

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 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 ejection."

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 distributary 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 therefor 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, Caloocan, 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 hereinbelow 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 *bonafide* 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;

"(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 who do not own any land in sizes of not more than six hectares;

"(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 resettlement or disposition under this Chapter;

"(6) 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;

"(7) 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;

"(8) 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; *cdasia*

"(9) 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;

"(10) 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;

"(11) To acquire for agricultural lessees exercising their right to pre-emption and redemption under Chapter I of this Code, any land-holdings 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;

"(15) 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

"(16) 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

