



DAR ADMINISTRATIVE ORDER)
NO. 02)
SERIES OF 1999)

SUBJECT: RULES AND REGULATIONS GOVERNING
JOINT ECONOMIC ENTERPRISES IN
AGRARIAN REFORM AREAS

Pursuant to Republic Act (RA) No. 6657, the "Comprehensive
Agrarian Reform Law of 1988", as amended, and Executive Order (EO)
No. 129-A, the "Reorganization Act of the Department of Agrarian
Reform", the following rules and regulations are hereby promulgated:

ARTICLE I
PRELIMINARY PROVISIONS

SECTION 1. *Framework for Joint Economic Enterprises - Agrarian*
reform means not just the redistribution of lands to farmers and
farmworkers who are landless, but includes the totality of factors and
support services designed to lift the economic status of the
beneficiaries.

The State is primarily mandated and hereby reaffirms its
commitment to provide support services to agrarian reform
beneficiaries.

Nonetheless, to ensure adequate support services, there is a
need for greater private sector participation, both civil society and
business, in the development of agrarian reform areas. This shall be
facilitated through agribusiness partnerships or arrangements,
otherwise known as *Joint Economic Enterprises*, between beneficiaries
and investors.

These partnerships or arrangements, which will involve
distributed lands, shall be at the option of beneficiaries. Their
availability does not mean government will cease to provide agrarian
support services. They are merely alternatives that beneficiaries may
consider to sustain the operations of distributed farms, or to make their

lands productive, thus, enable them to enjoy the full benefits of agrarian reform.

SEC. 2. *Objectives* - The objectives of joint economic enterprises are as follows:

- (a) Mobilize private sector investments in agrarian reform areas;
- (b) Provide adequate support services and facilities to beneficiaries;
- (c) Optimize the operating size of distributed lands for agricultural production;
- (d) Ensure security of tenure and security of income of participating beneficiaries;
- (e) Enhance or sustain the productivity and profitability of commercial farms;
- (f) Hasten the transformation of agrarian reform beneficiaries into farmer-entrepreneurs; and
- (g) Promote food security and enable local agriculture to be globally competitive.

SEC. 3. *Legal Bases* - The authority of the DAR to provide for, and regulate, agribusiness partnerships or arrangements between agrarian reform beneficiaries and investors is derived, among others, from the following constitutional and statutory provisions:

(a) Section 4, Article XIII of the Constitution which provides that "xxx. The State shall further provide incentives for voluntary land-sharing." (also Sec. 2, par. 3, RA 6657);

(b) Section 5, Article XIII of the Constitution, which declares: "The State x x shall provide support to agriculture through appropriate technology and research, and adequate financial, production, marketing, and other support services" (also Sec. 2, par. 4, RA 6657);

(c) Section 35, RA 6657, as amended by RA 7905, which states: "There is hereby created the Office of Support Services

under the DAR to be headed by an Undersecretary. x x x. The Office shall provide general support and coordinate services in the implementation of the program, particularly in carrying out the provisions of the following services to farmer beneficiaries and affected landowners: x x x (2) Infrastructure development and public works projects in areas and settlements that come under agrarian reform x x x. For the purpose of providing the aforesaid infrastructure and facilities, the DAR is authorized to enter into contracts with interested private parties on long term basis or through joint venture agreements or build-operate-transfer schemes; x x x (10) Assistance in the identification of ready markets for agricultural produce and training in other various aspects of marketing; x x x and (13) Administration, operation, management and funding of support services programs and projects including pilot projects and models related to agrarian reform as developed by the DAR";

(d) Section 44, RA 6657, as amended by RA 7905, which provides "x x x. The PARCCOM shall coordinate and monitor the implementation of the CARP in the province. x x x, in addition, it shall : a) recommend to the PARC the following: x x x 3) continuous processing of applications for lease back agreements, joint venture agreements and other schemes that will optimize the operating size for agricultural production and also promote both security of tenure and security of income to farmer beneficiaries: Provided, that lease back arrangements should be the last resort;"

(e) Section 38, RA 6657, which directs the PARC to provide "x x x investment information, financial and counseling assistance x x x" to affected landowners;

