of the case, without regard to technicalities of law and procedure. To this end, each Court of Agrarian Relations shall have the authority to adopt any appropriate measure or procedure in any situation or matter not provided for or covered by this Decree and in the uniform rules of procedure of the Courts of Agrarian Relations. All such special measures or procedures, and the situations to which they are applied shall be reported to the Supreme Court by the individual Judges through the Executive Judge who shall furnish copies of such reports to all the other Judges.

Where there is doubt in the application of uniform rules or in the construction and interpretation of this Decree or of any contract between the parties, the doubt shall be resolved in favor of the tenant-farmers, agricultural lessees, settlers, owner-cultivators, amortizing owner-cultivators, the Samahang Nayan, compact farms, farmers' cooperatives and other registered farmers' associations or organizations.

**In criminal and expropriation cases the Rules of Court shall apply.**

In the hearing, investigation and determination of any question or controversy, affidavits and counter-

affidavits may be allowed and are admissible in evidence.

Direct testimonies of witnesses shall be in narrative form subject to cross examination.

In cases where the tenurial status of a person is in issue, the Court of Agrarian Relations shall not issue an order restraining the actual tiller from cultivating the land, or impounding the harvest without providing him with at least fifty percent of the net harvest.

**Should the impounding of the harvest be at the instance of the landholder, he shall file a cash bond to be fixed by the Court, to answer for such damages as may be suffered by the tiller who is found to be a lawful tenant. In case of the malicious denial of the tenancy relationship by the landholder, he shall be subject to the payment of exemplary damages equivalent to at least the value of the harvest impounded.**

Where a party is a tenant-farmer, agricultural lessee or tiller, settler, or amortizing owner-cultivator, he shall be entitled to the rights of a pauper and/or indigent litigant and the privileges of an indigent litigant under Republic Act numbered sixty hundred and thirty-five without further proof thereof. He shall continue to enjoy such status as pauper and/or indigent litigant in the appellate courts and until the case is finally disposed of.

An agricultural tiller, tenant or lessee who has been allowed to litigate as a pauper and/or indigent litigant shall be entitled to the issuance of a duly certified copy of the transcript of stenographic notes of the hearing, which shall be given to him free of

charge. Any undue delay in the transcription of the stenographic notes or in the issuance of a duly certified copy of said transcript in favor of said party and any charging of fees against him in connection therewith shall be dealt with administratively.

**SECTION 17. *Pleadings; Hearings; Limitation on Postponements.*** — The defendant shall file his answer to the complaint (not a motion to dismiss), within a non-extendible period of ten (10) days from service of summons, and the plaintiff shall file his answer to the counterclaim, if there be any, within a non-extendible period of five (5) days. There shall be no declaration of default for failure to file the answer within the period herein provided. Immediately upon receipt of the last pleading completing the joinder of issues, or the expiration of the period for filing the same, the Court shall set the case for hearing. On the date of hearing but before actually receiving evidence on the case, the Court shall endeavor to settle the case amicably, Provided, That in no case shall any amicable settlement work out to give the agricultural lessee or tenant less rights, benefits or advantage than the law grants him; and, Provided, further, That a judgment approving such amicable settlement shall not be executory until after fifteen (15) days from notice. If an agreement as to the whole or any part of the case is arrived at, the same shall be reduced to writing, signed and acknowledged by the parties and counsels, if present, before the Judge which shall be the basis of a decision. Where no such agreement is effected, the Court shall proceed with the trial, which shall be continuous until terminated. The absence of counsel of any or both the parties shall not be a ground for postponement or continuance, provided they were duly notified. No motion to dismiss shall be entertained at any stage of the proceedings.

No order of the Courts of Agrarian Relations on any issue, question, matter or incident raised before them shall be contested in any action or proceeding before the appellate courts until the hearing shall have been terminated and the case decided on the merits.

**SECTION 18. Appeals.** — An appeal may be taken to the Court of Appeals by giving an oral or written notice of appeal with the trial court within the period of fifteen (15) days from notice of order or decision. A copy of the written notice of appeal shall be served within the same period upon the adverse party. In case the notice of appeal is orally made, the clerk of court shall reduce the same to writing, which shall be signed by the appellant and a copy thereof served within the same period by the clerk of court to the adverse party.

In case a motion for reconsideration is filed within that period of fifteen (15) days, the notice of appeal shall be filed within ten (10) days from notice of the resolution denying the motion for reconsideration. Only one motion for reconsideration shall be allowed a party.

The Court of Appeals shall affirm the decision or order or the portions thereof appealed from if the findings of fact in the said decision or order are supported by substantial evidence as basis thereof, and the conclusions stated therein are not clearly against the law and jurisprudence. The Court of Appeals shall not be precluded from taking into consideration any issue, question or incident, even if not raised, if resolution thereof is necessary for a complete and just disposition of the case.

The Court of Agrarian Relations shall forward to the Court of Appeals the complete records of the case within a non-extendible period of fifteen (15) days from receipt of a notice of appeal, if no motions for reconsideration are filed. In the event that motions for reconsideration are filed, the records shall be forwarded to the appellate court within a like period from receipt by the party concerned of denial of the last motion for reconsideration.

Appeal shall not stay the decision or order except where the ejectment of a tenant-farmer, agricultural lessee or tiller, settler, or amortizing owner-cultivator is directed.

Upon receipt of the records of the case from the Court of Agrarian Relations, the Court of Appeals may, if it deems necessary, require the parties to file simultaneous memoranda within a non-extendible period of fifteen (15) days from notice; the appellate court shall decide the case within thirty (30) days from receipt of said records or memoranda.

No motion for rehearing or reconsideration shall be allowed in the Court of Appeals.

All cases of the Courts of Agrarian Relations now pending before the Court of Appeals shall remain in the Division to which they have been assigned, and shall be within sixty (60) days from the effectivity of this Decree: Provided, however, That if the decision or order be an affirmance in toto of the dispositive conclusion of the judgment appealed from, then the Court of Appeals may, instead of rendering an extended opinion, indicate clearly the trial court's

findings of fact and pronouncements of law which have been adopted as basis for the affirmance.

Upon the effectivity of this Decree, the Court of Appeals shall designate at least two (2) of its Divisions to which all appealed agrarian cases shall be assigned, and these cases shall have priority over other cases.

The decisions or orders of the Court of Appeals may be appealed to the Supreme Court by petition for review on certiorari only on questions of law, within a non-extendible period of thirty (30) days from receipt by the appellant of a copy of the decision or order.

**SECTION 19. *Exercise by the Supreme Court of its Rulemaking Power.*** — In order to achieve a just, expeditious and inexpensive disposition of agrarian cases, the Supreme Court, in the exercise of its rule-making power, may supplement, modify, alter and/or amend the rules of practice and procedure herein provided, as well as such additional rules of practice and procedure as may be promulgated by the Courts of Agrarian Relations.

**SECTION 20. *Monthly Report.*** — Every Court of Agrarian Relations shall submit to the Supreme Court within the first ten days of each month a brief report for the previous month, showing the number and nature of cases filed and tried, the places of hearing, and the status of each case.

A copy of the report shall be furnished the Executive judge with copies of the decisions rendered and orders issued during the month. Such decisions and orders shall be complied by the Executive Judge, and the decisions and orders in important cases shall be

reported by him in appropriate form, furnishing the Supreme Court, the Court of Appeals and the Department of Agrarian Reform, copies thereof together with their syllabi.

**SECTION 21. *Courtrooms, Offices and Facilities.*** —

The courtrooms and offices of the Courts of Agrarian Relations in the provinces shall be provided by the respective provincial government; Provided, however, That where a Court is stationed within a city the expenses therefor shall be shared equally between the provincial and city governments. The Courtrooms and offices shall be located, whenever possible, in the same buildings as the Courts of First Instance. Expenses for the maintenance, equipment, supplies, servicing, repair and alteration thereof shall be borne by the national government.

**SECTION 22. *Administrative Provisions.*** —

Until otherwise provided by the Supreme Court each Branch shall have a personnel complement composed of one (1) clerk of court and ex-officio sheriff, one (1) deputy clerk of court, one (1) legal researcher, four (4) court stenographers, one (1) interpreter, two (2) clerks, one (1) deputy sheriff, one (1) bailiff, one (1) janitor, one (1) driver, and two (2) security guards. The personnel complement of the Central Office of the Courts shall be composed of (A) Office of the Executive Judge — One (1) private secretary, one (1) executive assistant, one (1) clerk-stenographer, one (1) driver and one (1) messenger; (B) Management Staff — One (1) head of staff, one (1) assistant head of staff, two (2) management analysts, two (2) statisticians, one (1) personnel analyst, two (2) field auditors, and one (1) clerk-typist; (C) Finance Division — one (1) chief, one (1) assistant chief, and one (1) clerk; and its Budget Section — one

(1) chief, one (1) budget analyst and three (3) fiscal clerks; in its Accounting Section — one (1) chief, one (1) accountant, three (3) accounting clerks, two (2) bookkeepers, three (3) clerks and two (2) typists; and in its Cash Section — one (1) cashier, two (2) cash clerks, and one (1) clerk-typist; (D) Administrative Division — one (1) chief, one (1) assistant chief, two (2) clerks and one (1) stenographer; and in its Personnel Section — one (1) chief, one (1) training officer, two (2) personnel clerks, two (2) leave clerks and one (1) clerk-typist; in its Records Section — one (1) chief, two (2) records clerks and two (2) filers; in its Property Section — one (1) chief, one (1) property clerk, two (2) stock clerks, and two (2) laborers; in its Medical Section — one (1) physician, one (1) dentist, one (1) dental aid and one (1) nurse; and in its General Service Section — one (1) chief, one (1) chief security guard, eight (8) security guards, two (2) auto mechanics, two (2) laborers, two (2) drivers, one (1) electrician and five (5) janitors; and (E) Legal Division — one (1) chief, one (1) assistant chief, and one (1) clerk-typist; and in its Research Section — one (1) chief, eight (8) attorneys and one (1) steno-typist, in its Publication Section — one (1) chief, two (2) attorneys, two (2) steno-typist; two (2) syllabi writers, one (1) mimeograph operator and one (1) janitor; and in its Library Section — one (1) librarian, one (1) library assistant and one (1) laborer.

The positions of Commissioners are hereby abolished.

The Supreme Court is hereby vested with authority to convert, consolidate, merge or abolish such offices, services, divisions, staff units and positions in the Courts of Agrarian Relations, provide for or modify staffing patterns and salary scales, and create special positions to suit the particular needs of any Branch of

the Courts, in order to allow them to effectively and expeditiously carry out their functions under this Decree. In the interest of the public service, the Chief Justice may, upon recommendation of the Judge of the Court of Agrarian Relations concerned, authorize the substitution of other positions in lieu of those provided herein.

The salaries of officials and employees in the Central Office and in the Branches of the Court shall be determined by the Supreme Court.

All officials and employees of the Central Office and the Branches of the Court shall be appointed by the Chief Justice in accordance with civil service laws, rules and regulations.

**The present officials and employees of the Courts of Agrarian Relations shall continue in office. However, unless reappointed within a period of six (6) months from the effectivity of this Decree, they shall be considered separated from the service as of the end of that period, and shall be paid a gratuity at the rate equivalent to one month's salary for every year of service rendered in the government based on the highest salary received and such other benefits to which they may be entitled; Provided, That if said officials and employees are eligible for retirement under any retirement law; they shall have the option to retire and receive the gratuity or pension under such law, payable from the appropriations of the Courts including balances of certifications to accounts payable which have not been reverted to surplus, any provision of law, decree, rule or regulation to the contrary notwithstanding.**

**SECTION 23. *Appropriations.*** — The appropriations of the Courts of Agrarian Relations authorized in Presidential Decree No. 733 and other appropriation laws and decrees are hereby made available and restructured to carry out the purposes of this Decree: Provided, That in case said appropriations are not sufficient for the said purposes as certified to by the Chief Justice the additional amount of Five (5) Million Pesos is hereby automatically appropriated, and shall be incorporated in subsequent appropriations laws.

**SECTION 24. *Miscellaneous Provision.*** — All government agencies directly or indirectly involved in the agrarian reform program shall make available to the Courts of Agrarian Relations the necessary facilities to carry out the functions of said Courts.

**SECTION 25. *Separability of Provisions.*** — If for any reason any section or provisions of this Decree shall be declared unconstitutional or invalid by the Supreme Court, no other provision of this Decree shall be affected thereby.

**SECTION 26. *Repealing Clause.*** — All decrees, laws, and orders, or provisions thereof, inconsistent with the provisions of this Decree are hereby repealed and modified accordingly. Chapter IX of Republic Act numbered thirty-eight hundred and forty-four, as amended, is hereby repealed.

**SECTION 27. *Effectivity.*** — This Decree shall take effect immediately.

Done in the City of Manila, 17th day of June, in the year of Our Lord, nineteen hundred and seventy-six.

**LETTER OF INSTRUCTIONS NO. 474***(October 21, 1976)*

TO : The Secretary of Agrarian Reform

WHEREAS, last year I ordered that small landowners of tenanted rice/corn lands with areas of less than twenty-four hectares but above seven hectares shall retain not more than seven hectares of such lands except when they own other agricultural lands containing more than seven hectares or land used for residential, commercial, industrial or other urban purposes from which they derive adequate income to support themselves and their families;

WHEREAS, the Department of Agrarian Reform found that in the course of implementing my directive there are many landowners of tenanted rice/corn lands with areas of seven hectares or less who also own other agricultural lands containing more than seven hectares or lands used for residential, commercial, industrial or other urban purposes where they derive adequate income to support themselves and their families;

WHEREAS, it is therefore necessary to cover said lands under the Land Transfer Program of the government to emancipate the tenant-farmers therein.

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, do hereby order the following:

1. You shall undertake to place under the Land Transfer Program of the government pursuant to Presidential Decree No. 27, all tenanted rice/corn lands with areas of seven hectares or

less belonging to landowners who own other agricultural lands of more than seven hectares in aggregate areas or lands used for residential, commercial, industrial or other urban purposes from which they derive adequate income to support themselves and their families.

2. Landowners who may choose to be paid the cost of their lands by the Land Bank of the Philippines shall be paid in accordance with the mode of payment provided in Letter of Instructions No. 273 dated May 7, 1973.

Done in the City of Manila, this 21st day of October in the year of Our Lord, nineteen hundred and seventy-six.

**EXECUTIVE ORDER NO. 228***July 17, 1987***DECLARING FULL LAND OWNERSHIP TO QUALIFIED FARMER BENEFICIARIES COVERED BY PRESIDENTIAL DECREE NO. 27: DETERMINING THE VALUE OF REMAINING UNVALUED RICE AND CORN LANDS SUBJECT TO P.D. NO. 27; AND PROVIDING FOR THE MANNER OF PAYMENT BY THE FARMER BENEFICIARY AND MODE OF COMPENSATION TO THE LANDOWNER**

WHEREAS, Presidential Decree No. 27; for purposes of determining the cost of the land to be transferred to the tenant-farmer; provided that valuation shall be determined by crop productivity;

WHEREAS, there is a need to complete Operation Land Transfer and accelerate the payment to the landowners of lands transferred to tenant-farmers; and

WHEREAS, there is also a need to maintain the financial validity of the Land Bank of the Philippines, the financing arm of the agrarian reform program of the government;

NOW THEREFORE, I, CORAZON C. AQUINO, President of the Philippines, by virtue of the powers vested in me by the Constitution, here order that:

**SECTION 1.** All qualified farmer beneficiaries are now deemed full owners as of October 21, 1972 of the land they acquired by virtue of Presidential Decree No. 27 (hereinafter referred to as P.D. No. 27).

**SECTION 2.** Henceforth, the valuation of rice and corn lands covered by P.D. No. 27 shall be based on the average gross production determined by the Barangay Committee on Land Production in accordance with Department Memorandum Circular No. 26, Series of 1973, and related issuances and regulations of the Department of Agrarian Reform. The average gross production per hectare shall be multiplied by two and a half (2.5), the product of which shall be multiplied by Thirty Five Pesos (P35.00), the government support price for one cavan of 50 kilos of palay on October 21, 1972, or Thirty One Pesos (P31.00), the government support price for one cavan of 50 kilos of corn on October 21, 1972, and the amount arrived at shall be the value of the rice and corn land, as the case may be, for the purpose of determining its cost to the farmer and compensation to the landowner. Lease rentals paid to the landowner by the farmer beneficiary after October 21, 1972, shall be considered as advance payment for the land. In the event of dispute with the land owner regarding the amount of lease rental paid by the farmer beneficiary, the Department of Agrarian Reform and the Barangay Committee on Land Production concerned shall resolve the dispute within thirty (30) days from its submission pursuant to Department of Agrarian Reform Memorandum Circular No. 26, Series of 1973, and other pertinent issuances. In the event a party questions in court the resolution of the dispute, the landowner's compensation claim shall still be processed for payment and the proceeds shall be held in trust by the Trust Department of the Land Bank in accordance with the provisions of Section 5 hereof, pending the resolution of the dispute before the court.

**SECTION 3.** Compensation shall be paid to the landowners in any of the following modes, at the option of the landowners:

- (a) Bond payment over ten (10) years, with ten percent (10%) of the value of the land payable immediately in cash, and the balance in the form of LBP bonds bearing market rates of interest that are aligned with 90-day treasury bills rates, net of applicable final withholding tax. One-tenth of the face value of the bonds shall mature every year from the date of issuance until the tenth year. The LBP bonds issued hereunder shall be eligible for the purchase of government assets to be privatized.
- (b) Direct payment in cash or in kind by the farmer-beneficiaries with the terms to be mutually agreed upon by the beneficiaries and landowners and subject to the approval of the Department of Agrarian Reform; and
- (c) Other modes of payment as may be prescribed or approved by the Presidential Agrarian Reform Council.

**SECTION 4.** All outstanding Land Bank bonds that are retained by the original landowners-payee or by their heirs, are deemed matured up to on-twenty fifth (1/25) of their yearly face value from their date of issue to the date of this Executive Order and may be claimed by the original landowner-payee by surrendering the bonds to the Land Bank. The original landowner-payee may claim payment for the remaining unmatured period of the surrendered bonds under any of the modes of compensation

provided in Section 3, subsections (a) (b) or (c) hereof. In order to meet the financial requirements mentioned in this Section, the Central Bank shall remit to the Land Bank such sums as may be necessary from the Sinking Fund established by the Land Bank from the retirement of its bonds and other long-term obligations and which Sinking Fund is administered by the Central Bank: Provided, however, That there is no change in maturity of other outstanding Land Bank bonds acquired and held by transferees from original bondholders. The landowner is exempt from capital gains tax on the compensation paid to him under this Executive Order.

**SECTION 5.** In the event that the landowner does not accept payment of the compensation due him, his compensation shall be held in trust for him by the Trust Department of the Land Bank. The cash portion of the compensation and such portions that mature yearly shall be invested by the Trust Department only in government securities fully guaranteed by the Republic of the Philippines. All the net earnings of the investment shall be for the benefit of the landowner, his heirs or successors in interest. The rights of the landowners may be exercised by his heirs upon his death.

**SECTION 6.** The total costs of the land including interest at the rate of six percent (6%) per annum with a two percent (2%) interest rebate for amortizations paid on time, shall be paid by the farmer-beneficiary or his heirs to the Land Bank over a period up to twenty (20) years in twenty (20) equal annual amortizations. Lands already valued and financed by the Land Bank are likewise extended a 20-year period of payment of twenty (20) equal annual amortizations. However, the farmer-beneficiary if he

so elects, may pay in full before the twentieth year or may request the Land Bank to structure a repayment period of less than twenty (20) years if the amount to be financed and the corresponding annual obligations are well within the farmer's capacity to meet. Ownership of lands acquired by the farmer-beneficiary may be transferred after full payment of amortizations.

**SECTION 7.** As of the date of this Executive Order, a lien by way of mortgage shall exist in favor of the Land Bank on all lands it has financed and acquired by the farmer-beneficiary by virtue of P.D. No. 27 for all amortizations, both principal and interest, due from the farmer-beneficiary or a valid transferee until the amortizations are paid in full.

**SECTION 8.** Henceforth, failure on the part of the farmer-beneficiary to pay three (3) annual amortizations shall be sufficient cause for the Land Bank to foreclose on the mortgage.

**SECTION 9.** Thirty (30) days after final notice for payment to the defaulting tenant-farmer, a copy of which notice shall be furnished to the Department of Agrarian Reform, the Land Bank may foreclose on the mortgage by registering a certification under oath of its intent to foreclose with the Registry of Deeds of the city or province where the land is located attaching thereto: a copy of the final notice for payment; proof of service to the tenant-farmer and the Department of Agrarian Reform of the final notice for payment; and a certification that at least three (3) annual amortizations on the land or the sum thereof remain unpaid. The mortgage is deemed foreclosed upon registration of said documents with the Registry of Deeds. In the event the defaulting tenant-farmer

could not be served the final notice for payment, the Land Bank shall post the notice for payment in the town hall, public market and barangay hall or any other suitable place frequented by the public of the barangay where the defaulting tenant-farmer resides. A certification by the Land Bank to this effect will substitute for the proof of service of the final notice of payment for purposes of foreclosure. The Register of Deeds of all cities and provinces are directed to have a separate registry book to enter all the requirements of foreclosure as provided herein.

**SECTION 10.** The tenant-farmer, or any of his compulsory heirs may lift the foreclosure within a period of two (2) years from its registration by paying the Land Bank all unpaid amortizations on the land with interest thereon of six percent (6%) per annum. In case of failure to lift the foreclosure within the said period, ownership of the land shall be deemed transferred to the Land Bank.

**SECTION 11.** The Land Bank, not later than three (3) months after its acquisition of the land, shall sell the foreclosed land to any interested landless farmer duly certified to as a bona fide landless farmer by the Department of Agrarian Reform of the barangay or the two closest barangays where the land is situated. The cost of the land is the unpaid amortizations due on the lands as of the date of the sale with interest thereon of six percent (6%) per annum. In the event that there is more than one interested buyer, the actual buyer shall be determined by lottery in the presence of all the buyers or their representatives and a representative of the Department of Agrarian Reform. The Deed of Conveyance executed by the Land Bank in favor of the farmer transferee shall be registered with the Register of Deeds of the city or

province where the land is located. Ownership shall transfer to the farmer transferee only upon registration with the Registry of Deeds. The lien of the Land Bank by way of mortgage on the remaining unpaid amortizations shall subsists on the title of the transferee.

**SECTION 12.** The Land Bank, at least one (1) month prior to the sale, shall furnish the Department of Agrarian Reform with a notice of sale and shall post a similar notice in the town hall, public market and barangay hall or any other suitable place frequented by the public of the barangay where the property is located. The notice shall state the description of the property subject of the sale, the price, the date and place of sale.

**SECTION 13.** The National Land Titles and Deeds Registration Administration is hereby authorized to issue such rules and regulations as may be necessary relative to the registration with the Register of Deeds of all transactions/activities required herein taking into consideration the need to protect the integrity of the Torrens System, the interests of the parties and innocent third parties.

All transactions/activities and their corresponding documents that are registered with the Register of Deeds pursuant to the requirements of P.D. No. 27 and this Executive Order shall be free from all documentary stamps and registration fees.

**SECTION 14.** The Department of Agrarian Reform and the Land Bank are authorized to issue the additional implementing guidelines of this Executive Order which shall not be later than sixty (60) days from the date hereof.

**SECTION 15.** To ensure the successful implementation of the Agrarian Reform Program, an Agrarian Reform Operating Fund (Agrarian Fund) shall be set up by the National Government in the Land Bank. The amount of this Agrarian Fund, to be determined by the Government Corporation Monitoring and Coordinating Committee hereinafter referred to as GCMCC), will source the funding requirements for Land Bank to carry out the full implementation of this program which will include the net operating losses directly and indirectly attributable to this program and the credit facilities to farmers and farmers' organizations. Within thirty (30) days from the effectivity of this Executive Order, the Land Bank shall submit to the GCMCC its funding requirements for 1987. Thereafter, within sixty (60) days after the end of each calendar year, the Land Bank shall submit to the GCMCC an accounting of all drawings the Land Bank had made against the Fund. At the same time, it will also submit its prospective funding requirements for the current year for review and validation of the GCMCC. The amount approved by the GCMCC shall be deemed appropriate and the amount programmed for release in coordination with the Department of Finance, Budget and Management and the National Economic and Development Authority. Within thirty (30) days from GCMCC's approval, such funds shall be remitted to the Land Bank for credit to the Agrarian Fund.

**SECTION 16.** If any part of this Executive Order is declared invalid or unconstitutional, it shall not affect any other part thereof.

**SECTION 17.** All laws, presidential decrees, orders, letters of instructions, rules and regulations, and other

issuances or parts thereof inconsistent with this Executive Order are hereby repealed or modified accordingly.

**SECTION 18.** This Executive Order shall take effect upon its signing and publication as provided by law.

DONE in the City of Manila, this 17th day of July, in the year of Our Lord, nineteen hundred and eighty-seven.

**EXECUTIVE ORDER NO. 229**

July 22, 1987

**PROVIDING THE MECHANISMS FOR THE IMPLEMENTATION OF THE COMPREHENSIVE AGRARIAN REFORM PROGRAM**

WHEREAS, by virtue of Proclamation No. 131 dated July 22, 1987 the Comprehensive Agrarian Reform Program has been instituted;

WHEREAS, there is a need to provide for the mechanisms to start the implementation of the program;

WHEREAS, public hearings and consultations were held to determine appropriate mechanisms capable of being established.

NOW, THEREFORE, I, CORAZON C. AQUINO, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby order:

**CHAPTER I . COVERAGE**

**SECTION 1. *Scope.*** — The Comprehensive Agrarian Reform Program (CARP) shall cover, regardless of tenurial arrangement and commodity produced, all public and private agricultural lands as provided in Proclamation No. 131 dated July 22, 1987, including whenever applicable in accordance with law, other lands of the public domain suitable to agriculture.

**SECTION 2. *Implementation.*** — Land acquisition and distribution shall be implemented as provided in this Order as to all kinds of lands under the coverage of the program, subject to such priorities and reasonable retention limits as the Congress may under the Constitution prescribe, taking into account ecological, developmental, or equity considerations, and subject to the payment of just compensation.

**SECTION 3. *Exemptions.*** — Lands actually used and found to be necessary for national defense, school sites and campuses, religious purposes, penal colonies and government research and quarantine centers, are exempted from the coverage of the program.

**SECTION 4. *Compulsory Registration.*** — Within one hundred eighty (180) days from the effectivity of this Order all natural and juridical persons, including government entities, owning, leasing or managing agricultural lands shall file a sworn statement in the proper Assessor's Office in the form to be prescribed by the Department of Agrarian Reform (DAR). This statement shall include among others,

- (a) the description and area of the property;
- (b) the estimated average gross income from the property;
- (c) the names of all tenants and regular farmworkers therein;
- (d) the crop(s) planted in the property and the area covered by each crop as of June 1, 1978;

- (e) the terms of mortgages, leases, and management contracts subsisting as of June 1, 1987;
- (f) the latest declared market value of the land as determined by the City/Provincial Assessor, and
- (g) a sworn declaration of the current fair market value, which the owner wishes to receive if the property should be acquired by the government for agrarian reform purposes.

If the landowner fails to register within the prescribed period, the government shall base the valuation of his property for landowner compensation purposes on the City/Provincial Assessor's value. Beginning with the quarter immediately following this registration, the real property tax payable shall be based on the abovementioned owner's declaration of current fair market value.

## CHAPTER II. PRIVATE AND ACQUISITION

**SECTION 5. *Procedure of Acquisition.*** — After the land, landowners, and beneficiaries shall have been identified, the DAR shall publish its decision to acquire the land and notify the landowners thereof, together with the offer of the DAR to pay for the land as provided in Section 6 hereunder.

Within fifteen (15) days from publication and notice, the landowner shall signify to the DAR his acceptance or rejection of the offer.

If the landowner accepts the offer of the DAR, the Land Bank of the Philippines (LBP) shall pay the

landowner the purchase price of the land within fifteen (15) days after he surrenders the Certificate of Title and other relevant documents required by the DAR and the LBP.

In case of rejection or if no reply is received, the DAR shall conduct administrative summary proceedings to determine the compensation for the land, requiring the landowner, the LBP, and other interested parties to submit within fifteen (15) days from the receipt of notice, evidence as to the compensation for the land. After the expiration of the above period, the matter is deemed submitted for decision.

Within fifteen (15) days from receipt of the decision, the LBP shall establish a trust fund for the landowner concerned in the amount decided and notify the landowner and the DAR of its establishment. casia

Any party who disagrees with the decision may bring the matter to the proper court for determination of just compensation.

After the establishment of the trust fund or receipt by the DAR of the landowner's acceptance of the offer, the DAR shall take immediate possession of the land. Upon formal notification by the DAR, the Register of Deeds shall issue a Transfer Certificate of Title (TCT) in the name of the Republic of the Philippines as Trustee for and in behalf of qualified beneficiaries. Thereupon, the DAR shall proceed with the redistribution of the land to the qualified beneficiaries.

The rights and responsibilities of ownership by the beneficiaries commence at the time of their designation as awardees-owners by the DAR, as

evidenced by a Certificate of Landownership Award in their favor.

**SECTION 6. *Compensation to Landowners.*** — The LBP shall compensate the landowner an amount to be established by the government, which shall be based on the owner's declaration of current fair market value as provided in Section 4 hereof, but subject to certain controls to be defined and promulgated by the Presidential Agrarian Reform Council (PARC) as provided in Section 18 hereof. The compensation shall be paid in any of the following modes, at the option of the landowner:

- (a) Bond payment over ten (10) years, with ten (10) percent of the value of the land payable immediately in cash and the balance in the form of LBP bonds bearing market rates of interest that are aligned with 91-day treasury bills rates, net of applicable final withholding tax. One-tenth of the face value of the bonds shall mature every year from the date of issuance until the tenth year; The LBP bonds issued hereunder shall be eligible at face value for the purchase of government assets to be privatized;
- (b) Direct payment in cash or kind by the farmer-beneficiaries with the terms to be mutually agreed upon by the beneficiaries and landowners and subject to the approval of the DAR; and
- (c) Other modes of payment as may be prescribed or approved by the PARC.

**SECTION 7. *Assistance to Landowners.*** — Landowners affected by this Order shall be assisted and provided by the LBP with the following services:

- (a) Investment information and counselling assistance;
- (b) Conversion and/or exchange of LBP bonds to/from government stocks and/or with government assets; and
- (c) Marketing of LBP bonds.

### **CHAPTER III. LAND TRANSFER, UTILIZATION, AND SHARING**

**SECTION 8. *Voluntary Land Transfer.*** — Landowners whose lands are subject to redistribution under this Order have the option of entering into a voluntary agreement for direct transfer of their lands to appropriate beneficiaries, under terms and conditions acceptable to both parties and subject to the approval of the DAR. The general guidelines for voluntary land transfer are:

- (a) The beneficiaries are determined by the DAR to be the same individuals who would be eligible to purchase the land in case the government under this Order acquired the land for resale;
- (b) The area of land to be transferred is no less than the area which the government, under this Order, would otherwise acquire for resale;
- (c) The terms and conditions of the government's standing offer to purchase from the landowner

and standing offer to resell to the beneficiaries are fully known and understood by both parties;

- (d) The voluntary transfer agreement shall include sanctions for non-compliance by either party and shall be binding and irrevocable for both parties, and shall be duly recorded at and monitored by the DAR.

**SECTION 9. *Voluntary Offer to Sell.*** — The government shall purchase all agricultural lands it deems productive and suitable to farmer cultivation voluntarily offered for sale to it at a valuation determined in accordance with Section 6. Such transactions shall be exempt from the payment of capital gains tax and other taxes and fees.

**SECTION 10. *Corporate Landowners.*** — Corporate landowners may give their workers and other qualified beneficiaries the right to purchase such proportion of the capital stock of the corporation that the land assets bear in relation to the corporation's total assets, and grant additional compensation which may be used for this purposes. The approval by the PARC of a plan for such stock distribution, and its initial implementation, shall be deemed compliance with the land distribution requirements of the CARP.

**SECTION 11. *Leases, Management Contracts, Mortgages, and Claims.*** — Leases and management contracts on land covered by the land distribution and registered with the Register of Deeds prior to the approval of this Order may continue under their original terms and conditions, but not beyond five (5) years from the effectivity of this Order; provided that upon expiration, leases, and management contracts may only be renewed subject to the agreement of

the qualified beneficiaries; and provided further that upon the distribution or award of the land, where the existing lease rentals are not acceptable to the qualified beneficiaries, such rentals shall be renegotiated with the assistance of the Barangay Agrarian Reform Council (BARC). If the parties fail to agree, the DAR shall determine the rental. Mortgages and other claims registered with the Register of Deeds will be assumed by the government up to the landowner's compensation value as provided for in Section 6 hereof.

**SECTION 12. *Payment of Beneficiaries.*** — Land acquired and redistributed by the government shall be paid for by the beneficiaries in thirty (30) equal annual payments at six (6) percent per annum interest, with the first payment due one year after resale, and a two (2) percent interest rebate for amortizations paid on time, provided, that in no case shall the annual amortizations exceed ten (10) percent of the land's annual value of gross production. Should the amortization exceed ten (10) percent, the LBP shall reduce the interest rate and/or reduce the principal obligation to make the repayments affordable. Incentives shall be given for prepayments. The LBP shall have a lien by way of mortgage on the land acquired by the beneficiary and this mortgage may be foreclosed by the LBP when the outstanding principal balance unpaid and past due reaches the equivalent of three (3) annual amortizations.

