



Republic of the Philippines
DEPARTMENT OF AGRARIAN REFORM

DAR MEMORANDUM CIRCULAR)
NO. 01)
SERIES OF 2001)

TO : CLUPPI 1 & 2/RCLUPPI Executive Committee
Members and Secretariat
Central & Regional Accounting/Cashier Division Chiefs
Regional Directors
Provincial Agrarian Reform Officers
Municipal Agrarian Reform Officers
All Concerned

SUBJECT : OPERATIONAL GUIDELINES FOR THE POSTING AND
DISPOSITION OF CASH BOND AND PERFORMANCE
BOND PURSUANT TO ADMINISTRATIVE ORDER NO.
1, SERIES OF 1999, ENTITLED "REVISED RULES AND
REGULATIONS ON THE CONVERSION OF
AGRICULTURAL LANDS TO NON-AGRICULTURAL
USES"

To fully implement DAR Administrative Order No. 1, Series of 1999, the following operational guidelines for the posting and disposition of cash bond and performance bond required in land use conversion applications are hereby promulgated:

SECTION 1. Posting of Cash Bond

1.1 All applications filed after the effectivity of AO No. 1, Series of 1999, shall require a cash bond posted in favor of the DAR to guarantee that the applicant shall not undertake premature conversion pending consideration of the application, except as provided in DAR Administrative Order No. 2, Series of 2000 relative to socialized and low cost housing projects.

1.2 The cash bond may be in the form of cash, manager's check, cashier's check, irrevocable letter of credit (LC) issued by a reputable bank, or bank draft, at the option of the applicant.

1.3 The CLUPPI/RCLUPPI Secretariat shall issue to the applicant an assessment of the cash bond using LUC Form B2, computed at two point five percent (2.5%) of the zonal value of the land as per latest issuances of the Department of Finance.

1.4 The Accounting Division of the Central/Regional Office shall issue an Order of Payment to the applicant.

1.5 The Accounting Division of the Central/Regional Office shall enter the cash bond in the trust account of the Agrarian Reform Fund (Fund 158) pursuant to Section 1.d of Republic Act No. 8532, subject to existing accounting and auditing rules and regulations.

1.6 If the cash bond is in the form of an irrevocable LC, the Accounting Division shall determine its acceptability through formal confirmation with the issuing bank. It shall accept the LC and retain custody thereof for safekeeping.

SEC. 2. Disposition of Cash Bond

The cash bond shall be refundable upon issuance of the Order of Conversion or Denial or convertible into performance bond at the applicant's option in case of approval of the application. The cash bond shall be forfeited in favor of the DAR in the event actual conversion activities are conducted by the applicant prior to approval of the application.

2.1 The procedures for the refund of cash bond or its conversion to performance bond are as follows:

2.1.1 Documentary Requirements

The cash bond shall be refunded to the applicant or converted into performance bond, at the applicant's option, within five (5) days from issuance of the



Order of Conversion or Denial and after submission of the following documents:

- a) Letter request of applicant indicating his/her option (LUC Form L);
- b) MARO certification on status of development of the area applied for conversion (LUC Form M); and,
- c) Original copy of official receipt (OR) of cash bond payment or photocopy of LC. *Provided*, that in case of loss of the original OR, a certified true copy of the OR issued by the DAR cashier and an Affidavit of Loss executed by the applicant shall be submitted.

Failure of the applicant to submit the above requirements within the prescribed period shall mean automatic conversion of cash bond to performance bond. *Provided*, that conversion of cash bond to performance bond is allowed only in cases of approved applications for conversion without premature development, or where no forfeiture order was issued by DAR.

2.1.2 General Procedures

- a) Upon receipt of the documentary requirements listed in Sec. 2.1.1, the Head, CLUPPI/RCLUPPI Secretariat, shall determine whether or not premature development has taken place prior to issuance of the conversion order based on CLUPPI/RCLUPPI Inspection Team report attached to the application (LUC Form K) and/or MARO certification (LUC Form M);
- b) If there is no premature development undertaken, the Head, CLUPPI/RCLUPPI Secretariat, shall prepare and initial a Voucher refunding the cash bond to the applicant or an



Authority to convert the same to performance bond (LUC Form N). Said voucher or authorization shall be signed by the CLUPPI Executive Director/Regional Director and transmitted to the Accounting Division of the Central/Regional Office.

