

REPUBLIC ACT NO. 6390

(September 10, 1971)

**AN ACT TO ACCELERATE THE IMPLEMENTATION
OF THE AGRARIAN REFORM PROGRAM BY
CREATING AN AGRARIAN REFORM SPECIAL
ACCOUNT IN THE GENERAL FUND, PROVIDING THE
NECESSARY FUNDS THEREFOR, AND FOR OTHER
PURPOSES**

SECTION 1. *Purpose.* — It is hereby declared to be the purpose of this Act to accelerate the attainment of the objectives set forth in Republic Act Numbered Three thousand eight hundred and forty-four, otherwise known as the Agricultural Land Reform Code, as amended, by providing an immediate source of funds to finance the Agrarian Reform Program of the government, transferring certain assets of the National Government to augment the capital base of the Land Bank, involving the active participation of rural banks in a program of supervised credit by creating an Agricultural Guarantee Fund, providing counterpart funds for existing and new rural banks and prescribing certain requirements and conditions to stimulate the continuous establishment of cooperatives among those who actually till and work upon the land.

SECTION 2. *Creation of Agrarian Reform Special Account in the General Fund.* — To carry out the purpose of this Act, there is hereby created in the General Fund an Agrarian Reform Special Account, hereinafter referred to as the Account, which shall be used exclusively to finance the Agrarian Reform Program of the government.

SECTION 3. *Financial Source of the Account.* — The Account shall be constituted out of a portion of the proceeds of the stabilization tax collected under Republic Act Numbered Six thousand one hundred twenty-five, as amended in Section four of this Act.

SECTION 4. Section four of Republic Act Numbered Sixty-one hundred and twenty-five is hereby amended to read as follows:

"Sec. 4. The sum of fifty million pesos shall be taken annually out of the proceeds of the levy under this Act which

shall accrue to and form part of the Agrarian Reform Special Account in the General Fund: *Provided, however,* That the balance of such proceeds shall be used as follows:

"(a) Fifty *per centum* of the balance of the said collection shall be deposited with the Central Bank in a Special Account which shall be used exclusively for (1) servicing domestic and foreign debts of the National Government, (2) retiring the existing debts of the National Government held by the Central Bank which includes treasury notes, government bills or certificates, securities and bonds, and (3) amortizing the existing budgetary deficit under the general fund: *Provided, however,* That no portion of this amount shall be applied to the payment of the subsequent overdraft of the National Government;

"(b) Twenty-five *per centum* of the same balance of the collection shall be deposited with the Central Bank in a Special Account which shall provide for (1) the counterpart requirements of projects financed by the Asian Development Bank, the International Bank of Reconstruction and Development and other United Nations agencies, and other projects financed by loans under bilateral agreements; and (2) the counterpart funds of the government in the setting up of rural banks and for expanding the capital base of established existing rural banks: *Provided,* That the amount of ten million pesos annually shall be set aside to augment the government counterpart fund for the establishment of

new rural banks and five million pesos to expand the capital base of established rural banks existing as of the date of effectivity of this Act: *Provided, further,* That the Central Bank may, when necessary, authorize the establishment of more than one rural bank in any municipality or city; and

"(c) Twenty-four *per centum* of the same balance of the collection shall be deposited with the Development Bank of the Philippines in a Special Account for the purpose of granting loans to export industries and agricultural development projects in the private sector, which are directly affected by the levy, including financing of industries adversely affected by Central Bank Circular 289: *Provided, however,* That priority shall be given to loans for the production and processing of indigenous raw materials for export: *Provided, further,* That not more than fifty *per centum* of the proceeds accruing to this Special Account may be utilized as advances for foreign loans directly incurred or guaranteed by the Development Bank of the Philippines in favor of borrowers paying the stabilization tax. The Development Bank of the Philippines shall submit a quarterly report on the status and details of the loan stating among others the name and address of the borrower and the amount of the loan to the joint committee created under this Act and the Committee on Banks of Both Houses of Congress upon request, the provisions of the Charter of the Development

Bank of the Philippines or any law to the contrary notwithstanding;

"(d) One *per centum* of the same balance, but not to exceed three million pesos annually, shall accrue to the Board of Investments to be expended in accordance with Section eleven of Republic Act Numbered Sixty-one hundred and thirty-five: *Provided*, That thirty *per centum* of the amount shall accrue to and be remitted directly by the Central Bank to the Joint Congressional Special Account Committee created in Section nineteen hereof. The balance, if any, shall accrue to and form part of the Special Account created under paragraph (c) hereof."

SECTION 5. *Turnover of Funds Accruing to the Account; Release of Allotments and of Funds, Ministerial.* — The Central Bank of the Philippines shall turn over and deliver the amount accruing to the Account under Section four of this Act to the Treasurer of the Philippines within ten days of every succeeding month. It shall likewise turn over the amount accruing to the Committee created in Section nineteen of this Act within the same period.

The Treasurer of the Philippines shall credit the collections to the Account which shall not be debited except for withdrawals pursuant to appropriations made by law.

It shall be the ministerial duty of the Budget Commissioner to release simultaneously and proportionately the quarterly allotments from the appropriations of the agencies concerned at least ten days before each quarter as requested by their respective heads. It shall, likewise, be the ministerial duty of the National Treasurer to honor all treasury warrants drawn by the said agencies against the said allotments provided that the Account has sufficient balance to cover the same.

