

**[ 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.

SEC. 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 prescribed, taking into account ecological, developmental, or equity considerations, and subject to the payment of just compensation.

SEC. 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.

SEC. 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 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, 1987; (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 LAND ACQUISITION

SEC. 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.

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 beneficiaries at the time of their designation as awardees-owners by the DAR, as evidenced by a Certificate of Landownership Award in their favor.

SEC. 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 promulgate by the Presidential Agrarian Reform Council (PARC) as provided in Section 18 hereof. The compensation shall be paid in any of the following modes, 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 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.

SEC. 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 counseling 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

SEC. 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, shall be duly

recorded at and monitored by the DAR.

SEC. 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.

SEC. 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.

SEC. 11. *Leases, Management Contracts, Mortgages, and Claims.* - Leases and management contracts on land covered by 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 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.

SEC. 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.

SEC. 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.

SEC. 14. *Collection or Individual Ownership.* - For lands with multiple beneficiaries, ownership of whole parcels or estates may be transferred to the farmer-beneficiaries collectively 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.

SEC. 15. *Distribution and Utilization of Public Lands.* - All alienable and disposable lands of the public domain suitable 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.

SEC. 16. *Production Sharing.* - Individuals or entities owing 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 salary 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

SEC. 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.

SEC. 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

Executive Secretary - Member

Department of Budget and Management - Member