- c) If premature development has been undertaken, the cash bond shall be forfeited in accordance with Section 2.2 of this Memorandum Circular;
- d) Upon receipt of the Voucher for refund of cash bond, the Accounting Division shall cause the processing of the same for refund in accordance with existing accounting and auditing rules and regulations. On the other hand, the Accounting Division shall draw a Journal Voucher to convert the cash bond to performance bond, copy furnished the applicant, the CLUPPI, and the Cashier's Office;
- e) The Cashier Division of the Central Office/Regional Office shall issue the necessary payment for refund of cash bond.
- f) If the cash bond is in the form of an LC, the original copy thereof shall be returned to the applicant.

2.2 The procedures for the forfeiture of cash bond are as follows:

- 2.2.1 The cash bond shall be forfeited in favor of DAR in the event illegal or premature conversion, as defined under existing laws and regulations, is undertaken by the applicant prior to issuance of the Order of Conversion or Denial.
- 2.2.2 If premature development is determined based on CLUPPI/RCLUPPI Inspection Team report (LUC Form K) and/or MARO certification (LUC Form M), the Head, CLUPPI/RCLUPPI Secretariat, shall issue a



show-cause letter to the applicant requiring him/her to explain why the premature development was undertaken and why the cash bond should not be forfeited in favor of DAR within 15 days from receipt thereof.

- 2.2.3 Upon receipt of applicant's reply, the approving authority for the conversion application shall evaluate the merits thereof with the assistance of the CLUPPI/RCLUPPI Secretariat. If the reasons therefor are found just and valid, the approving authority shall issue an order authorizing the refund of the cash bond or its conversion to performance bond, at the applicant's option, in accordance with Sec. 2.1 hereof. On the other hand, if the reasons are not meritorious, an Order of Forfeiture of Cash Bond shall be issued by the approving authority for conversion. Failure by the adverse party to submit a written explanation within fifteen (15) days from receipt of the show-cause letter shall result in the automatic forfeiture of the cash bond.
- 2.2.4 The Order of Forfeiture of Cash Bond shall be signed by the designated approving official for the conversion application. The CLUPPI/RCLUPPI Secretariat shall issue the Order of Forfeiture to the applicant.
- 2.2.5 In appropriate cases as determined by the CLUPPI/RCLUPPI Executive Committee, as when the applicant has been given the opportunity to explain in writing the illegal or premature conversion in the course of the ocular inspection or immediately thereafter, the order forfeiting the cash bond may be embodied or incorporated in the Order of Conversion or Denial itself signed by the designated approving authority.
- 2.2.6 Upon issuance of the Certificate of Finality, the CLUPPI/RCLUPPI Secretariat shall prepare and endorse to the Accounting Division a Voucher



forfeiting the proponent's cash bond in favor of the DAR, with the following supporting documents:

- a) Copy of Order of Forfeiture or Order of Conversion/Denial with forfeiture provision; and
- b) Copy of Certificate of Finality of said Order.

2.2.7 The cash bond forfeited pursuant to this Memorandum Circular shall be remitted to ARF 158 in accordance with Section 1.d of Republic Act No. 8532, subject to existing accounting and auditing rules and regulations.

SEC. 3. Posting of Performance Bond

3.1 All conversion orders issued pursuant to AO No. 1, Series of 1999, shall include a provision for the posting of a performance bond in favor of the DAR to guarantee payment of the amount of security as penalty under any of the following circumstances:

3.1.1 It is established that the applicant (including the landowner and/or developer) is in default of their obligation to complete the development of the land subject of an approved conversion application; and/or,

3.1.2 Failure to comply with all the conditions in the Order of Conversion.

3.2 The applicant shall post a performance bond within five (5) days from issuance of the Order of Conversion.

3.3 General Procedures

3.3.1 The CLUPPI/RCLUPPI Secretariat shall assess or determine the amount representing the performance bond of the applicant (LUC Form O);