**SECTION 13. *Credit Support.*** — Upon land transfer, each beneficiary who actually farms his land shall be eligible for a production loan to finance one crop cycle under terms and conditions to be determined

by the LBP on a case to case basis, renewable upon repayment.

**SECTION 14. *Collective or Individual Ownership.*** — For lands with multiple beneficiaries, ownership of whole parcels or estates may be transferred to the farmer-beneficiaries collective or individually, at the option of the beneficiaries, provided, that in collective ownership, each beneficiary shall have an undivided share of the land held in common equivalent to not more than the applicable retention limit. The beneficiaries may collectively decide on the continued operation of the parcel/estate as a whole or to subdivide the same into individual lots and determine the manner in which such subdivision is to be implemented.

**SECTION 15. *Distribution and Utilization of Public Lands.*** — All alienable and disposable lands of the public domain for agriculture and outside proclaimed settlements shall be distributed by the Department of Environment and Natural Resources (DENR) to qualified beneficiaries as certified to jointly by the DAR and the DENR.

**SECTION 16. *Production Sharing.*** — Individual's or entities owning and/or operating under lease agricultural lands with gross sales in excess of Five Million Pesos (P5 million) per annum are hereby mandated to execute a production sharing plan whereby at least two and one-half (2.5) percent of the gross sales from the production/cultivation of such lands are distributed as compensation to the farmworkers over and above the compensation they currently receive, provided that such individuals or entities are not obligated to pay more than 100

percent of the regular and annual compensation of the farmworkers.

#### **CHAPTER IV. Implementing and Coordinating Mechanisms**

**SECTION 17. *Quasi-Judicial Powers of the DAR.*** — The DAR is hereby vested with quasi-judicial powers to determine and adjudicate agrarian reform matters, and shall have exclusive original jurisdiction over all matters involving implementation of agrarian reform, except those falling under the exclusive original jurisdiction of the DENR and the Department of Agriculture (DA).

The DAR shall have powers to punish for contempt and to issue subpoena, subpoena duces tecum and writs to enforce its orders or decisions. The decisions of the DAR may, in proper cases, be appealed to the Regional Trial Courts but shall be immediately executory notwithstanding such appeal.

**SECTION 18. *The Presidential Agrarian Reform Council (PARC).*** — To coordinate the implementation of the CARP and to ensure the timely and effective delivery of the necessary support services, there is hereby created the Presidential Agrarian Reform Council composed of the President as Chairman, and the Secretaries or Heads of the following agencies, as follows:

Department of Agrarian Reform  
**Vice Chairman**

Department of Agriculture  
**Vice Chairman**

Department of Environment and Natural Resources  
**Vice Chairman**

**Members:**

Executive Secretary  
 Department of Budget and Management  
 Department of Finance  
 Department of Justice  
 Department of Labor and Employment  
 Department of Local Government  
 Department of Public Works and Highways  
 Department of Trade and Industry  
 Department of Transportation and  
 Communications  
 National Economic and Development  
 Authority  
 Land Bank of the Philippines  
 Presidential Commission on Good Government

The President shall appoint representatives of agrarian reform beneficiaries and affected landowners as members of PARC.

The DAR shall provide the Secretariat for the PARC and the Secretary of Agrarian Reform shall be the Director-General thereof.

The PARC shall formulate and/or implement the policies, rules and regulations necessary to implement each component of the CARP, and may authorize any of its members to formulate rules and regulations concerning aspects of agrarian reform falling within their area of responsibility. These policies, rules and regulations shall include the following:

- a. Recommended small farm economy areas, which shall be specific by crop and based on thorough technical study and evaluation;
- b. The schedule of acquisition and redistribution of specific agrarian reform areas, provided that such acquisition shall not be implemented until all the requirements are completed, including the first payment to the landowners concerned.
- c. Control mechanisms for evaluating the owner's declaration of current fair market value as provided in Section 4 hereof in order to establish the government's compensation offer as provided in Section 6 hereof, taking into account current land transactions in the locality, the landowner's annual income from his land, and other factors.

PARC shall have an Executive Committee composed of the Secretary of Agrarian as Chairman, and Secretaries or Heads of the following agencies as members:

Executive Secretary

Department of Agriculture

Department of Environment and Natural Resources

Department of Finance

Department of Public Works and Highways

Land Bank of the Philippines

Within ninety (90) days from the effectivity of this Order, the Executive Committee of PARC shall

complete a Program of implementation incorporating the physical targets, implementation schedule and support requirements of agrarian reform, and shall submit the same to the PARC, for approval. Such program of implementation shall take into account, and be consistent with, priorities and retention limits that Congress may in the meantime prescribe, and the following basic policies and guidelines set forth in the Constitution:

- a. The CARP is founded on the right of farmers and regular farmworkers, who are landless, to own directly or collectively, the lands they till or, in the case of other farmworkers, to receive a just share of the fruits thereof;
- b. The right of small landowners shall be respected;
- c. Voluntary land-sharing shall be encouraged;
- d. Farmers, farmworkers, landowners, cooperatives and/or independent farmers' organizations have the right to participate in the planning, organization, and management of the CARP;
- e. In lands of the public domain, the CARP shall respect prior rights, homestead rights of small settlers, and the rights of indigenous communities to their ancestral lands;
- f. Support to agriculture through appropriate technology and research, and adequate financial, production, marketing, and other support services must be provided;
- g. Landowners shall be encouraged to invest the proceeds of the agrarian reform program to promote industrialization, employment creation,

and privatization of public sector enterprises;  
and

- h. At the earliest possible time, idle or abandoned agricultural lands as may be defined by law shall be expropriated for distribution to the beneficiaries of the agrarian reform program.

**SECTION 19. *Barangay Agrarian Reform Council (BARC)*.** — On matters related to agrarian reform, the DAR shall convene at the barangay level, a Barangay Agrarian Reform Council. The BARC shall be operated on a self-help basis and will be composed of the following:

- a. Representative/s of farmers and farmworkers beneficiaries;
- b. Representative/s of farmer and farmworkers non-beneficiaries;
- c. Representative/s of agricultural cooperatives;
- d. Representative/s of other farmer organizations;
- e. Representative/s of the Barangay Council;
- f. Representative/s of non-government organizations (NGOs);
- g. Representative/s of landowners;
- h. DA official assigned to the barangay;
- i. DENR official assigned to the area;

- j. DAR Agrarian Reform Technologist assigned to the area who shall act as the Secretary; and
- k. Land Bank of the Philippines representative.

The functions of the BARC shall be:

- a. To participate and give support to the implementation of programs on agrarian reform;
- b. To mediate, conciliate or arbitrate agrarian conflicts and issues that are brought to it for resolution; and
- c. To perform such other functions that the PARC, its Executive Committee, or the DAR Secretary may delegate from time to time.

## CHAPTER V. FINANCING

**SECTION 20. *Agrarian Reform Fund.*** — As provided in Proclamation No. 131 dated July 22, 1987, a special fund is created, known as The Agrarian Reform Fund, an initial amount of FIFTY BILLION PESOS (P50 billion) to cover the estimated cost of the CARP from 1987 to 1992 which shall be sourced from the receipts of the sale of the assets of the Asset Privatization Trust (APT) and receipts of sale of ill-gotten wealth recovered through the Presidential Commission on Good Government and such other sources as government may deem appropriate. The amount collected and accruing to this special fund shall be considered automatically appropriated for the purpose authorized in this Order.

**SECTION 21. *Supplemental Appropriations.*** — The amount of TWO BILLION SEVEN HUNDRED MILLION PESOS (P2.7 billion) is hereby appropriated to cover

the supplemental requirements of the CARP for 1987, to be sourced from the receipts of the sale of ill-gotten wealth recovered through the Presidential Commission on Good Government and the proceeds from the sale of assets by the APT. The amount collected from these sources shall accrue to The Agrarian Reform Fund and shall likewise be considered automatically appropriated for the purpose authorized in this Order.

## CHAPTER VI. SANCTIONS

**SECTION 22. *Permanent Disqualification.*** — Persons, associations, or entities who prematurely enter the land to avail themselves of the rights and benefits hereunder, shall be permanently disqualified from receiving benefits and shall forfeit their rights hereunder.

**SECTION 23. *Contempt.*** — Persons, associations, or entities who wilfully prevent or obstruct the implementation of the CARP shall be liable for contempt.

## CHAPTER VII. GENERAL PROVISIONS

**SECTION 24. *Ancestral Lands.*** — Within the framework of national unity and development, the rights of indigenous cultural communities to their ancestral lands are hereby protected to ensure their economic, social, and cultural well-being.

**SECTION 25. *Immunity of Government Agencies from Undue Interference.*** No injunction, restraining order, prohibition or mandamus shall be issued by the lower courts against the DAR, the DA, the DENR and the

Department of Justice in their implementation of the CARP.

**SECTION 26. *Assistance of other Government Entities.***

— The PARC in the exercise of its functions is hereby authorized to call upon the assistance and support of other government agencies, bureaus, and offices, including government-owned or controlled corporations.

**SECTION 27. *Applications of Existing Legislation.*** —

Presidential Decree No. 27, as amended, shall continue to operate with respect to rice and corn lands, covered thereunder. The provisions of Republic Act No. 3844 and other agrarian laws not inconsistent with this Order shall have supplementary effect.

**SECTION 28. *Free Registration of Patents and Titles.*** —

All Registers of Deeds are hereby directed to register free from payment of all fees, patents, titles, and documents required in the implementation of the CARP.

**SECTION 29. *Separability Clause.*** — If, for any reason, any section or provisions of this Order shall be held unconstitutional or invalid, no other section or provision hereof shall be affected thereby.

**SECTION 30. *Repealing Clause.*** — All laws, issuances, decrees or any part or parts thereof inconsistent with the provisions of this Order are hereby repealed or amended accordingly.

**SECTION 31. *Effectivity Clause.*** — This Executive Order shall take effect fifteen (15) days after publication in the Official Gazette or in a newspaper of general circulation in the Philippines.

APPROVED, in the City of Manila, Philippines, this 22nd day of July, 1987.

**PROCLAMATION NO. 131**

July 22, 1987

**INSTITUTING A COMPREHENSIVE AGRARIAN  
REFORM PROGRAM**

WHEREAS, we have proclaimed the revival and development of the full potential of Philippine agriculture to be an economic priority of our new democracy so as to provide a firm foundation for the industrialization of our economy, and thereby assure the genuine independence of our country; *cdasia*

WHEREAS, it is necessary to make our new democracy meaningful by increasing the productivity of the farming sector and increasing the incomes of farmers, regular farmworkers, and other farmworkers;

WHEREAS, the essential element in any policy of agricultural revival and development is a comprehensive and realistic agrarian reform program;

WHEREAS, such an agrarian reform program will encourage the shift of capital from land to industry;

WHEREAS, realizing these imperatives, the President declared in the 1986 Presidential campaign that she would undertake an agrarian reform program;

WHEREAS, there is need for all to address agrarian reform in the spirit of cooperation, harmony, and understanding, a spirit which must pervade the process as a whole, in its voluntary as well as non-

voluntary aspects, for the country faces problems and challenges that require national unity;

WHEREAS, agrarian reform indispensably entails the participation of all concerned in the planning, organization, and management of the program;

WHEREAS, the entire Filipino people, together with all government agencies and private organizations, must extend priority support and full cooperation to implement this program effectively;

WHEREAS, there is a need for the program to be realistic and flexible in order to succeed, to take account of differences from place to place, from community to community, so that no single and rigid prescription would be unfairly and unwisely applied to all regardless of special features and circumstances, and to be within the present and foreseeable capabilities of the nation;

WHEREAS, the program further requires available funding that is definite as to source and timing;

WHEREAS, the education, re-orientation, and motivation of farmers, regular farmworkers, and other farmworkers in their new role and responsibilities, along with steps to ensure that the program will result in increased productivity and better income for the beneficiaries, are also called for;

WHEREAS, all these and other infrastructure requirements must further be provided for by other legislation and measures;

WHEREAS, the President recognizes as a partner to this continuing undertaking the co-equal Branch of the

Congress of the Philippines, whose Senate is elected at large and therefore speaks for the nation, and whose House of Representatives articulates the needs and problems of the constituencies and sectors in the land;

WHEREAS, in the last analysis, the times undeniably a call for change, and the need to undertake the agrarian reform program can no longer wait so that no alternative lies but to adopt a program that is workable, sufficiently funded and above all, aimed to succeed, for the nation can no more afford its failure than its lack;

WHEREAS, the forces of history and the Constitution, the pressing needs of the times, the capabilities of the present, and the age old aspirations of the Filipino people demand such agrarian reform program.

WHEREFORE, the Constitution of the Philippines provides the following:

“ARTICLE II – DECLARATION OF PRINCIPLES AND STATE POLICIES

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XXX

XXX

“ Sec. 21 The State shall promote comprehensive rural development and agrarian reform.”

“ARTICLE XXII – NATIONAL ECONOMY AND PATRIMONY”

XXX

XXX

XXX

“section 1, par. 2: The State shall promote industrialization and full employment based on sound agricultural development and agrarian reform....”

“ARTICLE XIII – SOCIAL JUSTICE AND HUMAN RIGHTS”

XXX

XXX

XXX

“AGRARIAN AND NATURAL RESOURCES REFORM”

XXX

XXX

XXX

"Sec. 4. The State shall, by law, undertake an agrarian reform founded on the right of farmers and regular farmworkers, who are landless, to own directly or collectively the lands they till or, in the case of other farmworkers, to receive a just share of the fruits thereof. To this end, the State shall encourage and undertake the just distribution of all agricultural lands, subject to such priorities and reasonable retention limits as the Congress may prescribe, taking into account ecological, developmental, or equity considerations, and subject to the payment of just compensation. In determining the retention limits, the State shall respect the right of small landowners. The State shall further provide incentives for voluntary land-sharing."

"Sec. 5. The State shall recognize the right of the farmers, farmworkers, and landowners, as well as cooperatives, and other independent farmers' organizations to participate in the planning, organization, and management of the program, and shall provide support to agriculture through appropriate technology and research, and adequate financial production, marketing, and other support services."

"Sec. 6. The State shall apply the principles of agrarian reform or stewardship, whenever applicable in accordance with law, in the disposition or utilization of other natural resources, including lands of the public domain under lease or concession suitable to agriculture, subject to prior rights, homestead rights of small settlers, and the rights of indigenous communities to their ancestral lands.

"The State may resettle landless farmers and farmworkers in its own agricultural estates which shall be distributed to them in the manner provided by law."

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"Sec. 8. The State shall provide incentives to landowners to invest the proceeds of the agrarian reform program to promote industrialization, employment creation, and privatization of public sector enterprises. Financial instruments used as payments for their lands shall be honored as equity in enterprises of their choice."

"ARTICLE XVIII - TRANSITORY PROVISIONS"

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"Sec. 22. At the earliest possible time, the Government shall expropriate idle or abandoned agricultural lands as may be defined by law, for distribution to the beneficiaries of the agrarian reform program."

NOW, THEREFORE, I, CORAZON COJUANGCO AQUINO, President of the Republic of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby order:

**SECTION 1. *Scope.*** — Comprehensive Agrarian Reform Program (CARP) is hereby instituted which shall cover, regardless of tenurial arrangement and commodity produced all public and private agricultural lands as provided in the Constitution, including whenever applicable in accordance with law, other lands of the public domain suitable to agriculture.

**SECTION 2. *Agrarian Reform Fund.*** — There is hereby created a special fund, to be known as The Agrarian Reform Fund, an initial amount of FIFTY BILLION PESOS (50,000,000, 000.00) to cover the estimated cost of the Comprehensive Agrarian Reform Program from 1987 to 1992 which shall be sourced from the receipts of the sale of the assets of the Asset Privatization Trust and receipts of sale of ill-gotten wealth received through the Presidential Commission on Good Government and such other sources as government may deem appropriate. The amounts collected and accruing to this special fund shall be considered automatically appropriated for the purpose authorized in this Proclamation.

**SECTION 3. *Implementation.*** — The provisions for the mechanisms needed initially to implement the Comprehensive Agrarian Reform Program are set forth in Executive Order No. 229, dated 22 July, 1987, which is a companion measure to this Proclamation.

**SECTION 4. *Effectivity and Repealing Clause.*** — This Proclamation shall take effect immediately upon its approval and repeals or amends accordingly all laws, issuances, decrees or any part thereof inconsistent with its provisions.

APPROVED, in the City of Manila, Philippines, this 22nd day of July, 1987.

**EXECUTIVE ORDER NO. 129-A**

*July 26, 1987*

**MODIFYING EXECUTIVE ORDER NO. 129  
REORGANIZING AND STRENGTHENING THE  
DEPARTMENT OF AGRARIAN REFORM AND FOR  
OTHER PURPOSES**

WHEREAS, Executive Order No. 129 dated January 30, 1987 was suspended;

WHEREAS, Presidential Proclamation No. 131 and Executive Order No. 229, both dated July 22, 1987 instituted a Comprehensive Agrarian Reform Program (CARP) and provided the mechanisms for its implementation;

WHEREAS, Executive Order No. 229 vests on the Department of Agrarian Reform quasi-judicial powers to determine and adjudicate agrarian reform matters;

WHEREAS, there is a need to strengthen and expand the functions of the Department of Agrarian Reform to be more effective in implementing the Comprehensive Agrarian Reform Program;

WHEREAS, under Article XVIII, Section 6, of the 1987 Constitution, the President shall continue to exercise legislative powers until the First Congress convenes;

NOW, THEREFORE, I, CORAZON C. AQUINO, PRESIDENT OF THE PHILIPPINES, by virtue of the powers vested in me by the Constitution, do hereby order:

**SECTION 1. *Title.*** — This Executive Order shall otherwise be known as the Reorganization Act of the Department of Agrarian Reform.

**SECTION 2. *Reorganization.*** — The Department of Agrarian Reform is hereby reorganized structurally and functionally, hereinafter referred to as the Department, in accordance with the provisions of this Executive Order.

**SECTION 3. *Declaration of Policy.*** — It is the declared policy of the State of completely abolish all remnants of feudalism and all other types of unjust tenurial arrangements, implement the comprehensive agrarian reform program, increase the productivity of the direct producers, and strengthen the agricultural base for increased industrialization. Pursuant to this policy, the State shall:

- a) Establish owner-cultivated economic, family-size farms and collectively-owned/cooperatively-cultivated farms as the foundation of Philippine agriculture;
- b) Prohibit absentee land ownership;
- c) Rechannel and divert landlord capital in agriculture to industrial development;
- d) Assist in the preservation and conservation of prime lands for agricultural purposes;
- e) Encourage the establishment and protect the autonomy and independence of institutions of farmers and farmworkers that will safeguard their interests and ensure their dignified existence, free from pernicious restraints and practices;

- f) Create just and viable socio-economic structures in agriculture conducive to greater productivity and higher incomes through the cooperative system of production, processing, marketing, distribution, and credit services;
- g) Accelerate the disposition of public alienable, disposable, and cultivable land to actual cultivators and other qualified beneficiaries and develop agrarian communities for full utilization of land for human growth and development;
- h) Institutionalize partnerships between government and organizations of farmers and farmworkers in agrarian reform policy formulation, program implementation, and evaluation;
- i) Provide specific investment opportunities, alternative employment, and other incentives for landowners affected by agrarian reform;
- j) Ensure adequate funding support for the agrarian reform program as well as timely, affordable, and appropriate financing schemes to its beneficiaries;
- k) Implement an agricultural land tax scheme that will prevent land hoarding and/or speculation.

**SECTION 4. *Mandate.*** — The Department shall be responsible for implementing the Comprehensive Agrarian Reform Program and, for such purpose, it is authorized to:

- a) Acquire, determine the value of, subdivide into family-size farms or organize into collective of

- cooperative farms and develop private agricultural lands for distribution to qualified tillers, actual occupants, and displaced urban poor;
- b) Administer and dispose all cultivable portions of the public domain declared as alienable and disposable for agricultural purposes transferred to it by the Department of Environment and Natural Resources;
  - c) Acquire, by purchase or grant, real estate properties suited for agriculture that have been foreclosed by the national government;
  - d) Undertake land consolidation, land reclamation, land forming, and conservation in areas subject to agrarian reform;
  - e) Facilitate the compensation of landowners covered by agrarian reform;
  - f) Issue emancipation patents to farmers and farmworkers who have been given lands under the agrarian reform program as may be provided for by law;
  - g) Provide free legal services to agrarian reform beneficiaries and resolve agrarian conflicts and land tenure problems;
  - h) Develop and implement alternative land tenure systems such as cooperative farming and agro-industrial estates, among others;

- i) Undertake land use management and land development studies and projects in agrarian reform areas;
- \*k) Approve or disapprove the conversion, restructuring or readjustment of agricultural lands into non-agricultural uses;
- l) Monitor and evaluate the progress of agrarian reform implementation;
- m) Assist the Office of the Solicitor General in providing evidence for the reversion proceedings to be filed with respect to lands of the public domain, occupied by private individuals and their tenants or farmworkers which are subject to land reform, and real rights connected therewith which have been acquired in violation of the Constitution or the public land laws or through corrupt practices;
- n) Submit progress reports to the Office of the President, to Congress, and to the people at the end of each year and at all times make available to the general public information on the current status of its programs.

**SECTION 5. *Powers and Functions.*** — Pursuant to the mandate the Department, and in order to ensure the successful implementation of the Comprehensive Agrarian Reform Program, the department is hereby authorized to:

- a) Advise the President and the Presidential Agrarian Reform Council on the promulgation of executive/administrative orders, other regulative issuances and legislative proposals designed to

strengthen agrarian reform and protect the interests of the beneficiaries thereof;

- b) Implement all agrarian laws, and for this purpose, punish for contempt and issue subpoena, subpoena duces tecum, writs of execution of its decisions, and other legal processes to ensure successful and expeditious program implementation; the decisions of the Department may in proper cases, be appealed to the Regional Trial Courts but shall be immediately executory notwithstanding such appeal;
- c) Establish and promulgate operational policies, rules and regulations and priorities for agrarian reform implementation;
- d) Coordinate program implementation with the Land Bank of the Philippines and other relevant civilian and military government agencies mandated to support the agrarian reform program;
- e) Acquire, administer, distribute, and develop agricultural lands for agrarian reform purposes;
- f) Undertake surveys of lands covered by agrarian reform;
- g) Issue emancipation patents to farmers and farmworkers covered by agrarian reform for both private and public lands and when necessary make administrative corrections of the same;
- h) Provide free legal services to agrarian reform beneficiaries and resolve agrarian conflicts and land-tenure related problems as may be provided for by law;

- i) Promote the organization and development of cooperatives and other associations of agrarian reform beneficiaries;
- j) Conduct continuing education and promotion programs on agrarian reform for beneficiaries, land-owners, government personnel, and the general public;
- k) Institutionalize the participation of farmers, farmworkers, other beneficiaries, and agrarian reform advocates in agrarian reform policy formulation, program implementation, and evaluation;
- l) Have exclusive authority to approve or disapprove conversion of agricultural lands for residential, commercial, industrial, and other land uses as may be provided for by law;
- m) Call upon any government agency, including the Armed Forces of the Philippines, and non-governmental organizations (NGOs) to extend full support and cooperation to program implementation;
- n) Exercise such other powers and functions as may be provided for by law or directed by the President, to promote efficiency and effectiveness in the delivery of public services.

**SECTION 6. *Structural Organization.*** — The Department shall consist of the Department Proper, the staff offices, the staff bureaus and the regional/provincial/municipal agrarian reform offices. The Department Proper shall consist of the following:

- a) Office of the Secretary;
- b) Offices of the Undersecretaries;
- c) Offices of the Assistant Secretaries;
- d) Public Affairs Staff;
- e) Special Concerns Staff;
- f) Agrarian Reform Adjudication Board.

The staff sectoral bureaus, on the other hand, shall be composed of:

- a) Bureau of Land Acquisition and Distribution;
- b) Bureau of Land Development;
- c) Bureau of Agrarian Legal Assistance;
- d) Bureau of Agrarian Reform Information and Education;
- e) Bureau of Agrarian Reform Beneficiaries Development.

The field offices shall consist of the Department regional offices, the provincial offices and the municipal agrarian reform office.

**SECTION 7. *Secretary of Agrarian Reform.*** — The authority and responsibility for the exercise of the mandate of the Department and the discharge of its powers and functions shall be vested in the Secretary of Agrarian Reform, hereinafter referred to as Secretary, who shall have supervision and control over the Department and shall be appointed by the President.

**SECTION 8. *Office of the Secretary.*** — The Office of the Secretary shall consist of the Secretary, his immediate staff, the Public Affairs Staff and the Special Concerns Staff.

**SECTION 9. *Undersecretary.*** — The Secretary shall be assisted by four (4) Undersecretaries who shall be appointed by the President upon the recommendation of the Secretary. The Secretary is hereby authorized to delineate, assign and/or reassign the respective functional areas of responsibility of the Undersecretaries, provided, That such responsibility shall be with respect to the mandate and objectives of the Department; and provided, Further, that no Undersecretary shall be assigned primarily administrative responsibilities.

**SECTION 10. *Assistant Secretary.*** — The Secretary and the Undersecretaries shall also be assisted by seven (7) Assistant Secretaries, who shall be appointed by the President upon the recommendation of the Secretary. The Secretary is hereby authorized to delineate, assign and/or reassign the respective functional areas of responsibility of the Assistant Secretaries, provided, That such responsibility shall be with respect to the mandate and objectives of the Department.

**SECTION 11. *Public Affairs Staff*** . — There is hereby created a Public Affairs Staff, under the office of the Secretary, to be headed by a Director and assisted by an Assistant Director, which shall serve as the public information arm of the Department. It shall be responsible for disseminating information and agrarian reform policies, plans, programs and

projects; and respond to public queries related to the implementation of the agrarian reform program.

**SECTION 12. *Special Concerns Staff*** . — There is hereby created a Special Concerns Staff under the Office of the Secretary, to be headed by a Director and assisted by an Assistant Director, which shall be responsible for handling priority areas/subjects identified by the Secretary that necessitate special and immediate attention.

**SECTION 13. *Agrarian Reform Adjudication Board***. — There is hereby created an Agrarian Reform Adjudication Board under the Office of the Secretary. The Board shall be composed of the Secretary as Chairman, two (2) Undersecretaries as may be designated by the Secretary, the Assistant Secretary for Legal Affairs, and three (3) others to be appointed by the President upon the recommendation of the Secretary as members. A Secretariat shall be constituted to support the Board. The Board shall assume the powers and functions with respect to the adjudication of agrarian reform cases under Executive Order No. 229 and this Executive Order. These powers and functions may be delegated to the regional offices of the Department in accordance with rules and regulations to be promulgated by the Board.

**SECTION 14. *Planning and Project Management Office***. — There is hereby created a Planning and Project Management Office within the Department Proper which shall be responsible for coordinating and initiating the development, integration and prioritization of plans, programs and projects of the Department; monitoring and evaluating agrarian reform program implementation; establishing linkages

with foreign funding institutions; and coordinating the activities of the different Offices, Bureaus and Attached Agencies of the Department.

**SECTION 15. *Policy and Strategic Research Office.*** — There is hereby created a Policy and Strategic Research Office within the Department Proper which shall be responsible for establishing and implementing a computerized management information system as well as for coordinating and/or initiating research and studies for planning and policy formulation purposes.

**SECTION 16. *Finance, Management and Administrative Office.*** — There is hereby created a Finance, Management and Administrative Office within the Department Proper which shall be responsible for the proper and timely allocation of funds to support approved programs, projects and activities; the appropriate management control and accounting of funds; the management of the Department's physical assets; and the provision of services to ensure effective and efficient personnel management and manpower career development, and for the establishment of management systems and procedures.

**SECTION 17. *Field Operations Office.*** — There are hereby created Field Operations Offices for Luzon, Visayas and Mindanao within the Department Proper which shall monitor and assess the implementation of the Department's policies, plans and programs at the regional, provincial and municipal levels.

**SECTION 18. *Legal Affairs Office.*** — There is hereby created a Legal Affairs Office within the Department Proper which shall be responsible for the review of contracts and other legal matters, the rendition of

legal assistance to Department personnel and those who will be affected by the agrarian reform program.

**SECTION 19. *Bureau of Land Acquisition and Distribution.*** — There is hereby created the Bureau of Land Acquisition and Distribution which shall absorb the relevant functions of the Bureaus of Land Acquisition, Distribution and Development, and of Land Tenure Improvement. The Bureau of Land Acquisition and Distribution, to be headed by a Director and assisted by an Assistant Director, shall be responsible for the development of policies, plans, programs, standard operating procedures, and for providing technical assistance, relative to the acquisition and distribution of private agricultural lands covered by the agrarian reform program, including land tiller-landowner identification, land valuation, and landowners compensation, transfer of ownership to actual tillers, leasehold arrangements, stewardship, and land transfer actions.

**SECTION 20. *Bureau of Land Development.*** — There is hereby created the Bureau of Land Development which shall absorb the relevant functions of the Bureau of Land Acquisition, Distribution and Development. The Bureau of Land Development, to be headed by a Director and assisted by an Assistant Director, shall be responsible for the development of policies, plans and programs, and for providing technical assistance, relative to land surveys, land use, capability and classification, engineering services, and land consolidation.

**SECTION 21. *Bureau of Agrarian Legal Assistance.*** — The Bureau of Agrarian Legal Assistance shall be strengthened and shall be responsible for developing guidelines, plans and programs for legal assistance

including developing, maintaining and coordinating para-legal services for those who will be affected by the Comprehensive Agrarian Reform Program. It shall be headed by a Director and assisted by an Assistant Director.

**SECTION 22. *Bureau of Agrarian Reform Information and Education.*** — There is hereby created the Bureau of Agrarian Reform Information and Education which shall absorb the functions of the Agrarian Reform Education Service which is abolished by this Executive Order. The Bureau of Agrarian Reform Information and Education, to be headed by a Director and assisted by an Assistant Director, shall be responsible for developing and conducting continuing training and education programs for the acquisition of knowledge, value formation, and development of skills and favorable attitudes among beneficiaries and personnel of the Department and other agencies, and the increase of awareness, participation and acceptance of agrarian reform by the public through the dissemination of information and communication materials.

**SECTION 23. *Bureau of Agrarian Reform Beneficiaries Development.*** — There is hereby created the Bureau of Agrarian Reform Beneficiaries Development which shall absorb the relevant functions of the Bureau of Resettlement. The Bureau of Agrarian Reform Beneficiaries Development, to be headed by a Director and assisted by an Assistant Director, shall be responsible for the development of policies, plans and programs, and for providing technical assistance, relative to the development of settlement areas into viable agrarian communities. It shall also be responsible for promoting the organization of agrarian reform beneficiaries, liaison with farmer and farm

workers organizations to ensure the raising of farm incomes, the promotion of all forms of farm cooperation, the achievement of a dignified existence and the creation of a viable economic structure conducive to greater productivity and higher farm income.

**SECTION 24. *Regional Offices*** *The Department shall have twelve (12) Regional Offices.* — Each Regional Office shall be headed by a Regional Director who shall be assisted by an Assistant Regional Director for operations and an Assistant Regional Director for Administration.

The Regional Offices shall be responsible for the implementation of laws, policies, plans, programs, projects, rules and regulations of the Department in its administrative region. For such purpose, it shall have the following functions:

- a) Prepare and submit plans and programs for the region on:
  - 1) Land acquisition and distribution;
  - 2) Information and education;
  - 3) Land use management and land development;
  - 4) Agrarian reform beneficiaries development;
- b) Provide technical assistance to Provincial Offices and Municipal Agrarian Reform Offices in the implementation of approved plans and programs;
- c) Conduct operations research and evaluation of agrarian reform implementation within the region;

- d) Coordinate with other government and private agencies and farmer and farm workers organizations at the regional level, to carry out the programs/projects for the general welfare of agrarian reform beneficiaries;
- e) Maintain an information system in coordination with the established monitoring systems;
- f) Review and evaluate reports and other documents submitted by the Provincial Offices and Municipal Agrarian Reform Offices and agrarian reform clientele;
- g) Submit periodic feedback as may be necessary in the service of the Department's clientele.