(f) Section 3, EO 129-A, which declares that "the State shall: (a) establish owner-cultivated, economic, family-size farms and collectively-owned/cooperatively-cultivated farms as the foundation of Philippine agriculture; x x x (c) rechannel and divert landlord capital in agriculture to industrial development; x x x (f) create just and viable socio-economic structures in agriculture conducive to greater productivity and higher incomes through the cooperative system of production, processing, marketing, distribution and credit services; x x x (i) provide specific investment opportunities, alternative employment, and other incentives for landowners affected by agrarian reform; x x x;"

(g) Section 4 (h), EO 129-A, which authorizes the DAR to "develop and implement alternative land tenure systems such as cooperative farming and agro-industrial estates, among others"; and

(h) Section 49, RA 6657, which provides that "The PARC and the DAR shall have the power to issue rules and regulations, whether substantive or procedural, to carry out the objects and purposes of this Act." x x x;

SEC. 4. *Who May Avail of Joint Economic Enterprises* - Beneficiaries of agricultural lands distributed under the agrarian reform program may engage in any of the joint economic enterprises provided herein. These include holders of Emancipation Patents (EPs) or Certificates of Land Ownership Awards (CLOAs).

Qualified beneficiaries of agricultural lands for distribution under the agrarian reform program may also avail thereof: *Provided*, That the land is distributed to beneficiaries before an agribusiness agreement is executed.

Small landowners may engage in joint economic enterprises involving their retained areas.

SEC. 5. *Definition of Terms* - The terms and concepts used in this Order shall mean as follows:

(a) Agrarian Reform Beneficiaries (ARBs) or Beneficiaries refer to individual beneficiaries under PD 27 or RA 6657, or their cooperative, association, or federation, duly registered with the Securities and Exchange Commission (SEC) or the Cooperative Development Authority (CDA);

(b) Equity is the value of the shares subscribed and paid for by each party in relation to the authorized capital stock of a joint venture corporation;

(c) Joint Economic Enterprises generally refer to partnerships or arrangements between beneficiaries and investors to implement an agribusiness enterprise in agrarian reform areas. It may take any of the following forms:

- (i) Joint Venture whereby the beneficiaries contribute use of the land held individually or in common and the facilities and improvements if any. On the other hand, the investor furnishes capital and technology for production, processing and marketing of agricultural goods, or construction, rehabilitation, upgrading and operation of agricultural capital assets, infrastructure, and facilities. It has a personality separate and distinct from its components;
- (ii) Production, Processing and Marketing Agreement whereby the beneficiaries engage in the production and processing of agricultural products and directly sell the same to the investor who provides loans and technology;
- (iii) Build-Operate-Transfer Scheme whereby the investor introduces, rehabilitates or upgrades, at his own cost, capital assets, infrastructure, services and facilities applied to the production, processing and marketing of agricultural products at his own cost, and operates the same for an agreed period, upon expiration of which, collective ownership thereof is consolidated with the beneficiaries who own the land where the improvements and facilities are located;
- (iv) Management Contract whereby the beneficiaries hire the services of a contractor who may be an individual, partnership or corporation to assist in the management and operation of the farm in exchange for a fixed wage and/or commission;
- (v) Service Contract whereby the beneficiaries engage for a fee the services of a contractor for mechanized land preparation, cultivation, harvesting, processing, post-harvest operations, and other farm activities;
- (vi) Lease Contract whereby the beneficiaries bind themselves to give to the investor the enjoyment or use of their land for a price certain and for a definite period;

- (vii) Any combination of the preceding schemes; or
- (viii) Such other schemes that will promote the productivity of agrarian reform areas consistent with existing laws;

(d) Investors refer to either former landowners, private individuals, corporations or partnerships, non-government organizations, AFB cooperatives or associations, government owned or controlled corporations or entities duly authorized by law, who are willing and able to contribute their capital, equipment and facilities, technology, and management services, with proven organizational, financial, and technical capability to meet their obligations under the agreement, as evidenced by their track record, financial statements, and other relevant proofs;

(e) Mediation or Conciliation is a mode of resolving disputes whereby the contending parties negotiate towards a mutually acceptable and beneficial solution of their dispute with a third party acting as facilitator;

(f) Usufruct is a right to enjoy the property of another with the obligation of preserving its form and substance (Art. 562, Civil Code). The usufructuary or person in whose favor a usufruct over distributed land is constituted cannot assign his right to another person or entity without the consent of the beneficiaries; and

(g) Voluntary Arbitration is a mode of resolving disputes whereby the contending parties mutually agree to refer the same to a third party. The latter renders a decision based on the results of investigation.