- 3.3.2 The performance bond shall be posted in either of the following forms:
- a) Cash, manager's check, cashier's check, irrevocable letter of credit (LC) issued by a reputable bank, or bank draft computed at two point five percent (2.5%) of the total zonal value of the land; or
 - b) Bank Guarantee computed at five percent (5%) of the zonal value of the land; or
 - c) Surety Bond, collectible on demand, issued by the Government Service Insurance System (GSIS) or by surety or insurance companies duly accredited by the Office of the Insurance Commissioner, computed at fifteen percent (15%) of the total zonal value of the land.
- 3.3.3 The applicant may convert the cash bond to performance bond pursuant to Sec. 2.1 of this Memorandum Circular.
- 3.3.4 Upon issuance of the Assessment, the applicant shall proceed to the Accounting Division for issuance of the Order of Payment in case of cash or its equivalent, or in case of conversion of cash bond to performance bond, to draw the necessary Journal Voucher to take up the conversion of cash bond to performance bond.
- 3.3.5 If the performance bond is in the form of an LC or a bank guarantee, or a surety bond, the Accounting Division shall determine its acceptability through formal confirmation with the issuing banks (for LC and bank guarantee), or determine if the bond is issued by the GSIS or by surety or insurance companies duly accredited by the Office of the Insurance Commissioner (for surety bond). In this case, the Accounting Division shall maintain a list of duly accredited surety or insurance companies, copy furnished the CLUPPI/RCLUPPI Secretariat.



- 3.3.6 The Cashier Division shall accept payment for the performance bond in cash or in manager's check. It shall also accept and retain custody for safekeeping the performance bond posted in the form of LC, bank guarantee or surety bond.
- 3.3.7 In case of inability or failure of the applicant to post performance bond within the prescribed period, the approving authority for the conversion shall issue a Revocation Order upon recommendation of the CLUPPI/RCLUPPI Executive Committee. The Revocation Order is appealable in accordance with AO No. 1, Series of 1999, and pertinent laws and regulations.

SEC. 4. Release of Performance Bond

4.1 The performance bond shall be posted for the duration of the development of the project approved under the conversion order. It shall be released by the DAR, subject to compliance with the conditions in the Order of Conversion and upon issuance by the MARO of a Certificate of Completion of Project and/or Compliance with Conditions of Conversion Order (LUC Form P), as verified by the CLUPPI/RCLUPPI ocular inspection team. *Provided*, that the performance bond shall not be released in case there is a protest/complaint filed by an aggrieved party against the applicant or the surety company, until such protest or complaint is resolved or the approving authority, for good reasons, decides to allow its release.

4.2 The applicant shall submit a letter request, together with the following documents, to the CLUPPI/RCLUPPI Secretariat for the release of performance bond:

- a) Proof of final completion of the project;
- b) MARO's Certificate of Completion of Project and/or Compliance with Conditions of Conversion Order (LUC Form P); and,



- c) Original copy of OR, if performance bond is in cash/checks, or photocopy of LC/bank guarantee/surety bond.

4.3 Upon verification of the documents submitted, the Head, CLUPPI/RCLUPPI Secretariat, shall prepare and initial a Voucher refunding the performance bond to the applicant, in case the same is posted in cash or checks, or an Authority to release the performance bond, in case of LC, bank guarantee or surety bond. Said voucher or authorization shall be signed by the CLUPPI Executive Director/Regional Director and transmitted to the Accounting Division of the Central/Regional Office;

4.4 In case of LC, bank guarantee or surety bond, the Head, CLUPPI/RCLUPPI Secretariat, shall prepare an Authorization to the Accounting and Cashier Divisions to release the performance bond, signed by the CLUPPI Executive Director/Regional Director.

4.5 The Cashier Division shall refund the cash equivalent of the performance bond to the applicant.

SEC. 5. Forfeiture of Performance Bond

5.1 Thirty (30) days after the lapse of the prescribed period for development of the project and upon confirmation that the applicant has failed to complete the same, or upon failure of the proponent to comply with the other conditions of the Conversion Order within the required period, the Head, CLUPPI/RCLUPPI Secretariat, shall issue a Notice of Forfeiture requiring the proponent to show cause why the performance bond should not be forfeited in favor of the government within fifteen (15) days from receipt thereof.

5.2 Upon expiration of the 15-day period, and upon finding that the failure to complete the project or comply with the conditions is without just and valid cause, the Head, CLUPPI/RCLUPPI Secretariat, shall prepare an Order of Forfeiture of the performance bond, to be signed by the designated approving authority of the Conversion Order.