**SECTION 25. *Provincial Offices.*** — The Agrarian Reform District Offices are hereby abolished and in their stead the Department shall create Provincial Agrarian Reform Offices as may be necessary in promoting efficiency and effectiveness in the delivery of its services. Each Provincial Agrarian Reform Office shall be headed by a Provincial Agrarian Reform Officer. The Provincial Agrarian Reform Offices shall be responsible for directing and coordinating the operations and activities of the Municipal Agrarian Reform Offices operating within the province and has the following functions:

- a) Set priorities, specific targets, schedules, and deadlines for the execution of approved plans, programs, and projects on:
  - 1) Land acquisition, distribution, transfer of land ownership to actual tillers, including land-tiller-

- landowner identification, tenurial security, leasehold arrangements, land surveys, land valuation and landowner's compensation as may be provided for by law;
- 2) Continuing information and education programs on agrarian reform;
  - 3) Encouraging the organizational development of agrarian reform beneficiaries cooperatives and other associations and institutionalizing farmer-government partnership in agrarian reform policy formulation, program implementation, and evaluation;
  - 4) Landowners' compensation and rechanneling landowner capital to industrial development;
  - 5) Development and implementation of alternative land tenure systems such as cooperative farming, cooperative cultivatorship schemes, and agro-industrial estates, among others;
  - 6) Land use management;
  - 7) Compact farming, integrated farming system, sloping agricultural land technology, and other land conservation measures in agrarian reform areas, in coordination with farmer and farm workers organizations;
  - 8) Provision of legal services to those affected by agrarian reform and resolution of agrarian conflicts and land tenure problems;

- b) Provide administrative services to the Municipal Agrarian Reform Offices within the province;
- c) Provide legal services to agrarian reform beneficiaries in cases arising from or connected with agrarian reform disputes, handling of expropriation proceedings, registering cooperatives and reviewing and acting on all matters initially investigated and elevated by Municipal Agrarian Reform Office;
- d) Provide technical assistance to Municipal Agrarian Reform Offices in the implementation of approved plans and programs;
- e) Coordinate with governmental, private agencies, and farmer and farm worker organizations at the provincial level, to carry out programs;
- f) Conduct periodic performance audit survey in collaboration with the regional office and monitor agrarian reform program accomplishments, including operational problems and constraints, and recommend appropriate remedial measures for effective program implementation;
- g) Perform such other functions as may be necessary in the service of the Department's clientele;

**SECTION 26. *Municipal Agrarian Reform Offices.*** —

The Department shall have as many Municipal Agrarian Reform Offices as may be necessary in promoting efficiency and effectiveness in the delivery

of its services, which shall be headed by a Municipal Agrarian Reform Officer. The Municipal Agrarian Reform Office shall be responsible for directly implementing agrarian reform programs and delivering expected results at the municipal level. For such purpose, it shall have the following functions:

- a) Implement policies and programs on land acquisition and distribution and transfer of landowners to actual tillers, including identification of farms, landowners, and beneficiaries, leasehold arrangements, land valuation, landowner's compensation and transfer actions as determined in accordance with law;
- b) Undertake continuing information and education programs on agrarian reform among the beneficiaries thereof;
- c) Encourage and promote the organization and development of agrarian reform beneficiaries and assist in the registration of organized cooperatives;
- d) Institutionalize beneficiaries' participation in agrarian reform policy formulation and program implementation;
- e) Organize/establish compact farms, land consolidation, integrated farm system, sloping agricultural land technology and other cooperative-cultivatorship schemes;
- f) Provide assistance in agrarian reform research;
- g) Provide assistance to various legal services, including legal information and legal counselling, documentation and preliminary processing of

applications for patents and applications to purchase lots, preliminary investigation of conflicting claims of lot boundaries and appraisal of properties, and mediation of different problems arising from implementation of the agrarian reform program; execution and registration of lease contracts, initial investigation of administrative cases, and other legal services;

- h) Provide assistance on project identification, formulation, and development that would uplift the socio-economic status of the beneficiaries including projects that would channel landlord capital to industrial development;
- i) Cooperative with other government and private agencies and farmer and farm worker organizations within the area of coverage for effective program/project implementation;
- j) Submit periodic reports on program/projects accomplishments including identified problems and recommended solutions thereto;
- k) Implement projects supportive of national priority programs which the Department is committed to assist;
- l) Perform such other functions as may be assigned from time to time, to promote efficiency and effectiveness in the delivery of public services.

#### **SECTION 27. *Attached Agency.***

- a) The Department shall, subject to the approval of the Presidential Agrarian Reform Council, create the Foundation for the Agrarian Reform

Movement of the Philippines (FARM-Philippines) to administer, operate, and manage programs and projects developed by the Department and initiate alternative livelihood projects for displaced small landowners. It shall be attached to the office of the Secretary and shall be governed by a Board of Trustees. The Foundation will be authorized to raise funds and to contract foreign and domestic loans for its projects.

**SECTION 28. *Transitory Provisions.*** In accomplishing the acts of reorganization herein prescribed, the following transitory provisions shall be complied with, unless otherwise provided elsewhere in this Executive Order:

- a) The transfer of a government unit shall include the functions, appropriations, funds, records, equipment, facilities, chosen in action, rights, other assets, and liabilities, if any, of the transferred unit as well as the personnel thereof, as may be necessary, who shall, in a hold-over capacity, continue to perform their respective duties and responsibilities and receive the corresponding salaries and benefits. Those personnel from the transferred unit whose positions are not included in the Department's new position structure and staffing pattern approved and prescribed by the Secretary or who are not reappointed shall be deemed separated from the service and shall be entitled to the benefits provided in the second paragraph of Section 29 hereof.
  
- b) The transfer of functions which results in the abolition of the government unit that exercised them shall include the appropriations, funds, records, equipment, facilities, chosen in action,

rights, other assets and personnel as may be necessary to the proper discharge of the transferred functions. The abolished unit's remaining appropriations and funds, if any, shall revert to the General Fund and its remaining assets, if any, shall be allocated to such appropriate units as the Secretary shall determine or shall otherwise be disposed in accordance with the Government Auditing Code and other pertinent laws, rules and regulations. Its liabilities, if any, shall likewise be treated in accordance with the Government Auditing Code and other pertinent laws, rules and regulations. Its personnel shall, in a hold-over capacity, continue to perform their duties and responsibilities and receive their corresponding salaries and benefits. Its personnel whose positions are not included in the Department's structure and staffing pattern approved and prescribed by the Secretary under Section 29 hereof or who are not reappointed, shall be deemed separated from the service and shall be entitled to the benefits provided in the second paragraph of the same Section 29.

- c) Any transfer of functions which does not result in the abolition of the government unit that has exercised them shall include the appropriations, funds, records, equipment, facilities, chosen in action, rights, and assets and personnel as may be necessary to the proper discharge of the transferred functions. The liabilities, if any, that may have been incurred in connection with the discharge of the transferred functions, shall be treated in accordance with the Government Auditing Code and other pertinent laws, rules and regulations. Such personnel shall, in a hold-over capacity, continue to perform their duties and

responsibilities and receive their corresponding salaries and benefits unless in the meantime they are separated from the service. Any personnel, whose positions are not included in the Department's new position structure and staffing pattern approved and prescribed by the Secretary under Section 29 hereof or who are not reappointed, shall be deemed separated from the service and shall be entitled to the benefits provided in the second paragraph of the same Section 29.

- d) In case of the abolition of a government unit which does not result in the transfer of its functions to another unit, the appropriations and funds of the abolished entity shall revert to the General Fund, while the records, equipment, facilities, chosen in action, rights, and other assets thereof shall be allocated to such appropriate entities as the Secretary shall determine or shall otherwise be disposed in accordance with the Government Auditing Code and other pertinent laws, rules and regulations, The liabilities of the abolished units shall be treated in accordance with the Government Auditing Code and other pertinent laws, rules and regulations, while the personnel thereof, whose position, is not included in the Department's new position structure and staffing pattern approved and prescribed by the Secretary under Section 29 hereof or who has not reappointed, shall be deemed separated from the service and shall be entitled to the benefits provided in the second paragraph of the same Section 29.
- e) In case of merger or consolidation of government units, the new or surviving unit shall exercise the

functions (subject to the reorganization herein prescribed and the laws, rules and regulations pertinent to the exercise of such functions) and shall acquire the appropriations, funds, records, equipment, facilities, chosen in action, rights, other assets, liabilities, if any, and personnel, as may be necessary, of the units that compose the merged unit shall in a hold-over capacity, continue to perform their respective duties and responsibilities and receive their corresponding salaries and benefits unless in the meantime they are separated from the service. Any such personnel, whose positions are not included in the Department's new position structure and staffing pattern approved and prescribed by the Secretary under Section 29 hereof or who are not reappointed, shall be deemed separated from the service and shall be entitled to the benefits provided in the second paragraph of the same Section 29.

- f) In case of termination of a function which does not result in the abolition of the government unit which performed such function, the appropriations and funds intended to finance the discharge of such function shall revert to the General Fund while the records, equipment, facilities, chosen in action, rights and other assets used in connection with the discharge of such function shall be allocated to the appropriate units as the Department shall determine or shall otherwise be disposed in accordance with the Government Auditing Code and other pertinent laws, rules and regulations, The liabilities, if any, that may have been incurred in connection with the discharge of such function shall likewise be treated in accordance with the Government

Auditing Code and other pertinent laws, rules and regulations. The personnel who have performed such function, whose positions are not included in the Department's new position structure and staffing pattern approved and prescribed by the Secretary under Section 29 hereof or who have not been reappointed, shall be deemed separated from the service and shall be entitled to the benefits provided in the second paragraph of the same Section 29 hereof.

**SECTION 29. *New, Structure and Pattern.*** — Upon approval of this Executive Order, the officers and employees of the Department shall, in a hold-over capacity, continue to perform their respective duties and responsibilities and receive the corresponding salaries and benefits unless in the meantime they are separated from government service. The new position structure and staffing pattern of the Department shall be approved and prescribed by the Secretary within sixty (60) days from the effectivity of this Executive Order and the authorized positions created thereunder shall be filled with regular appointments by him or by the President as the case may be. Those incumbents whose positions are not included therein or who are not reappointed shall be deemed separated from the service. Those separated from the service shall receive the retirement benefits to which they be entitled under existing laws, rules and regulations. Otherwise, they shall be paid the equivalent of one (1) month basic salary for every year of service in the government, or a fraction thereof, computed on the basis of the highest salary received, but in no case shall such payment exceed the equivalent of twelve (12) months salary.

**SECTION 30. *Periodic Performance Evaluation.*** — The Department of Agrarian Reform is hereby required to formulate and enforce a system of measuring and evaluating periodically and objectively the performance of the Department and submit the same annually to the President.

**SECTION 31. *Notice or Consent Requirement.*** — If any reorganizational change herein authorized is of such substance or materiality as to prejudice third persons with rights recognized by law or contract such that notice to or consent of creditors is required to be made or obtained pursuant to any agreement entered into with any of such creditors, such notice or consent requirement shall be complied with prior to the implementation of such reorganizational change.

**SECTION 32. *Prohibition Against Structural Changes.*** — No change in the reorganization herein prescribed shall be valid except upon prior approval of the President for the purpose of promoting efficiency and effectiveness in the delivery of public services.

**SECTION 33. *Funding.*** — Funds needed to carry out the provisions of this Executive Order shall be taken from funds available in the Department.

**SECTION 34. *Implementing Authority of the Secretary.*** — The Secretary shall issue orders, rules and regulations and other issuances as may be necessary to ensure the effective implementation of the provisions of this Executive Order.

**SECTION 35. *Separability.*** — Any portion or provision of this Executive Order that may be declared unconstitutional shall not have the effect of nullifying other portions or provisions hereof as long as such

remaining portions or provisions can still subsist and be given effect in their entirety.

**SECTION 36. *Repealing Clause.*** — All laws, ordinances, rules and regulations and other issuances or parts thereof, which are inconsistent with this Executive Order, are hereby repealed or modified accordingly.

**SECTION 37. *Effectivity.*** — This Executive Order shall take effect immediately.

APPROVED in the City of Manila, Philippines, this 26th day of July, in the Year of Our Lord, Nineteen Hundred and Eighty-Seven.

\*Copied verbatim from documents obtained directly from the Malacañang Records (missing letter "j" on Sec. 4).

## REPUBLIC ACT NO. 6657

June 10, 1988

**AN ACT INSTITUTING A COMPREHENSIVE AGRARIAN REFORM PROGRAM TO PROMOTE SOCIAL JUSTICE AND INDUSTRIALIZATION, PROVIDING THE MECHANISM FOR ITS IMPLEMENTATION, AND FOR OTHER PURPOSES****CHAPTER I. PRELIMINARY CHAPTER**

**SECTION 1.** *Title.* — This Act shall be known as the Comprehensive Agrarian Reform Law of 1988.

**SECTION 2.** *Declaration of Principles and Policies.* — It is the policy of the State to pursue a Comprehensive Agrarian Reform Program (CARP). The welfare of the landless farmers and farmworkers will receive the highest consideration to promote social justice and to move the nation toward sound rural development and industrialization, and the establishment of owner cultivatorship of economic-size farms as the basis of Philippine agriculture.

To this end, a more equitable distribution and ownership of land, with due regard to the rights of landowners to just compensation and to the ecological needs of the nation, shall be undertaken to provide farmers and farmworkers with the opportunity to enhance their dignity and improve the quality of their lives through greater productivity of agricultural lands.

The agrarian reform program is founded on the right of farmers and regular farmworkers, who are landless,

to own directly or collectively the lands they till or, in the case of other farm workers, to receive a just share of the fruits thereof. To this end, the State shall encourage and undertake the just distribution of all agricultural lands, subject to the priorities and retention limits set forth in this Act, having taken into account ecological, developmental, and equity considerations, and subject to the payment of just compensation. The State shall respect the right of small landowners, and shall provide incentives for voluntary land-sharing.

The State shall recognize the right of farmers, farmworkers and landowners, as well as cooperatives and other independent farmers' organizations, to participate in the planning, organization, and management of the program, and shall provide support to agriculture through appropriate technology and research, and adequate financial production, marketing and other support services.

The State shall apply the principles of agrarian reform, or stewardship, whenever applicable, in accordance with law, in the disposition or utilization of other natural resources, including lands of the public domain, under lease or concession, suitable to agriculture, subject to prior rights, homestead rights of small settlers and the rights of indigenous communities to their ancestral lands.

The State may resettle landless farmers and farmworkers in its own agricultural estates, which shall be distributed to them in the manner provided by law.

By means of appropriate incentives, the State shall encourage the formation and maintenance of

economic-size family farms to be constituted by individual beneficiaries and small landowners.

The State shall protect the rights of subsistence fishermen, especially of local communities, to the preferential use of communal marine and fishing resources, both inland and offshore. It shall provide support to such fishermen through appropriate technology and research, adequate financial, production and marketing assistance and other services. The State shall also protect, develop and conserve such resources. The protection shall extend to offshore fishing grounds of subsistence fishermen against foreign intrusion. Fishworkers shall receive a just share from their labor in the utilization of marine and fishing resources.

The State shall be guided by the principles that land has a social function and land ownership has a social responsibility. Owners of agricultural lands have the obligation to cultivate directly or through labor administration the lands they own and thereby make the land productive.

The State shall provide incentives to landowners to invest the proceeds of the agrarian reform program to promote industrialization, employment and privatization of public sector enterprises. Financial instruments used as payment for lands shall contain features that shall enhance negotiability and acceptability in the marketplace.

The State may lease undeveloped lands of the public domain to qualified entities for the development of capital-intensive farms, and traditional and pioneering crops especially those for exports subject to the prior rights of the beneficiaries under this Act.

**SECTION 3. *Definitions.*** — For the purpose of this Act, unless the context indicates otherwise:

- (a) Agrarian Reform means redistribution of lands, regardless of crops or fruits produced, to farmers and regular farmworkers who are landless, irrespective of tenurial arrangement, to include the totality of factors and support services designed to lift the economic status of the beneficiaries and all other arrangements alternative to the physical redistribution of lands, such as production or profit-sharing, labor administration, and the distribution of shares of stocks, which will allow beneficiaries to receive a just share of the fruits of the lands they work.
- (b) Agriculture, Agricultural Enterprise or Agricultural Activity means the cultivation of the soil, planting of crops, growing of fruit trees, raising of livestock, poultry or fish, including the harvesting of such farm products, and other farm activities and practices performed by a farmer in conjunction with such farming operations done by person whether natural or juridical.
- (c) Agricultural Land refers to land devoted to agricultural activity as defined in this Act and not classified as mineral, forest, residential, commercial or industrial land.
- (d) Agrarian Dispute refers to any controversy relating to tenurial arrangements, whether leasehold, tenancy, stewardship or otherwise, over lands devoted to agriculture, including disputes concerning farmworkers' associations or representation of persons in negotiating, fixing,

maintaining, changing, or seeking to arrange terms or conditions of such tenurial arrangements.

It includes any controversy relating to compensation of lands acquired under this Act and other terms and conditions of transfer of ownership from landowners to farmworkers, tenants and other agrarian reform beneficiaries, whether the disputants stand in the proximate relation of farm operator and beneficiary, landowner and tenant, or lessor and lessee.

- (e) Idle or Abandoned Land refers to any agricultural land not cultivated, tilled or developed to produce any crop nor devoted to any specific economic purpose continuously for a period of three (3) years immediately prior to the receipt of notice of acquisition by the government as provided under this Act, but does not include land that has become permanently or regularly devoted to non-agricultural purposes. It does not include land which has become unproductive by reason of force majeure or any other fortuitous event, provided that prior to such event, such land was previously used for agricultural or other economic purpose.
- (f) Farmer refers to a natural person whose primary livelihood is cultivation of land or the production of agricultural crops, either by himself, or primarily with the assistance of his immediate farm household, whether the land is owned by him, or by another person under a leasehold or share tenancy agreement or arrangement with the owner thereof.

- (g) Farmworker is a natural person who renders service for value as an employee or laborer in an agricultural enterprise or farm regardless of whether his compensation is paid on a daily, weekly, monthly or "pakyaw" basis. The term includes an individual whose work has ceased as a consequence of, or in connection with, a pending agrarian dispute and who has not obtained a substantially equivalent and regular farm employment.
- (h) Regular Farmworker is a natural person who is employed on a permanent basis by an agricultural enterprise or farm.
- (i) Seasonal Farmworker is a natural person who is employed on a recurrent, periodic or intermittent basis by an agricultural enterprise or farm, whether as a permanent or a non-permanent laborer, such as "dumaan", "sacada", and the like.
- (j) Other Farmworker is a farmworker who does not fall under paragraphs (g), (h) and (i).
- (k) Cooperatives shall refer to organizations composed primarily of small agricultural producers, farmers, farmworkers, or other agrarian reform beneficiaries who voluntarily organize themselves for the purpose of pooling land, human, technological, financial or other economic resources, and operated on the principle of one member, one vote. A juridical person may be a member of a cooperative, with the same rights and duties as a natural person.

## CHAPTER II . COVERAGE

**SECTION 4. *Scope.*** — The Comprehensive Agrarian Reform Law of 1989 shall cover, regardless of tenurial arrangement and commodity produced, all public and private agricultural lands, as provided in Proclamation No. 131 and Executive Order No. 229, including other lands of the public domain suitable for agriculture.

More specifically the following lands are covered by the Comprehensive Agrarian Reform Program:

- (a) All alienable and disposable lands of the public domain devoted to or suitable for agriculture. No reclassification of forest or mineral lands to agricultural lands shall be undertaken after the approval of this Act until Congress, taking into account ecological, developmental and equity considerations, shall have determined by law, the specific limits of the public domain.
- (b) All lands of the public domain in excess of the specific limits as determined by Congress in the preceding paragraph;
- (c) All other lands owned by the Government devoted to or suitable for agriculture; and
- (d) All private lands devoted to or suitable for agriculture regardless of the agricultural products raised or that can be raised thereon.

**SECTION 5. *Schedule of Implementation.*** — The distribution of all lands covered by this Act shall be implemented immediately and completed within ten (10) years from the effectivity thereof.

**SECTION 6. *Retention Limits.*** — Except as otherwise provided in this Act, no person may own or retain, directly or indirectly, any public or private agricultural land, the size of which shall vary according to factors governing a viable family-size farm, such as commodity produced, terrain, infrastructure, and soil fertility as determined by the Presidential Agrarian Reform Council (PARC) created hereunder, but in no case shall retention by the landowner exceed five (5) hectares. Three (3) hectares may be awarded to each child of the landowner, subject to the following qualifications: (1) that he is at least fifteen (15) years of age; and (2) that he is actually tilling the land or directly managing the farm: Provided, That landowners whose lands have been covered by Presidential Decree No. 27 shall be allowed to keep the areas originally retained by them thereunder: Provided, further, That original homestead grantees or their direct compulsory heirs who still own the original homestead at the time of the approval of this Act shall retain the same areas as long as they continue to cultivate said homestead.

The right to choose the area to be retained, which shall be compact or contiguous, shall pertain to the landowner: Provided, however, That in case the area selected for retention by the landowner is tenanted, the tenant shall have the option to choose whether to remain therein or be a beneficiary in the same or another agricultural land with similar or comparable features. In case the tenant chooses to remain in the retained area, he shall be considered a leaseholder and shall lose his right to be a beneficiary under this Act. In case the tenant chooses to be a beneficiary in another agricultural land, he loses his right as a leaseholder to the land retained by the landowner.

The tenant must exercise this option within a period of one (1) year from the time the landowner manifests his choice of the area for retention.

In all cases, the security of tenure of the farmers or farmworkers on the land prior to the approval of this Act shall be respected.

Upon the effectivity of this Act, any sale, disposition, lease, management, contract or transfer of possession of private lands executed by the original landowner in violation of the Act shall be null and void: Provided, however, That those executed prior to this Act shall be valid only when registered with the Register of Deeds within a period of three (3) months after the effectivity of this Act. Thereafter, all Registers of Deeds shall inform the Department of Agrarian Reform (DAR) within thirty (30) days of any transaction involving agricultural lands in excess of five (5) hectares.

**SECTION 7. *Priorities.*** — The Department of Agrarian Reform (DAR) in coordination with the Presidential Agrarian Reform Council (PARC) shall plan and program the acquisition and distribution of all agricultural lands through a period of ten (10) years from the effectivity of this Act. Lands shall be acquired and distributed as follows:

**Phase One:** Rice and corn lands under Presidential Decree No. 27; all idle or abandoned lands; all private lands voluntarily offered by the owners for agrarian reform; all lands foreclosed by the government financial institutions; all lands acquired by the Presidential Commission on Good Government (PCGG); and all other lands owned by the government devoted to or suitable for agriculture,

which shall be acquired and distributed immediately upon the effectivity of this Act, with the implementation to be completed within a period of not more than four (4) years;

**Phase Two:** All alienable and disposable public agricultural lands; all arable public agricultural lands under agro-forest, pasture and agricultural leases already cultivated and planted to crops in accordance with Section 6, Article XIII of the Constitution; all public agricultural lands which are to be opened for new development and resettlement; and all private agricultural lands in excess of fifty (50) hectares, insofar as the excess hectarage is concerned, to implement principally the rights of farmers and regular farmworkers, who are the landless, to own directly or collectively the lands they till, which shall be distributed immediately upon the effectivity of this Act, with the implementation to be completed within a period of not more than four (4) years.

**Phase Three:** All other private agricultural lands commencing with large landholdings and proceeding to medium and small landholdings under the following schedule:

- (a) Landholdings above twenty-four (24) hectares up to fifty (50) hectares, to begin on the fourth (4th) year from the effectivity of this Act and to be completed within three (3) years; and
- (b) Landholdings from the retention limit up to twenty-four (24) hectares, to begin on the sixth (6th) year from the effectivity of this Act and to be completed within four (4) years; to implement principally the right of farmers and regular

farmworkers who are landless, to own directly or collectively the lands they till.

The schedule of acquisition and redistribution of all agricultural lands covered by this program shall be made in accordance with the above order of priority, which shall be provided in the implementing rules to be prepared by the Presidential Agrarian Reform Council (PARC), taking into consideration the following; the need to distribute land to the tillers at the earliest practicable time; the need to enhance agricultural productivity; and the availability of funds and resources to implement and support the program.

In any case, the PARC, upon recommendation by the Provincial Agrarian Reform Coordinating Committee (PARCCOM), may declare certain provinces or region as priority land reform areas, in which the acquisition and distribution of private agricultural lands therein may be implemented ahead of the above schedules.

In effecting the transfer within these guidelines, priority must be given to lands that are tenanted.

The PARC shall establish guidelines to implement the above priorities and distribution scheme, including the determination of who are qualified beneficiaries: Provided, That an owner-tiller may be a beneficiary of the land he does not own but is actually cultivating to the extent of the difference between the area of the land he owns and the award ceiling of three (3) hectares.

**SECTION 8. *Multinational Corporations.*** — All lands of the public domain leased, held or possessed by multinational corporations or associations, and other

lands owned by the government or by government-owned or controlled corporations, associations, institutions, or entities, devoted to existing and operational agri-business or agro-industrial enterprises, operated by multinational corporations and associations, shall be programmed for acquisition and distribution immediately upon the effectivity of this Act, with the implementation to be completed within three (3) years.

Lands covered by the paragraph immediately preceding, under lease, management, grower or service contracts, and the like, shall be disposed of as follows:

- (a) Lease, management, grower or service contracts covering such lands covering an aggregate area in excess of 1,000 hectares, leased or held by foreign individuals in excess of 500 hectares are deemed amended to conform with the limits set forth in Section 3 of Article XII of the Constitution.
- (b) Contracts covering areas not in excess of 1,000 hectares in the case of such corporations and associations, and 500 hectares, in the case of such individuals, shall be allowed to continue under their original terms and conditions but not beyond August 29, 1992, or their valid termination, whichever comes sooner, after which, such agreements shall continue only when confirmed by the appropriate government agency. Such contracts shall likewise continue even after the lands has been transferred to beneficiaries or awardees thereof, which transfer shall be immediately commenced and implemented and completed within the

period of three (3) years mentioned in the first paragraph hereof.

- (c) In no case will such leases and other agreements now being implemented extend beyond August 29, 1992, when all lands subject hereof shall have been distributed completely to qualified beneficiaries or awardees.

Such agreements can continue thereafter only under a new contract between the government or qualified beneficiaries or awardees, on the one hand, and said enterprises, on the other.

Lands leased, held or possessed by multinational corporations, owned by private individuals and private non-governmental corporations, associations, institutions and entities, citizens of the Philippines, shall be subject to immediate compulsory acquisition and distribution upon the expiration of the applicable lease, management, grower or service contract in effect as of August 29, 1987, or otherwise, upon its valid termination, whichever comes sooner, but not later than after ten (10) years following the effectivity of the Act. However during the said period of effectivity, the government shall take steps to acquire these lands for immediate distribution thereafter.

In general, lands shall be distributed directly to the individual worker-beneficiaries. In case it is not economically feasible and sound to divide the land, then they shall form a workers' cooperative or association which will deal with the corporation or business association or any other proper party for the purpose of entering into a lease or growers agreement and for all other legitimate purposes. Until a new agreement is entered into by and between

the workers' cooperative or association and the corporation or business association or any other proper party, any agreement existing at the time this Act takes effect between the former and the previous landowner shall be respected by both the workers' cooperative or association and the corporation, business, association or such other proper party. In no case shall the implementation or application of this Act justify or result in the reduction of status or diminution of any benefits received or enjoyed by the worker-beneficiaries, or in which they may have a vested right, at the time this Act becomes effective.

The provisions of Section 32 of this Act, with regard to production and income-sharing shall apply to farms operated by multinational corporations.

During the transition period, the new owners shall be assisted in their efforts to learn modern technology in production. Enterprises which show a willingness and commitment and good-faith efforts to impart voluntarily such advanced technology will be given preferential treatment where feasible.

In no case shall a foreign corporation, association, entity or individual enjoy any rights or privileges better than

those enjoyed by a domestic corporation, association, entity or individual.

**SECTION 9. *Ancestral Lands.*** — For purposes of this Act, ancestral lands of each indigenous cultural community shall include, but not be limited to, lands in the actual, continuous and open possession and

occupation of the community and its members: Provided, That the Torrens Systems shall be respected.

The right of these communities to their ancestral lands shall be protected to ensure their economic, social and cultural well-being. In line with the principles of self-determination and autonomy, the systems of land ownership, land use, and the modes of settling land disputes of all these communities must be recognized and respected.

Any provision of law to the contrary notwithstanding, the PARC may suspend the implementation of this Act with respect to ancestral lands for the purpose of identifying and delineating such lands: Provided, That in the autonomous regions, the respective legislatures may enact their own laws on ancestral domain subject to the provisions of the Constitution and the principles enunciated in this Act and other national laws.

**SECTION 10. *Exemptions and Exclusions.*** — Lands actually, directly and exclusively used and found to be necessary for parks, wildlife, forest reserves, reforestation, fish sanctuaries and breeding grounds, watersheds, and mangroves, national defense, school sites and campuses including experimental farm stations operated by public or private schools for educational purposes, seeds and seedlings research and pilot production centers, church sites and convents appurtenant thereto, mosque sites and Islamic centers appurtenant thereto, communal

burial grounds and cemeteries, penal colonies and penal farms actually worked by the inmates, government and private research and quarantine centers and all lands with eighteen percent (18%)

slope and over, except those already developed shall be exempt from the coverage of the Act.

**SECTION 11. *Commercial Farming.*** — Commercial farms, which are private agricultural lands devoted to commercial livestock, poultry and swine raising, and aquaculture including saltbeds, fishponds and prawn ponds, fruit farms, orchards, vegetable and cut-flower farms, and cacao, coffee and rubber plantations, shall be subject to immediate compulsory acquisition and distribution after (10) years from the effectivity of the Act. In the case of new farms, the ten-year period shall begin from the first year of commercial production and operation, as determined by the DAR. During the ten-year period, the government shall initiate the steps necessary to acquire these lands, upon payment of just compensation for the land and the improvements thereon, preferably in favor of organized cooperatives or associations, which shall hereafter manage the said lands for the worker-beneficiaries.

If the DAR determines that the purposes for which this deferment is granted no longer exist, such areas shall automatically be subject to redistribution.

The provisions of Section 32 of the Act, with regard to production-and income-sharing, shall apply to commercial farms.

### **CHAPTER III. IMPROVEMENT OF TENURIAL AND LABOR RELATIONS**

**SECTION 12. *Determination of Lease Rentals.*** — In order to protect and improve the tenurial and economic status of the farmers in tenanted lands under the retention limit and lands not yet acquired

under this Act, the DAR is mandated to determine and fix immediately the lease rentals thereof in accordance with Section 34 of Republic Act No. 3844, as amended: Provided, That the DAR shall immediately and periodically review and adjust the rental structure for different crops, including rice and corn, or different regions in order to improve progressively the conditions of the farmer, tenant or lessee.

**SECTION 13. *Production-Sharing Plan.*** — Any enterprise adopting the scheme provided for in Section 32 or operating under a production venture, lease, management contract or other similar arrangement and any farm covered by Sections 8 and 11 hereof is hereby mandated to execute within ninety (90) days from the effectivity of this Act, a production-sharing plan, under guidelines prescribed by the appropriate government agency.

Nothing herein shall be construed to sanction the diminution of any benefits such as salaries, bonuses, leaves and working conditions granted to the employee-beneficiaries under existing laws, agreements, and voluntary practice by the enterprise, nor shall the enterprise and its employee-beneficiaries be prevented from entering into any agreement with terms more favorable to the latter.

#### CHAPTER IV. REGISTRATION

**SECTION 14. *Registration of Landowners.*** — Within one hundred eighty (180) days from the effectivity of this Act, all persons, natural or juridical, including government entities, that own or claim to own agricultural lands, whether in their names or in the name of others, except those who have already

registered pursuant to Executive Order No. 229, who shall be entitled to such incentives as may be provided for the PARC, shall file a sworn statement in the proper assessor's office in the form to be prescribed by the DAR, stating the following information:

- (a) the description and area of the property;
- (b) the average gross income from the property for at least three (3) years;
- (c) the names of all tenants and farmworkers therein;
- (d) the crops planted in the property and the area covered by each crop as of June 1, 1987;
- (e) the terms of mortgages, lease, and management contracts subsisting as of June 1, 1987, and
- (f) the latest declared market value of the land as determined by the city or provincial assessor.

**SECTION 15. *Registration of Beneficiaries.*** — The DAR in coordination with the Barangay Agrarian Reform Committee (BARC) as organized in this Act, shall register all agricultural lessees, tenants and farmworkers who are qualified to be beneficiaries of the CARP. These potential beneficiaries with the assistance of the BARC and the DAR shall provide the following data:

- (a) names and members of their immediate farm household;

- (b) owners or administrators of the lands they work on and the length of tenurial relationship;
- (c) location and area of the land they work;
- (d) crops planted; and
- (e) their share in the harvest or amount of rental paid or wages received.

A copy of the registry or list of all potential CARP beneficiaries in the barangay shall be posted in the barangay hall, school or other public buildings in the barangay where it shall be open to inspection by the public at all reasonable hours.

## CHAPTER V . LAND ACQUISITION

**SECTION 16. *Procedure for Acquisition of Private Lands.*** — For purposes of acquisition of private lands, the following procedures shall be followed:

- (a) After having identified the land, the landowners and the beneficiaries, the DAR shall send its notice to acquire the land to the owners thereof, by personal delivery or registered mail, and post the same in a conspicuous place in the municipal building and barangay hall of the place where the property is located. Said notice shall contain the offer of the DAR to pay a corresponding value in accordance with the valuation set forth in Sections 17, 18, and other pertinent provisions hereof.
- (b) Within thirty (30) days from the date of receipt of written notice by personal delivery or registered mail, the landowner, his administrator or

representative shall inform the DAR of his acceptance or rejection of the offer.