ARTICLE II

FEATURES OF JOINT ECONOMIC ENTERPRISES

SEC. 6. *General Features* - The parties in a joint economic enterprise are the beneficiaries and investors. It is formed for the following purposes:

- (a) Production, processing and marketing of agricultural products; or
- (b) Introduction, maintenance, rehabilitation or upgrading of agricultural capital assets, infrastructure, facilities or services; or
- (c) Provision of expertise, technology, equipment and other services that will make distributed lands productive.

The beneficiaries remain as owners of the land. Only the use of the land may be conveyed where necessary to the enterprise. The consideration and other economic benefits of the parties will depend on the nature of the agribusiness enterprise and the relative value of their participation.

The parties shall agree on the period and cause the annotation of the agreement on the titles of the properties (EP/CLOA) as appropriate.

SEC. 7. *Types & Basic Features* - The various types of joint economic enterprises and their basic features are as follows:

(a) Joint Venture

- (i) A joint venture seeks to implement agri-related projects and activities over distributed lands. It shall have a personality separate and distinct from that of the contracting parties in accordance with the Corporation Code of the Philippines;
- (ii) The joint venture shall acquire merely usufructuary, but not ownership, rights over the land for an agreed period, subject to the limitations provided for under Art. 605 of the Civil

Code, and subject, further, to the condition that it shall preserve the form and substance thereof. Ownership of the land remains with the beneficiaries and the property can not be used to settle obligations of the joint venture corporation (JVC) in the event of insolvency or bankruptcy;

(iii) The JVC or entity shall be liable for taxes due on the improvements, while the ARBs are accountable for taxes due on the land pursuant to Art. 596 and 597 of the Civil Code.

(iv) The equity participation of the beneficiaries shall be determined based on the value of the use of the land, its improvements and facilities, if any, and such other applicable factors consistent with standard valuation practices. It shall be, at the minimum, equivalent to the lease rental thereof as determined in accordance with existing laws. It shall be, in no case, less than the total amount due from the ARBs as payment for the land and its improvements as appropriate. The equity shall be in the form of voting shares unless the beneficiaries prefer otherwise. Through equity review mechanism, increases in the fair market value of the use of the land, facilities and improvements may result in corresponding increase in equity. For this purpose, the beneficiaries and the investors may engage the services of independent appraisers or valuers.

(v) The JVC shall be managed jointly by the investors and the ARBs. The beneficiaries shall be given a fixed number of seats in its board of directors corresponding to their equity interest. They may be given additional seats in the board, as agreed upon by the parties, as special privilege as incorporators or founders pursuant to Sec. 7 of Batas Pambansa (BP) Blg. 68, or the "Corporation Code of the Philippines";

(vi) The equity of the beneficiaries shall not be, in any manner, subject to dilution in case of additional issuance by the JVC of shares of the capital stock

to reduce their voting rights. For this purpose, additional issuance shall consist of non-voting shares;

(vii) Beneficiaries and/or their dependents shall be given preference for employment in the joint venture. They shall receive salaries/wages for their labor in accordance with existing labor laws, in addition to dividends on their equity interest and other income from the land used under the joint venture;

(viii) The joint venture agreement may provide for the creation of a Social Fund out of such funds as the parties may determine. The fund shall be used to support social and welfare projects for the beneficiaries. It shall be managed jointly by representatives of the investors and the ARBs;

(ix) A Sinking Fund equal to the amortization for the land and the improvements, as appropriate, is established out of the joint venture's net earnings after tax. The fund shall amortize the land and the improvements. It shall be deductible from the cash dividends or proceeds due to the ARBs;

(x) The agreement shall incorporate a human resource development program that will provide management capability building for beneficiaries, facilitate transfer of technology, and hasten their transformation into rural entrepreneurs;

(xi) The agreement shall provide for the procedures, terms and conditions for equity divestment by the investor in favor of the beneficiaries;

(xii) Joint venture agreements executed by ARBs before the organization of the JVC shall survive the incorporation thereof and shall continue to be valid and binding to the extent that they are not inconsistent with the articles of incorporation and by-laws of the JVC; and

(xiii) The VC articles and by-laws and the joint venture agreement shall incorporate the basic features provided herein as warranted.

