

NINETEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
*First Regular Session* )



**SENATE**

S. No. 55

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Introduced by Senator FRANCIS G. ESCUDERO

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**AN ACT**  
**PROVIDING FOR THE CONDONATION OF ALL UNPAID PRINCIPAL,**  
**INTERESTS, PENALTIES OR SURCHARGES ON LOANS SECURED BY**  
**AGRARIAN REFORM BENEFICIARIES UNDER THE COMPREHENSIVE**  
**AGRARIAN REFORM PROGRAM AND FOR OTHER PURPOSES**

EXPLANATORY NOTE

Securing payment for loans acquired through the Comprehensive Agrarian Reform Program has been one of the most problematic aspects of implementing land reform in the country. On the one hand, prohibitive administrative cost has impeded the establishment of an effective system to collect loan amortization especially from farmers residing in far-flung areas. On the other hand, farmer-beneficiaries are bereft of means to actually pay for the loans they have secured due to factors such as escalating cost of farm inputs, stagnating farmgate prices, and the inherent vulnerability of agricultural products and activities to natural hazards like typhoons, earthquake, and volcanic eruptions, among others. These conditions create a scenario that could lead to systemic loan arrearages – where the government could only open limited channels to accept loan payments from farmer-beneficiaries who have no money to pay for the loans in the first place.

Compounding the problem of low collection rate is the diminutive amount of the actual principal payment that needs to be collected. During the committee deliberations of the proposed measures that would be consolidated into House Bill No. 6815 or the Accelerated Recovery and Investment Stimulus for the Economy (ARISE) of the Philippines Act, Rep. Joey Salceda estimated that the value of non-performing agrarian reform loans covering some 1.23 million hectares of land owned and 682,000 agrarian reform beneficiaries, would be about P58.62 billion. While the amount is still staggering, this is equivalent to only 26.01% of the projected personal and corporate income tax revenues to be forgone in a single fiscal year under the Republic Act No. 10963 or the Tax Reform for Acceleration and Inclusion (TRAIN) Law and the Republic Act No. 11534 or the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Law.

If the government could absorb P225.34 billion revenue loss in a single year to provide tax relief for middle class or to attract foreign investors, then it should be able to absorb a fraction of that amount to provide relief to thousands of struggling agrarian reform beneficiaries and to move one step close to achieving our food security objectives.

Drawing from the wisdom of Senate Bill No. 268 filed by Sen. Ralph G. Recto in the Eighteenth Congress, this bill hopes to fulfill two specific objectives. First, it seeks to provide farmers with additional resources by condoning annual amortization and interests, including penalties or surcharges, if any; and by improving farmer's access to credit through the resolution of the ownership of awarded lands. Second, it reduces the cost of administering the land reform program by eliminating the need to collect amortization from agrarian reform beneficiaries.

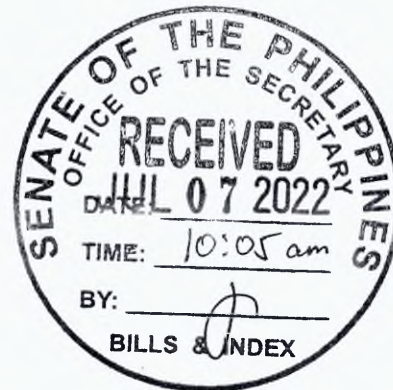
Ultimately, the proposed measure aims to accomplish the objectives of the Comprehensive Agrarian Reform Law, which include improving the lives of farmers, reducing rural poverty and accelerating rural development. As a distinguished Filipino economist has noted, a good stimulus for agriculture is for the government to write off its minuscule agrarian reform collectible.

To aid in the realization of genuine reforms in the agricultural sector, the swift passage of this measure is earnestly sought.



**FRANCIS G. ESCUDERO** *af*

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

1           Section 1. *Condonation of Unpaid Amortizations, Interest Payments, Penalties*  
2 *or Surcharges.* – All unpaid principal and interests, including penalties or surcharges,  
3 if any, due from loans used for land acquisition secured under the Comprehensive  
4 Agrarian Reform Program are hereby condoned by the Government, thereby relieving  
5 all farmer-beneficiaries from the payment thereof: *Provided,* That the condonation of  
6 such all unpaid principal, interests, penalties or surcharges, shall be in conformity with  
7 the applicable banking laws and regulations of the Bangko Sentral ng Pilipinas:  
8 *Provided, further,* That upon the effectivity of this Act, the Land Bank of the Philippines  
9 (LBP) shall issue the certification necessary to facilitate the issuance of a certificate of  
10 land title ownership in favor of the agrarian reform beneficiary concerned: *Provided,*  
11 *finally,* That the condonation of all unpaid principal, interests, penalties or surcharges  
12 shall release all attached liens and encumbrances arising from the loans secured for  
13 land acquisition.

14           Sec. 2. *Implementing Rules and Regulations.* – Within thirty (30) days from the  
15 effectivity of this Act, the Department of Agrarian Reform, in coordination with the  
16 Philippine Agrarian Reform Council, Department of Finance and the LBP, shall  
17 promulgate the necessary rules and regulations to effectively implement the provisions  
18 of this Act.

19           Sec. 3. *Repealing Clause.* – Section 26 of Republic Act No. 6657, as amended,  
20 otherwise known as the "*Comprehensive Agrarian Reform Law of 1988*" is hereby  
21 repealed. All laws, decrees, orders, rules and regulations or parts thereof inconsistent  
22 with any of the provisions of this Act are hereby repealed, amended or modified  
23 accordingly.

1           Sec. 4. *Effectivity Clause.* - This Act shall take effect fifteen (15) days after its  
2 publication in the *Official Gazette* or in at least two (2) newspapers of general  
3 circulation.

4           *Approved,*