- (c) If the landowner accepts the offer of the DAR, the Land Bank of the Philippines (LBP) shall pay the landowner the purchase price of the land within thirty (30) days after he executes and delivers a deed of transfer in favor of the government and surrenders the Certificate of Title and other muniments of title.
- (d) In case of rejection or failure to reply, the DAR shall conduct summary administrative proceedings to determine the compensation for the land requiring the landowner, the LBP and other interested parties to submit evidence as to the just compensation for the land, within fifteen (15) days from the receipt of the notice. After the expiration of the above period, the matter is deemed submitted for decision. The DAR shall decide the case within thirty (30) days after it is submitted for decision.
- (e) Upon receipt by the landowner of the corresponding payment or, in case of rejection or no response from the landowner, upon the deposit with an accessible bank designated by the DAR of the compensation in cash or in LBP bonds in accordance with this Act, the DAR shall take immediate possession of the land and shall request the proper Register of Deeds to issue a Transfer Certificate of Title (TCT) in the name of the Republic of the Philippines. The DAR shall thereafter proceed with the redistribution of the land to the qualified beneficiaries.

- (f) Any party who disagrees with the decision may bring the matter to the court of proper jurisdiction for final determination of just compensation.

## CHAPTER VI. COMPENSATION

**SECTION 17. *Determination of Just Compensation.*** — In determining just compensation, the cost of acquisition of the land, the current value of the like properties, its nature, actual use and income, the sworn valuation by the owner, the tax declarations, and the assessment made by government assessors shall be considered. The social and economic benefits contributed by the farmers and the farmworkers and by the Government to the property as well as the non-payment of taxes or loans secured from any government financing institution on the said land shall be considered as additional factors to determine its valuation.

**SECTION 18. *Valuation and Mode of Compensation.*** — The LBP shall compensate the landowner in such amounts as may be agreed upon by the landowner and the DAR and the LBP, in accordance with the criteria provided for in Sections 16 and 17, and other pertinent provisions hereof, or as may be finally determined by the court, as the just compensation for the land.

The compensation shall be paid on one of the following modes, at the option of the landowner:

- (1) Cash payment, under the following terms and conditions:
  - (a) For lands above fifty Twenty five (25%) cash,

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|---|--|
| (50) hectares, insofar as the excess hectarage is concerned.                | be paid in government Financial instruments negotiable at any time.  |
| (b) For lands above twenty four (24) hectares and up to fifty (50) hectares | Thirty percent (30%) cash, the balance to be paid in government financial instruments negotiable at any time.      |
| (c) For lands twenty-four (24)hectares and below                            | Thirty-five percent (35%) cash, the balance to be paid in government financial instruments negotiable at any time. |
- (2) Shares of stock in government-owned or controlled corporations, LBP preferred shares, physical assets or other qualified investments in accordance with guidelines set by the PARC;
- (3) Tax credits which can be used against any tax liability;
- (4) LBP bonds, which shall have the following features:
- (a) Market interest rates aligned with 91-day treasury bill rates. Ten percent (10%) of the face value of the bonds shall mature every year from the date of issuance until the tenth (10th) year: Provided, That should the landowner choose to forego the cash portion, whether in full or in part, he shall be paid correspondingly in LBP bonds;

- (b) Transferability and negotiability. Such LBP bonds may be used by the landowner, his successors in interest or his assigns, up to the amount of their face value, for any of the following:
- (i) Acquisition of land or other real properties of the government, including assets under the Asset Privatization Program and other assets foreclosed by government financial institutions in the same province or region where the lands for which the bonds were paid are situated;
  - (ii) Acquisition of shares of stock of government-owned or -controlled corporations or shares of stocks owned by the government in private corporations;
  - (iii) Substitution for surety or bail bonds for the provisional release of accused persons, or performance bonds;
  - (iv) Security for loans with any government financial institution, provided the proceeds of the loans shall be invested in an economic enterprise, preferably in a small-and medium-scale industry, in the same province or region as the land for which the bonds are paid;
  - (v) Payment for various taxes and fees to government; Provided, That the use of these bonds for these purposes will be

limited to a certain percentage of the outstanding balance of the financial instruments: Provided, further, That the PARC shall determine the percentage mentioned above;

- (vi) Payment for tuition fees of the immediate family of the original bondholder in government universities, colleges, trade schools, and other institutions;
- (vii) Payment for fees of the immediate family of the original bondholder in government hospitals; and
- (viii) Such other uses as the PARC may from time to time allow..

In case of extraordinary inflation, the PARC shall take appropriate measures to protect the economy.

**SECTION 19. *Incentives for Voluntary Offers for Sales.***

— Landowners, other than banks and other financial institutions, who voluntarily offer their lands for sale shall be entitled to an additional five percent (5%) cash payment.

**SECTION 20. *Voluntary Land Transfer.*** — Landowners of agricultural lands subject to acquisition under this Act may enter into a voluntary arrangement for direct transfer of their lands to qualified beneficiaries subject to the following guidelines:

- (a) All notices for voluntary land transfer must be submitted to the DAR within the first year of the implementation of the CARP. Negotiations

between the landowners and qualified beneficiaries covering any voluntary land transfer which remain unresolved after one (1) year shall not be recognized and such land shall instead be acquired by the government and transferred pursuant to this Act.

- (b) The terms and conditions of such transfer shall not be less favorable to the transferee than those of the government's standing offer to purchase from the landowner and to resell to the beneficiaries, if such offers have been made and are fully known to both parties.
- (c) The voluntary agreement shall include sanctions for non-compliance by either party and shall be duly recorded and its implementation monitored by the DAR.

**SECTION 21. *Payment of Compensation by Beneficiaries Under Voluntary Land Transfer.*** — Direct payments in cash or in kind may be by the farmer-beneficiary to the landowner under terms to be mutually agreed upon by both parties, which shall be binding upon them, upon registration with the approval by the DAR. Said approval shall be considered given, unless notice of disapproval is received by the farmer-beneficiary within thirty (30) days from the date of registration.

In the event they cannot agree on the price of land, the procedure for compulsory acquisition as provided in Section 16 shall apply. The LBP shall extend financing to the beneficiaries for purposes of acquiring the land.

## CHAPTER VII. LAND REDISTRIBUTION

**SECTION 22. *Qualified Beneficiaries.*** — The lands covered by the CARP shall be distributed as much as possible to landless residents of the same barangay, or in the absence thereof, landless residents of the same municipality in the following order of priority:

- (a) agricultural lessees and share tenants;
- (b) regular farmworkers;
- (c) seasonal farmworkers;
- (d) other farmworkers;
- (e) actual tillers or occupants of public lands;
- (f) collectives or cooperatives of the above beneficiaries; and
- (g) others directly working on the land.

Provided, however, That the children of landowners who are qualified under Section 6 of this Act shall be given preference in the distribution of the land of their parents: and Provided, further, That actual tenant-tillers in the landholdings shall not be ejected or removed therefrom.

Beneficiaries under Presidential Decree No. 27 who have culpably sold, disposed of, or abandoned their land are disqualified to become beneficiaries under this Program.

A basic qualification of a beneficiary shall be his willingness, aptitude, and ability to cultivate and

make the land as productive as possible. The DAR shall adopt a system of monitoring the record or performance of each beneficiary, so that any beneficiary guilty of negligence or misuse of the land or any support extended to him shall forfeit his right to continue as such beneficiary. The DAR shall submit periodic reports on the performance of the beneficiaries to the PARC.

If, due to the landowner's retention rights or to the number of tenants, lessees, or workers on the land, there is not enough land to accommodate any or some of them, they may be granted ownership of other lands available for distribution under this Act, at the option of the beneficiaries.

Farmers already in place and those not accommodated in the distribution of privately-owned lands will be given preferential rights in the distribution of lands from the public domain.

**SECTION 23. *Distribution Limit.*** — No qualified beneficiary may own more than three (3) hectares of agricultural land.

**SECTION 24. *Award to Beneficiaries.*** — The rights and responsibilities of the beneficiary shall commence from the time the DAR makes an award of the land to him, which award shall be completed within one hundred eighty (180) days from the time the DAR takes actual possession of the land. Ownership of the beneficiary shall be evidenced by a Certificate of Land Ownership Award, which shall contain the restrictions and conditions provided for in this Act, and shall be recorded in the Register of Deeds concerned and annotated on the Certificate of Title.

**SECTION 25. *Award Ceilings for Beneficiaries.*** — Beneficiaries shall be awarded an area not exceeding three (3) hectares which may cover a contiguous tract of land or several parcels of land cumulated up to the prescribed award limits.

For purposes of this Act, a landless beneficiary is one who owns less than three (3) hectares of agricultural land.

The beneficiaries may opt for collective ownership, such as co-ownership or farmers cooperative or some other form of collective organization: Provided, That the total area that may be awarded shall not exceed the total number of co-owners or member of the cooperative or collective organization multiplied by the award limit above prescribed, except in meritorious cases as determined by the PARC. Title to the property shall be issued in the name of the co-owners or the cooperative or collective organization as the case may be.

**SECTION 26. *Payment by Beneficiaries.*** — Lands awarded pursuant to this Act shall be paid for by the beneficiaries to the LBP in thirty (30) annual amortizations at six percent (6%) interest per annum. The payments for the first three (3) years after the award may be at reduced amounts as established by the PARC: Provided, That the first five (5) annual payments may not be more than five percent (5%) of the value of the annual gross production as established by the DAR. Should the scheduled annual payments after the fifth year exceed ten percent (10%) of the annual gross production and the failure to produce accordingly is not due to the beneficiary's fault, the LBP may reduce the interest rate or reduce

the principal obligations to make the repayment affordable.

The LBP shall have a lien by way of mortgage on the land awarded to the beneficiary; and this mortgage may be foreclosed by the LBP for non-payment of an aggregate of three (3) annual amortizations. The LBP shall advise the DAR of such proceedings and the latter shall subsequently award the forfeited landholdings to other qualified beneficiaries. A beneficiary whose land, as provided herein, has been foreclosed shall thereafter be permanently disqualified from becoming a beneficiary under this Act.

**SECTION 27. *Transferability of Awarded Lands.*** — Lands acquired by beneficiaries under this Act may not be sold, transferred or conveyed except through hereditary succession, or to the government, or the LBP, or to other qualified beneficiaries for a period of ten (10) years: Provided, however, That the children or the spouse of the transferor shall have a right to repurchase the land from the government or LBP within a period of two (2) years. Due notice of the availability of the land shall be given by the LBP to the Barangay Agrarian Reform Committee (BARC) of the barangay where the land is situated. The Provincial Agrarian Reform Coordinating Committee (PARCCOM) as herein provided, shall, in turn, be given due notice thereof by the BARC.

If the land has not yet been fully paid by the beneficiary, the rights to the land may be transferred or conveyed, with prior approval of the DAR, to any heir of the beneficiary or to any other beneficiary who, as a condition for such transfer or conveyance, shall cultivate the land himself. Failing compliance

herewith, the land shall be transferred to the LBP which shall give due notice of the availability of the land in the manner specified in the immediately preceding paragraph.

In the event of such transfer to the LBP, the latter shall compensate the beneficiary in one lump sum for the amounts the latter has already paid, together with the value of improvements he has made on the land.

*SECTION 28. Standing Crops at the Time of Acquisition.* — The landowner shall retain his share of any standing crops unharvested at the time the DAR shall take possession of the land under Section 16 of the Act, and shall be given a reasonable time to harvest the same.

## CHAPTER VIII. CORPORATE FARMS

*SECTION 29. Farms Owned or Operated by Corporations or Other Business Associations.* — In the case of farms owned or operated by corporations or other business associations, the following rules shall be observed by the PARC:

In general, lands shall be distributed directly to the individual worker-beneficiaries.

In case it is not economically feasible and sound to divide the land, then it shall be owned collectively by the workers' cooperative or association which will deal with the corporation or business association. Until a new agreement is entered into by and between the workers' cooperative or association and the corporation or business association, any agreement existing at the time this Act takes effect between the former and the previous landowner shall be

respected by both the workers' cooperative or association and the corporation or business association.

**SECTION 30. *Homelots and Farmlots for Members of Cooperatives.*** — The individual members of the cooperatives or corporations mentioned in the preceding section shall be provided with homelots and small farmlots for their family use, to be taken from the land owned by the cooperative or corporation.

**SECTION 31. *Corporate Landowners.*** — Corporate landowners may voluntarily transfer ownership over their agricultural landholdings to the Republic of the Philippines pursuant to Section 20 hereof or to qualified beneficiaries, under such terms and conditions, consistent with this Act, as they may agree upon, subject to confirmation by the DAR.

Upon certification by the DAR, corporations owning agricultural lands may give their qualified beneficiaries the right to purchase such proportion of the capital stock of the corporation that the agricultural land, actually devoted to agricultural activities, bears in relation to the company's total assets, under such terms and conditions as may be agreed upon by them. In no case shall the compensation received by the workers at the time the shares of stocks are distributed be reduced. The same principle shall be applied to associations, with respect to their equity or participation.

Corporations or associations which voluntarily divest a proportion of their capital stock, equity or participation in favor of their workers or other qualified beneficiaries under this section shall be deemed to

have complied with the provisions of the Act: Provided, That the following conditions are complied with:

- a) In order to safeguard the right of beneficiaries who own shares of stocks to dividends and other financial benefits, the books of the corporation or association shall be subject to periodic audit by certified public accountants chosen by the beneficiaries;
- b) Irrespective of the value of their equity in the corporation or association, the beneficiaries shall be assured of at least one (1) representative in the board of directors, or in a management or executive committee, if one exists, of the corporation or association; and
- c) Any shares acquired by such workers and beneficiaries shall have the same rights and features as all other shares.
- d) Any transfer of shares of stocks by the original beneficiaries shall be void ab initio unless said transaction is in favor of a qualified and registered beneficiary within the same corporation.

If within two (2) years from the approval of this Act, the land or stock transfer envisioned above is not made or realized or the plan for such stock distribution approved by the PARC within the same period, the agricultural land of the corporate owners or corporation shall be subject to the compulsory coverage of this Act.

**SECTION 32. *Production-Sharing.*** — Pending final land transfer, individuals or entities owning, or operating under lease or management contract, agricultural lands are hereby mandated to execute a production-sharing plan with their farm workers or farmworkers' reorganization, if any, whereby three percent (3%) of the gross sales from the production of such lands are distributed within sixty (60) days of the end of the fiscal year as compensation to regular and other farmworkers in such lands over and above the compensation they currently receive: Provided, That these individuals or entities realize gross sales in excess of five million pesos per annum unless the DAR, upon proper application, determines a lower ceiling.

In the event that the individual or entity realizes a profit, an additional ten percent (10%) of the net profit after tax shall be distributed to said regular and other farmworkers within ninety (90) days of the end of the fiscal year.

To forestall any disruption in the normal operation of lands to be turned over to the farmworker-beneficiaries mentioned above, a transitory period, the length of which shall be determined by the DAR, shall be established.

During this transitory period, at least one percent (1%) of the gross sales of the entity shall be distributed to the managerial, supervisory and technical group in place at the time of the effectivity of this Act, as compensation for such transitory managerial and technical functions as it will perform, pursuant to an agreement that the farmworker-beneficiaries and the managerial, supervisory and technical group may conclude, subject to the approval of the DAR.

**SECTION 33. *Payment of Shares of Cooperative or Association.*** — Shares of a cooperative or association acquired by farmers-beneficiaries or workers-beneficiaries shall be fully paid for in an amount corresponding to the valuation as determined in the immediately succeeding section. The landowner and the LBP shall assist the farmers-beneficiaries and workers-beneficiaries in the payment for said shares by providing credit financing.

**SECTION 34. *Valuation of Lands.*** — A valuation scheme for the land shall be formulated by the PARC, taking into account the factors enumerated in Section 17, in addition to the need to stimulate the growth of cooperatives and the objective of fostering responsible participation of the workers-beneficiaries in the creation of wealth.

In the determination of price that is just not only to the individuals but to society as well, the PARC shall consult closely with the landowner and the workers-beneficiaries.

In case of disagreement, the price as determined by the PARC, if accepted by the workers-beneficiaries, shall be followed, without prejudice to the landowner's right to petition the Special Agrarian Court to resolve the issue of valuation.

## CHAPTER IX .SUPPORT SERVICES

**SECTION 35. *Creation of Support Services Office.*** — There is hereby created the Office of Support Services under the DAR to be headed by an Undersecretary.

The Office shall provide general support and coordinative services in the implementation of the

program particularly in carrying out the provisions of the following services to farmer-beneficiaries and affected landowners:

- 1) Irrigation facilities, especially second crop or dry season irrigation facilities;
- 2) Infrastructure development and public works projects in areas and settlements that come under agrarian reform, and for this purpose, the preparation of the physical development plan of such settlements providing suitable barangay sites, potable water and power resources, irrigation systems and other facilities for a sound agricultural development plan;
- 3) Government subsidies for the use of irrigation facilities;
- 4) Price support and guarantee for all agricultural produce;
- 5) Extending to small landowners, farmers' organizations the necessary credit, like concessional and collateral-free loans, for agro-industrialization based on social collaterals like the guarantees of farmers' organization:
- 6) Promoting, developing and extending financial assistance to small-and medium-scale industries in agrarian reform areas;
- 7) Assigning sufficient numbers of agricultural extension workers to farmers' organizations;
- 8) Undertake research, development and dissemination of information on agrarian reform

and low-cost and ecologically sound farm inputs and technologies to minimize reliance on expensive and imported agricultural inputs;

- 9) Development of cooperative management skills through intensive training;
- 10) Assistance in the identification of ready markets for agricultural produce and training in other various prospects of marketing; and
- 11) Administration operation management and funding of support services, programs and projects including pilot projects and models related to agrarian reform as developed by the DAR.

**SECTION 36. *Funding for Support Services.*** — In order to cover the expenses and cost of support services, at least twenty-five percent (25%) of all appropriations for agrarian reform shall be immediately set aside and made available for this purpose. In addition, the DAR shall be authorized to package proposals and receive grants, aid and other forms of financial assistance from any source.

**SECTION 37. *Support Services to the Beneficiaries.*** — The PARC shall ensure that support services to farmers-beneficiaries are provided, such as:

- (a) Land surveys and titling;
- (b) Liberalized terms on credit facilities and production loans;
- (c) Extension services by way of planting, cropping, production and post-harvest technology

transfer, as well as marketing and management assistance and support to cooperatives and farmers' organizations;

- (d) Infrastructure such as access trails, mini-dams, public utilities, marketing and storage facilities; and
- (e) Research, production and use of organic fertilizers and other local substances necessary in farming and cultivation.

The PARC shall formulate policies to ensure that support services to farmer-beneficiaries shall be provided at all stages of land reform.

The Bagong Kilusang Kabuhayan sa Kaunlaran (BKKK) Secretariat shall be transferred and attached to the LBP, for its supervision including all its applicable and existing funds, personnel, properties, equipment and records.

Misuse or diversion of the financial and support services herein provided shall result in sanctions against the beneficiary guilty thereof, including the forfeiture of the land transferred to him or lesser sanctions as may be provided by the PARC, without prejudice to criminal prosecution.

**SECTION 38. *Support Services to Landowners.*** — The PARC with the assistance of such other government agencies and instrumentalities as it may direct, shall provide landowners affected by the CARP and prior agrarian reform programs with the following services:

- (a) Investment information financial and counseling assistance;

- (b) Facilities, programs and schemes for the conversion or exchange of bonds issued for payment of the lands acquired with stocks and bonds issued by the National Government, the Central Bank and other government institutions and instrumentalities;
- (c) Marketing of LBP bonds, as well as promoting the marketability of said bonds in traditional and non-traditional financial markets and stock exchanges; and
- (d) Other services designed to utilize productively the proceeds of the sale of such lands for rural industrialization.

A landowner who invests in rural-based industries shall be entitled to the incentives granted to a registered enterprise engaged in a pioneer or preferred area of investment as provided for in the Omnibus Investment Code of 1987, or to such other incentives as the PARC, the LBP, or other government financial institutions may provide.

The LBP shall redeem a landowner's LBP bonds at face value, provided that the proceeds thereof shall be invested in a BOI-registered company or in any agri-business or agro-industrial enterprise in the region where the landowner has previously made investments, to the extent of thirty percent (30%) of the face value of said LBP bonds, subject to guidelines that shall be issued by the LBP.

**SECTION 39. *Land Consolidation.*** — The DAR shall carry out land consolidation projects to promote equal distribution of landholdings, to provide the

needed infrastructures in agriculture, and to conserve soil fertility and prevent erosion.

## CHAPTER X . SPECIAL AREAS OF CONCERN

**SECTION 40. *Special Areas of Concern.*** — As an integral part of the Comprehensive Agrarian Reform Program, the following principles in these special areas of concern shall be observed:

- (1) Subsistence Fishing. — Small fisherfolk, including seaweed farmers, shall be assured of greater access to the utilization of water resources.
- (2) Logging and Mining Concessions. — Subject to the requirement of a balanced ecology and conservation of water resources, suitable areas, as determined by the Department of Environment and Natural Resources (DENR), in logging, mining and pasture areas, shall be opened up for agrarian settlements whose beneficiaries shall be required to undertake reforestation and conservation production methods. Subject to existing laws, rules and regulations, settlers and members of tribal communities shall be allowed to enjoy and exploit the products of the forest other than timber within the logging concessions.
- (3) Sparsely Occupied Public Agricultural Lands. — Sparsely occupied agricultural lands of the public domain shall be surveyed, proclaimed and developed as farm settlements for qualified landless people based on an organized program to ensure their orderly and early development.

Agricultural land allocations shall be made for ideal family-size farms as determined by the PARC. Pioneers and other settlers shall be treated equally in every respect.

Subject to the prior rights of qualified beneficiaries, uncultivated lands of the public domain shall be made available on a lease basis to interested and qualified parties. Parties who will be engaged in the development of capital-intensive, traditional or pioneering crops shall be given priority.

The lease period, which shall not be more than a total of fifty (50) years, shall be proportionate to the amount of investment and production goals of the lessee. A system of evaluation and audit shall be instituted.

- (4) Idle, Abandoned, Foreclosed and Sequestered Lands. — Idle, abandoned, foreclosed and sequestered lands shall be planned for distribution as home lots and family-size farmlots to actual occupants. If land area permits, other landless families shall be accommodated in these lands.
- (5) Rural Women. — All qualified women members of the agricultural labor force must be guaranteed and assured equal right to ownership of the land, equal shares of the farm's produce, and representation in advisory or appropriate decision-making bodies.
- (6) Veterans and Retirees. — In accordance with Section 7 of Article XVI of the Constitution, landless war veterans and veterans of military

campaigns, their surviving spouse and orphans, retirees of the Armed Forces of the Philippines (AFP) and the Integrated National Police (INP), returnees, surrenderees, and similar beneficiaries shall be given due consideration in the disposition of agricultural lands of the public domain.

- (7) Agriculture Graduates. — Graduates of agricultural schools who are landless shall be assisted by the government, through the DAR, in their desire to own and till agricultural lands.

## CHAPTER XI . PROGRAM IMPLEMENTATION

**SECTION 41. *The Presidential Agrarian Reform Council.*** — The Presidential Agrarian Reform Council (PARC) shall be composed of the President of the Philippines as Chairman, the Secretary of Agrarian Reform as Vice-Chairman and the following as members; Secretaries of the Departments of Agriculture; Environment and Natural Resources; Budget and Management; Local Government: Public Works and Highways; Trade and Industry; Finance; Labor and Employment; Director-General of the National Economic and Development Authority; President, Land Bank of the Philippines; Administrator, National Irrigation Administration; and three (3) representatives of affected landowners to represent Luzon, Visayas and Mindanao; six (6) representatives of agrarian reform beneficiaries, two (2) each from Luzon, Visayas and Mindanao, provided that one of them shall be from the cultural communities.

**SECTION 42. *Executive Committee.*** — There shall be an Executive Committee (EXCOM) of the PARC composed of the Secretary of the DAR as Chairman,

and such other members as the President may designate, taking into account Article XIII, Section 5 of the Constitution. Unless otherwise directed by PARC, the EXCOM may meet and decide on any and all matters in between meetings of the PARC: Provided, however, That its decisions must be reported to the PARC immediately and not later than the next meeting.

**SECTION 43. *Secretariat.*** — A PARC Secretariat is hereby established to provide general support and coordinative services such as inter-agency linkages; program and project appraisal and evaluation and general operations monitoring for the PARC.

The Secretariat shall be headed by the Secretary of Agrarian Reform who shall be assisted by an Undersecretary and supported by a staff whose composition shall be determined by the PARC Executive Committee and whose compensation shall be chargeable against the Agrarian Reform Fund. All officers and employees of the Secretariat shall be appointed by the Secretary of Agrarian Reform.

**SECTION 44. *Provincial Agrarian Reform Coordinating Committee (PARCCOM).*** — A Provincial Agrarian Reform Coordinating Committee (PARCCOM) is hereby created in each province, composed of a Chairman, who shall be appointed by the President upon the recommendation of the EXCOM, the Provincial Agrarian Reform Officer as Executive Officer, and one representative each from the Departments of Agriculture, and of Environment and Natural Resources and from the LBP, one representative each from existing farmers' organizations, agricultural cooperatives and non-governmental organizations in the province; two

representatives from landowners, at least one of whom shall be a producer representing the principal crop of the province, and two representatives from farmer and farmworker-beneficiaries, at least one of whom shall be a farmer or farmworker representing the principal crop of the province, as members: Provided, That in areas where there are cultural communities, the latter shall likewise have one representative.

The PARCCOM shall coordinate and monitor the implementation of the CARP in the province. It shall provide information on the provisions of the CARP, guidelines issued by the PARC and on the progress of the CARP in the province.

**SECTION 45. *Province-by-Province Implementation.***

— The PARC shall provide the guidelines for a province-by-province implementation of the CARP. The ten-year program of distribution of public and private lands in each province shall be adjusted from year by the province's PARCCOM in accordance with the level of operations previously established by the PARC, in every case ensuring that support services are available or have been programmed before actual distribution is effected.

**SECTION 46. *Barangay Agrarian Reform Committee (BARC).*** — Unless otherwise provided in this Act, the provisions of Executive Order No. 229 regarding the organization of the Barangay Agrarian Reform Committee (BARC) shall be in effect.

**SECTION 47. *Functions of the BARC.*** — In addition to those provided in Executive Order No. 229, the BARC shall have the following functions:

- (a) Mediate and conciliate between parties involved in an agrarian dispute including matters related to tenorial and financial arrangements;
- (b) Assist in the identification of qualified beneficiaries and landowners within the barangay;
- (c) Attest to the accuracy of the initial parcellary mapping of the beneficiary's tillage;
- (d) Assist qualified beneficiaries in obtaining credit from lending institutions;
- (e) Assist in the initial determination of the value of the land;
- (f) Assist the DAR representatives in the preparation of periodic reports on the CARP implementation for submission to the DAR;
- (g) Coordinate the delivery of support services to beneficiaries; and
- (h) Perform such other functions as may be assigned by the DAR.

The BARC shall endeavor to mediate, conciliate and settle agrarian disputes lodged before it within thirty (30) days from its taking cognizance thereof. If after the lapse of the thirty day period, it is unable to settle the dispute, it shall issue a certificate of its proceedings and shall furnish a copy thereof upon the parties within seven (7) days after the expiration of the thirty-day period.

**SECTION 48. *Legal Assistance.*** — The BARC or any member thereof may, whenever necessary in the exercise of any of its functions hereunder, seek the legal assistance of the DAR and the provincial, city, or municipal government.

**SECTION 49. *Rules and Regulations.*** — The PARC and the DAR shall have the power to issue rules and regulations, whether substantive or procedural, to carry out the objects and purposes of this Act. Said rules shall take effect ten (10) days after publication in two (2) national newspapers of general circulation.

## CHAPTER XII. ADMINISTRATIVE ADJUDICATION

**SECTION 50. *Quasi-Judicial Powers of the DAR.*** — The DAR is hereby vested with the primary jurisdiction to determine and adjudicate agrarian reform matters and shall have exclusive original jurisdiction over all matters involving the implementation of agrarian reform except those falling under the exclusive jurisdiction of the Department of Agriculture (DA) and the Department of Environment and Natural Resources (DENR).

It shall not be bound by technical rules of procedure and evidence but shall proceed to hear and decide all cases, disputes or controversies in a most expeditious manner, employing all reasonable means to ascertain the facts of every case in accordance with justice and equity and the merits of the case. Toward this end, it shall adopt a uniform rule of procedure to achieve a just, expeditious and inexpensive determination for every action or proceeding before it.

It shall have the power to summon witnesses, administer oaths, take testimony, require submission of reports, compel the production of books and documents and answers to interrogatories and issue subpoena, and subpoena duces tecum, and enforce its writs through sheriffs or other duly deputized officers. It shall likewise have the power to punish direct and indirect contempts in the same manner and subject to the same penalties as provided in the Rules of Court.

Responsible farmer leaders shall be allowed to represent themselves, their fellow farmers, or their organizations in any proceedings before the DAR: Provided, however, That when there are two or more representatives for any individual or group, the representatives should choose only one among themselves to represent such party or group before any DAR proceedings.

Notwithstanding an appeal to the Court of Appeals, the decision of the DAR shall be immediately executory.

**SECTION 51. *Finality of Determination.*** — Any case or controversy before it shall be decided within thirty (30) days after it is submitted for resolution. Only one (1) motion for reconsideration shall be allowed. Any order, ruling or decision shall be final after the lapse of fifteen (15) days from receipt of a copy thereof.

**SECTION 52. *Frivolous Appeals.*** — To discourage frivolous or dilatory appeals from the decisions or orders on the local or provincial levels, the DAR may impose reasonable penalties, including but not limited to fines or censures upon erring parties.

**SECTION 53. *Certification of the BARC.*** — The DAR shall not take cognizance of any agrarian dispute or controversy unless a certification from the BARC that the dispute has been submitted to it for mediation and conciliation without any success of settlement is presented: Provided, however, That if no certification is issued by the BARC within thirty (30) days after a matter or issue is submitted to it for mediation or conciliation the case or dispute may be brought before the PARC.

### CHAPTER XIII . JUDICIAL REVIEW

**SECTION 54. *Certiorari.*** — Any decision, order, award or ruling of the DAR on any agrarian dispute or on any matter pertaining to the application, implementation, enforcement, or interpretation of this Act and other pertinent laws on agrarian reform may be brought to the Court of Appeals by certiorari except as otherwise provided in this Act within fifteen (15) days from the receipt of a copy thereof.

The findings of fact of the DAR shall be final and conclusive if based on substantial evidence.

**SECTION 55. *No Restraining Order or Preliminary Injunction.*** — No court in the Philippines shall have jurisdiction to issue any restraining order or writ of preliminary injunction against the PARC or any of its duly authorized or designated agencies in any case, dispute or controversy arising from, necessary to, or in connection with the application, implementation, enforcement, or interpretation of this Act and other pertinent laws on agrarian reform.

**SECTION 56. *Special Agrarian Court.*** — The Supreme Court shall designate at least one (1) branch of the

Regional Trial Court (RTC) within each province to act as a Special Agrarian Court.

The Supreme Court may designate more branches to constitute such additional Special Agrarian Courts as may be necessary to cope with the number of agrarian cases in each province. In the designation, the Supreme Court shall give preference to the Regional Trial Courts which have been assigned to handle agrarian cases or whose presiding judges were former judges of the defunct Court of Agrarian Relations.

The Regional Trial Court (RTC) judges assigned to said courts shall exercise said special jurisdiction in addition to the regular jurisdiction of their respective courts.

The Special Agrarian Courts shall have the powers and prerogatives inherent in or belonging to the Regional Trial Courts.

**SECTION 57. *Special Jurisdiction.*** — The Special Agrarian Courts shall have original and exclusive jurisdiction over all petitions for the determination of just compensation to landowners, and the prosecution of all criminal offenses under this Act. The Rules of Court shall apply to all proceedings before the Special Agrarian Courts, unless modified by this Act.

The Special Agrarian Courts shall decide all appropriate cases under their special jurisdiction within thirty (30) days from submission of the case for decision.

**SECTION 58. *Appointment of Commissioners.*** — The Special Agrarian Courts, upon their own initiative or at the instance of any of the parties, may appoint one or more commissioners to examine, investigate and ascertain facts relevant to the dispute including the valuation of properties, and to file a written report thereof with the court.

**SECTION 59. *Orders of the Special Agrarian Courts.*** — No order of the Special Agrarian Courts on any issue, question, matter or incident raised before them shall be elevated to the appellate courts until the hearing shall have been terminated and the case decided on the merits.

**SECTION 60. *Appeals.*** — An appeal may be taken from the decision of the Special Agrarian Courts by filing a petition for review with the Court of Appeals within fifteen (15) days receipt of notice of the decision; otherwise, the decision shall become final.

An appeal from the decision of the Court of Appeals, or from any order, ruling or decision of the DAR, as the case may be, shall be by a petition for review with the Supreme Court within a non-extendible period of fifteen (15) days from receipt of a copy of said decision.

**SECTION 61. *Procedure on Review.*** — Review by the Court of Appeals or the Supreme Court, as the case may be, shall be governed by the Rules of Court. The Court of Appeals, however, may require the parties to file simultaneous memoranda within a period of fifteen (15) days from notice, after which the case is deemed submitted for decision.

**SECTION 62. *Preferential Attention in Courts.*** — All courts in the Philippines, both trial and appellate, shall give preferential attention to all cases arising from or in connection with the implementation of the provisions of this Act.