(b) Production, Processing and Marketing Agreement

(i) The beneficiaries engage in production and processing of agricultural crops, while the investor buys the crops pursuant to a pre-agreed selling price and takes charge of their marketing;

(ii) The investor makes available, at the earliest opportunity and for a reasonable cost, the technology prescribed for the production and processing of agricultural goods according to the quality standards set by the market. Any loss resulting from arbitrary adjustments in the quality standards shall be borne by the investor unless the ARBs are informed, at the earliest opportunity, of the adjustments and are provided with reasonable means to cope therewith;

(iii) If the application of the prescribed production and processing technology results in the degradation of the substance and form of the land, the beneficiaries shall be justified in applying alternative and equally effective production technology upon proper notice to the investor;

(iv) Deduction of amounts representing the cost or value of the use of the technology, equipment, facilities and services provided by the investor to the beneficiaries shall not be arbitrary. The amount and schedule of deduction shall be clearly stipulated in the contract; and

(v) Liability for rejects in excess of allowable rate or crop losses shall be stipulated in the agreement on the basis of the respective roles and responsibilities of the parties in the production, processing, and marketing of agricultural crops;

- (vi) If production exceeds the volume of crops agreed upon in the contract, the ARBs may dispose the excess to other interested buyers, subject to the investor's right of first refusal. The proceeds of the sale of the excess shall pertain exclusively to the ARBs;
 - (vii) The period for acceptance by the investor of the products delivered shall be in accordance with industry practice. Acceptance is implied from the investor's failure to notify the beneficiaries of its rejection of the products after the lapse of the agreed period; and
 - (viii) The agreement shall incorporate a price review mechanism taking into consideration industry practice, prevailing market prices, and other appropriate factors.
- Build-Operate-Transfer Scheme
- (i) The investor builds or rehabilitates facilities and improvements necessary to make the lands productive and directly operates the same for a specified period. The facilities and improvements shall be constructed at the investor's own expense, and he shall not be allowed to access, for this purpose, government funds that would, otherwise, be available as financing or capital for beneficiaries;
 - (ii) The beneficiaries shall receive reasonable rent for the use of the land where the facilities and improvements are located, taking into consideration the area utilized, amount of amortization, and other relevant factors. They may continue to engage in production activities on portions of the land not affected by the facilities and improvements;
 - (iii) The investor shall be liable for taxes due on the improvements, while the ARBs for taxes due on the land pursuant to Art. 596 and 597 of the Civil Code;

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(v) A human resource development program for members of the cooperative, association or federation shall be implemented to facilitate transfer of technology and management

(iv) Employees of the management contractor shall be limited to essential management positions and those engaged in the introduction and transfer of appropriate technology. The ARBs shall provide the labor necessary for farm operations;

(iii) The management contractor shall prepare the development plan, cost estimates, annual budget, manpower requirements of the agribusiness enterprise, subject to approval of the ARBs, and assist in sourcing funds to finance its operations;

(ii) The farm remains under the control of the ARBs and the management contractor receives a fixed compensation, commission or other forms of remuneration for his services;

(i) The ARBs hire the services of a contractor to manage and operate the farm for the purpose of producing high value crops or other agricultural crops for export;

(d) Management Contract

(v) This scheme is separate and distinct from that provided for under RA 6957, as amended by RA 7718, otherwise known as "the BOT Law." Thus, Sec. 3 (b) of DAR Administrative Order No. 9, Series of 1998, "Rules and Regulations on the Acquisition, Valuation, Compensation and Distribution of Deferred Commercial Farms," is hereby amended or modified.

(iv) Any increase in the value of the land resulting from the introduction, rehabilitation or upgrading of infrastructure services and facilities made by an investor shall accrue to the beneficiaries; and

(i) The lessee may be either a former landowner or other investors. However, under Sec. 44, RA 6657, as amended by RA 7905, leaseback arrangements should be the last resort. This means that the ARBs and the investor (former landowner) must first

(f) Lease Contract

(iii) Beneficiaries who wish to engage in service contracting but with limited financial capability may avail of loan facilities or credits pursuant to Section 35, RA 6657, as amended by RA 7905.

