

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

HOUSE OF REPRESENTATIVES

H. B. No. 4535



Introduced by Rep. Vilma Santos-Recto
6th District of Batangas

AN ACT
RESCINDING THE RESTRICTIONS ON OWNERSHIP AND TRANSFERABILITY
OF LANDS AWARDED UNDER THE COMPREHENSIVE AGRARIAN REFORM
PROGRAM

EXPLANATORY NOTE

The fundamental rationale for undertaking the Comprehensive Agrarian Reform Program (CARP) is the formation and maintenance of economic-size family farms as the foundation of the Philippine agricultural system. Small farms, assuming access to credit is farm size-neutral, are considered efficient because they require only family labor, which is cheaper than hired labor and entail minimum supervision¹.

The law, however, has flaws rooted in economics. The limits on farmholding size, the collective manner by which lands are awarded, and the ten-year retention period effectively deplete the economic value of the lands being distributed to farmers, forcing agrarian reform beneficiaries to amortize “a value much higher than the capacity his holdings can afford to yield².” Following the Coase Theorem³, a farmer can theoretically improve the equity, efficiency and viability of his holdings by acquiring land through sale or lease, but the landholding limit of five hectares and the retention period of ten years made it illegal to do so. This economic environment, further aggravated by the bureaucratic hurdles imposed on CARP-awarded lands and its beneficiaries, has impeded agricultural productivity, induced capital flight away from the agriculture sector, gave rise to a thriving illicit market for CARP-

¹ The World Bank Group. (2009). *Land Reform, Rural Development, and Poverty in The Philippines: Revisiting the Agenda*. Pasig City: The World Bank in the Philippines

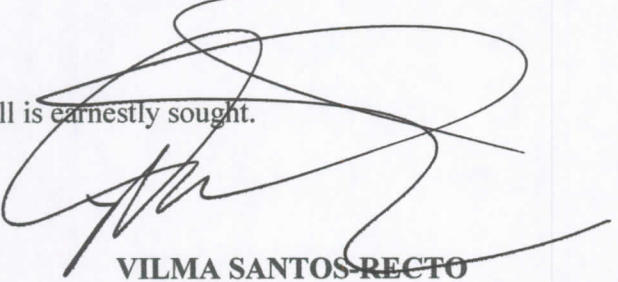
² Fabella, R.V. (2014). Comprehensive Agrarian Reform Program (CARP): Time to Let Go. *Discussion Paper No. 2014-02*. Quezon City: University of the Philippines School of Economics.

³ Coase Theorem states that when trade in an externality is possible and there are no transaction costs, bargaining will lead to an efficient outcome regardless of the initial allocation of property rights.

awarded lands, encouraged proliferation of informal lenders offering loans with usurious interest rates, and led to the emergence of a new social class – the landed poor⁴.

There is a growing recognition within the economic community that the government needs to shift its effort from redistributing land to improving the productivity of the land and the farmers that cultivate them. This bill seeks to do so by repealing the five-hectare retention limit and the ten-year retention period on CARP-awarded land, allowing productive farmers to operate as efficiently and as economically as the market dictates. Through this measure, it is believed that the government could improve the productivity of the agriculture sector, attract agricultural investments, revitalize the rural credit market, reduce poverty in the countryside, and ensure food security.

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



VILMA SANTOS RECTO

⁴ Fabella, R.V. (2014). Comprehensive Agrarian Reform Program (CARP): Time to Let Go. *Discussion Paper No. 2014-02*. Quezon City: University of the Philippines School of Economics.

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

1 Section 1. *Declaration of Policy.* – It is hereby declared the policy of the State to
2 recognize the right of individuals and private groups, including corporations, cooperatives,
3 and similar collective organizations, to own, establish, and operate economic enterprises in
4 order to contribute to the common good. Towards this end, the State shall rescind the
5 restrictions imposed on the ownership of agricultural lands and transferability of lands
6 awarded under agrarian reform laws and allow the efficient, effective and economically-
7 viable utilization of agricultural lands in line with the objectives of food security, poverty
8 reduction and economic development.

9 Sec. 2. *Ownership and Retention of Agricultural Lands.* – Notwithstanding any
10 provision of the law to the contrary, any person may own or retain, directly or indirectly, any
11 agricultural land more than five (5) hectares in size.

12 Sec. 3. *Transferability of Awarded Lands.* – Notwithstanding any provision of the law
13 to the contrary, agricultural lands acquired by beneficiaries under Republic Act No. 6657, as
14 amended, otherwise known as the “*Comprehensive Agrarian Reform Law of 1988*,” or any
15 agrarian reform laws may be sold, transferred or conveyed in accordance with existing laws.

1 Sec. 4. *Validity of Acquisition and Distribution of Agricultural Lands Covered under*
2 *the Comprehensive Agrarian Reform Program.* – Nothing in this Act shall be construed as
3 repealing, amending or modifying the provisions on the acquisition of landholdings issued
4 with valid Notices of Coverage and the distribution of agricultural lands to qualified agrarian
5 reform beneficiaries as provided under Republic Act
6 No. 6657, as amended, or any agrarian reform laws.

7 Sec. 5. *Implementing Rules and Regulations.* – The Department of Agrarian Reform
8 (DAR) shall, in consultation with the Agrarian Reform Beneficiaries' Organizations
9 (ARBOs), promulgate the necessary implementing rules and regulations within thirty (30)
10 days upon the effectivity of this Act.

11 Sec. 6. *Repealing Clause.* – All laws, decrees, orders, rules and regulations or parts
12 thereof inconsistent with any of the provisions of this Act are hereby repealed, amended or
13 modified accordingly.

14 Sec. 7. *Separability Clause.* - If, for any reason, any provision of this Act or any part
15 thereof shall be held unconstitutional and invalid, the other parts or provisions of this Act,
16 which are not affected thereby, shall remain in full force and effect.

17 Sec. 8. *Effectivity Clause.* – This Act shall take effect fifteen (15) days after its
18 complete publication in the *Official Gazette* or in at least two (2) newspapers of general
19 circulation.

Approved,