All cases pending in court arising from or in connection with the implementation of this Act shall continue to be heard, tried and decided into their finality, notwithstanding the expiration of the ten-year period mentioned in Section 5 hereof.

#### CHAPTER XIV . FINANCING

**SECTION 63. *Funding Source.*** — The initial amount needed to implement this Act for the period of ten (10) years upon approval hereof shall be funded from the Agrarian Reform Fund created under Sections 20 and 21 of Executive Order No. 229.

Additional amounts are hereby authorized to be appropriated as and when needed to augment the Agrarian Reform Fund in order to fully implement the provisions of this Act.

Sources of funding or appropriations shall include the following:

- a) Proceeds of the sales of the Assets Privatization Trust;
- b) All receipts from assets recovered and from sales of ill-gotten wealth recovered through the Presidential Commission on Good Government;
- c) Proceeds of the disposition of the properties of the Government in foreign countries;

- d) Portion of amounts accruing to the Philippines from all sources of official foreign grants and concessional financing from all countries, to be used for the specific purposes of financing production credits, infrastructures, and other support services required by this Act;
- (e) Other government funds not otherwise appropriated.

All funds appropriated to implement the provisions of this Act shall be considered continuing appropriations during the period of its implementation.

**SECTION 64. *Financial Intermediary for the CARP.*** — The Land Bank of the Philippines shall be the financial intermediary for the CARP, and shall insure that the social justice objectives of the CARP shall enjoy a preference among its priorities.

## **CHAPTER XV. General Provisions**

**SECTION 65. *Conversion of Lands.*** — After the lapse of five (5) years from its award, when the land ceases to be economically feasible and sound for agricultural purposes, or the locality has become urbanized and the land will have a greater economic value for residential, commercial or industrial purposes, the DAR, upon application of the beneficiary or the landowner, with due notice to the affected parties, and subject to existing laws, may authorize the reclassification or conversion of the land and its disposition: Provided, That the beneficiary shall have fully paid his obligation.

**SECTION 66. Exemptions from Taxes and Fees of Land Transfers.** — Transactions under this Act involving a transfer of ownership, whether from natural or juridical persons, shall be exempted from taxes arising from capital gains. These transactions shall also be exempted from the payment of registration fees, and all other taxes and fees for the conveyance or transfer thereof; Provided, That all arrearages in real property taxes, without penalty or interest, shall be deductible from the compensation to which the owner may be entitled.

**SECTION 67. *Free Registration of Patents and Titles.*** — All Registers of Deeds are hereby directed to register, free from payment of all fees and other charges, patents, titles and documents required for the implementation of the CARP.

**SECTION 68. *Immunity of Government Agencies from Undue Interference.*** — No injunction, restraining order, prohibition or mandamus shall be issued by the lower courts against the Department of Agrarian Reform (DAR), the Department of Agriculture (DA), the Department of Environment and Natural Resources (DENR), and the Department of Justice (DOJ) in their implementation of the program.

**SECTION 69. *Assistance of Other Government Entities.*** — The PARC, in the exercise of its functions, is hereby authorized to call upon the assistance and support of other government agencies, bureaus and offices, including government-owned or -controlled corporations.

**SECTION 70. *Disposition of Private Agricultural Lands.*** — The sale or disposition of agricultural lands retained by a landowner as a consequence of Section 6

hereof shall be valid as long as the total landholdings that shall be owned by the transferee thereof inclusive of the land to be acquired shall not exceed the landholding ceilings provided for in this Act.

Any sale or disposition of agricultural lands after the effectivity of this Act found to be contrary to the provisions hereof shall be null and void.

Transferees of agricultural lands shall furnish the appropriate Register of Deeds and the BARC an affidavit attesting that his total landholdings as a result of the said acquisition do not exceed the landholding ceiling. The Register of Deeds shall not register the transfer of any agricultural land without the submission of this sworn statement together with proof of service of a copy thereof to the BARC.

**SECTION 71. *Bank Mortgages.*** — Banks and other financial institutions allowed by law to hold mortgage rights or security interests in agricultural lands to secure loans and other obligations of borrowers, may acquire title to these mortgaged properties, regardless of area, subject to existing laws on compulsory transfer of foreclosed assets and acquisition as prescribed under Section 13 of this Act.

**SECTION 72. *Lease, Management, Grower or Service Contracts, Mortgages and Other Claims.*** — Lands covered by this Act under lease, management, grower or service contracts, and the like shall be disposed of as follows:

- (a) Lease, management, grower or service contracts covering private lands may continue under their original terms and conditions until the expiration of the same even if such land has, in

the meantime, been transferred to qualified beneficiaries.

- (b) Mortgages and other claims registered with the Register of Deeds shall be assumed by the government up to an amount equivalent to the landowner's compensation value as provided in this Act.

**SECTION 73. *Prohibited Acts and Omissions.*** — The following are prohibited:

- (a) The ownership or possession, for the purpose of circumventing the provisions of this Act, of agricultural lands in excess of the total retention limits or award ceilings by any person, natural or juridical, except those under collective ownership by farmer-beneficiaries.
- (b) The forcible entry or illegal detainer by persons who are not qualified beneficiaries under this Act to avail themselves of the rights and benefits of the Agrarian Reform Program.
- (c) The conversion by any landowner of his agricultural land into any non-agricultural use with intent to avoid the application of this Act to his landholdings and to dispossess his tenant farmers of the land tilled by them.
- (d) The willful prevention or obstruction by any person, association or entity of the implementation of the CARP.
- (e) The sale, transfer, conveyance or change of the nature of lands outside of urban centers and city limits either in whole or in part after the effectivity of this Act. The date of the registration of the

deed of conveyance in the Register of Deeds with respect to titled lands and the date of the issuance of the tax declaration to the transferee of the property with respect to unregistered lands, as the case may be, shall be conclusive for the purpose of this Act.

- (f) The sale, transfer or conveyance by a beneficiary of the right to use or any other usufructuary right over the land he acquired by virtue of being a beneficiary, in order to circumvent the provisions of this Act.

**SECTION 74. *Penalties.*** — Any person who knowingly or willfully violates the provisions of this Act shall be punished by imprisonment of not less than one (1) month to not more than three (3) years or a fine of not less than one thousand pesos (P1,000.00) and not more than fifteen thousand pesos (P15,000.00), or both, at the discretion of the court.

If the offender is a corporation or association, the officer responsible therefor shall be criminally liable.

**SECTION 75. *Suppletory Application of Existing Legislation.*** — The provisions of Republic Act No. 3844 as amended, Presidential Decree Nos. 27 and 266 as amended, Executive Order Nos. 228 and 229, both Series of 1987; and other laws not inconsistent with this Act shall have suppletory effect.

**SECTION 76. *Repealing Clause.*** — Section 35 of Republic Act No. 3834, Presidential Decree No. 316, the last two paragraphs of Section 12 of Presidential Decree No. 946, Presidential Decree No. 1038, and all other laws, decrees executive orders, rules and regulations, issuances or parts thereof inconsistent

with this Act are hereby repealed or amended accordingly.

**SECTION 77. *Separability Clause.*** — If, for any reason, any section or provision of this Act is declared null and void, no other section, provision, or part thereof shall be affected and the same shall remain in full force and effect.

**SECTION 78. *Effectivity Clause.*** — This Act shall take effect immediately after publication in at least two (2) national newspapers of general circulation.

Approved: June 10, 1988

REPUBLIC ACT NO. 7881

February 20, 1995

**AN ACT AMENDING CERTAIN PROVISIONS OF REPUBLIC ACT NO. 6657, ENTITLED "AN ACT INSTITUTING A COMPREHENSIVE AGRARIAN REFORM PROGRAM TO PROMOTE SOCIAL JUSTICE AND INDUSTRIALIZATION, PROVIDING THE MECHANISM FOR ITS IMPLEMENTATION, AND FOR OTHER PURPOSES.**

**SECTION 1.** Section 3, Paragraph (b) of Republic Act No. 6657 is hereby amended to read as follows:

**Sec. 3. *Definitions.*** — For the purpose of this Act, unless the context indicates otherwise:

(b) Agriculture, Agricultural Enterprise or Agricultural Activity means the cultivation of the soil, planting of crops, growing of fruit trees, including the harvesting of such farm products, and other farm activities and practices performed by a farmer in conjunction with such farming operations done by persons whether natural or juridical."

**SECTION 2.** Section 10 of Republic Act No. 6657 is hereby amended to read as follows:

**Sec. 10. *Exemptions and Exclusions.*** —

(a) Lands actually, directly and exclusively used for parks, wildlife, forest reserves, reforestation, fish sanctuaries and breeding grounds, watersheds and mangroves shall be exempt from the coverage of this Act.

- (b) Private lands actually, directly and exclusively used for prawn farms and fishponds shall be exempt from the coverage of this Act: Provided, That said prawn farms and fishponds have not been distributed and Certificate of Land Ownership Award (CLOA) issued to agrarian reform beneficiaries under the Comprehensive Agrarian Reform Program.

In cases where the fishponds or prawn farms have been subjected to the Comprehensive Agrarian Reform Law, by voluntary offer to sell, or commercial farms deferment or notices of compulsory acquisition, a simple and absolute majority of the actual regular workers or tenants must consent to the exemption within one (1) year from the effectivity of this Act. When the workers or tenants do not agree to this exemption, the fishponds or prawn farms shall be distributed collectively to the worker-beneficiaries or tenants who shall form a cooperative or association to manage the same.

In cases where the fishponds or prawn farms have not been subjected to the Comprehensive Agrarian Reform Law, the consent of the farm workers shall no longer be necessary, however, the provision of Section 32-A hereof on incentives shall apply.

- (c) Lands actually, directly and exclusively used and found to be necessary for national defense, school sites and campuses, including experimental farm stations operated by public or private schools for educational purposes, seeds and seedling research and pilot production

center, church sites and convents appurtenant thereto, mosque sites and Islamic centers appurtenant thereto, communal burial grounds and cemeteries, penal colonies and penal farms actually worked by the inmates, government and private research and quarantine centers and all lands with eighteen percent (18%) slope and over, except those already developed, shall be exempt from the coverage of this Act."

**SECTION 3.** Section 11 Paragraph 1 is hereby amended to read as follows:

**Sec. 11. *Commercial Farming.*** — Commercial farms, which are private agricultural lands devoted to saltbeds, fruit farms, orchards, vegetable and cut-flower farms, and cacao, coffee and rubber plantations, shall be subject to immediate compulsory acquisition and distribution after ten (10) years from the effectivity of this Act. In the case of new farms, the ten-year period shall begin from the first year of commercial production and operation, as determined by the DAR. During the ten-year period, the Government shall initiate steps necessary to acquire these lands, upon payment of just compensation for the land and the improvements thereon, preferably in favor of organized cooperatives or associations which shall thereafter manage the said lands for the workers-beneficiaries."

**SECTION 4.** There shall be incorporated after Section 32 of Republic Act No. 6657 a new section to read as follows:

**Sec. 32-A. *Incentives.*** — Individuals or entities owning or operating fishponds and prawn farms are hereby mandated to execute within six (6) months

from the effectivity of this Act an incentive plan with their regular fishpond or prawn farmworkers or fishpond or prawn farm workers' organization, if any, whereby seven point five percent (7.5%) of their net profit before tax from the operation of the fishpond or prawn farms are distributed within sixty (60) days at the end of the fiscal year as compensation to regular and other pond workers in such ponds over and above the compensation they currently receive.

In order to safeguard the right of the regular fishpond or prawn farm workers under the incentive plan, the books of the fishpond or prawn farm owners shall be subject to periodic audit or inspection by certified public accountants chosen by the workers.

The foregoing provision shall not apply to agricultural lands subsequently converted to fishpond or prawn farms provided the size of the land converted does not exceed the retention limit of the landowner."

**SECTION 5.** There shall be incorporated after Section 65 of Republic Act No. 6657 new sections to read as follows:

**Sec. 65-A. *Conversion into Fishpond and Prawn Farms.*** — No conversion of public agricultural lands into fishponds and prawn farms shall be made except in situations where the provincial government with the concurrence of the Bureau of Fisheries and Aquatic Resources (BFAR) declares a coastal zone as suitable for fishpond development. In such case, the Department of Environment and Natural Resources (DENR) shall allow the lease and development of such areas: Provided, That the declaration shall not apply to environmentally critical projects and areas as contained in title (A) sub-paragraph two, (B-5) and

(C-1) and title (B), number eleven (11) of Proclamation No. 2146, entitled "Proclaiming Certain Areas and Types of Projects as Environmentally Critical and Within the Scope of the Environmental Impact Statement (EIS) System established under Presidential Decree No. 1586," to ensure the protection of river systems, aquifers and mangrove vegetations from pollution and environmental degradation: Provided, further, That the approval shall be in accordance with a set of guidelines to be drawn up and promulgated by the DAR and the BFAR: Provided, furthermore, That small-farmer cooperatives and organizations shall be given preference in the award of the Fishpond Lease Agreement (FLAs).

No conversion of more than five (5) hectares of private lands to fishpond and prawn farms shall be allowed after the passage of this Act, except when the use of the land is more economically feasible and sound for fishpond and/or prawn farm, as certified by the Bureau of Fisheries and Aquatic Resources (BFAR), and a simple and absolute majority of the regular farm workers or tenants agree to the conversion, the Department of Agrarian Reform, may approve applications for change in the use of the land: Provided, finally, That no piecemeal conversion to circumvent the provisions of this Act shall be allowed. In these cases where the change of use is approved, the provisions of Section 32-A hereof on incentives shall apply.

**Sec. 65-B. *Inventory.*** — Within one (1) year from the effectivity of this Act, the BFAR shall undertake and finish an inventory of all government and private fishponds and prawn farms, and undertake a program to promote the sustainable management and utilization of prawn farms and fishponds. No

lease under Section 65-A hereof may be granted until after the completion of the said inventory.

The sustainable management and utilization of prawn farms and fishponds shall be in accordance with the effluent standards, pollution charges and other pollution control measures such as, but not limited to, the quantity of fertilizers, pesticides and other chemicals used, that may be established by the Fertilizer and Pesticide Authority (FPA), the Environmental Management Bureau (EMB), and other appropriate government regulatory bodies, and existing regulations governing water utilization, primarily Presidential Decree No. 1067, entitled "A Decree Instituting A Water Code, Thereby Revising and Consolidating the Laws Governing the Ownership, Appropriation, Utilization, Exploitation, Development, Conservation and Protection of Water Resources.

**Sec. 65-C. *Protection of Mangrove Areas.*** — In existing Fishpond Lease Agreements (FLAs) and those that will be issued after the effectivity of this Act, a portion of the fishpond area fronting the sea, sufficient to protect the environment, shall be established as a buffer zone and be planted to specified mangrove species to be determined in consultation with the regional office of the DENR. The Secretary of Environment and Natural Resources shall provide the penalties for any violation of this undertaking as well as the rules for its implementation.

**Sec. 65-D. *Change of Crops.*** — The change of crops to commercial crops or high value crops shall not be considered as a conversion in the use or nature of the land. The change in crop should however, not prejudice the rights of tenants or

leaseholders should there be any and the consent of a simple and absolute majority of the affected farm workers, if any, shall first be obtained.

**SECTION 6.** There shall be incorporated after Section 73 of Republic Act No. 6657 a new section to read as follows:

**Sec. 73-A. *Exception.*** — The provisions of Section 73, paragraph (E), to the contrary notwithstanding, the sale and/or transfer of agricultural land in cases where such sale, transfer or conveyance is made necessary as a result of a bank's foreclosure of the mortgaged land is hereby permitted.

**SECTION 7. *Separability Clause.*** — If for any reason, any section or provision of this Act is declared null and void, no other section provision or part thereof shall be affected and the same shall remain in full force and effect.

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

**REPUBLIC ACT NO. 7905**

February 23, 1995

**AN ACT TO STRENGTHEN THE IMPLEMENTATION OF THE COMPREHENSIVE AGRARIAN REFORM PROGRAM, AND FOR OTHER PURPOSES**

**SECTION 1.** Section 35 of Republic Act No. 6657, otherwise known as the "Comprehensive Agrarian Reform Law of 1988", is hereby amended to read as follows:

**Sec. 35.** *Creation of Support Services Office.* — There is hereby created the Office of Support Services under the DAR to be headed by an Undersecretary.

The Office shall provide general support and coordinative services in the implementation of the program, particularly in carrying out the provisions of the following services to farmer beneficiaries and affected landowners:

- (1) Irrigation facilities, especially second crop or dry season irrigation facilities;
- (2) Infrastructure development and public works projects in areas and settlements that come under agrarian reform, and for this purpose, the preparation of the physical development plan of such settlements providing suitable barangay sites, potable water and power resources, irrigation systems, seeds and seedling banks, post harvest facilities, and other facilities for a sound agricultural development plan. For the purpose of providing the aforesaid

infrastructure and facilities, the DAR is authorized to enter into contracts with interested private parties on long term basis or through joint-venture agreements or build-operate-transfer scheme;

- (3) Government subsidies for the use of irrigation facilities;
- (4) Price support and guarantee for all agricultural produce;
- (5) Extending to small landowners, farmers and farmers' organizations the necessary credit, like concessional and collateral-free loans, for agro-industrialization based on social collaterals like the guarantees of farmers' organizations;
- (6) Promoting, developing and extending financial assistance to small and medium-scale industries in agrarian reform areas;
- (7) Assigning sufficient numbers of agricultural extension workers to farmers' organizations;
- (8) Undertake research, development and dissemination of information on agrarian reform, plants and crops best suited for cultivation and marketing, and low-cost and ecologically sound farm inputs and technologies to minimize reliance on expensive and imported agricultural inputs;
- (9) Development of cooperative management skills through intensive training;

- (10) Assistance in the identification of ready markets for agricultural produce and training in the other various aspects of marketing;
- (11) Conduct an effective information dissemination system through the Department of Agriculture to promote marketing and minimize spoilage of agricultural produce and products;
- (12) Create a credit guarantee fund for agricultural landowners that will enhance the collateral value of agricultural lands that are affected or will be affected by coverage under the agrarian reform program; and
- (13) Administration, operation, management and funding of support services programs and projects including pilot projects and models related to agrarian reform as developed by the DAR.

**SECTION 2.** Section 36 of the same law is hereby amended to read as follows:

**Sec. 36. *Funding for Support Services.*** — In order to cover the expenses and cost of support services, at least twenty-five percent (25%) of all appropriations for agrarian reform shall be immediately set aside and made available for this purpose: Provided, That for the next five (5) years, a minimum of one (1) Agrarian Reform Community (ARC) shall be established by the DAR, in coordination with the local government units, non-governmental organizations and people organizations in each legislative district with a predominant agricultural population: Provided, further, That the areas in which the ARCs are to be

established shall have been fully subjected under this law.

For this purpose, an Agrarian Reform Community shall be defined as a barangay or a cluster of barangays primarily composed and managed by Agrarian Reform Beneficiaries who shall be willing to be organized and undertake the integrated development of an area and/or their organizations/cooperative. In each community, the DAR, together with the agencies and organizations abovementioned, shall identify the farmers association, cooperative or their respective federation approved by the farmers-beneficiaries that shall take the lead in the agricultural development of the area. In addition, the DAR shall be authorized to package proposals and receive grants, aid and other forms of financial assistance from any source."

**SECTION 3.** Section 44 of the same law is hereby amended as follows:

**Sec. 44. *Provincial Agrarian Reform Coordinating Committee (PARCCOM).*** — A Provincial Agrarian Reform Coordinating Committee is hereby created in each province, composed of a Chairman, who shall be appointed by the President upon the recommendation of the EXCOM, the Provincial Agrarian Reform Officer as Executive Officer, and one (1) representative each from the Departments of Agriculture, and of Environment and Natural Resources and from the LBP; one (1) representative each from existing farmers' organizations, agricultural cooperatives and non-governmental organizations in the province; two (2) representatives from landowners, at least one (1) of whom shall be a

producer representing the principal crop of the province, and two (2) representatives from farmer and farmworker or beneficiaries, at least one (1) of whom shall be a farmer or farmworker representing the principal crop of the province, as members: Provided, That in areas where there are cultural communities, the latter shall likewise have one (1) representative.

The PARCCOM shall coordinate and monitor the implementation of the CARP in the province. It shall provide information on the provisions of the CARP, guidelines issued by the PARC and on the progress of the CARP, in the province; in addition, it shall:

(a) Recommend to the PARC the following:

- (1) Market prices to be used in the determination of the profit sharing obligation of agricultural entities in the province;
- (2) Adoption of the direct payment scheme between the landowner and the farmer and/or farmworker beneficiary: Provided, that the amount and terms of payment are not more burdensome to the agrarian reform beneficiary than under the compulsory coverage provision of the CARL: Provided, further, That the agrarian reform beneficiary agrees to the amount and terms of payment: Provided, furthermore, That the DAR shall act as mediator in cases of disagreement between the landowner and the farmer and/or farmworker beneficiary; Provided, finally, That the farmer and/or farmer

beneficiary shall be eligible to borrow from the LBP an amount equal to eighty-five percent (85%) of the selling price of the land that they have acquired;

- (3) Continuous processing of applications for lease back arrangements, joint-venture agreements and other schemes that will optimize the operating size for agricultural production and also promote both security of tenure and security of income to farmer beneficiaries: Provided, That lease back arrangements should be the last resort.

**SECTION 4.** Section 45 of the same law is hereby amended to read as follows:

**Sec. 45. *Province-by-province Implementation.***

— The PARC shall provide the guidelines for the province-by-province implementation of the CARP, taking into account the peculiarities and needs of each place, kind of crops needed or suited, land distribution workload, beneficiaries development activities and other factors prevalent or obtaining in the area. In all cases, the implementing agencies at the provincial level shall promote the development of identified ARCs without neglecting the needs and problems of other beneficiaries. The ten-year program of distribution of public and private land in each province shall be adjusted from year to year by the province's PARCCOM in accordance with the level of operations previously established by the PARC, in every case ensuring that support services are available or have been programmed before actual distribution is effected."

**SECTION 5.** This Act shall take effect upon its approval.

**REPUBLIC ACT NO. 8435**

December 22, 1997

**AN ACT PRESCRIBING URGENT RELATED MEASURES TO MODERNIZE THE AGRICULTURE AND FISHERIES SECTORS OF THE COUNTRY IN ORDER TO ENHANCE THEIR PROFITABILITY, AND PREPARE SAID SECTORS FOR THE CHALLENGES OF GLOBALIZATION THROUGH AN ADEQUATE, FOCUSED AND RATIONAL DELIVERY OF NECESSARY SUPPORT SERVICES, APPROPRIATING FUNDS THEREFOR AND FOR OTHER PURPOSES**

**SECTION 1. *Short Title.*** — This Act shall be known as the "Agriculture and Fisheries Modernization Act of 1997."

**SECTION 2. *Declaration of Policy.*** — The goals of the national economy are a more equitable distribution of opportunities, income and wealth; a sustained increase in the amount of goods and services produced by the nation for the benefit of the people; and an expanding productivity as the key to raising the quality of life for all, especially the underprivileged.

The State shall promote industrialization and full employment based on sound agricultural development and agrarian reform, through industries that make full and efficient use of human and natural resources, and which are competitive in both domestic and foreign markets. In pursuit of these goals, all sectors of the economy and all regions of the country shall be given optimum opportunity to develop. Private enterprises, including corporations,

cooperatives, and similar collective organizations, shall be encouraged to broaden the base of their ownership.

Thus, it is hereby declared the policy of the State to enable those who belong to the agriculture and fisheries sectors to participate and share in the fruits of development and growth in a manner that utilizes the nation's resources in the most efficient and sustainable way possible by establishing a more equitable access to assets, income, basic and support services and infrastructure.

The State shall promote food security, including sufficiency in our staple food, namely rice and white corn. The production of rice and white corn shall be optimized to meet our local consumption and shall be given adequate support by the State.

The State shall adopt the market approach in assisting the agriculture and fisheries sectors while recognizing the contribution of said sectors to food security, environmental protection, and balanced urban and rural development, without neglecting the welfare of the consumers, especially the lower income groups. The State shall promote market-oriented policies in agricultural production to encourage farmers to shift to more profitable crops.

The State shall empower the agriculture and fisheries sectors to develop and sustain themselves. Toward this end, the State shall ensure the development of the agriculture and fisheries sectors in accordance with the following principles:

- a) Poverty Alleviation and Social Equity — The State shall ensure that the poorer sectors of society

have equitable access to resources, income opportunities, basic and support services and infrastructure especially in areas where productivity is low as a means of improving their quality of life compared with other sectors of society;

- b) Food Security — The State shall assure the availability, adequacy, accessibility and affordability of food supplies to all at all times;
- c) Rational Use of Resources — The State shall adopt a rational approach in the allocation of public investments in agriculture and fisheries in order to assure efficiency and effectiveness in the use of scarce resources and thus obtain optimal returns on its investments;
- d) Global Competitiveness — The State shall enhance the competitiveness of the agriculture and fisheries sectors in both domestic and foreign markets;
- e) Sustainable Development — The State shall promote development that is compatible with the preservation of the ecosystem in areas where agriculture and fisheries activities are carried out. The State should exert care and judicious use of the country's natural resources in order to attain long-term sustainability;
- f) People Empowerment — The State shall promote people empowerment by enabling all citizens through direct participation or through their duly elected, chosen or designated representatives the opportunity to participate in policy formulation and decision-making by establishing the

appropriate mechanisms and by giving them access to information; and

- g) Protection from Unfair Competition — The State shall protect small farmers and fisherfolk from unfair competition such as monopolistic and oligopolistic practices by promoting a policy environment that provides them priority access to credit and strengthened cooperative-based marketing system.

**SECTION 3. *Statement of Objectives.*** — This Act shall have the following objectives:

- a) To modernize the agriculture and fisheries sectors by transforming these sectors from a resource-based to a technology-based industry;
- b) To enhance profits and incomes in the agriculture and fisheries sectors, particularly the small farmers and fisherfolk, by ensuring equitable access to assets, resources and services, and promoting higher value crops, value-added processing, agribusiness activities, and agro-industrialization;
- c) To ensure the accessibility, availability and stable supply of food to all at all times;
- d) To encourage horizontal and vertical integration, consolidation and expansion of agriculture and fisheries activities, groups, functions and other services through the organization of cooperatives, farmers' and fisherfolk's associations, corporations, nucleus estates, and consolidated farms and to enable these entities to benefit from economies of scale, afford them a stronger negotiating position, pursue more focused, efficient and appropriate

research and development efforts and enable them to hire professional managers;

- e) To promote people empowerment by strengthening people's organizations, cooperatives and NGOs and by establishing and improving mechanisms and processes for their participation in government decision-making and implementation;
- f) To pursue a market-driven approach to enhance the comparative advantage of our agriculture and fisheries sectors in the world market;
- g) To induce the agriculture and fisheries sectors to ascend continuously the value-added ladder by subjecting their traditional or new products to further processing in order to minimize the marketing of raw, unfinished or unprocessed products;
- h) To adopt policies that will promote industry dispersal and rural industrialization by providing incentives to local and foreign investors to establish industries that have backward linkages to the country's agriculture and fisheries resource base;
- i) To provide social and economic adjustment measures that increase productivity and improve market efficiency while ensuring the protection and preservation of the environment and equity for small farmers and fisherfolk; and to improve the quality of life of all sectors.

**SECTION 4. *Definition of Terms.* —**

**"Agrarian Reform Community"** is a barangay at the minimum or a cluster of contiguous barangays where there is a critical mass of farmers or farm workers and which features the main thrust of agrarian development: land tenure improvement and effective delivery of support services.

**"Agricultural Lands"** refers to lands devoted to or suitable for the cultivation of the soil, planting of crops, growing of trees, raising of livestock, poultry, fish or aquaculture production, including the harvesting of such farm products, and other farm activities and practices performed in conjunction with such farming operations by persons whether natural or juridical and not classified by law as mineral land, forest land, residential land, commercial land, or *industrial land*.

**"Agricultural Land Use Conversion"** refers to the process of changing the use of agricultural land to non-agricultural uses.

**"Agricultural Sector"** is the sector engaged in the cultivation of the soil, planting of crops, growing of fruit trees, raising of livestock, poultry, or fish, including the harvesting and marketing of such farm products, and other farm activities and practices.

**"Agricultural Mechanization"** is the development, adoption, manufacture and application of appropriate location-specific, and cost-effective agricultural technology using human, animal, mechanical, electrical and other non-conventional sources of energy for agricultural production and post-harvest operations consistent with agronomic

conditions and for efficient and economic farm management.

**"Agriculture and Fisheries Modernization"** is the process of transforming the agriculture and fisheries sectors into one that is dynamic, technologically advanced and competitive yet centered on human development, guided by the sound practices of sustainability and the principles of social justice.

**"Agro-Processing Activities"** refers to the processing of raw agricultural and fishery products into semi-processed or finished products which include materials for the manufacture of food and/or non-food products, pharmaceuticals and other industrial products.

**"Banks"**, collectively used, means government banks and private banks, rural banks and cooperative banks.

**"Basic Needs Approach to Development"** involves the identification, production and marketing of wage goods and services for consumption of rural communities.

**"Communal Irrigation System (CIS)"** is an irrigation system that is managed by a bona fide Irrigators Association.

**"Competitive Advantage"** refers to competitive edge in terms of product quality and/or price. It likewise refers to the ability to produce a product with the greatest relative efficiency in the use of resources.

**"Cooperatives"** refers to duly registered associations of persons with a common bond of interest who have voluntarily joined together to achieve a lawful

common social and economic end, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking in accordance with universally accepted cooperative principles.

**"Department"** refers to the Department of Agriculture.

**"Economic Scale"** refers to the minimum quantity or *volume of goods required to be efficient*.

**"Economies of Scale"** refers to the decrease in unit cost as more units are produced due to the spreading out of fixed costs over a greater number of units produced.

**"Empowerment"** involves providing authority, responsibility and information to people directly engaged in agriculture and fishery production, primarily at the level of the farmers, fisherfolk and those engaged in food and non-food production and processing, in order to give them wider choices and enable them to take advantage of the benefits of the agriculture and fishery industries.

**"Extension Services"** refers to the provision of training, information, and support services by the government and non-government organizations to the agriculture and fisheries sectors to improve the technical, business and social capabilities of farmers and fisherfolk.

**"Farmer's and Fisherfolk's Organizations or Associations"** refers to farmers and fisherfolk's cooperatives, associations, or corporations duly registered with appropriate government agencies and which are composed primarily of small

agricultural producers, farmers, farm workers, agrarian reform beneficiaries, fisherfolk who voluntarily join together to form business enterprises or non-business organizations which they themselves own, control and patronize.

**"Farm-to-Market Roads"** refers to roads linking the agriculture and fisheries production sites, coastal landing points and post-harvest facilities to the market and arterial roads and highways.

**"Fisheries"** refers to all systems or networks of interrelated activities which include the production, growing, harvesting, processing, marketing, developing, conserving, and managing of all aquatic resources and fisheries areas.

**"Fisheries Sector"** is the sector engaged in the production, growing, harvesting, processing, marketing, developing, conserving, and managing of aquatic resources and fisheries areas.

**"Fishing"** refers to the application of techniques using various gear in catching fish and other fisheries products.

**"Fishing Grounds"** refers to areas in any body of water where fish and other aquatic resources congregate and become target of capture.

**"Food Security"** refers to the policy objective, plan and strategy of meeting the food requirements of the present and future generations of Filipinos in substantial quantity, ensuring the availability and affordability of food to all, either through local production or importation, or both, based on the country's existing and potential resource endowment

and related production advantages, and consistent with the overall national development objectives and policies. However, sufficiency in rice and white corn should be pursued.

**"Fresh Agricultural And Fishery Products"** refers to agricultural and fisheries products newly taken or captured directly from its natural state or habitat, or those newly harvested or gathered from agricultural areas or bodies of water used for aquaculture.

**"Global Competitiveness"** refers to the ability to compete in terms of price, quality and volume of agriculture and fishery products relative to those of other countries.

**"Gross Value-Added"** refers to the value, excluding the value of non-agricultural or fishery intermediate inputs, of goods and services contributed by the agricultural and fisheries sectors.

**"Headworks"** refers to the composite parts of the irrigation system that divert water from natural bodies of water such as rivers, streams, and lakes.

**"Industrial Dispersal"** refers to the encouragement given to manufacturing enterprises to establish their plants in rural areas. Such firms normally use agricultural raw materials either in their primary or intermediate state.

**"Irrigable Lands"** refers to lands which display marked characteristics justifying the operation of an irrigation system.

**"Irrigated Lands"** refers to lands serviced by natural irrigation or irrigation facilities. These include lands where water is not readily available as existing

irrigation facilities need rehabilitation or upgrading or where irrigation water is not available year-round.

**"Irrigation System"** refers to a system of irrigation facilities covering contiguous areas.

**"Irrigators' Association (IA)"** refers to an association of farmers within a contiguous area served by a National Irrigation System or Communal Irrigation System.

**"Land Use"** refers to the manner of utilizing the land, including its allocation, development and management.

**"Land Use Plan"** refers to a document embodying a set of policies accompanied by maps and similar illustrations which represent the community-desired pattern of population distribution and a proposal for the future allocation of land to the various land-using activities, in accordance with the social and economic objectives of the people. It identifies the location, character and extent of the area's land resources to be used for different purposes and includes the process and the criteria employed in the determination of the land use.