(ii) The service contractors may include other ARBs with necessary equipment and facilities for mechanized farm operations. Provision of farm-related services by duly-qualified ARBs will allow intensive and efficient use of equipment and facilities, thus, making such services accessible to other ARBs at lower cost; and

(i) Beneficiaries engage the services of a contractor for mechanized land preparation, seeding or harvesting, use of post-harvest facilities for storage and packing, and other aspects of agricultural production. They remain to be in control and possession of the land;

(e) Service Contract

(vii) The amortization and taxes due for the land and its improvements shall be the responsibility of the ARBs.

(vi) All income from the operation of the farm shall accrue exclusively to the ARBs. Disbursements shall be made jointly by the management contractor and the ARBs through their duly authorized representatives, unless the parties stipulate otherwise; and

techniques to enable them to directly manage and operate the farm;



consider other types of agribusiness arrangements before deciding on a lease;

(ii) The lessee or investor provides the capital to develop, cultivate, plant, harvest or process the agricultural crops; extend all technical and management services for the efficient operation of the farm; and assumes the risk of loss of agricultural operations. The lessors or ARBs, on the other hand, shall allow or authorize the lessee to exclusively occupy, use, and cultivate their land, for the purpose of agricultural production. If the loss is caused by force majeure, payment of lease rental may be deferred or paid on installment basis until such time the lessee-investor recovers the losses;

(iii) Property taxes due on the buildings or any other improvements on the land shall be for the account of the lessee/investor. Property taxes on the lands shall be the liability of the lessor/ARBs.

(iv) The lessee/investor shall have the right to construct buildings and introduce other physical improvements or facilities on the property subject of lease necessary for agricultural operations. In no case, however, shall any improvement on the property decrease the aggregate agricultural area to the extent of lowering the land rental and other privileges accruing to the ARBs;

(v) All buildings, roads, bridges and other permanent structures/improvements and facilities on the land under lease, shall accrue or belong to the ARBs upon termination of the lease. The lessee/investor, on the other hand, shall have the option to remove, or transfer any non-permanent improvement, prior to or upon termination/expiration of the agreement at the latter's own expense, but which removal shall not in any manner cause damage to the land;

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(vi) The lessee/investor shall give priority to qualified and willing ARBs and their dependents for employment in the enterprise. In such case, they (ARBs) shall be treated as employees of the lessee/investor and shall be entitled to the mandated minimum wage and other economic benefits granted under the Labor Code and other existing laws; and

(vii) The maximum 10-year period in the definition of a lease arrangement under Sec. 3 (f) of DAR Administrative Order No. 9, Series of 1998, is hereby deleted. The period for lease is subject to stipulation by the parties in accordance with law.

(g) Combinations or Phased Arrangements

These arrangements combine the features of any or all of the preceding forms of agribusiness enterprises, or provide for a phased implementation thereof. For instance, production and processing of agricultural crops may be covered by contract growing, while marketing may be under a joint venture. Small growers may engage production, while a corporation may undertake processing and marketing. Initially, the arrangement may provide for leaseback, followed by contract growing, and, finally, joint venture.

(h) Other Schemes

They refer to other agribusiness arrangements or schemes that optimize the operating size of distributed lands for agricultural production consistent with existing laws and regulations.

SEC. 8. *Consent of Beneficiaries* - Beneficiaries shall have full freedom to engage in a joint economic enterprise with investors of their own choice. However, in case of commercial farms, the former landowner or operator shall be given priority pursuant to Sec. 30 (a) (3) of DAR Administrative Order No. 9, Series of 1998.

Where individual beneficiaries are parties to the contract, the beneficiaries themselves or their duly authorized representative must execute the agreement.

If the contracting party is the cooperative or association, the board of directors or governing body must authorize the agreement, and the members must ratify the same, in accordance with its articles and by-laws. The officers who will sign the agreement shall secure an authority in writing from the board before executing the agreement.

SFC. 9. *Conversion of Property to Agri-Related or Non-Agricultural Use* - The change in the use of the property under a joint economic enterprise shall be governed by DAR Administrative Order No. 1, Series of 1999, the "Revised Rules and Regulations on the Conversion of Agricultural Lands to Non-Agricultural Use". The agreement shall provide for the change in land use and its importance to the enterprise. It shall require the approval of the beneficiaries.

