

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



'16 JUL 20 P2:48

SENATE
S.B. No. 645

RECEIVED BY:

Introduced by: Senator Paolo Benigno "Bam" A. Aquino IV

AN ACT REMOVING THE RESTRICTIONS UNDER SECTION 118, 119 AND 121 OF CHAPTER XIII, TITLE VI OF COMMONWEALTH ACT NO. 141 ON AGRICULTURAL FREE PATENTS ISSUED UNDER SECTION 44 THEREOF

EXPLANATORY NOTE

In the past 10 years, over 1.2 million Agricultural Free Patents (AFPs) have been awarded to farmers who are natural born Filipino citizens, occupying and cultivating agricultural public lands since 1960, for as long as they have paid real property tax on the land they use. The AFP is the most numerous type of land title in the hands of farmer entrepreneurs in rural areas.

Commonwealth Act No. 141 served as an important measure for supporting our hard working farmers by providing the AFP as a mechanism for land ownership. However, AFP awardees continue to face a lack of access to credit due to non-tradable and non-bankable agricultural land titles brought about by barriers in the use of these agricultural free patents.

The first barrier is the five year prohibition to encumbrance and alienation which bars owners from selling or loaning against it for five years. The second restriction is the five year repurchase provision which allows the original owner, his widow and legal heirs the right of repurchase five years from the date of sale.

Due to these restrictions, these lands become unattractive to buyers. Because of the uncertainty brought about by restrictions, there are no incentives for new owners to make improvements and additional investments. Banks are also reluctant to lend when these lands are used as collateral because it can affect a bank's liquidity in case of foreclosure if it cannot dispose acquired assets.

Overall, the existence of the restrictions prevents the patentee from transacting the land in the formal market and instead leaves some with no option but to capitalize on the land through the informal economy where they are vulnerable to lower prices and unregulated informal credit suppliers.

This bill seeks to remove these restrictions which would allow patentees to be able to capitalize on their land in a legal and safe marketplace. By removing such restrictions, patentees will thus hold onto tradable and bankable land titles which they can use to acquire capital.

Passing this in legislation would allow farmer entrepreneurs to make investments, create jobs, increase productivity, and reduce poverty in rural areas, fulfilling the law's original intention.

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

A handwritten signature in black ink, appearing to read "Bam Aquino". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Senator Paolo Benigno "Bam" A. Aquino IV



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

1 **SECTION 1. Short Title.** – This Act shall be known as the "Agricultural Free Patents
2 Act."

3 **SEC. 2. Removal of Restrictions.** – Subject to the Constitutional restrictions on
4 foreign ownership of lands, public agricultural lands that have been disposed in favor of
5 qualified public land applicants under the provision of Section 44 (Free Patent), Chapter VI,
6 Title II of Commonwealth Act No. 141 shall no longer be subject to restrictions regarding
7 encumbrances, conveyances, transfers or dispositions imposed under Sections 118, 119 121,
8 and 122 of Chapter XIII, Title VI of Commonwealth Act No. 141, as amended.

9 **SEC.3. Retroactive Effect.** – Restrictions under Sections 118, 119, 121, 122 on
10 agricultural free patents previously issued under Section 44 of Commonwealth Act No. 141
11 as amended, are likewise removed.

12 **SEC. 4. Repealing Clause.** – All other laws, decrees, executive orders, executive
13 issuances or letters of instructions, rules and regulations, or any part thereof, inconsistent
14 or contrary to the provisions of this Act are hereby deemed repealed, amended or modified
15 accordingly.

16 **SEC. 5. Separability Clause.** – If any provision of this Act is declared unconstitutional
17 or invalid, other parts or provisions hereof not affected shall continue to be in full force and
18 effect.

19 **SEC. 6. Effectivity Clause.** – This Act shall take effect fifteen (15) days after its
20 publication in two (2) national newspapers of general circulation.

21 *Approved,*