5.3 Upon issuance of the Order of Forfeiture, the Head, CLUPPI/RCLUPPI Secretariat, shall prepare and endorse to the



Accounting Division a Voucher forfeiting the proponent's performance bond in favor of the DAR, together with a copy of the Order of Forfeiture.

5.4 In case of LC, bank guarantee or surety bond, the CLUPPI/RCLUPPI Secretariat, upon issuance of the Order of Forfeiture, shall send a communication to the bank guarantor or surety company signed by the approving authority of the Conversion Order directing the bonding company to pay the DAR in view of the forfeiture of the performance bond.

SEC. 6. *Accrual to Agrarian Reform Fund*

All interest earnings on cash bond and/or performance bond, if any, and all forfeited cash and/or performance bonds shall accrue to the Agrarian Reform Fund (Fund 158) pursuant to Sec. 1.d of Republic Act No. 8532.

SEC. 7. *Repealing Clause*

All orders, circulars, issuances or portions thereof which are inconsistent with this Memorandum Circular are hereby repealed, amended or modified accordingly.

SEC. 8. *Effectivity*

This Order shall take effect ten (10) days after its publication in two (2) newspapers of general circulation.

Diliman, Quezon City, January 9, 2001.



HORACIO R. MORALES JR.
Secretary

Published in two (2) Newspapers
of general circulation:

1. MANILA BULLETIN
2. THE PHILIPPINE STAR

Date of Publication - January 12, 2001

REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF AGRARIAN REFORM
 Center for Land Use Policy, Planning and Implementation
 Office (Central/RCLUPPI): _____

To be filled up by CLUPPI/RCLUPPI

ASSESSMENT OF LUC APPLICATION CASH BOND

Name of Applicant: _____

Total Area: _____

Location of Property/Landholdings: _____

Province: Municipality:	Area (Ha)	Zonal Value P / m ²	Total Zonal Value (P)
Brgy. A			
Brgy. B			
Brgy. C			
TOTAL			
Cash Bond (2.5 % of total zonal value) P			

Approved for payment:

 Authorized CLUPPI/RCLUPPI
 Representative

To be filled up by ACCOUNTING DIVISION

ORDER OF PAYMENT

DATE _____

PAYOR _____
PARTICULAR _____

AGRARIAN REFORM FUND (FUND 158)

JOURNAL ENTRIES

Account Symbol	Debit	Credit
_____	_____	_____
_____	_____	_____
_____	_____	_____

Obligation No. _____
 Deposit to: Trust Account

O.R. No. _____ Date _____

Amount _____

Collecting Officer _____

 Chief Accountant

Distribution of copies:

- Original – CLUPPI/RCLUPPI
- Duplicate – Accounting Division
- Triplicate – Applicant

[Handwritten Signature]

(To be filled up by Applicant)

To: _____

Dear Sir/Madam:

This refers to my application for land use conversion from agricultural to _____ use/s of _____ parcel/s of land with an area of _____ hectares, located at Barangay/s _____, Municipality of _____, Province of _____. With the approval of my application for land use conversion on _____ as per Conversion Order No. _____, Series of _____, may I request that the cash bond paid under Official Receipt No. _____ issued by the DAR in the amount of _____, or posted as per Letter of Credit No. _____, dated _____ in the amount of _____, which is equivalent to two and a half-percent (2.5%) of the zonal value of the property be:

- A. converted into performance bond
- B. refunded to the undersigned
- C. returned to the undersigned (in case of letter of credit)

Proponent

Date



(To be filled up by MARO)

Republic of the Philippines
Department of Agrarian Reform
Center for Land Use Policy, Planning and Implementation
Office (Central/RCLUPPI)

CERTIFICATION ON STATUS OF DEVELOPMENT OF AREA

This is to certify that this Office conducted ocular inspection on _____ of the landholdings applied for land use conversion by _____ from agricultural to _____ use/s over _____ parcels of land with an area of _____ hectares, located at Barangay/s _____, Municipality of _____, Province of _____ specifically identified as follows:

Registered Owner	Lot No.	OCT/TCT	Area/Title	Area Applied
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The property/ies was/were found:

- A. without land development
 - with land development
- Specify (e.g. road construction, excavation, tracing, drainage, etc)