**"Land Use Planning"** refers to the act of defining the allocation, utilization, development and management of all lands within a given territory or jurisdiction according to the inherent qualities of the land itself and supportive of sustainable economic, demographic, socio-cultural and environmental objectives as an aid to decision-making and legislation.

**"Main Canal"** refers to the channel where diverted water from a source flows to the intended area to be irrigated.

**"Market Infrastructure"** refers to facilities including, but not limited to, market buildings, slaughterhouses, holding pens, warehouses, market information centers, connecting roads, transport and communication and cold storage used by the farmers and fisherfolk in marketing their produce.

**"National Information Network (NIN)"** refers to an information network which links all offices and levels of the Department with various research institutions and local end-users, providing easy access to information and marketing services related to agriculture and fisheries.

**"National Irrigation System (NIS)"** refers to a major irrigation system managed by the National Irrigation Administration.

**"Network of Protected Areas for Agricultural and Agro-industrial Development (NPAAAD)"** refers to agricultural areas identified by the Department through the Bureau of Soils and Water Management in coordination with the National Mapping and Resource Information Authority in order to ensure the efficient utilization of land for agriculture and agro-industrial development and promote sustainable growth. The NPAAAD covers all irrigated areas, all irrigable lands already covered by irrigation projects with firm funding commitments; all alluvial plain land highly suitable for agriculture whether irrigated or not; agro-industrial croplands or lands presently planted to industrial crops that support the viability of existing agricultural infrastructure and agro-based enterprises,

highlands, or areas located at an elevation of five hundred (500) meters or above and have the potential for growing semi-temperate and high-value crops; all agricultural lands that are ecologically fragile, the conversion of which will result in serious environmental degradation, and mangrove areas and fish sanctuaries.

**"On-Farm Irrigation Facilities"** refers to composite facilities that permit entry of water to paddy areas and consist of farm ditches and turnouts.

"Primary Processing" refers to the physical alteration of raw agricultural or fishery products with or without the use of mechanical facilities.

**"Post-Harvest Activities"** includes, but is not limited to, threshing, drying, milling, grading, storing, and handling of produce and such other activities as stripping, winnowing, chipping and washing.

**"Post-Harvest Facilities"** includes, but is not limited to, threshers, moisture meters, dryers, weighing scales, milling equipment, fish ports, fish landings, ice plants and cold storage facilities, processing plants, warehouses, buying stations, market infrastructure and transportation facilities.

**"Premature Conversion of Agricultural Land"** refers to the undertaking of any development activity, the results of which modify or alter the physical characteristics of the agricultural lands to render them suitable for non-agricultural purposes, without an approved order of conversion from the DAR.

**"Resource Accounting"** refers to a process of tracking changes in the environment and natural resources biophysically and economically (in monetary terms).

"Resource-based" refers to the utilization of natural resources.

**"Rural Industrialization"** refers to the process by which the economy is transformed from one that is predominantly agricultural to one that is dominantly industrial and service-oriented. Agriculture provides the impetus and push for industry and services through the market that it creates, the labor that it absorbs, and the income that it generates which is channeled to industry and services. As development continues, with agriculture still an important sector, industry and services begin to generate income and markets and concomitantly increase their share of total income.

**"Strategic Agriculture and Fisheries Development Zones (SAFDZ)"** refers to the areas within the NPAAAD identified for production, agro-processing and marketing activities to help develop and modernize with the support of government, the agriculture and fisheries sectors in an environmentally and socio-culturally sound manner.

**"Secondary Canal"** refers to the channel connected to the main canal which distributes irrigation to specific areas.

**"Secondary Processing"** refers to the physical transformation of semi-processed agricultural or fishery products.

**"Shallow Tube Well (STW)"** refers to a tube or shaft vertically set into the ground for the purpose of bringing ground water to the soil surface from a depth of less than 20 meters by suction lifting.

**"Small Farmers and Fisherfolk"** refers to natural persons dependent on small-scale subsistence farming and fishing activities as their primary source of income.

"Small and Medium Enterprise (SME)" refers to any business activity or enterprise engaged in industry, agribusiness and/or services, whether single proprietorship, cooperative, partnership or corporation whose total assets, inclusive of those arising from loans but exclusive of the land on which the particular business entity's office, plant and equipment are situated, must have value falling under the following categories:

Micro	:	not more than P1,500,000
Small	:	P1,500,001 to P15,000,000
Medium	:	P15,000,001 to P60,000,000

The Department, in consultation with the Congressional Oversight Committee on Agricultural and Fisheries Modernization, may adjust the above values as deemed necessary.

**"Socio-culturally Sound"** means the consideration of the social structure of the community such as leadership pattern, distribution of roles across gender and age groups, the diversity of religion and other spiritual beliefs, ethnicity and cultural diversity of the population.

**"Technology-based"** refers to utilization of technology. "Zoning Ordinance" refers to a local legislation approving the development/land providing for the regulations and other conditions on the uses of land including the limitation on the infrastructure that may be placed within the territorial jurisdiction of a city or municipality.

**TITLE : PRODUCTION AND MARKETING SUPPORT SERVICES**

**CHAPTER 1  
STRATEGIC AGRICULTURAL AND FISHERIES  
DEVELOPMENT ZONES**

**SECTION 5. *Declaration of Policy.*** — It is the policy of the State to ensure that all sectors of the economy and all regions of the country shall be given optimum opportunity to develop through the rational and sustainable use of resources peculiar to each area in order to maximize agricultural productivity, promote efficiency and equity and accelerate the modernization of the agriculture and fisheries sectors of the country.

**SECTION 6. *Network of Areas for Agricultural and Agro-Industrial Development.*** — The Department shall, within six (6) months after the approval of this Act, and in consultation with the local government units, appropriate government agencies, concerned non-government organizations (NGOs) and organized farmers' and fisherfolk's groups, identify the Strategic Agriculture and Fisheries Development Zones (SAFDZ) within the network of protected areas for agricultural and agro-industrial development to ensure that lands are efficiently and sustainably utilized for food and non-food production and agro-industrialization. The SAFDZ which shall serve as centers where development in the agriculture and fisheries sectors are catalyzed in an environmentally and socio-culturally sound manner, shall be identified on the basis of the following criteria:

- a) Agro-climatic and environmental conditions giving the area a competitive advantage in the

cultivation, culture, production and processing of particular crops, animals and aquatic products;

- b) Strategic location of the area for the establishment of agriculture or fisheries infrastructure, industrial complexes, production and processing zones;
- c) Strategic location of the area for market development and market networking both at the local and international levels; and
- d) Dominant presence of agrarian reform communities (ARCs) and/or small owner-cultivators and amortizing owners/agrarian reform beneficiaries and other small farmers and fisherfolk in the area.

The SAFDZ shall have an integrated development plan consisting of production, processing, investment, marketing, human resources and environmental protection components.

**SECTION 7. *Model Farms.*** — The Department, in coordination with the local government units (LGUs) and appropriate government agencies, may designate agrarian reform communities (ARCs) and other areas within the SAFDZ suitable for economic scale production which will serve as model farms. Farmer-landowners whose lands are located within these designated areas shall be given the option to enter into a management agreement with corporate entities with proven competence in farm operations and management, high-end quality production and productivity through the use of up-to-date technology and collateral resources such as skilled manpower, adequate capital and credit, access to markets, consistent with existing laws.

**SECTION 8. *Mapping.*** — The Department, through the Bureau of Soils and Water Management (BSWM), in coordination with the National Mapping and Resource Information Authority (NAMRIA) and the Housing and Land Use Regulatory Board (HLURB) shall undertake the mapping of the network of areas for agricultural and agro-industrial development for all municipalities, cities at an appropriate scale. The BSWM may call on other agencies to provide technical and other logistical support in this undertaking.

**SECTION 9. *Delineation of Strategic Agriculture and Fisheries Development Zones.*** — The Department, in consultation with the Department of Agrarian Reform, the Department of Trade and Industry, the Department of Environment and Natural Resources, Department of Science and Technology, the concerned LGUs, the organized farmers and fisherfolk groups, the private sector and communities shall, without prejudice to the development of identified economic zones and free ports, establish and delineate, based on sound resource accounting, the SAFDZ within one (1) year from the effectivity of this Act. All irrigated lands, irrigable lands already covered by irrigation projects with firm funding commitments, and lands with existing or having the potential for growing high-value crops so delineated and included within the SAFDZ shall not be converted for a period of five (5) years from the effectivity of this Act: Provided, however, That not more than five percent (5%) of the said lands located within the SAFDZ may be converted upon compliance with existing laws, rules, regulations, executive orders and issuances, and administrative orders relating to land use conversion: Provided, further, That thereafter: 1) a

review of the SAFDZ, specifically on the productivity of the areas, improvement of the quality of life of farmers and fisherfolk, and efficiency and effectiveness of the support services shall be conducted by the Department and the Department of Agrarian Reform, in coordination with the Congressional Oversight Committee on Agricultural and Fisheries Modernization; 2) conversion may be allowed; if at all, on a case-to-case basis subject to existing laws, rules, regulations, executive orders and issuances, and administrative orders governing land use conversion; and, 3) in case of conversion, the land owner will pay the Department the amount equivalent to the government's investment cost including inflation.

**SECTION 10. *Preparation of Land Use and Zoning Ordinance.*** — Within one (1) year from the finalization of the SAFDZ, in every city and municipality, all cities and municipalities shall have prepared their respective land use and zoning ordinance incorporating the SAFDZ, where applicable. Thereafter, all land use plans and zoning ordinances shall be updated every four (4) years or as often as may be deemed necessary upon the recommendation of the Housing and Land Use Regulatory Board and must be completed within the first year of the term of the mayor. If the cities/municipalities fail to comply with the preparation of zoning and land use plans, the DILG shall impose the penalty as provided for under Republic Act No. 7160.

**SECTION 11. *Penalty for Agricultural Inactivity and Premature Conversion.*** — Any person or juridical entity who knowingly or deliberately causes any irrigated agricultural lands seven (7) hectares or

larger, whether contiguous or not, within the protected areas for agricultural development, as specified under Section 6 in relation to Section 9 of this Act, to lie idle and unproductive for a period exceeding one (1) year, unless due to force majeure, shall be subject to an idle land tax of Three Thousand Pesos (P3,000.00) per hectare per year. In addition, the violator shall be required to put back such lands to productive agricultural use. Should the continued agricultural inactivity, unless due to force majeure, exceed a period of two (2) years, the land shall be subject to escheat proceedings.

Any person found guilty of premature or illegal conversion shall be penalized with imprisonment of two (2) to six (6) years, or a fine equivalent to one hundred percent (100%) of the government's investment cost, or both, at the discretion of the court, and an accessory penalty of forfeiture of the land and any improvement thereon.

In addition, the DAR may impose the following penalties, after determining, in an administrative proceedings, that violation of this law has been committed:

- a) Cancellation or withdrawal of the authorization for land use conversion; and
- b) Blacklisting, or automatic disapproval of pending and subsequent conversion applications that they may file with the DAR.

**SECTION 12. *Protection of Watershed Areas.*** — All watersheds that are sources of water for existing and potential irrigable areas and recharge areas of major aquifers identified by the Department of Agriculture

and the Department of Environment and Natural Resources shall be preserved as such at all times.

## **CHAPTER 2**

### **AGRICULTURE AND FISHERIES MODERNIZATION PLAN**

**SECTION 13. *Agriculture and Fisheries Modernization Plan (AFMP).*** — The Department, in consultation with the farmers and fisherfolk, the private sector, NGOs, people's organizations and the appropriate government agencies and offices shall formulate and implement a medium- and long-term comprehensive Agriculture and Fisheries Modernization Plan.

The Agriculture and Fisheries Modernization Plan shall focus on five (5) major concerns:

- a) Food security;
- b) Poverty alleviation and social equity;
- c) Income enhancement and profitability, especially for farmers and fisherfolk;
- d) Global competitiveness; and
- e) Sustainability.

**SECTION 14. *Food Security, Poverty Alleviation, Social Equity and Income Enhancement.*** — The Department, in coordination with other concerned departments or agencies, shall formulate medium- and long-term plans addressing food security, poverty alleviation, social equity and income enhancement concerns based on, but not limited to, the following goals and indicators of development:

- a) Increased income and profit of small farmers and fisherfolk;
- b) Availability of rice and other staple foods at affordable prices;

- c) Reduction of rural poverty and income inequality;
- d) Reduction of the incidence of malnutrition;
- e) Reduction of rural unemployment and underemployment; and
- f) Improvement in land tenure of small farmers.

**SECTION 15. *Global Competitiveness and Sustainability.*** — The Department shall formulate medium- and long-term plans aimed at enhancing the global competitiveness and sustainability of the country in agriculture and fisheries based on, but not limited to, the following goals and indicators of development:

- a) Increase in the volume, quality and value of agriculture and fisheries production for domestic consumption and for exports;
- b) Reduction in post-harvest losses;
- c) Increase in the number/types and quality of processed agricultural and fishery products;
- d) Increase in the number of international trading partners in agriculture and fishery products;
- e) Increase in the number of sustainable agriculture and fisheries firms engaged in domestic production, processing, marketing and export activities;
- f) Increase in and wider level of entrepreneurship among farmers and fisherfolk in the area;
- g) Increase in the number of farms engaged in diversified farming; and,
- h) Reduced use of agro-chemicals that are harmful to health and the environment.

**SECTION 16. *Global Climate Change.*** — The Department, in coordination with the Philippine Atmospheric, Geophysical and Astronomical Service Administration (P.A.G.A.S.A.) and such other

appropriate government agencies, shall devise a method of regularly monitoring and considering the effect of global climate changes, weather disturbances, and annual productivity cycles for the purpose of forecasting and formulating agriculture and fisheries production programs.

**SECTION 17. *Special Concerns.*** — The Department shall consider the following areas of concerns, among others, in formulating the AFMP:

a) Strategies and programs aimed to achieve growth and profitability targets in the context of the constraints and challenges of the World Trade Organization (WTO);

a) Programs arising from the implementation of the Agrarian Reform Program;

b) Identification of SAFDZ;

c) Infrastructure and market support for the SAFDZs;

d) Infrastructure support to make agriculture and fisheries production inputs, information and technology readily available to farmers, fisherfolk, cooperatives and entrepreneurs;

e) Credit programs for small farmers and fisherfolk, and agricultural graduates;

f) Comprehensive and integrated agriculture and fisheries research, development and extension services;

g) Preservation of biodiversity, genetic materials and the environment;

i) Adequate and timely response against environmental threats to agriculture and fisheries;

j) Rural non-farm employment;

k) Access to aquatic resources by fisherfolk;

l) Basic needs program for the impoverished sectors of society who will be affected by liberalization;

m) Indigenous peoples;

- n) Rural youth;
- o) Women;
- p) Handicapped persons; and
- q) Senior citizens.

**SECTION 18. *Monitoring and Evaluation.*** — The Department shall develop the capability of monitoring the AFMP through a Program Benefit Monitoring and Evaluation System (PBMEs). In addition, it can secure the services of independent consultants and external evaluators in order to assess its over-all impact. The Department shall make periodic reports to the Congressional Oversight Committee on Agriculture and Fisheries Modernization.

**SECTION 19. *Role of Other Agencies.*** — All units and agencies of the government shall support the Department in the implementation of the AFMP. In particular, the Department of Public Works and Highways shall coordinate with the Department with respect to the infrastructure support aspect of the plan in order to accomplish networking of related infrastructure facilities.

The Department of Interior and Local Government shall provide assistance to the Department in mobilizing resources under the control of local government units.

The Departments of Trade and Industry, Agrarian Reform, Science and Technology, and Environment and Natural Resources shall coordinate their investment programs and activities to complement the Department's implementation of the AFMP.

The Department of Education, Culture and Sports, the Technical Education and Skills Development Authority, the Department of Health and the Department of Social Services and Development shall coordinate with the Department to determine the financial requirements of small farmers and fisherfolk to adjust to the effects of modernization as envisioned in the Agriculture and Fisheries Modernization Plan.

The Department of Environment and Natural Resources shall provide technical assistance and advice on the delineation of the SAFDZ and on the development of the Department's environmental protection plans.

The departments referred to above shall be required to identify in their budget proposals the allocation intended for the improvement of the environmental and other conditions affecting agriculture and fisheries.

Congressional initiatives shall also be coordinated by the Committees on Agriculture of both Houses to complement and enhance the programs and activities of the Department in the implementation of the AFMP.

### CHAPTER 3 : CREDIT

**SECTION 20. *Declaration of Policy.*** — It is hereby declared the policy of the State to alleviate poverty and promote vigorous growth in the countryside through access to credit by small farmers, fisherfolk, particularly the women involved in the production, processing and trading of agriculture and fisheries products and the small and medium scale enterprises

(SMEs) and industries engaged in agriculture and fisheries. Interest rates shall be determined by market forces, provided that existing credit arrangements with agrarian reform beneficiaries are not affected. Emphasis of the credit program shall be on proper management and utilization.

In this regard, the State enjoins the active participation of the banking sector and government financial institutions in the rural financial system.

**SECTION 21. *Phase-out of the Directed Credit Programs (DCPs) and Provision for the Agro-Industry Modernization Credit and Financing Program (AMCFP).*** — The Department shall implement existing DCPs; however, the Department shall, within a period of four (4) years from the effectivity of this Act, phase-out all DCPs and deposit all its loanable funds including those under the Comprehensive Agricultural Loan Fund (CALF) including new funds provided by this Act for the AMCFP and transfer the management thereof to cooperative banks, rural banks, government financial institutions and viable NGOs for the Agro-Industry Modernization Credit Financing Program (AMCFP). Interest earnings of the said deposited loan funds shall be reverted to the AMCFP.

**SECTION 22. *Coverage.*** — An agriculture, fisheries and agrarian reform credit and financing system shall be designed for the use and benefit of farmers, fisherfolk, those engaged in food and non-food production, processing and trading, cooperatives, farmers'/fisherfolk's organization, and SMEs engaged in agriculture and fisheries, hereinafter referred to in this chapter as the "beneficiaries."

**SECTION 23. *Scope of the Agro-Industry Modernization Credit and Financing Program (AMCFP).*** — The Agro-industry Modernization Credit and Financing Program shall include the packaging and delivery of various credit assistance programs for the following:

- a) Agriculture and fisheries production including processing of fisheries and agri-based products and farm inputs;
- b) Acquisition of work animals, farm and fishery equipment and machinery;
- c) Acquisition of seeds, fertilizer, poultry, livestock, feeds and other similar items;
- d) Procurement of agriculture and fisheries products for storage, trading, processing and distribution;
- e) Acquisition of water pumps and installation of tube wells for irrigation;
- f) Construction, acquisition and repair of facilities for production, processing, storage, transportation, communication, marketing and such other facilities in support of agriculture and fisheries;
- g) Working capital for agriculture and fisheries graduates to enable them to engage in agriculture and fisheries-related economic activities;
- h) Agribusiness activities which support soil and water conservation and ecology-enhancing activities;
- i) Privately-funded and LGU-funded irrigation systems that are designed to protect the watershed;
- j) Working capital for long-gestating projects; and
- k) Credit guarantees on uncollaterized loans to farmers and fisherfolk.

**SECTION 24. *Review of the mandates of Land Bank of the Philippines,*** Philippine Crop Insurance

Corporation, Guarantee Fund For Small and Medium Enterprises, Quedan and Rural Credit Guarantee Corporation, Agricultural Credit Policy Council. — The Department of Finance shall commission an independent review of the charters and the respective programs of the Land Bank of the Philippines (LBP), Philippine Crop Insurance Corporation (PCIC), Guarantee Fund for Small and Medium Enterprises (GFSME), Quedan and Rural Credit Guarantee Corporation (Quedancor), and Agricultural Credit Policy Council (ACPC), and recommend policy changes and other measures to induce the private sector's participation in lending to agriculture and to improve credit access by farmers and fisherfolk: Provided, That agriculture and fisheries projects with long gestation period shall be entitled to a longer grace period in repaying the loan based on the economic life of the project. The Land Bank of the Philippines, shall, in accordance with its original mandate, focus primarily on plans and programs in relation to the financing of agrarian reform and the delivery of credit services to the agriculture and fisheries sectors, especially to small farmers and fisherfolk. The review shall start six (6) months after the enactment of this Act. Thereafter, the review shall make recommendations to the appropriate Congressional Committees for possible legislative actions and to the Executive Branch for policy and program changes within six (6) months after submission.

**SECTION 25. *Rationalization of Credit Guarantee Schemes and Funds.*** — All existing credit guarantee schemes and funds applicable to the agriculture and fishery sectors shall be rationalized and consolidated into an Agriculture and Fisheries Credit Guarantee Fund. The rationalization and consolidation shall

cover the credit guarantee schemes and funds operated by the Quedancor, the GFSME and the Comprehensive Agricultural Loan Fund. The Agriculture and Fisheries Credit Guarantee Fund shall be managed and implemented by the Quedancor: Provided, That representation to the Quedancor Board shall be granted to cooperatives, local government units and rural financial institutions: Provided, further, That credit guarantee shall be given only to small-scale agriculture and fisheries activities and to countryside micro-, small, and medium enterprises. It may also cover loan guarantees for purchase orders and sales contracts.

The Agriculture and Fisheries Credit Guarantee Fund shall be funded by at least ten percent (10%) of the funding allocation for the AMCFP.

#### CHAPTER 4 : IRRIGATION

**SECTION 26. *Declaration of Policy.*** — It is the policy of the State to use its natural resources rationally and equitably. The State shall prevent the further destruction of watersheds, rehabilitate existing irrigation systems and promote the development of irrigation systems that are effective, affordable, appropriate, and efficient.

In the choice of location-specific irrigation projects, the economic principle of comparative advantage shall always be adhered to.

**SECTION 27. *Research and Development.*** — Irrigation Research and Development (R&D) shall be pursued and priority shall be given to the development of effective, appropriate and efficient irrigation and water management technologies.

The Department shall coordinate with the Department of Environment and Natural Resources concerning the preservation and rehabilitation of watersheds to support the irrigation systems.

**SECTION 28. *Criteria for Selection of Irrigation Development Scheme.*** — The selection of appropriate scheme of irrigation development shall be location-specific and based on the following criteria:

- a) Technical feasibility;
- b) Cost-effectiveness;
- c) Affordability, low investment cost per unit area;
- d) Sustainability and simplicity of operation;
- e) Recovery of operation and maintenance cost;
- f) Efficiency in water use;
- g) Length of gestation period; and
- h) Potential for increasing unit area productivity.

All irrigation projects shall, in addition to the criteria enumerated above, be subjected to a social cost-benefit analysis.

**SECTION 29. *Simplified Public Bidding.*** — The construction, repair, rehabilitation, improvement, or maintenance of irrigation projects and facilities shall follow the Commission on Audit (COA) rules on simplified public bidding.

Irrigation projects undertaken by farmers, farmers' organizations and other private entities whose funding is

partly or wholly acquired by way of loan from government financial institutions shall not be subject to the bidding requirements of the government.

**SECTION 30. *National Irrigation Systems (NIS).*** — The National Irrigation Administration (NIA) shall continue to plan, design, develop rehabilitate and improve the NISs. It shall continue to maintain and operate the major irrigation structures including the headworks and main canals.

In addition, the NIA is mandated to gradually turn over operation and maintenance of the National Irrigation System's secondary canals and on-farm facilities to Irrigators' Associations.

**SECTION 31. *Communal Irrigation Systems (CIS).*** — The Department shall, within five (5) years from the effectivity of this Act, devolve the planning, design, and management of CISs, including the transfer of NIA's assets and resources in relation to the CIS, to the LGUs. The budget for the development, construction, operation and maintenance of the CIS and other types of irrigation systems shall be prepared by and coursed through the LGUs. The NIA shall continue to provide technical assistance to the LGUs even after complete devolution of the Irrigation Systems to the LGUs, as may be deemed necessary.

**SECTION 32. *Minor Irrigation Schemes.*** — The Department shall formulate and develop a plan for the promotion of a private sector-led development of minor irrigation systems, such as Shallow Tube Wells (STWs), Low-Lift pumps (LLPs) and other inundation systems. The plan shall be included in the Short-term Agriculture and Fisheries Modernization Plan.

**SECTION 33. *Other Irrigation Construction Schemes.*** — The Government shall also encourage the construction of irrigation facilities through other viable

schemes for the construction of irrigation such as build-operate-transfer, build-transfer and other schemes that will fast-track the development of irrigation systems.

**SECTION 34. *Guarantee of the National Government.*** — To make build-operate-transfer (BOT) projects for irrigation attractive to proponents, the national government shall issue the needed payment guarantee for BOT projects which shall answer for default of the National Irrigation Administration. Such amounts needed to answer for the payment guarantee is hereby to be appropriated.

**SECTION 35. *Irrigation Service Fees (ISF).*** — Upon effectivity of this Act, the NIA shall immediately review the ISF rates and recommend to the Department reasonable rates within six (6) months from the effectivity of this Act.

**SECTION 36. *Monitoring and Evaluation.*** — The Department shall monitor the implementation of R & D programs and irrigation projects. The Department shall review all existing irrigation systems every four (4) years, to determine their viability or ineffectiveness. The Department shall employ the services of independent evaluators to assess the over-all impact of the country's irrigation development.

**SECTION 37. *Exemption from Election Ban.*** — The repair, maintenance and rehabilitation of irrigation facilities as well as BOT irrigation projects shall be exempted from the scope of the election ban on public works.

## CHAPTER 5 INFORMATION AND MARKETING SUPPORT SERVICE

**SECTION 38. *Declaration of Policy.*** — It is hereby declared the policy of the State to empower Filipino farmers and fisherfolk, particularly the women, involved in agriculture and fisheries through the provision of timely, accurate and responsive business information and efficient trading services which will link them to profitable markets for their products. They shall likewise be given innovative support toward the generation of maximum income through assistance in marketing.

**SECTION 39. *Coverage.*** — A market information system shall be installed for the use and benefit of, but not limited to, the farmers and fisherfolk, cooperatives, traders, processors, the LGUs and the Department.

**SECTION 40. *The Marketing Assistance System.*** — The Department shall establish a National Marketing Assistance Program that will immediately lead to the creation of a national marketing umbrella in order to ensure the generation of the highest possible income for the farmers and fisherfolk or groups of farmers and fisherfolk, matching supply and demand in both domestic and foreign markets.

**SECTION 41. *National Information Network.*** — A National Information Network (NIN) shall be set up from the Department level down to the regional, provincial and municipal offices within one (1) year from the approval of this Act taking into account existing information networks and systems. The NIN shall likewise link the various research institutions for easy access to data on agriculture and fisheries

research and technology. All departments, agencies, bureaus, research institutions, and local government units shall consolidate and continuously update all relevant information and data on a periodic basis and make such data available on the Internet.

**SECTION 42. *Information and Marketing Service.*** —

The NIN shall provide information and marketing services related to agriculture and fisheries which shall include the following:

- a) Supply data;
- b) Demand data;
- c) Price and price trends;
- d) Product standards for both fresh and processed agricultural and fisheries products;
- e) Directory of, but not limited to, cooperatives, traders, key market centers, processors and business institutions concerned with agriculture and fisheries at the provincial and municipal levels;
- f) Research information and technology generated from research institutions involved in agriculture and fisheries;
- g) International, regional and local market forecasts; and
- h) Resource accounting data.

**SECTION 43. *Initial Set-up.*** — The Department shall provide technical assistance in setting-up the NIN at the local level through the cooperatives and the LGUs: Provided, That, at the local level, a system that will make marketing information and services related to agriculture and fisheries will be readily available in the city/municipal public market for the benefit of the producers, traders and consumers.

**SECTION 44. *Role of Government Agencies.*** — The Bureau of Agricultural Statistics will serve as the central information server and will provide technical assistance to end-users in accessing and analyzing market information and technology. The Department of Transportation and Communications shall provide technical and infrastructure assistance to the Department in setting up the NIN. LGUs shall coordinate with the Department for technical assistance in order to accelerate the establishment and training of information end-users in their respective jurisdictions.

The Cooperative Development Authority shall coordinate with the Department for technical assistance in order to provide training assistance to cooperatives in the use and analysis of market information and technology.

**SECTION 45. *Role of Private Sector.*** — The NIN shall likewise be accessible to the private sector engaged in agriculture and fisheries enterprises. The Department shall formulate guidelines and determine fees for private sector entities that use the NIN.

## **CHAPTER 6 : OTHER INFRASTRUCTURE**

**SECTION 46. *Agriculture and Fisheries Infrastructure Support Services.*** — The Department of Public Works and Highways, the Department of Transportation and Communications, the Department of Trade and Industry and the LGUs shall coordinate with the Department to address the Infrastructure requirements in accordance with this Act: Provided, That, the Department and the LGUs shall also strengthen its agricultural engineering groups to provide the necessary technical and engineering

support in carrying out the smooth and expeditious implementation of agricultural infrastructure projects.

**SECTION 47. *Criteria for Prioritization.*** — The prioritization of government resources for rural infrastructure shall be based on the following criteria:

- a) Agro-industrial potential of the area;
- b) Socio-economic contributions of the investments in the area;
- c) Absence of public investment in the area; and
- d) Presence of agrarian reform beneficiaries and other small farmers and fisherfolk in the area.

**SECTION 48. *Public Infrastructure Facilities.*** — Public infrastructure investments shall give preference to the kind, type, and model of infrastructure facilities that are cost-effective and will be useful for the production, conservation, and distribution of most commodities and should benefit the most number of agriculture and fisheries producers and processors.

**SECTION 49. *Private Infrastructure Facilities.*** — For infrastructure facilities primarily benefiting private investors, the State shall facilitate the purchase and use of such facilities and shall keep to the minimum the bureaucratic requirements for these types of investments. Private investors include cooperatives or corporations of agriculture and fisheries producers and processors.

**SECTION 50. *Public Works Act.*** — The Department of Public Works and Highways shall coordinate with the Department for the purpose of determining the order of priorities for public works funded under the Public Works Act which directly or indirectly affect agriculture and fisheries.

**SECTION 51. *Fishports, Seaports and Airports.*** — The Department of Transportation and Communications, Philippine Ports Authority and Philippine Fisheries Development Authority shall coordinate with the Department for the purpose of determining priority fishports, seaports and airports and facilitating the installation of bulk-handling and storage facilities, and other post-harvest facilities needed in order to enhance the marketing of agriculture and fisheries products: Provided, That fishports, seaports and airports are also equipped with quarantine, sanitary and phytosanitary centers. The Department of Transportation and Communications (DOTC) shall have the mandate to cancel arrastre and cargo handling franchises among operators whom it deems inefficient and/or ineffective owing, but not limited to, a past history of undercapitalization, lack of equipment and lack of professional expertise. The DOTC shall recommend to the Philippine Ports Authority and consult with ship-owners and ship-operators in assessing the cargo-handling capabilities of cargo operators prior to extending new franchises or awards.

**SECTION 52. *Farm-to-Market Roads.*** — The Department shall coordinate with the LGUs and the resident-farmers and fisherfolk in order to identify priority locations of farm-to-market roads that take into account the number of farmers and fisherfolk and their families who shall benefit therefrom and the amount, kind and importance of agricultural and fisheries products produced in the area. Construction of farm-to-market roads shall be a priority investment of the LGUs which shall provide a counterpart of not less than ten percent (10%) of the project cost subject to their IRA level.

**SECTION 53. *Rural Energy.*** — The Department shall coordinate with the Department of Energy (DOE), the Department of Public Works and Highways (DPWH), the National Electrification Administration (NEA) and the National Power Corporation (NAPOCOR) for the identification and installation of appropriate types of energy sources particularly in the use of non-conventional energy sources for the locality in order to enhance agriculture and fisheries development in the area.

**SECTION 54. *Communications Infrastructure.*** — The Department shall coordinate with the DOTC to facilitate the installation of telecommunication facilities in priority areas, in order to enhance agriculture and fisheries development.

**SECTION 55. *Water Supply System.*** — The Department shall coordinate with the DPWH and the LGUs for the identification and installation of water supply system in the locality for agro-industrial uses to enhance agriculture and fisheries development in the area.

**SECTION 56. *Research and Technology Infrastructure.*** — The Department in coordination with other government agencies shall give priority and facilitate the funding of infrastructure necessary for research ventures such as farm laboratories and demonstration farms with state colleges and universities that derive their core funds from the Department.

**SECTION 57. *Post-Harvest Facilities.*** — The Department shall coordinate with the Bureau of Post-Harvest for Research and Extension and the Post-harvest Horticulture, Training and Research Center of

the University of the Philippines Los Baños, to identify appropriate post-harvest facilities and technology needed to enhance agriculture and fisheries development in the area.

**SECTION 58. *Public Market and Abattoirs.*** — The Department shall encourage the LGUs to turn over the management and supervision of public markets and abattoirs to market vendors' cooperatives and for that purpose, the appropriation for post-harvest facilities shall include the support for market vendors' cooperatives. The Department shall coordinate with the LGUs in the establishment of standardized market systems and use of sanitary market facilities, and abattoirs, intended to ensure food safety and quality. All markets shall have a sanitation unit, proper and adequate drainage and sewerage system, ample water supply, public toilets with lavatories, garbage receptacles, ice plants and cold storage, adequate lighting and ventilation and supply of electricity to ensure cleanliness and sanitation. Price monitoring bulletin boards for selected commodities and weighing scales accessible to the public shall also be established.

