


SENATE

S. BILL NO. 1331

RECEIVED BY: 

Introduced by Senator Ralph G. Recto

EXPLANATORY NOTE

"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," thus declares Republic Act 6657 or the "Comprehensive Agrarian Reform Law of 1988."

Although the numbers show that the Department of Agrarian Reform (DAR) and the Department of Environment and Natural Resources (DENR) have been aggressively performing its primary task of distributing land – 5,740,000 hectares to 732,694 agrarian reform beneficiaries (ARBs) from 1972 to June 2002 - it has yet to fulfill its mission of improving the productive capacity of the farmer-beneficiaries. Fifteen years into the implementation of the Comprehensive Agrarian Reform Law (R.A. 6657), the agrarian reform program remains an unfulfilled dream to a number of sectors.

Indeed, land redistribution is a vital cog in the wheels of agricultural progress and in the attainment of social justice that its importance can never be overemphasized. It is aimed at liberating the Filipino farmer from the vicious cycle of poverty by providing him not only land to till, but also more importantly, credit support, infrastructure, legal assistance, electrification, farm expansion, and the development of rural institutions.

Financial difficulties oftentimes compel farmers to mortgage their rights on the land they till to boost their income or augment their capital to improve their productive capacity. This bill seeks to allow the farmer-beneficiary to use awarded land as collateral in availing of loans from banks and other financial institutions for the improvement of the land cultivated, procurement of agricultural inputs, establishment of facilities that will enhance production, and increase farm income.

It also seeks to exempt the lender, bank and other financial institution from the value-added tax and phases out the alternative compliance to the Presidential Decree No. 717, otherwise known as the Agri-Agra Law and other legislated credit programs pertaining to agrarian reform.

Appropriate incentives in the agrarian reform program such as this proposed measure would positively aid in uplifting the lives of millions of Filipino farmers and their families.


In view of the foregoing, immediate passage of this bill is earnestly sought.


RALPH G. RECTO

13th CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)

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**AN ACT
ALLOWING FARMER – BENEFICIARIES TO USE THE LAND AWARDED TO THEM UNDER
THE COMPREHENSIVE AGRARIAN REFORM PROGRAM AS COLLATERAL FOR
PURPOSES OF SECURING AGRICULTURAL LOANS, GRANTING TAX EXEMPTIONS
THEREFOR AND FOR OTHER PURPOSES**

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

1 **SECTION 1. Collateral for Loans.** – All agricultural lands shall be
2 accepted as collateral by any lender, bank and other financial institution
3 to secure loans of the registered owners as appearing in the
4 Emancipation Patent, Homestead Patent, Free Patent, Certificate of Land
5 Ownership Award, Original Certificate of Title or Transfer Certificate of Title:
6 *Provided,* that the loans obtained shall be used in the improvement or
7 development of the land awarded or the procurement of agricultural
8 inputs and establishment of facilities that will enhance production,
9 processing or marketing of agricultural products or increasing farm
10 income.

11 **SEC. 2. Default and Foreclosure of Mortgage.** – In the event of
12 default by the borrower, the lender, bank or financial institution may
13 proceed against the security of the loan in accordance with existing laws.

14 **SEC. 3. Tax Exemptions.** – Any loans granted by any lender, bank and
15 other financial institution involving the use of agricultural land as collateral
16 shall be exempt from the value-added tax (VAT).

1 **SEC. 4.***Phasing Out of the Alternative Compliance to the Agri-Agra*
2 *Law (Presidential Decree No. 717).* – The Banko Sentral ng Pilipinas (BSP)
3 shall phase out all alternative compliance to the requirements under
4 Presidential Decree No. 717, otherwise known as the “Agri-Agra Law” and
5 other legislated credit programs pertaining to agrarian reform.

6 **SEC. 5.***Repealing Clause.* - All laws, presidential decrees, executive
7 orders, rules and regulations or parts thereof inconsistent with the
8 provisions of this Act are hereby repealed or modified accordingly.

9 **SEC. 6.***Effectivity Clause.* - This Act shall take effect fifteen (15) days
10 after its complete publication in a newspaper of general circulation.

11 Approved,