

**[ EXECUTIVE ORDER NO. 659, September 11, 2007 ]**

**IMPROVING THE NEGOTIABILITY AND ACCEPTABILITY OF  
AGRARIAN REFORM BONDS**

**WHEREAS**, Section 2, Chapter 1 of Republic Act No. 6657, otherwise known as the Comprehensive Agrarian Reform Law (CARL), as amended, provides, among others, that "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";

**WHEREAS**, Section 18(4), Chapter VI, of the same law, allows the Land Bank of the Philippines (LBP) Bonds and/or Agrarian Reform (AR) Bonds as the financial instruments to be used for paying lands under the CARP up to the amount of their value and/or acquiring shares of stock of government financial institutions, and in paying for various taxes and fees to government;

**WHEREAS**, Executive Order No. 267, s. 1995, provides for the issuance of national government bonds known as Agrarian Reform Bonds which are negotiable at anytime and which AR Bonds replaced the LBP Bonds or land transfer payments under the agrarian reform program with the same features of the LBP Bonds;

**WHEREAS**, although a major feature of the AR Bonds is alignment of the market interest rate with the 91-day treasury bill, these bonds are not competitive with similar government securities like Small Denominated Treasury (EDT) Bonds, ERAP Bonds, and the Bakers Association of the Philippines (BAP) sponsored issue of Pag-IBIG Bonds;

**WHEREAS**, complaints have been lodged by the affected landowners on the lack of acceptability of their bonds compared to other government bonds, and in the refusal of government entities to accept directly from landowners, AR Bonds at face value, but as a discounted price lessening the credibility of government bonds as instruments of indebtedness and further strengthening the resistance of landowners whose lands are sought to be taken and paid for with these government bonds;

**WHEREAS**, the aforementioned conditions also diminish the just compensation due the landowners when their landholdings are covered under the Comprehensive Agrarian Reform Program (CARP);

**NOW, THEREFORE, I, GLORIA MACAPAGAL-ARROYO**, President of the Philippines, by virtue of the powers vested in me by law, do hereby order:

**SECTION 1. National Government Guaranty.** AR Bonds are deemed and

considered as issued by the National Government. These bonds are the direct, unconditional and general obligation of the Republic of the Philippines.

**SEC. 2. Features of AR Bonds.** AR Bonds 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 thereafter from the date of issuance of the bond; Provided, that should a landowner choose to forego the cash portion, whether in full or in part, he shall be paid correspondingly in AR Bonds.
- b. Transferability and negotiability. The AR Bonds may be used by the landowner, his successors-in-interest or his assigns.

**SEC. 3. Usage of AR Bonds.** AR Bonds may be used by the landowners, his successor-in-interest or his assignees, up to the amount of their face value for any of the following:

- a. 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;
- b. Acquisition of shares of stock of government-owned or controlled corporations or shares of stock owned by the government in private corporations;
- c. Substitution for surety or bail bonds for the provisional release of accused persons, or for performance bonds;
- d. Security for loans with any government financial institution, provided the proceeds of the loans shall be invested in an economic enterprises, preferably in a small and medium scale industry, in the same province or region as the land for which the bonds are paid;
- e. Payment for various taxes and fees to the government, provided that the use of these bonds for these purposes shall be limited to a certain percentage of the outstanding balance of the financial instruments, and provided further, that the Presidential Agrarian Reform Council (PARC) shall determine the percentage mentioned above.
- f. Payment for tuition fees of the immediate members of the family of the original bondholder in government universities, colleges, trade schools, and other institutions;
- g. Payment of fees of the immediate members of the family of the original bondholder in government hospitals; and
- h. Such other uses as the PARC may, from time to time, allow.

**SEC. 4. Acceptance of AR Bonds as Payment**

- a. The portion of the 10-year AR Bond that has matured or will mature within the given year in which the tax liability shall be paid or for such percentage of the