Proper protection and preservation of agriculture and fisheries products being sold in the market shall also be observed. All foods which require no further cooking shall be wrapped, covered, or enclosed in containers to preserve the freshness and prevent contamination. Selling of products on market floors shall be prohibited.

**SECTION 59. *Agricultural Machinery.*** — The Department shall give priority to the development and promotion of appropriate agricultural machinery and other agricultural mechanization technologies to

enhance agricultural mechanization in the countryside.

## **CHAPTER 7: PRODUCT STANDARDIZATION AND CONSUMER SAFETY**

**SECTION 60. *Declaration of Policy.*** — It is the policy of the State that all sectors involved in the production, processing, distribution and marketing of food and non-food agricultural and fisheries products shall adhere to, and implement the use of product standards in order to ensure consumer safety and promote the competitiveness of agriculture and fisheries products.

**SECTION 61. *Bureau of Agriculture and Fisheries Product Standards.*** — The Department, within six (6) months after the approval of this Act, and in consultation with the Department of Trade and Industry and the Bureau of Food and Drug, shall establish the Bureau of Agriculture and Fisheries Product Standards (BAFPS).

**SECTION 62. *Coverage.*** — The BAFPS shall set and implement standards for fresh, primary- and secondary-processed agricultural and fishery products.

**SECTION 63. *Powers and Functions.*** — The BAFPS shall have the following powers and functions:

- a) Formulate and enforce standards of quality in the processing, preservation, packaging, labeling, importation, exportation, distribution, and advertising of agricultural and fisheries products;

- b) Conduct research on product standardization, alignment of the local standards with the international standards; and,
- c) Conduct regular inspection of processing plants, storage facilities, abattoirs, as well as public and private markets in order to ensure freshness, safety and quality of products.

**SECTION 64. *Pool of Experts and Advisers.*** — The BAFPS may coordinate, seek the services of, and consult with both private and governmental agencies, research institutes, educational establishments and such other individuals and entities with expertise in the field of product standards and consumer safety. The Department of Trade and Industry, the Food and Nutrition Research Institute, and the Bureau of Food and Drug Administration shall provide technical advice and form part of the pool of experts/advisers of the BAFPS.

## **Title 2 : HUMAN RESOURCE DEVELOPMENT**

**SECTION 65. *Declaration of Policy.*** — It is hereby declared the policy of the State to give priority to education and training on science and technology in order to accelerate social progress and promote total human liberation and development. The State shall promote industrialization and full employment, based on sound agriculture and fisheries development and agrarian reform, through industries that make full and efficient use of human and natural resources.

**SECTION 66. *National Agriculture and Fisheries Education System (NAFES).*** — The Commission on Higher Education (CHED), in coordination with the

Department and appropriate government agencies, shall establish a National Agriculture and Fisheries Education System (NAFES) which shall have the following objectives:

- a) To establish, maintain and support a complete and integrated system of agriculture and fisheries education relevant to the needs of the economy, the community and society;
- b) To modernize and rationalize agriculture and fisheries education from the elementary to the tertiary levels;
- c) To unify, coordinate and improve the system of implementation of academic programs that are geared toward achieving agriculture and fisheries development in the country; and,
- d) To upgrade the quality, ensure sustainability and promote global competitiveness, at all levels, of agriculture and fisheries education.

**SECTION 67. *Education Program for Elementary and Secondary Levels.*** — There is hereby established an Agriculture and Fisheries Education Program, under the NAFES, specially designed for elementary and secondary levels. The program shall be formulated, organized and implemented by the DECS with the following objectives:

- a) to develop appropriate values that form the foundation for sustained growth in agriculture and fisheries modernization;
- b) to increase the attractiveness of agriculture and fisheries education, so that more young and talented persons will look at agriculture and fisheries as an acceptable option for career and livelihood;

- c) to promote appreciation of science in agriculture and fisheries development;
- d) to develop among students, positive attitudes towards entrepreneurship and global competition in the agriculture and fisheries business;
- e) to improve the present curriculum in the elementary and secondary levels by emphasizing the core values necessary for agriculture and fisheries modernization; and
- f) to develop an outreach program where students, parents and the schools become instruments in effecting positive changes in the pupil's home and community.

**SECTION 68. *Post-Secondary Education Program.*** —

There is hereby established a Post-Secondary Education Program for Agriculture and Fisheries under the NAFES, which shall be formulated and developed by TESDA in coordination with the appropriate government agencies and the private sector. The program shall include, among others, the following:

- a) a mechanism for a flexible process of curriculum development;
- b) integration of the dual training system in the various agricultural curricula and training programs;
- c) integration of entrepreneurship and global competitiveness in the agro-fisheries curricula;
- d) institutionalizing agriculture and fisheries skills standards and technician testing and certification;
- e) regular upgrading of learning/training facilities, school buildings, laboratory equipment; and

- f) development of a system for the strict enforcement of school regulations regarding standards and requirements.

**SECTION 69. *Network of National Centers of Excellence for Tertiary Education.*** — There is hereby established a Network of National Centers of Excellence in Agriculture and Fisheries Education, composed of qualified public and private colleges and universities, duly accredited as National Centers of Excellence (NCE) in the field of agriculture and fisheries. For this purpose, the CHED shall formulate and implement a system of accreditation: Provided, That not more than one provincial institute in every province and no more than one national university in each field in every region shall be accredited as such: and Provided, further, That the system shall be based on the following criteria:

- a) institutional accessibility, population, economic contribution of agriculture and fisheries in the community, and the needs or unique requirements of the area;
- b) quantity and quality of research studies conducted;
- c) degree of utilization of research results;
- d) quantity and quality of faculty members;
- e) type of facilities;
- f) linkage with international organizations; and
- g) potential contribution to agriculture and fisheries development in the target area.

**SECTION 70. *Rationalization Plan.*** — For the purpose of upgrading and maintaining a high degree of academic excellence in the fields of agriculture and fisheries, all existing public and private colleges and universities that are not hereinafter designated and

accredited as centers of excellence shall be given adequate time to redirect its program to non-agriculture and/or non-fisheries areas needed by the province or region and/or merge their program with accredited NCEs in accordance with the Rationalization Plan to be jointly formulated by CHED and the Philippine Association of State Universities and Colleges (PASUC) upon consultation with the institution concerned.

The Rationalization Plan shall include a policy for the effective utilization of affected personnel and facilities, and shall not be construed as to result in the decrease of the budget allocation for the state universities and colleges concerned.

**SECTION 71. *Counterpart Funding from LGUs.*** — The LGUs shall, within two (2) years from the effectivity of this Act, provide at least ten percent (10%) of the Maintenance and Other Operating Expenses (MOOE) budget for the operation of the provincial institutes within their area of responsibility. In consultation with the LGUs, the CHED shall develop a provincial-national partnership scheme for a reasonable sharing of financial support taking into account social equity factors for poor provinces.

**SECTION 72. *National Integrated Human Resource Development Plan in Agriculture and Fisheries.*** — The CHED, in coordination with the Department and appropriate government agencies, shall formulate, develop and implement an integrated human resource development plan in agriculture and fisheries which shall serve as an instrument that will provide over-all direction in setting priorities in curricular programs, enrollment, performance targets, and investment programs.

**SECTION 73. *Output-Oriented Performance Standards.*** — In order to ensure institutional accountability, efficiency, and quality, there shall be formulated and developed an Output-Oriented Performance Standards which shall serve as the primary instrument for institutional evaluation.

For this purpose, all public and private universities and colleges, that are designed as centers of excellence, shall cause to be installed a computerized monitoring and evaluation system that periodically collects and regularly measures variables indicating institutional performance based on the Output-Oriented Performance Standards.

**SECTION 74. *Evaluation System.*** — Not later than one (1) year from the effectivity of this Act, the CHED shall establish a baseline information using the Output-Oriented Performance Standards referred to in Section 73 of this Title. Once every five (5) years thereafter, all designated NCEs in agriculture and fisheries shall be subject to a third party evaluation. The evaluation shall include, among others, management and educational experts of national stature and representatives of key sectors of the agriculture and fisheries industries, as well as representatives of the Department, the Department of Environment and Natural Resources, the Department of Science and Technology, and the National Economic and Development Authority.

**SECTION 75. *Agriculture and Fisheries Board.*** — There shall be created an Agriculture and Fisheries Board in the Professional Regulation Commission to upgrade the Agriculture and Fisheries profession.

Those who have not passed the Civil Service Examination for Fisheries and Agriculture but have served the industry in either private or public capacity for not less than five (5) years shall be automatically granted eligibility by the Board of Examiners.

The first board of examination for B.S. Fisheries and/or Agriculture Graduates shall be conducted within one (1) year from the approval of this Act.

**SECTION 76. *Continuing Agriculture and Fisheries Education Program.*** — The Commission on Higher Education, the Department of Education, Culture and Sports and Technical Education and Skills Development Authority, in coordination with the Department and the public and private universities and colleges, shall formulate and develop a National and Integrated Continuing Agriculture and Fisheries Education Program, which shall address the current education and training requirements of teachers, professors and educators in agriculture and fisheries.

For this purpose, pre-service and in-service training of teachers in Home Economics Livelihood Education (HELE) for the primary level and Technology and Home Economics (THE) for the secondary level, shall be upgraded.

**SECTION 77. *Scholarship Program.*** — The CHED, in coordination with public and private universities and colleges, TESDA and the DBM, shall develop a national scholarship program that provides opportunities for deserving academic staff to pursue advanced degrees in agriculture and fisheries. Where appropriate, such scholarship program shall also provide opportunities for graduate work in foreign universities.

**SECTION 78. *Merit System.*** — To promote the development of scientific excellence and academic scholarship, the public and private universities and colleges, in cooperation with the CHED and the DBM, shall institute an output-oriented unified system of promotion for academic personnel.

**SECTION 79. *Budgetary Allocation Scheme.*** — The Budgetary Allocation Scheme for NAFES shall be as follows:

- a) The current appropriation or budgets of state universities and colleges, that are herein designated as NCEs, shall continue and shall be modified and adjusted in succeeding years in order to meet the standards of the rationalized programs of the institutions as approved by Congress and shall be included in the annual General Appropriations Act;
- b) NCEs that are created under this Act shall likewise be provided with budgetary support based on their programs and new staffing pattern as approved by DBM and shall be included in the annual General Appropriations Act.

### **Title 3: RESEARCH DEVELOPMENT AND EXTENSION**

#### **CHAPTER 1 : RESEARCH AND DEVELOPMENT**

**SECTION 80. *Declaration of Policy.*** — It is hereby declared the policy of the State to promote science and technology as essential for national development and progress. The State shall likewise give priority to research and development, invention, innovation, and their utilization and to science and

technology education, training, and services. In addition to appropriate and relevant technology, the State shall support indigenous and self-reliant scientific and technological capabilities, and their application to the country's productive system and national life.

**SECTION 81. *The National Research and Development System in Agriculture and Fisheries.*** —

The Department, in coordination with the Department of Science and Technology and other appropriate agencies and research institutions shall enhance, support and consolidate the existing National Research and Development System in Agriculture and Fisheries within six (6) months from the approval of this Act: Provided, That fisheries research and development shall be pursued separately from, but in close coordination with that of agriculture.

**SECTION 82. *Special Concerns in Agriculture and Fisheries Research Services.*** —

Agriculture and Fisheries Research and Development activities shall be multidisciplinary and shall involve farmers, fisherfolk and their organizations, and those engaged in food and non-food production and processing, including the private and public sectors. Research institutions and centers shall enjoy autonomy and academic freedom. The Department, in collaboration with the Department of Science and Technology and other appropriate agencies, shall harmonize its merit and output-oriented promotion system governing the scientific community in order to promote increased research excellence and productivity and provide the government research system a competitive edge in retaining its scientific personnel.

Appropriate technology shall be used to protect the environment, reduce cost of production, improve product quality and increase value-added for global competitiveness.

**SECTION 83. *Funds for Research and Development.***

— Considering the nature of research, development and extension activities, funding shall be based on the following guidelines:

- a) Allocation of multi-year budgets which shall be treated as research and development grants.
- b) The budget for agriculture and fisheries research and development shall be at least one percent (1%) of the gross value added (GVA) by year 2001 allocating at least one percent (1%) of the total amount by 1999. The Department of Finance (DOF) in consultation with the Department shall formulate revenue enhancement measures to fund this facility.
- c) At least twenty percent (20%) shall be spent in support of basic research and not more than eighty percent (80%) shall be used for applied research and technology development, of which at least ten percent (10%) shall be used for technology packaging and transfer activities.
- d) A science fund shall be established from which the scientific community in agriculture and fisheries shall draw its financial resource for sustained career development: Provided, That only the interest earnings of the funds shall be used.

The Department and other research agencies, in the national interest, are encouraged to go into co-

financing agreements with the private sector in the conduct of research and development provided that the terms and conditions of the agreement are beneficial to the country.

**SECTION 84. *Excellence and Accountability in Research and Development.*** — The Department, in collaboration with the Department of Science and Technology and other appropriate government agencies, shall formulate the national guidelines in evaluating research and development activities and institutions, which shall involve an independent and interdisciplinary team of collegial reviewers and evaluators.

**SECTION 85. *Communication of Research Results and Research-Extension Linkage.*** — Research information and technology shall be communicated through the National Information Network (NIN).

All government agencies including the state colleges and universities and private educational institutions selected as NCEs shall be computerized, networked, provided with regular updated information, and shall likewise provide, through the NIN, results of research and development activities and current available technology relating agriculture and fisheries.

## CHAPTER 2 : EXTENSION SERVICES

**SECTION 86. *Declaration of Policy.*** — It is hereby declared the policy of the State to promote science and technology as essential for national development and progress. The State shall give priority to the utilization of research results through formal and non-formal education, extension and training services. It shall support the development of a

national extension system that will help accelerate the transformation of Philippine agriculture and fisheries from a resource-based to a technology-based industry.

**SECTION 87. *Extension Services.*** — Agriculture and Fisheries extension services shall cover the following major services to the farming and fishing community:

- a) Training services;
- b) Farm or business advisory services;
- c) Demonstration services; and
- d) Information and communication support services through tri-media.

**SECTION 88. *Special Concerns in the Delivery of Extension Services.*** — The delivery of Agriculture and Fisheries Extension Services shall be multidisciplinary and shall involve the farmers, fisherfolk, and their organizations, and those engaged in food and non-food production and processing, including the private and public sectors. There shall be a national merit and promotion system governing all extension personnel, regardless of source of funding, to promote professionalism and achieve excellence and productivity in the provision of the government extension services.

**SECTION 89. *The National Extension System for Agriculture and Fisheries (NESAF).*** — The Department, in coordination with the appropriate agencies, shall formulate a National Extension System for Agriculture and Fisheries. The National Extension System for Agriculture and Fisheries shall be composed of three (3) subsystems:

- a) The national government subsystem which directly complements;
- b) The local government subsystems; and
- c) The private sector subsystem.

**SECTION 90. *The Role of Local Government Units.*** —

The LGUs shall be responsible for delivering direct agriculture and fisheries extension services.

The provincial governments shall integrate the operations for the agriculture extension services and shall undertake an annual evaluation of all municipal extension programs. The extension program of state colleges and universities shall primarily focus on the improvement of the capability of the LGU extension service by providing:

- a) Degree and non-degree training programs;
- b) Technical assistance;
- c) Extension cum research activities;
- d) Monitoring and evaluation of LGU extension projects; and
- e) Information support services through the tri-media and electronics.

**SECTION 91. *Role of the Private Sector in Extension.*** —

The Department shall encourage the participation of farmers and fisherfolk cooperatives and associations and others in the private sector in training and other complementary extension services especially in community organizing, use of participatory approaches, popularization of training materials, regenerative agricultural technologies, agribusiness and management skills. The Department is hereby authorized to commission and provide funding for

such training and extension services undertaken by the private sector.

**SECTION 92. *The Role of Government Agencies.*** —

The Department, together with state colleges and universities shall assist in the LGU's extension system by improving their effectiveness and efficiency through capability-building and complementary extension activities such as:

- a) technical assistance;
- b) training of LGU extension personnel;
- c) improvement of physical facilities;
- d) extension cum research; and
- e) information support services.

**SECTION 93. *Funding for Extension Activities.*** —

Extension activities shall be supported by the following measures:

- a) allocation of multi-year budgets that shall be treated as grants;
- b) allow transfer of funds from the Department to the local government units as extension grants; and
- c) the budget for agriculture and fisheries extension services shall be at least one percent (1%) of the gross value added (GVA) by year 2001.

**SECTION 94. *Excellence and Accountability in Extension.*** —

The Department shall formulate the guidelines in evaluating extension activities and institutions, which shall involve an independent and interdisciplinary team of collegial reviewers and evaluators.

**SECTION 95. *Extension Communication Support for LGUs.*** —

The Department, in coordination with the

public and private universities and colleges, shall develop an integrated multimedia support for national and LGU extension programs. The Department shall assist the LGUs in the computerization of communication support services to clients and linkages to the NIN.

## **Title 4 : RURAL NON-FARM EMPLOYMENT**

### **CHAPTER 1**

**SECTION 96. *Declaration of Policy.*** — It is hereby declared the policy of the State to promote full employment. Economic history, however, shows that as an economy modernizes the number of workers employed in its agricultural sector declines. It is therefore necessary to formulate policies and implement programs that will employ workers efficiently in rural areas in order to improve their standard of living, and reduce their propensity to migrate to urban areas.

**SECTION 97. *Objectives.*** — Rural non-farm employment aims to:

- a) promote a basic needs approach to rural development;
- b) make rural workers more adaptable and flexible through education and training;
- c) promote rural industrialization and the establishment of agro-processing enterprises in rural communities; and
- d) increase the income of rural workers.

## CHAPTER 2 : THE BASIC NEEDS PROGRAM

**SECTION 98. *Principles.*** — The Department, in coordination with the appropriate government agencies, shall formulate the Basic Needs Program to create employment and cushion the effects of liberalization based on the following principles:

- a) No credit subsidies shall be granted. The normal rules of banking shall apply to all enterprises involved, provided that existing credit arrangements with ARBs shall not be affected.
- b) Enterprises can use training, information, advisory and related services of the Government free of charge.
- c) The participation of the private sector shall be voluntary.

Teams composed of specialists from government agencies and the private sectors shall develop pilot programs in selected locales to establish the planning, implementation and evaluation procedures.

**SECTION 99. *Participation of Government Agencies.*** — The replication of the program shall be the responsibility of the local government units concerned in collaboration with the appropriate government agencies, and the private sector. The local government units shall bear the costs of promoting and monitoring the basic needs program for which their IRA shall be increased accordingly as recommended by the Secretary of the Department: Provided, That the appropriate national government agencies shall continue to provide the necessary technical as well as financial assistance to the LGUs in the replication of the program. The Cooperatives

Development Authority shall encourage the establishment and growth of associations and cooperatives as vehicles for the stable expansion of basic needs enterprises. The Department of Education, Culture and Sports, Department of Health, and the Technical Education and Skills Development Authority shall coordinate with the Department and Congress in the review, rationalization and reallocation of their regular budgets as well as their budgets under the GATT-related measures fund to finance education, training, health and other welfare services for farmers and fisherfolk.

### **CHAPTER 3 : RURAL INDUSTRIALIZATION INDUSTRY DISPERSAL PROGRAM**

**SECTION 100. *Principles.*** — Rural industrialization and industry dispersal programs shall be based on the interplay of market forces. The Board of Investments (BOI) is hereby required to give the highest priority to the grant of incentives to business and industries with linkages to agriculture.

**SECTION 101. *Role of Government Agencies.*** — The appropriate government agencies, under the leadership of the LGUs concerned, shall provide integrated services and information to prospective enterprises under the one-stop-shop concept. Local government units are authorized to undertake investment and marketing missions provided that the costs of such missions are borne by the LGUs concerned. In making their land use plans, the LGUs, in consultation with the appropriate government agencies concerned, shall identify areas for industrial parks. The Department shall coordinate with the Department of Trade and Industry, in particular, the Board of Investments, in the formulation of investment

priorities for rural areas. The Regional Wage Boards shall consult participating enterprises in this program before they issue wage orders.

**SECTION 102. *Participating Enterprises.*** — Participating enterprises may request any government agency for training, technical and advisory services free of cost. A set of incentives shall be given to enterprises that subcontract part of their production to farmers, fisherfolk and landless workers during periods when they are not engaged in agricultural activities.

**SECTION 103. *Financing.*** — Except for basic infrastructure and other goods that benefit all citizens, the facilities of this program should be undertaken and financed by the private sector.

#### CHAPTER 4 : TRAINING OF WORKERS

**SECTION 104. *Role of TESDA.*** — TESDA shall organize local committees that will advise on the scope, nature and duration of training for the above-mentioned programs. TESDA is authorized to request the additional budgetary resources for these programs: Provided, That after a reasonable period, the task of coordinating the training is transferred to the LGUs concerned.

**SECTION 105. *Role of the DENR.*** — The Department and the DENR shall organize the training of workers in coastal resources management and sustainable fishing techniques.

**SECTION 106. *Role of the Technology and Livelihood Resource Center (TLRC).*** — The TLRC shall undertake field training in entrepreneurship and management of workers involved in the basic needs program.

**SECTION 107. *Special Training Projects for Women.*** —

The Department, in collaboration with the appropriate government agencies concerned, shall plan and implement special training projects for women for absorption in the basic needs and rural industrialization programs.

**Title 5 : TRADE AND FISCAL INCENTIVES**

**SECTION 108.** Taxation policies must not deter the growth of value-adding activities in the rural areas.

**SECTION 109.** All enterprises engaged in agriculture and fisheries as duly certified by the Department in consultation with the Department of Finance and the Board of Investment, shall, for five (5) years after the effectivity of this Act, be exempted from the payment of tariff and duties for the importation of all types of agriculture and fisheries inputs, equipment and machinery such as, but not limited to, fertilizer, insecticide, pesticide, tractor, trailers, trucks, farm implements and machinery, harvesters, threshers, hybrid seeds, genetic materials, sprayers, packaging machinery and materials, bulk-handling facilities such as conveyors and mini loaders, weighing scales, harvesting equipment, spare parts of all agricultural equipment, fishing equipment and parts thereof, refrigeration equipment, and renewable energy systems such as solar panels: Provided, however, That the imported agricultural and fishery inputs, equipment and machinery shall be for the exclusive use of the importing enterprise.

The Department, in consultation with the Department of Finance and the Board of Investment, shall, within ninety (90) days from the effectivity of this Act,

formulate the implementing rules and regulations governing the importation of agriculture and fishery inputs, equipment and machinery.

**SECTION 110.** Any person, partnership, corporation, association and other juridical entity found circumventing the provisions of Section 109 of this Act shall suffer the penalty of imprisonment for a period of not less than six (6) months but not more than one (1) year, or a fine equivalent to two hundred percent (200%) of the value of the imported materials, or both, at the discretion of the court, and the accessory penalties of confiscation of the imported goods in favor of the government and revocation of the privileges given under this title. In cases where the violator is a juridical entity, the officers responsible in the violation of Section 109 shall suffer the penalty of imprisonment prescribed in this section. The importation of goods equivalent to or exceeding the declared assets of the enterprise, partnership, or the authorized capital stock in case of corporations, and/or the resale of the imported goods shall be a prima facie evidence of the violation of the provisions of Section 109 of this Act.

## GENERAL PROVISIONS

**SECTION 111. *Initial Appropriation.*** — For the first year of implementation of this Act, the amount of Twenty billion pesos (20,000,000,000.00) is hereby appropriated. The Department is hereby authorized to re-align its appropriations in the current year of the date of effectivity of this Act to conform with the requirements of this Act: Provided, That the amount shall be allocated and disbursed as follows:

- 1) Thirty percent (30%) for irrigation;

- 2) Ten percent (10%) for post-harvest facilities:  
Provided, That the Secretary of Agriculture may invest up to fifty percent (50%) of the said amount to fund post-harvest facilities of cooperatives, especially market vendors' cooperatives, where said cooperatives exist and are operational: Provided, further, That if no cooperatives are operational, said amount shall fund the post-harvest facilities of the market-assistance system;
- 3) Ten percent (10%) for other infrastructure including fishports, seaports, and airports, farm-and-coast-to-market roads, rural energy, communications infrastructure, watershed rehabilitation, water supply system, research and technology infrastructure, public markets and abattoirs;
- 4) Ten percent (10%) for the Agro-industry Modernization Credit and Financing Program (AMCFP) to be deposited by the Department in participating rural-based public and private financial institutions provided that no less than fifty percent (50%) of said funds shall be deposited in rural banks and cooperative banks;
- 5) Eight percent (8%) for the implementation of the Farmer-Fisherfolk Marketing Assistance System and support of market vendors' cooperatives.
- 6) Ten percent (10%) for research and development, four percent (4%) of which shall be used to support the Biotechnology Program;
- 7) Five percent (5%) for capability-building of farmers and fisherfolk organizations and LGUs for the

effective implementation of the agriculture and fisheries programs at the local level;

- 8) Six percent (6%) for salary supplement of Extension Workers under the LGUs;
- 9) Five percent (5%) for NAFES, for the upgrading of the facilities of State Universities and Colleges that will be chosen as national centers of excellence in agriculture and fisheries education;
- 10) Four percent (4%) for the National Information Network (NIN) consisting of both the national and local levels;
- 11) One-and-three-fourth percent (1.75%) for SUC- and TESDA-administered Rural Non-Farm Employment Training; and
- 12) One-fourth percent (0.25%) for the identification of the SAFDZs.

**SECTION 112. *Continuing Appropriation.*** — The Department of Budget and Management (DBM) is hereby mandated to include annually in the next six (6) years, in the President's program of expenditures for submission to Congress, and release, an amount not less than Seventeen billion pesos (17,000,000,000.00), for the implementation of this Act.

Additional funds over and above the regular yearly budget of the Department shall be sourced from twenty percent (20%) of the proceeds of the securitization of government assets, including the Subic, Clark and other special economic zones.

Other sources of funds shall be from the following:

- a) Fifty Percent (50%) of the net earnings of the Public Estates Authority;
- b) Loans, grants, bequest, or donations, whether from local or foreign sources;
- c) Forty Percent (40%) of the TESDA Skills Development Fund;
- d) Net proceeds from the privatization of the Food Terminal, Inc. (FTI), the Bureau of Animal Industry (BAI), the Bureau of Plant Industry (BPI), and other assets of the Department that will be identified by the DA Secretary and recommended to the President for privatization;
- e) Proceeds from the Minimum Access Volume (MAV) in accordance with the provisions of Republic Act No. 8178;
- f) Poverty Alleviation Fund; and,
- g) Fifty Percent (50%) of the Support Facilities and Services Fund under Republic Act No. 6657.

**SECTION 113. *Implementing Rules and Regulations.*** —

The Secretary, within ninety (90) working days after the effectivity of this Act, together with the Department of Agrarian Reform (DAR), Department of Environment and Natural Resources (DENR), Department of Finance (DOF), Department of Science and Technology (DOST), Department of Trade and Industry (DTI), Commission on Higher Education (CHED), Technical Education and Skills Development Authority (TESDA), Department of Education, Culture and Sports (DECS), Department of Social Services and Development (DSSD), National Economic and Development Authority (NEDA), Department of Budget and Management (DBM),

Department of Labor and Employment (DOLE), Commission on Audit (COA), Civil Service Commission (CSC), in consultation with other agencies concerned, farmers, fisherfolk and agri-business organizations, and in coordination with the Congressional Oversight Committee on Agriculture and Fisheries Modernization, shall promulgate the rules and regulations for the effective implementation of this Act. The Secretary shall submit to the Committee on Agriculture of both Houses of Congress copies of the implementing rules and regulations within thirty (30) days after their promulgation. Any violation of this section shall render the official/s concerned liable under Republic Act No. 6713 otherwise known as the "Code of Conduct and Ethical Standards for Public Officials and Employees" and other existing administrative and/or criminal laws.

**SECTION 114. *Congressional Oversight Committee on Agricultural and Fisheries Modernization.*** — A Congressional Oversight Committee on Agricultural and Fisheries Modernization is hereby created to be composed of the Chairs of the Committee on Agriculture of both Houses, six (6) members of the House of Representatives and six (6) members of the Senate, to be designated respectively by the Speaker of the House and the President of the Senate, who shall endeavor to have the various sectors and regions of the country represented.

The Chairs of the Committees on Agriculture in the Senate and House of Representatives, shall be, respectively, the Chair and Co-Chair of the Oversight Committee. The other members shall receive no compensation; however, traveling and other necessary expenses shall be allowed. The Committee shall oversee and monitor the implementation of the

Congressional Commission on Agricultural Modernization (AGRICOM) recommendations as well as all programs, projects and activities related to agriculture and fisheries, and its allied concerns in both public and private sectors, with a view to providing all legislative support and assistance within the powers of Congress to ensure their inclusion, wherever feasible, in the national, regional, provincial, municipal, and sectoral development plans, to recommend the disposal of assets no longer needed by the Department to fund the modernization program, and to see them through their successful implementation.

**SECTION 115. *Powers and Functions of the Committee.***

— The Congressional Oversight Committee on Agriculture and Fisheries Modernization shall have the following powers and functions:

- a) Prescribe and adopt guidelines that will govern its work;
- b) Hold hearings, receive testimonies and reports pertinent to its specified concerns;
- c) Secure from any department, bureau, office or instrumentality of the Government such assistance as may be needed, including technical information, preparation and production of reports and submission of recommendations or plans as it may require;
- d) Summon by subpoena any public or private citizen to testify before it, or require by subpoena duces tecum to produce before it such records, reports or other documents as may be necessary in the performance of its functions;
- e) Use resource persons from the public and private sectors as may be needed;

- f) Carry on the winding-up work of AGRICOM, such as editing and printing all technical reports and studies as well as bibliographic cataloguing of its collection of source materials, continue its information and advocacy work;
- g) Cause to be transferred to the Committee all works, outputs, source materials and assets, funds, supplies and equipment of AGRICOM;
- h) Approve the budget for the work of the Committee and all disbursements therefrom, including compensation of all personnel;
- i) Organize its staff and hire and appoint such employees and personnel whether temporary, contractual or on consultancy, subject to applicable rules; and
- j) Generally, to exercise all the powers necessary to attain the purposes for which it is created.

**SECTION 116. *Periodic Reports.*** — The Committee shall submit periodic reports on its findings and make recommendations on actions to be taken by Congress and the appropriate departments, and that in order to carry out the objectives of this Act, an initial amount of Twenty million pesos (P20,000,000.00) is hereby appropriated for the Oversight Committee for the first year of its operation.

**SECTION 117. *Automatic Review.*** — Every five (5) years after the effectivity of this Act, an independent review panel composed of experts to be appointed by the President shall review the policies and programs in the Agriculture and Fisheries Modernization Act and shall make recommendations, based on its findings, to the President and to both Houses of Congress.

**SECTION 118. *Repealing Clause.*** — All laws, decrees, executive issuance, rules and regulations inconsistent with this Act are hereby repealed or modified accordingly.

**SECTION 119. *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.

**SECTION 120. *Effectivity.*** — This Act shall take effect thirty (30) days from the date of its publication in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved: December 22, 1997

REPUBLIC ACT NO. 8532

February 23, 1998

**AN ACT STRENGTHENING FURTHER THE COMPREHENSIVE AGRARIAN REFORM PROGRAM (CARP), BY PROVIDING AUGMENTATION FUND THEREFOR, AMENDING FOR THE PURPOSE SECTION 63 OF REPUBLIC ACT NO. 6657, OTHERWISE KNOWN AS "THE CARP LAW OF 1988"**

**SECTION 1.** Section 63 of Republic Act No. 6657, otherwise known as the Comprehensive Agrarian Reform Law of 1988 is hereby amended to read as follows:

**Section 63. *Funding Source.*** — The amount needed to implement this Act until the year 2008 shall be funded from the Agrarian Reform Fund.

Additional amounts necessary for this purpose are hereby authorized to be appropriated in excess of the initial funds, amounting to Fifty billion pesos (P50,000,000,000.00) provided under Sections 20 and 21 of Executive Order No. 229.

The additional amount hereby authorized to be appropriated shall in no case exceed Fifty billion pesos (P50,000,000,000.00).

Sources of funding or appropriations shall include the following:

- a) Proceeds of the sales of the Assets Privatization Trust;

- b) All receipts from assets recovered and from sales of ill-gotten wealth recovered through the Presidential Commission on Good Government;
- c) Proceeds of the disposition of the properties of the Government in foreign countries, for the specific purposes of financing production credits, infrastructure and other support services required by this Act;
- d) All income and collections arising from the agrarian reform operations, projects and programs of CARP implementing agencies;
- e) Portion of amounts accruing to the Philippines from all sources of official foreign aid grants and concessional financing from all countries, to be used for the specific purposes of financing production, credits, infrastructures, and other support services required by this Act;
- f) Yearly appropriations of no less than Three billion pesos (P3,000,000,000.00) from the General Appropriations Act;
- g) Other government funds not otherwise appropriated."

**SECTION 2.** This Act shall take effect within fifteen (15) days following the completion of its publication in at least two (2) newspapers of general circulation.