- B. without vertical infrastructure development
- with vertical infrastructure development

Specify

Municipal Agrarian Reform Officer

Date



(To be signed by CLUPPI
Executive Director/Regional Director)

Republic of the Philippines
Department of Agrarian Reform
Center for Land Use Policy, Planning and Implementation
Office (Central/RCLUPPI)

AUTHORIZATION TO CONVERT CASH BOND
TO PERFORMANCE BOND

To Accounting Division:

This is to authorize the conversion of the cash bond posted by Mr./Mrs. _____ paid under Official Receipt No. _____ issued by the DAR in the amount of _____ into performance bond in view of the approval of his/her application for land use conversion on _____ (dd/mo/yr) pursuant to Conversion Order No. _____ Series of _____, considering that no illegal or premature conversion was undertaken in the area as evidenced by the following documents:

- A. MARO Certification that no development was undertaken prior to issuance of Order of Conversion (LUC Form M); and
- B. CLUPPI/RCLUPPI Inspection Team report attached to the application (LUC Form K),

or that the said cash bond was not the subject of forfeiture by DAR.

Executive Director/Regional Director

Date



REPUBLIC OF THE PHILIPPINES
DEPARTMENT OF AGRARIAN REFORM
Center for Land Use Policy, Planning and Implementation
Office (Central/RCLUPPI): _____

To be filled up by CLUPPI/RCLUPPI

ASSESSMENT OF LUC PERFORMANCE BOND

Name of Applicant: _____
Location of Property/Landholdings: _____
Area: _____
Date of Issuance of Conversion Order: _____
Total Zonal Value (Based on LUC Form B-2) P _____
Amount to be paid:

- Cash, manager's check, cashier's check, irrevocable letter of credit, bank draft equivalent to two point five percent (2.5%) of the total zonal value of the land: P _____
- Bank guarantee equivalent to five percent (5%) of the total zonal value of the land: P _____
- Surety equivalent to fifteen percent (15%) of the total zonal value of the land: P _____
- Cash Bond: P _____

Assessed by: _____

To be filled up by ACCOUNTING DIVISION

ORDER OF PAYMENT

DATE _____

PAYOR _____
PARTICULAR _____

AGRARIAN REFORM FUND (FUND 158)

JOURNAL ENTRIES

Account Symbol	Debit	Credit
_____	_____	_____
_____	_____	_____
_____	_____	_____

Obligation No. _____
Deposit to: Trust Account _____

O.R. No. _____ Date _____
Amount _____
Collecting Officer _____

Chief Accountant _____

Distribution of copies:
Original - CLUPPI/RCLUPPI
Duplicate - Accounting Division
Triplicate - Applicant



(To be filled up by MARO)

Republic of the Philippines
 Department of Agrarian Reform
 Center of Land Use Policy, Planning and Implementation
 Office (Central/RCLUPPI)

CERTIFICATE OF COMPLETION OF PROJECT AND/OR
 COMPLIANCE WITH CONDITIONS OF CONVERSION ORDER

I. BASIC INFORMATION

- A. Name of Registered Owner/s: _____
 B. Representative/Developer: _____
 C. No. of Parcel/s: _____
 D. Aggregate Area: _____
 E. Location of Property: _____
 F. Purpose/s: _____
 G. Conversion Order No.: _____
 H. Date of approval: _____
 I. Period of Development: _____
 J. Expiry Date: _____
 K. Description of Landholdings:

<u>Registered Owner</u>	<u>Lot No.</u>	<u>OCT/TCT</u>	<u>Area/Title</u>	<u>Area Applied</u>
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II. STATUS OF DEVELOPMENT

This is to certify that on the basis of the ocular inspection conducted on _____ (dd/mo/yr), the project was found to be:

- A. () fully developed in accordance with approved development plan
 B. () partially developed vis-à-vis development plan
 Specify: _____
 C. () totally undeveloped.



III. STATUS OF COMPLIANCE WITH CONDITIONS

- A. () proponent has fully complied with conditions.
- B. () proponent has not complied with conditions;

Specify: _____

IV. EXISTENCE OF PROTEST

- A. () Without protest against the project
- B. () With protest against the project

Specify: _____

Municipal Agrarian Reform Officer

Date

