

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 4001



Introduced by **HONORABLE ROMERO "MIRO" S. QUIMBO**

EXPLANATORY NOTE

Agriculture remains as one of the sectors with the highest share in total employment. Data from the Philippine Statistics Authority (PSA) show that out of the 37.61 million total employment in the country, 12.09 million of which is in the agricultural sector. This shows a thirty-two percent (32%) share of agricultural employment in 2012.¹

Nevertheless, from 2003 to 2009 farmers were identified as the group with one of the highest poverty incidence among the country's basic sectors, as identified by the National Statistical Coordination Board.² This poverty in the agricultural sector, according to the World Bank, is driven by competition in key sectors, insecurity of property rights, complex regulations, and severe underinvestment by the government and the private sector, which thereby impede the growth of this sector.³

Apart from these, another hindrance to agricultural growth is the restrictions laid down in laws pertaining to the distribution of agricultural land. Under the Public Land Act or Commonwealth Act No. 141, grantees of agricultural free patent are restricted from mortgaging or selling their lands within five (5) years from the issuance of the free patent. Further, after the five-year restriction when conveyance is allowed, the original owner is allowed to repurchase the land within another five (5) years.

These restrictions have been found to push the agricultural landowners further into poverty. Because of these restrictions, access of the grantees to credit has been impeded. Banks and other private financial institutions have low confidence in extending loans to these landowners as they deem patents

¹ Rodriguez, Fritzie. "PH Agriculture: Why is it Important?" Rappler website, September 1, 2015. <<http://www.rappler.com/move-ph/issues/hunger/52372-agriculture-hunger-food-security>, accessed August 30, 2016.>

² Ibid.

³ Tiamson, Erwin L. "Freeing the Land Market: How Legal Restrictions Hamper Agricultural Development and Poverty Reduction." Foundation for Economic Freedom, February 2016.


as flawed titles when used as collateral.⁴ Thus, despite their ownership over these lands, grantees still suffer low potential for investments, which they could have used to increase their economic productivity.

In addition, poor access to credit markets led to the development of informal credit markets, wherein grantees engage in trading their usufruct rights to the land, which defeats the very purpose of these restrictions.⁵

The inability of the grantees to alienate these lands also hinders potential capital turnover to the national economy. One study estimates that agricultural land/asset covered by the five-year restriction amounts to at least Php 387 Billion, potentially rendered idle due to limits in disposition.⁶ In the same study, it was projected that this amount may even reach trillion pesos if it will include those lands under patents issued prior to 1980 which are covered by the "right to repurchase" restriction.

Hence, in the objective of increasing the potential productivity and income from land distributed through the agricultural free patent, this bill proposes the removal of these restrictions embodied in Section 118 and 119 of Commonwealth Act No. 141. Through this measure, we can ensure the optimal utilization of the lands by the grantees, boost their financial capital, and provide them access to formal credit markets. These will consequently help broaden their opportunities for economic and financial growth.

It is in this light that the passage of this bill is earnestly sought.



ROMERO "MIRO" S. QUIMBO
Representative
Second District Marikina City

⁴ Llanto, Gilberto M. and Ballesteros, Marife M. "Land Issues in Poverty Reduction Strategies and the Development Agenda: Philippines." Philippine Institute for Development Studies, Discussion Paper Series No. 2003-03, March 2003. <<http://dirp3.pids.gov.ph/ris/pdf/pidsdps0303.pdf>, August 31, 2016.>

⁵ Llanto, Ibid.

⁶ Tiamson, Ibid.

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SEVENTEENTH CONGRESS
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HOUSE BILL NO. 4091

Introduced by **HONORABLE ROMERO "MIRO" S. QUIMBO**

**AN ACT REMOVING THE RESTRICTIONS UNDER SECTIONS 118 AND 119 OF
COMMONWEALTH ACT NO. 141, AS AMENDED, ON FREE PATENTS ISSUED
UNDER SECTION 44 THEREOF**

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

1 **SECTION 1. Short Title.** – This Act shall be known as the “Agricultural Free
2 Patent Reform Act.”
3

4 **SECTION 2. Removal of Restrictions.** – Agricultural public lands alienated or
5 disposed in favor of qualified public land applicants under Section 44 of
6 Commonwealth Act No. 141, as amended, shall not be subject to restrictions
7 regarding encumbrances, conveyances, transfers or dispositions imposed under
8 Sections 118 and 119 of Commonwealth Act No. 141, as amended.
9

10 **SECTION 3. Retroactive Effect.** – This Act shall have retroactive effect and
11 restrictions regarding encumbrances, conveyances, transfers or dispositions
12 subject to Sections 118 and 119 of Commonwealth Act No. 141 as amended, on
13 free patents issued under Section 44 thereof before the effectivity of this Act shall
14 likewise be removed and are hereby immediately lifted.
15

16 **SECTION 4. Repealing Clause.** All laws, decrees, executive orders, rules,
17 regulations or other issuances or parts thereof inconsistent with the provisions of
18 this Act are hereby repealed or modified accordingly.
19

20 **SECTION 5. Separability Clause.** If, for any reason, any section or provision of
21 this bill is declared unconstitutional or invalid, other sections or provisions hereof
22 shall remain in force.
23

24 **SECTION 6. Effectivity.** This Act shall take effect fifteen (15) days after publication
25 in a newspaper of general circulation or in the Official Gazette.
26

27 Approved,