SFC. 10. *Resolution of Disputes* - As a rule, voluntary methods, such as mediation or conciliation and arbitration, shall be preferred in resolving disputes involving joint economic enterprises. The specific modes of resolving disputes shall be stipulated in the contract, and should the parties fail to do so, the procedures herein shall apply.

The aggrieved party shall first request the other party to submit the matter to mediation or conciliation by trained mediators or conciliators from DAR, non-government organizations (NGOs), or the private sector chosen by them.

Where the dispute cannot be resolved through mediation or conciliation, it may be submitted to arbitration by the parties in accordance with RA 876, as amended, also known as the "Arbitration Law", unless otherwise specified by the parties. The decision of the arbitrators shall be binding upon them as agreed by the parties. They may opt to submit the dispute directly to arbitration without going through mediation or conciliation.

Should the dispute remains unresolved, it may be brought to either of the following for resolution depending on the principal cause of action:

(a) DAR Adjudication Board (DARAB) if it involves interpretation and enforcement of an agribusiness

agreement or an agrarian dispute as defined in Sec. 3(d) of RA 6657;

- (b) Securities and Exchange Commission (SEC) if it involves an intra-corporate dispute;
- (c) Cooperative Development Authority (CDA) if it involves an intra-cooperative dispute; or
- (d) National Labor Relations Commission (NLRC) if it involves employer-employee relations.

The Secretary may, pursuant to Sec. 5 (b) in relation to Sec. 7 of E.O. 129-A, issue such writs or orders, as may be appropriate, to maintain the status quo and preserve peace and order in the farm subject of a joint economic enterprise, in the following cases:

- (a) Where there is clear and imminent threat to life or property;
- (b) Where the dispute will cause serious and irreparable damage to either party or to the agribusiness enterprise; or
- (c) Where, in his judgment, there is an urgent need to protect the national interest.

For this purpose, the Secretary or his authorized representative may seek the assistance of law enforcement agencies to implement the writ or order. Thereafter, the case shall be resolved in accordance with the procedures provided herein. Where the dispute is before the DARAB, it shall give immediate and preferential attention to the case.

SEC. 11. *Withdrawal from Agreement - Contracts for joint economic enterprises shall provide for the grounds and the procedures whereby a party may withdraw from the agreement. In general, a party may withdraw in case of serious breach or failure by the other party to comply with the terms thereof.*

The withdrawal by the aggrieved party shall go through the dispute resolution process provided in the preceding section, as appropriate, without prejudice to his right to extra judicially rescind obligations pursuant to Art. 1191 of the Civil Code of the Philippines.

Extra-judicial rescission shall be subject to the following conditions:

- (a) Existence of clear and substantial breach of the contract;
- (b) Prior demand by the injured party for the other party to comply with his obligations with a warning that the agreement shall be rescinded upon failure to do so; and
- (c) Affected party may question the rescission before the proper forum.

In case the beneficiaries withdraw, they may engage in a joint economic enterprise with other investors, operate the farm themselves, or petition the DAR for subdivision if the land is under collective CLOA. The petition is subject to DAR's determination of its economic feasibility and soundness in accordance with DAR Administrative Order No. 3, Series of 1993, and other existing laws and regulations. No petition shall be entertained while the withdrawal has yet to be finally resolved.

In a joint venture between an investor and a cooperative or association, a member-beneficiary may sell or dispose his proportionate interest in the cooperative or association consistent with existing laws and regulations.

SEC. 12. *Review and Approval of Contracts - Contracts for joint economic enterprises such as lease back, joint venture and other schemes, which comprise all the following elements:*

- (a) it will optimize the operating size for agricultural production;
- (b) the investor is the former landowner; and
- (c) it will require conveyance of the use and possession of the land in favor of the investor (or former landowner),

shall be submitted to the Provincial Agrarian Reform Coordinating Committee (PARCCOM) for endorsement to the Presidential Agrarian Reform Council (PARC) in accordance with Section 44 (a) (3) of RA 6657, as amended by RA 7905. The DAR Support Services Office (SSO) shall review the contract before approval by the PARC. Optimization

of operating size shall mean consolidating more than three (3) hectares of distributed lands for agricultural production.