Approved: February 23, 1998

**REPUBLIC ACT NO. 9285**

(April 2, 2004)

**AN ACT TO INSTITUTIONALIZE THE USE OF ALTERNATIVE DISPUTE RESOLUTION SYSTEM IN THE PHILIPPINES AND TO ESTABLISH THE OFFICE FOR ALTERNATIVE DISPUTE RESOLUTION, AND FOR OTHER PURPOSES****CHAPTER 1 - GENERAL PROVISIONS**

**SECTION 1. *Title.*** - This act shall be known as the "Alternative Dispute Resolution Act of 2004."

**SEC. 2. *Declaration of Policy.*** - it is hereby declared the policy of the State to actively promote party autonomy in the resolution of disputes or the freedom of the party to make their own arrangements to resolve their disputes. Towards this end, the State shall encourage and actively promote the use of Alternative Dispute Resolution (ADR) as an important means to achieve speedy and impartial justice and declog court dockets. As such, the State shall provide means for the use of ADR as an efficient tool and an alternative procedure for the resolution of appropriate cases. Likewise, the State shall enlist active private sector participation in the settlement of disputes through ADR. This Act shall be without prejudice to the adoption by the Supreme Court of any ADR system, such as mediation, conciliation, arbitration, or any combination thereof as a means of achieving speedy and efficient means of resolving cases pending before all courts in the Philippines which shall be governed by such rules, as the

Supreme Court may approve from time to time.

**SEC. 3. *Definition of Terms.*** - For purposes of this Act, the term:

- (a) "Alternative Dispute Resolution System" means any process or procedure used to resolve a dispute or controversy, other than by adjudication of a presiding judge of a court or an officer of a government agency, as defined in this Act, in which a neutral third party participates to assist in the resolution of issues, which includes arbitration, mediation, conciliation, early neutral evaluation, mini-trial, or any combination thereof;
- (b) "ADR Provider" means institutions or persons accredited as mediator, conciliator, arbitrator, neutral evaluator, or any person exercising similar functions in any Alternative Dispute Resolution system. This is without prejudice to the rights of the parties to choose non-accredited individuals to act as mediator, conciliator, arbitrator, or neutral evaluator of their dispute.

Whenever referred to in this Act, the term "ADR practitioners" shall refer to individuals acting as mediator, conciliator, arbitrator or neutral evaluator;

- (c) "Authenticate" means to sign, execute or adopt a symbol, or encrypt a record in whole or in part, intended to identify the authenticating party and to adopt, accept or establish the authenticity of a record or term;
- (d) "Arbitration" means a voluntary dispute resolution process in which one or more arbitrators,

appointed in accordance with the agreement of the parties, or rules promulgated pursuant to this Act, resolve a dispute by rendering an award;

- (e) "Arbitrator" means the person appointed to render an award, alone or with others, in a dispute that is the subject of an arbitration agreement;
- (f) "Award" means any partial or final decision by an arbitrator in resolving the issue in a controversy;
- (g) "Commercial Arbitration" An arbitration is "commercial if it covers matter arising from all relationships of a commercial nature, whether contractual or *not*;
- (h) "Confidential information" means any information, relative *to* the subject of mediation or arbitration, expressly intended by the source *not* to be disclosed, or obtained under circumstances that would create a reasonable expectation on behalf of the source that the information shall not be disclosed. It shall include (1) communication, oral or written, made in a dispute resolution proceedings, including any memoranda, notes or work product of the neutral party or non-party participant, as defined in this Act; (2) an oral or written statement made or which occurs during mediation or *for* purposes of considering, conducting, participating, initiating, continuing of reconvening mediation or retaining a mediator; and (3) pleadings, motions manifestations, witness statements, reports filed or submitted in an arbitration or *for* expert evaluation;
- (i) "Convention Award" means a foreign arbitral

award made in a Convention State;

- (j) "Convention State" means a State that is a member of the New York Convention;
- (k) "Court" as referred to in Article 6 of the Model Law shall mean a Regional Trial *Court*;
- (l) "Court-Annexed Mediation" means any mediation process conducted under the auspices of the court, after such court has acquired jurisdiction of the dispute;
- (m) "Court-Referred Mediation" means mediation ordered by a court to be conducted in accordance with the Agreement of the Parties when an action is prematurely commenced in violation of such agreement;
- (n) "Early Neutral Evaluation" means an ADR process wherein parties and their lawyers are brought together early in a pre-trial phase to present summaries of their cases and receive a nonbinding assessment by an experienced, neutral person, with expertise in the subject in the substance of the dispute;
- (o) "Government Agency" means any government entity, office or officer, other than a court, that is vested by law with quasi-judicial power to resolve or adjudicate dispute involving the government, its agencies and instrumentalities, or private persons;
- (p) "International Party" shall mean an entity whose place of business is outside the Philippines. It shall not include a domestic subsidiary of such

international party or a coventurer in a joint venture with a party which has its place of business in the Philippines.

The term foreigner arbitrator shall mean a person who is *not* a national of the Philippines.

- (q) "Mediation" means a voluntary process in which a mediator, selected by the disputing parties, facilitates communication and negotiation, and assist the parties in reaching a voluntary agreement regarding a dispute.
- (r) "Mediator" means a person who conducts mediation;
- (s) "Mediation Party" means a person who participates in a mediation and whose consent is necessary to resolve the dispute;
- (t) "Mediation-Arbitration" or Med-Arb is a step dispute resolution process involving both mediation and arbitration;
- (u) "Mini-Trial" means a structured dispute resolution method in which the merits of a case are argued before a panel comprising senior decision makers with or without the presence of a neutral third person after which the parties seek a negotiated settlement;
- (v) "Model Law" means the Model Law on International Commercial Arbitration adopted by the United Nations Commission on International Trade Law on 21 June 1985;
- (w) "New York Convention" means the United Nations Convention on the Recognition and Enforcement

of Foreign Arbitral Awards approved in 1958 and ratified by the Philippine Senate under Senate Resolution No. 71;

- (x) "Non-Convention Award" means a foreign arbitral award made in a State which is not a Convention State;
- (y) "Non-Convention State" means a State that is not a member of the New York Convention; and
- (z) "Non-Party Participant" means a person, other than a party or mediator, who participates in a mediation proceeding as a witness, resource person or expert;
  - (aa) "Proceeding" means a judicial, administrative, or other adjudicative process, including related pre-hearing motions, conferences and discovery;
  - (bb) "Record" means an information written on a tangible medium or stored in an electronic or other similar medium, retrievable form; and
  - (cc) "Roster" means a list of persons qualified to provide ADR services as neutrals or to serve as arbitrators.

**SEC. 4. *Electronic Signatures in Global and E-Commerce Act.*** - The provisions of the Electronic Signatures in Global and E-Commerce Act, . and its implementing Rules and Regulations shall apply to proceeding contemplated in this Act.

**SEC. 5. *Liability of ADR Provider and Practitioner.*** - The ADR providers and practitioners shall have the same

civil liability for the Acts done in the performance of then duties as that of public officers as provided in Section 38 (1), Chapter 9, Book of the Administrative Code of 1987.

**SEC. 6. *Exception to the Application of this Act.*** - The provisions of this Act shall not apply to resolution or settlement of the following: (a) labor disputes covered by Presidential Decree No. 442, otherwise known as the Labor Code of the Philippines, as amended and its Implementing Rules and Regulations; (b) the civil status of (persons; (c) the validity of a marriage; (d) any ground for legal separation; (e) the jurisdiction of courts; (f) future legitime; (g) criminal liability; and (h) those which by law cannot be compromised.

## CHAPTER 2 - MEDIATION

**SEC. 7. *Scope.*** - The provisions of this Chapter shall cover voluntary mediation, whether ad hoc or institutional, other than court-annexed. The term "mediation" shall include conciliation.

**SEC. 8. *Application and Interpretation.*** - In applying construing the provisions of this Chapter, consideration must be given to the need to promote candor or parties and mediators through confidentiality of the mediation process, the policy of fostering prompt, economical, and amicable resolution of disputes in accordance with the principles of integrity of determination by the parties, and the policy that the decision-making authority in the mediation process rests with the parties.

**SEC. 9. *Confidentiality of Information.*** - Information obtained through mediation proceedings shall be

subject to the following principles and guidelines:

- (a) Information' obtained through mediation shall be privileged and confidential.
- (b) A party, a mediator, or a nonparty participant may refuse to disclose and may prevent any other person from disclosing a mediation communication.
- (c) Confidential Information shall not be subject to discovery and shall be inadmissible if any adversarial proceeding, whether judicial or quasi-judicial, However, evidence or information that is otherwise admissible or subject to discovery does not become inadmissible or protected from discovery solely by reason of its use in a mediation.
- (d) In such an adversarial proceeding, the following persons involved or previously involved in a mediation may not be compelled to disclose confidential information obtained during mediation: (1) the parties to the dispute; (2) the mediator or mediators; (3) the counsel for the parties; (4) the nonparty participants; (5) any persons hired or engaged in connection with the mediation as secretary, stenographer, clerk or assistant; and (6) any other person who obtains or possesses confidential information by reason of his/her profession.
- (e) The protections of this Act shall continue to apply even of a mediator is found to have failed to act impartially.
- (f) A mediator may not be called to testify to provide information gathered in mediation. A mediator

who is wrongfully subpoenaed shall be reimbursed the full cost of his attorney's fees and related expenses.

**SEC. 10. *Waiver of Confidentiality.*** - A privilege arising from the confidentiality of information may be waived in a record, or orally during a proceeding by the mediator and the mediation parties.

A privilege arising from the confidentiality of information may likewise be waived by a nonparty participant if the information is provided by such nonparty participant.

A person who discloses confidential information shall be precluded from asserting the privilege under Section 9 of this Chapter to bar disclosure of the rest of the information necessary to a complete understanding of the previously disclosed information. If a person suffers loss or damages in a judicial proceeding against the person who made the disclosure.

A person who discloses or makes a representation about a mediation is preclude from asserting the privilege under Section 9, to the extent that the communication prejudices another person in the proceeding and it is necessary for the person prejudiced to respond to the representation of disclosure.

**SEC.11. *Exceptions to Privilege.***

(a) There is no privilege against disclosure under Section 9 if mediation communication is:

(1) in an agreement evidenced by a record

- authenticated by all parties to the agreement;
- (2) available to the public or that is made during a session of a mediation which is open, or is required by law to be open, to the public;
  - (3) a threat or statement of a plan to inflict bodily injury or commit a crime of violence;
  - (4) internationally used to plan a crime, attempt to commit, or commit a crime, or conceal an ongoing crime or criminal activity;
  - (5) sought or offered to prove or disprove abuse, neglect, abandonment, or exploitation in a proceeding in which a public agency is protecting the interest of an individual protected by law; but this exception does not apply where a child protection matter is referred to mediation by a court or a public agency participates in the child protection mediation;
  - (6) sought or offered to prove or disprove a claim or complaint of professional misconduct or malpractice filed against mediator in a proceeding; or
  - (7) sought or offered to prove or disprove a claim of complaint of professional misconduct or malpractice filed against a party, nonparty participant, or representative of a party based on conduct occurring during a mediation.
- (b) There is no privilege under Section 9 if a court or administrative agency, finds, after a hearing in camera, that the party seeking discovery of the proponent of the evidence has shown that the

evidence is not otherwise available, that there is a need for the evidence that substantially outweighs the interest in protecting confidentiality, and the mediation communication is sought or offered in:

- (1) a court proceeding involving a crime or felony; or
  - (2) a proceeding to prove a claim or defense that under the law is sufficient to reform or avoid a liability on a contract arising out of the mediation.
- (c) A mediator may not be compelled to provide evidence of a mediation communication or testify in such proceeding.
- (d) If a mediation' communication is not privileged under an exception in subsection (a) or (b), only the portion of the communication necessary for the application of the exception for nondisclosure may be admitted. The admission of particular evidence for the limited purpose of an exception does not render that evidence, or any other mediation communication, admissible for any other purpose.

**SEC. 12. *Prohibited Mediator Reports.*** - A mediator may not make a report, assessment, evaluation, recommendation, finding, or other communication regarding a mediation to a court or agency or other authority that make a ruling on a dispute that is the subject of a mediation, except:

- (a) Where the mediation occurred or has terminated, or where a settlement was reached.

- (b) As permitted to be disclosed under Section 13 of this Chapter.

**SEC. 13. *Mediator's Disclosure and Conflict of Interest.***

- The mediation shall be guided by the following operative principles:

- (a) Before accepting a mediation, an individual who is requested to serve as a mediator shall:
  - (1) make an inquiry that is reasonable under the circumstances to determinate whether there are any known facts that a reasonable individual would consider likely to affect the impartiality of the mediator, including a financial or personal interest in the outcome of the mediation and any existing or past relationship with a party or foreseeable participant in the mediation; and
  - (2) disclosure to the mediation parties any such fact known or learned "as soon as is practical before accepting a mediation.
- (b) If a mediation learns any fact described in paragraph (a) (1) of this section after accepting a mediation, the mediator shall disclose it as soon as practicable.

At the request of a mediation party, an individual who is requested to serve as mediator shall disclose his/her qualifications to mediate a dispute.

This Act does not require that a mediator shall have special qualifications by background or profession unless the special qualifications of a mediator are

required in the mediation agreement or by the mediation parties,

**SEC. 14. *Participation in Mediation.*** - Except as otherwise provided in this Act, a party may designate a lawyer or any other person to provide assistance in the mediation. A lawyer of this right shall be made in writing by the party waiving it. A waiver of participation or legal representation may be rescinded at any time.

**SEC. 15. *Place of Mediation.*** - The parties are free to agree on the place of mediation. Failing such agreement, the place of mediation shall be any place convenient and appropriate to all parties.

**SEC. 16. *Effect of Agreement to Submit Dispute to Mediation Under Institutional Rules.*** - An agreement to submit a dispute to mediation by any institution shall include an agreement to be bound by the internal mediation and administrative policies of such institution. Further, an agreement to submit a dispute to mediation under international mediation rule shall be deemed to include" an agreement to have such rules govern the mediation of the dispute and for the mediator, the parties, their respective counsel, and nonparty participants to abide by such rules,

In case of conflict between the institutional mediation rules and the provisions of this Act, the latter shall prevail.

**SEC.17. *Enforcement of Mediated Settlement Agreement.*** - The mediation shall be guided by the following operative principles:

(a) A settlement agreement following successful

mediation shall be prepared by the parties with the assistance of their respective counsel, if any, and by the mediator.

The parties and their respective counsels shall endeavor to make the terms and condition thereof complete and make adequate provisions for the contingency of breach to avoid conflicting interpretations of the agreement

- (b) The parties and their respective counsels, if any, shall sign the settlement agreement. The mediator shall certify that he/she explained the contents of the settlement agreement to the parties in a language known to them.
- (c) If the parties so desire, they may deposit such settlement agreement with the appropriate Clerk of a Regional Trial Court of the place where one of the parties resides. Where there is a need to enforce the settlement agreement, a petition may be filed by any of the parties with the same court, in which case, the court shall proceed summarily to hear the petition, in accordance with such rules of procedure as may be promulgated by the Supreme Court.
- (d) The parties may agree in the settlement agreement that the mediator shall become a sole arbitrator for the dispute and shall treat the settlement agreement as an arbitral award which shall be subject to enforcement under Republic Act No. 876, otherwise known as the Arbitration Law, notwithstanding the provisions of Executive Order NO.1 008 for mediated dispute outside of the CIAC.

### CHAPTER 3 - OTHER ADR FORMS

**Sec. 18. Referral of Dispute to other ADR Forms.**- The parties may agree to refer one or more issues arising in a dispute or during its pendency to other forms of ADR such as but not limited to (a) the evaluation of a third person or (b) a mini-trial, (c) mediation-arbitration, or a combination thereof.

For purposes of this Act, the use of other ADR forms shall be governed by Chapter 2 of this Act except where it is combined with arbitration in which case it shall likewise be governed by Chapter 5 of this Act.

### CHAPTER 4 - INTERNATIONAL COMMERCIAL ARBITRATION

**SEC. 19. Adoption of the Model Law on International Commercial Arbitration.** - International commercial arbitration shall be governed by the Model Law on International Commercial Arbitration (the "Model Law") adopted by the United Nations Commission on International Trade Law on June 21, 1985 (United Nations Document A/40/17) and recommended approved on December 11, 1985, copy of which is hereto attached as Appendix "A",

**SEC. 20. Interpretation of Model Law.** - In interpreting the Model Law, regard shall be had to its international origin and to the need for uniformity in its interpretation and resort may be made to the *travaux preparatoires* and the report of the Secretary General of the United Nations Commission on International Trade Law dated March 25, 1985 entitled, "International Commercial Arbitration: Analytical Commentary on Draft Trade identified by reference number A/CN, 9/264."

**SEC. 21. *Commercial Arbitration.*** - An arbitration is "commercial" if it covers matters arising from all relationships of a commercial nature, whether contractual or not Relationships of a transactions: any trade transaction for the supply or exchange of goods or; services; distribution agreements; construction of works; commercial representation or agency; factoring; leasing, consulting; engineering; licensing; investment; financing; banking; insurance; joint venture and other forms of industrial or business cooperation; carriage of goods or passengers by air, sea, rail or road.

**SEC. 22. *Legal Representation in International Arbitration.*** - In international arbitration conducted in the Philippines, a party may be presented by any person of his choice. *Provided,* that such representative, unless admitted to the practice of law in the Philippines, shall not be authorized to appear as counsel in any Philippine court, or any other quasi-judicial body whether or not such appearance is in relation to the arbitration in which he appears.

**SEC. 23. *Confidential of Arbitration Proceedings.*** - The arbitration proceedings, including the records, evidence and the arbitral award, shall be considered confidential and shall not be published except (1) with the consent of the parties, or (2) for the limited purpose of disclosing to the court of relevant documents in cases where resort to the court is allowed herein. *Provided,* however, that the court in which the action or the appeal is pending may issue a protective order to prevent or prohibit disclosure of documents or information containing secret processes, developments, research and other information where it is shown that the applicant shall

be materially prejudiced by an authorized disclosure thereof.

**SEC. 24. *Referral to Arbitration.*** - A court before which an action is brought in a matter which is the subject matter of an arbitration agreement shall, if at least one party so requests not later than the pre-trial conference, or upon the request of both parties thereafter, refer the parties to arbitration unless it finds that the arbitration agreement is null and void, inoperative or incapable of being performed.

**SEC. 25. *Interpretation of the Act.*** - In interpreting the Act, the court shall have due regard to the policy of the law in favor of arbitration. Where action is commenced by or against multiple parties, one or more of whom are parties who are bound by the arbitration agreement although the civil action may continue as to those who are not bound by such arbitration agreement.

**SEC. 26. *Meaning of "Appointing Authority."*** - "Appointing Authority" as used in the Model Law shall mean the person or institution named in the arbitration agreement as the appointing authority; or the regular arbitration institution under whose rules the arbitration is agreed to be conducted. Where the parties have agreed to submit their dispute to institutional arbitration rules, and unless they have agreed to a different procedure, they shall be deemed to have agreed to procedure under such arbitration rules for the selection and appointment of arbitrators. In ad hoc arbitration, the default appointment of an arbitrator shall be made by the National President of the Integrated Bar of the Philippines (IBP) or his duly authorized representative.

**SEC. 27. *What Functions May be Performed by Appointing Authority,*** - The functions referred to in Articles 11(3), 11(4), 13(3) and 14(1) of the Model Law shall be performed by the Appointing Authority, unless the latter shall fail or refuse to act within thirty (30) days from receipt of the request in which case the applicant may renew the application with the Court.

**SEC. 28. *Grant of Interim Measure of Protection.***

- (a) It is not incompatible with an arbitration agreement for a party to request, before constitution of the tribunal, from a Court an interim measure of protection and for the Court to grant such measure. After constitution of the arbitral tribunal and during arbitral proceedings, a request for an interim measure of protection or modification thereof, may be made with the arbitral tribunal or to the extent that the arbitral tribunal has no power to act or is unable to act effectively, the request may be made with the Court. The arbitral tribunal is deemed constituted when the sole arbitrator or the third arbitrator who has been nominated, has accepted the nomination and *written* communication of said nomination and acceptance has been received by the party making request.
- (b) The following rules on interim or provisional relief shall be observed:
- (1) Any party may request that provision relief be granted against the adverse party:
  - (2) Such relief may be granted:

- (i) to prevent irreparable loss or injury:
  - (ii) to provide security for the performance of any obligation;
  - (iii) to produce or preserve any evidence; or
  - (iv) to compel any other appropriate act or omission.
- (3) The order granting provisional relief may be conditioned upon the provision of security or an act or omission specified in the order.
- (4) Interim or provisional relief is requested by written application transmitted by reasonable means to The Court or arbitral tribunal as the case may be and the party against whom the relief is sought, describing in appropriate detail the precise relief, the party against whom the relief is requested, the grounds for the relief, and evidence supporting the request.
- (5) The order shall be binding upon the parties.
- (6) Either party may apply with the Court for assistance in implementing or enforcing an interim measure ordered by an arbitral tribunal.
- (7) A party who does not comply with the order shall be liable for all damages resulting from noncompliance, including all expenses, and reasonable attorney's fees, paid in obtaining

the order's judicial enforcement.

**SEC. 29. *Further Authority for Arbitrator to Grant Interim Measure of Protection.*** - Unless otherwise agreed by the parties, the arbitral tribunal may, at the request of a party, order any party to take such interim measures of protection as the arbitral tribunal may consider necessary in respect of the subject matter of the dispute following the rules in Section 28, paragraph 2. Such interim measures may include but shall not be limited to preliminary injunction directed against a party, appointment of receivers or detention, preservation, inspection of \ property that is the subject of the dispute in arbitration. Either party may apply with the Court for assistance in implementing or enforcing an interim measures ordered by an arbitral tribunal.

**SEC. 30. *Place of Arbitration.*** - The parties are free to agree on the place of arbitration. Failing such agreement, the place of arbitration shall be in Metro Manila, unless the arbitral tribunal, having regard to the circumstances of the case, including the convenience of the parties shall decide on a different place of arbitration.

The arbitral tribunal may, unless otherwise agreed by the parties, meet at any place it considers appropriate for consultation among its members, for hearing witnesses, experts, or the parties, or for inspection of goods. other property or documents.

**SEC. 31. *Language of the Arbitration.*** - The parties are free to agree on the language or languages to be used in the arbitral proceedings. Failing such agreement, the language to be used shall be English in international arbitration, and English or Filipino for

domestic arbitration, unless the arbitral tribunal shall determine a different or another language or languages to be used in the proceedings. This agreement or determination, unless otherwise specified therein, shall apply to any written statement by a party, any hearing and any award, decision or other communication by the arbitral tribunal.

The arbitral tribunal may order that any documentary evidence shall be accompanied by a translation into the language or languages agreed upon by the parties or determined in accordance with paragraph 1 of this section.

## CHAPTER 5- DOMESTIC ARBITRATION

**SEC. 32. *Law Governing Domestic Arbitration.*** - Domestic arbitration shall continue to be governed by Republic Act No. 876, otherwise known as "The Arbitration Law" as amended by this Chapter. The term "domestic arbitration" as used herein shall mean an arbitration that is not international as defined in Article (3) of the Model Law.

**SEC. 33. *Applicability to Domestic Arbitration.*** - Article 8, 10, 11, 12, 13, 14, 18 and 19 and 29 to 32 of the Model Law and Section 22 to 31 of the preceding Chapter 4 shall apply to domestic arbitration.

## CHAPTER 6 - ARBITRATION OF CONSTRUCTION DISPUTES

**SEC. 34. *Arbitration of Construction Disputes: Governing Law.*** - The arbitration of construction disputes shall be governed by Executive Order NO.1008, otherwise known as the Constitution Industry Arbitration Law.

**SEC. 35. *Coverage of the Law.*** - Construction disputes which fall within the original and exclusive jurisdiction of the Construction Industry Arbitration Commission (the "Commission") shall include those between or among parties to, or who are otherwise bound by, an arbitration agreement, directly or by reference whether such parties are project owner, contractor, subcontractor, quantity surveyor, bondsman or issuer of an insurance policy in a construction project.

The Commission shall continue to exercise original and exclusive jurisdiction over construction disputes although the arbitration is "commercial" pursuant to Section 21 of this Act.

**SEC. 36. *Authority to Act as Mediator or Arbitrator.*** - By written agreement of the parties to a dispute, an arbitration may act as mediator and a mediator may act as arbitrator. The parties may also agree in writing that, following successful mediation, the mediator shall issue the settlement agreement in the form of an arbitral award.

**SEC. 37. *Appointment of Foreign Arbitrator.*** - The Construction Industry Arbitration Commission (CIAC) shall promulgate rules to allow for the appointment of a foreign arbitrator or co-arbitrator or chairman of a tribunal a person who has not been previously accredited by CIAC: Provided, That:

- (a) the dispute is a construction dispute in which one party is an international party
- (b) the person to be appointed agreed to abide by the arbitration rules and policies of CIAC;

- (c) he/she is either co-arbitrator upon the nomination of the international party; or he/she is the common choice of the two CIAC-accredited arbitrators first appointed one of whom was nominated by the international party; and
- (d) the foreign arbitrator shall be of different nationality from the international party.

**SEC. 38. *Applicability to Construction Arbitration.*** - The provisions of Sections 17 (d) of Chapter 2, and Section 28 and 29 of this Act shall apply to arbitration of construction disputes covered by this Chapter.

**SEC. 39. *Court to Dismiss Case Involving a Construction Dispute.*** - A regional trial court which a construction dispute is filed shall, upon becoming aware, not later than the pretrial conference, that the parties had entered into an arbitration to be conducted by the CIAC, unless both parties, assisted by their respective counsel, shall submit to the regional trial court a written agreement exclusive for the Court, rather than the CIAC, to resolve the dispute.

## **CHAPTER 7 - JUDICIAL REVIEW OF ARBITRAL AWARDS**

### **A. Domestic Awards**

**SEC. 40. *Confirmation of Award.*** - The confirmation of a domestic arbitral award shall be governed by Section 23 of R.A. 876.

A domestic arbitral award when confirmed shall be enforced in the same manner as final and executory decisions of the Regional Trial Court.

The confirmation of a domestic award shall be made by the regional trial court in accordance with the Rules of Procedure to be promulgated by the Supreme Court.

A CIAC arbitral award need not be confirmed by the regional trial court to be executory as provided under E.O. No. 1008.

**SEC. 41. *Vacation Award.*** - A party to a domestic arbitration may question the arbitral award with the appropriate regional trial court in accordance with the rules of procedure to be promulgated by the Supreme Court only on those grounds enumerated in Section 25 of Republic Act No. 876. Any other ground raised against a domestic arbitral award shall be disregarded by the regional trial court.

## **B. Foreign Arbitral Awards**

**SEC. 42. *Application of the New York Convention.*** - The New York Convention shall govern the recognition and enforcement of arbitral awards covered by the said Convention.

The recognition and enforcement of such arbitral awards shall be filed with regional trial court in accordance with the rules of procedure to be promulgated by the Supreme Court. Said procedural rules shall provide that the party relying on the award or applying for its enforcement shall file with the court the original or authenticated copy of the award and the arbitration agreement. If the award or agreement is not made in any of the official languages, the party shall supply a duly certified translation thereof into any of such languages.

The applicant shall establish that the country in which foreign arbitration award was made is a party to the New York Convention.

If the application for rejection or suspension of enforcement of an award has been made, the regional trial court may, if it considers it proper, vacate its decision and may also, on the application of the party claiming recognition or enforcement of the award, order the party to provide appropriate security.

**SEC. 43. *Recognition and Enforcement of Foreign Arbitral Awards Not Covered by the New York Convention.*** - The recognition and enforcement of foreign arbitral awards not covered by the New York Convention shall be done in accordance with procedural rules to be promulgated by the Supreme Court. The Court may, on grounds of comity and reciprocity, recognize and enforce a non-convention award as a convention award.

**SEC. 44. *Foreign Arbitral Award Not Foreign Judgment.*** - A foreign arbitral award when confirmed by a court of a foreign country, shall be recognized and enforced as a foreign arbitral award and not a judgment of a foreign court.

A foreign arbitral award, when confirmed by the regional trial court, shall be enforced as a foreign arbitral award and not as a judgment of a foreign court.

A foreign arbitral award, when confirmed by the regional trial court, shall be enforced in the same manner as final and executory decisions of courts of

law of the Philippines.

**SEC. 45. *Rejection of a Foreign Arbitral Award.*** - A party to a foreign arbitration proceeding may oppose an application *for* recognition and enforcement of the arbitral award in accordance with the procedural rules to be promulgated by the Supreme Court<sup>4</sup> only on those grounds enumerated under Article V of "the New York Convention. Any other ground raised shall be disregarded by the regional trial court.

**SEC. 46. *Appeal from Court Decisions on Arbitral Awards.*** - A decision of the regional trial court confirming, vacating, setting aside, modifying or correcting an arbitral award may be appealed to the Court of Appeals in accordance with the rules of procedure to be promulgated by the Supreme Court.

The losing party who appeals from the judgment of the court confirming an arbitral award shall be required by the appellate court to post counterbond executed in favor of the prevailing party equal to the amount of the award in accordance with the rules to be promulgated by the Supreme Court.

**SEC. 47. *Venue and Jurisdiction.*** - Proceedings for recognition and enforcement of an arbitration agreement or *for* vacation, setting aside, correction or modification of an arbitral award, and any application with a court for arbitration assistance and supervision shall be deemed as special proceedings and shall be filed with the regional trial court (i) where arbitration proceedings are conducted; (ii) where the asset to be attached or levied upon, or the act to be enjoined is located; (iii) where any of the parties to the dispute resides or has his place of business; or (iv) in the National Judicial Capital

Region, at the option of the applicant.

**SEC. 48. *Notice of Proceeding to Parties.*** In a special proceeding *for* recognition and enforcement of an arbitral award, the Court shall send notice to the parties at their address of record in the arbitration, or if any party cannot be served notice at such address, at such party's last known address. The notice shall be sent at least fifteen (15) days before the date set *for* the initial hearing of the application.

## CHAPTER 8 - MISCELLANEOUS PROVISIONS

**SEC. 49. *Office for Alternative Dispute Resolution.*** - There is hereby established the Office for Alternative Dispute Resolution as an attached agency to the Department of Justice (DOJ) which shall have a Secretariat to be headed by an executive director. The executive director shall be appointed by the President of the Philippines.

The objective of the office are:

- (a) to promote, develop and expand the use of ADR in the private and public sectors; and
- (b) To assist the government to monitor, study and evaluate the use by the public and the private sector of ADR, and recommend to Congress needful statutory changes to develop. Strengthen and improve ADR practices in accordance with world standards.

**SEC. 50. *Powers and Functions of the Office for Alternative Dispute Resolution.*** - The Office for Alternative Dispute Resolution shall have the following powers and functions:

- (a) To formulate standards for the training of the ADR practitioners and service providers;
- (b) To certify that such ADR practitioners and ADR service providers have undergone the professional training provided by the office;
- (c) To coordinate the development, implementation, monitoring, and evaluation of government ABR programs;
- (d) To charge fees for their services; and
- (e) To perform such acts as may be necessary to carry into effect the provisions of this Act.'

**SEC. 51. *Appropriations.*** - The amount necessary to carry out the provisions of this Act shall be included in the General Appropriations Act of the year following its enactment into law and thereafter.

**SEC. 52. *Implementing Rules and Regulations (IRR).*** - Within one (1) month after the approval of this Act, the secretary of justice shall convene a committee that shall formulate the appropriate rules and regulations necessary for the implementation of this Act. The committee, composed of representatives from:

- (a) the Department of Justice;
- (b) the Department of Trade and Industry;
- (c) the Department of the Interior and Local Government;
- (d) the president of the Integrated Bar of the

Philippines;

- (e) A representative from the arbitration profession;  
and
- (f) A representative from the mediation profession;  
and
- (g) A representative from the ADR organizations shall within three (3) months after convening, submit the IRR to the Joint Congressional Oversight Committee for review and approval. The Oversight Committee shall be composed of the chairman of the Senate Committee on Justice and Human Rights, chairman of the House Committee on Justice, and one (1) member each from the majority and minority of both Houses.

The Joint Oversight Committee shall become functus officio upon approval of the IRR.

**SEC. 53. *Applicability of the Katarungan Pambarangay.*** - This Act shall not be interpreted to repeal, amend or modify the jurisdiction of the Katarungan Pambarangay under Republic Act No. 7160, otherwise known as the Local Government Code of 1991.

**SEC. 54. *Repealing Clause.*** - All laws, decrees, executive orders, rules and regulations which are inconsistent with the provisions of this Act are hereby repealed, amended or modified accordingly.

**SEC. 55. *Separability Clause.*** - If for any reason or reasons, any portion or provision of this Act shall be held unconstitutional or invalid, all other parts or provisions not affected shall thereby continue to

remain in full force and effect.

Approved,

**FRANKLIN DRILON**  
President *of* the Senate

**JOSE DE VENECIA JR.**  
Speaker *of* the House *of* Representatives

This Act which' is a consolidation *of* Senate Bill No. 2671 and House Bill No. 5654 was finally passed by the Senate and the House of Representatives on February 4, 2004.

**OSCAR G. YABES**  
Secretary of Senate

**ROBERTO P. NAZARENO**  
Secretary General  
House of Representatives

Approved: April 2, 2004

**GLORIA MACAPAGAL - ARROYO**  
President of the Philippines