All other contracts without any of the elements enumerated above, such as production, processing and marketing agreements, management contracts, or service contracts, shall not be required to go through the PARCCOM/DAR-SSO/PARC review and approval process. However, they shall be witnessed by the Provincial Agrarian Reform Officer (PARO) or the Municipal Agrarian Reform Officer (MARO) and copy thereof furnished to the DAR Regional Office which shall, in turn, forward a copy to DAR-SSO.

Contracts shall take effect upon signing by the parties. However, in case of contracts that require PARCCOM/DAR-SSO/PARC review and approval, they shall take effect upon approval by PARC. In this connection, Sec. 30 (h) of DAR Administrative Order No. 9, Series of 1998, which provides for the effectivity of agribusiness venture agreements involving distributed commercial farms is hereby amended or modified.

The PARCCOM, DAR-SSO, and PARC shall act on the agribusiness arrangement within thirty (30) days each from receipt, otherwise, the contract is deemed favorably endorsed or approved. Pending approval of the agreement, the transitory provisions under Sec. 33 of DAR Administrative Order No. 9, Series of 1998, shall apply.

Any amendment that will substantially affect the rights and obligations of the parties or materially change the contract shall go through the same review and approval process.

ARTICLE III

PROGRAM DEVELOPMENT AND IMPLEMENTATION

SFC. 13. *Formulation of Program and Action Plan* - The Field Operations and Support Services Office (FOSSO) of DAR shall prepare a program to enhance the delivery of support services to agrarian reform beneficiaries through joint economic enterprises, among others. It shall, likewise, formulate an action plan that will provide for the strategy, systems and procedures, duties and responsibilities, organizational arrangements, and budget required to promote and facilitate the implementation of joint economic enterprises, subject to the Secretary's approval.

SEC. 14. *Support Services for Joint Economic Enterprises* - The DAR, through its national and local offices, shall provide the following services in support of joint economic enterprises:

- (a) Conduct information campaign on joint economic enterprises with emphasis on the rights and obligations of beneficiaries;
- (b) Establish and maintain a directory of investors and agrarian reform beneficiaries, their business profiles and prospects, and other pertinent information;
- (c) Assist in the identification of available lands for investment and in resolving any land tenure problem or agrarian dispute in these areas, if any;

- (d) Facilitate linkages between ARBs and investors;
- (e) Provide institutional development training and capability building for ARBs, e.g., organization of cooperatives or associations; formulation of project proposals, and agribusiness management;
- (f) Provide legal assistance to agrarian reform beneficiaries particularly in the review and drafting of contracts and in negotiations with investors;
- (g) Facilitate negotiations between beneficiaries and investors to ensure that the terms and conditions of the agribusiness arrangement are fair and just for both parties;
- (h) Mediate or arbitrate any dispute involving the interpretation or enforcement of the terms and conditions of the agribusiness contracts upon request by both parties; and
- (i) Perform such other services as will promote the objectives of joint economic enterprises.

SEC. 15. *Compliance Monitoring* - The DAR shall, through its Regional and Provincial Offices, and in accordance with paragraph 4 of Sec. 22 of RA 6657, monitor the progress of joint economic

enterprises. The governing body of such enterprises and/or their responsible officials shall make available and submit to the DAR copies of the relevant records of the enterprise and audited financial statements.

The DAR or its duly authorized representatives, with prior notice to the parties, shall have access to the records and premises of the enterprise. It shall conduct inspection of the property, from time to time, to determine the extent of its development and use, or the parties' compliance with the terms of the agreement. It shall recommend remedial measures as warranted.

In this regard, contracts for joint economic enterprises shall include a provision for compliance monitoring by DAR or its duly authorized officials or representatives as provided herein.

ARTICLE IV

FINAL PROVISIONS

SEC. 16. *Repealing Clause* - Sec. 3 (b) and (j), Sec. 30 (h) of DAR Administrative Order No. 9, Series of 1998, and pertinent provisions thereof, other DAR administrative orders, circulars or issuance inconsistent herewith, are hereby amended, modified, superseded, or repealed accordingly.

SEC. 17. *Separability Clause* - Any provision of this Order declared unconstitutional shall not affect the validity of the other provisions.

SEC. 18. *Effectivity* - This Order shall take effect ten (10) days after publication in two (2) newspapers of general circulation.

Dilliman, Quezon City, October 1, 1999.

HORACIO R. MORALES JR.
Secretary

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1. THE MANTALA BULLETIN
2. THE PHILIPPINE STAR

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