SECTION 6. *Appropriations.* — The funds accruing to the Account for the fiscal year ending June 30, 1972, are hereby appropriated as follows:

- (a) For additional lending operations of the Agricultural Credit

Administration

P 20,000,000

(b) For capital contribution of the
government to the Land Bank
20,000,000

(c) For land development and resettle-
ment, survey and subdivision and
the issuance of titles by agrarian
reform agencies
10,000,000

Total

P 50,000,000

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SECTION 7. *Allocation of Proceeds.* — The funds accruing annually to the Account after June 30, 1972 shall be allocated as follows:

- (a) For additional contribution to the
Agricultural Guarantee Fund created
under Section twelve hereof P 20,000,000
- (b) For capital contribution of the
government to the Land Bank 10,000,000

(c)	For lending activities of the Agricultural Credit Administration	10,000,000
(d)	For land development and resettlement, survey and subdivision and the issuance of titles by agrarian reform agencies	10,000,000
	Total	P 50,000,000

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SECTION 8. *Conditions for Expenditures of Funds of the Account.* — The amounts provided in Sections six and seven shall be in addition to existing appropriations in the annual Appropriations Act and shall be included in the respective budgets of the agencies concerned. They shall be spent solely for agrarian reform. No portion of the proceeds accruing to the Account shall be spent for administrative expenses, including salaries and wages.

The credit balance, if any, of the Account at the end of each fiscal year shall be available for appropriation only for activities of any of the government agencies implementing the agrarian reform program.

In the expenditure of these funds, the agencies concerned shall be guided by the requirements and conditions set forth in this Act.

The agencies receiving these funds shall render a detailed separate accounting of amounts received and the dispositions thereof each fiscal year to the Joint Committee created under this Act within thirty days after the opening of each regular session of Congress.

The Account or any part thereof shall not be subject to any provision of any appropriation Act or any other law which grants the President of the Philippines authority to transfer funds from one branch, department, office or agency of the government to another, or from one item to another, or to suspend the appropriation of any item or utilize the savings thereof to cover the deficits in or augment the appropriations of any other item.

SECTION 9. *Transfer of Certain Assets of the National Government.* — The remaining undisposed properties listed in Schedule "A" of Republic Act Numbered Fifty-one hundred and sixty-nine are hereby transferred to the Land Bank which shall take steps to have them titled in the name of the Land Bank in accordance

with existing laws. The provisions of Section four of Republic Act Numbered Fifty-one hundred and sixty-nine to the contrary notwithstanding, the assets so transferred shall be credited as payment of the government capital subscription to the Land Bank, based on the appraised market value of those properties determined in accordance with Section three of the same Act.

The shares of stocks of the National Government in the Lepanto Consolidated Mining Company, Inc., now being administered by the Board of Liquidators, are hereby transferred to the Agricultural Guarantee Fund created under Section twelve of this Act.

SECTION 10. *Turnover of Assets to the Land Bank.* — It shall be the ministerial duty of the Bureau of Lands, and the Bureau of Buildings and Real Property Management to turn over to the Land Bank within six months after the approval of this Act, the undisposed valuable properties of the National Government listed in Schedule "A" of Republic Act Numbered Fifty-one hundred and sixty-nine.

SECTION 11. *Disposition of Assets.* — The Land Bank shall, under the rules and regulations it shall promulgate, transfer, lease or otherwise dispose of the transferred real properties. In order to achieve the maximum utilization of these assets in the accomplishment of its objectives, the Land Bank may classify, develop, and subdivide the transferred real properties, dispose of them for cash or Land Bank bonds, or enter into joint ventures: *Provided*, That priority shall be given to the Government Service Insurance System, the Social Security System, and any other financially capable government corporations in the disposition of these properties. Valuations of government lands under bidding shall be subject to General Auditing Office rules and regulations. Within thirty days from the date of the opening of the regular session of Congress, the Land Bank shall submit an annual report to all the Members of Congress, through the Presiding Officer of both Houses, on the disposition of the assets herein acquired. All records in connection with such disposition shall be open to scrutiny upon request of the Joint Committee, the provision of any law, executive order, rule or regulation to the contrary notwithstanding.

SECTION 12. *Creation of Agricultural Guarantee Fund.* — There is hereby created an Agricultural Guarantee Fund to be administered by the Agricultural Guarantee Fund Board established under Section thirteen of this Act. The Fund shall guarantee seventy *per centum* of the losses for production to be extended by the rural banks, with the remaining thirty *per centum* of such losses to be absorbed by the rural banking system. All amounts appropriated for the Agricultural Guarantee Fund must be kept intact and invested in safe and high-yielding securities and only the earnings thereof shall be used to absorb the guaranteed seventy *per centum* of the losses: *Provided, however*, That investments of the funds shall be such that there shall be a well-balanced portfolio between government and private securities. The shares of stocks of the National Government in the Lepanto Consolidated Mining Company,

Inc., transferred in Section nine hereof shall not be sold, and only the earnings hereof shall be used to absorb guaranteed losses. All expenses for the administration and operation of this Fund shall be for the account of the Central Bank.

SECTION 13. *Creation of Agricultural Guarantee Fund Board.* — To administer the Agricultural Guarantee Fund, the President is hereby authorized to create within sixty days after the approval of this Act, an Agricultural Guarantee Fund Board to be composed of five members, namely: the Secretary of Finance as ex-officio chairman, the Secretary of Agriculture and Natural Resources, the Secretary of Agrarian Reforms, the Governor of the Central Bank, and the President of the Rural Bankers' Association, as members. In the event that the Chairman or any member of the Board cannot attend any meeting thereof, he shall designate the next ranking official of the office or agency concerned to represent him in the deliberations of the board. The President of the Rural Bankers' Association shall receive a *per diem* not exceeding fifty pesos for each day of meeting actually attended by him, but in no case shall his *per diem* exceed five hundred pesos a month.

SECTION 14. *Powers and Duties of the Agricultural Guarantee Fund Board.* — The Agricultural Guarantee Fund Board shall lay down the policies governing the Agricultural Guarantee Fund and promulgate such rules and regulations as may be necessary to insure the effective and efficient implementation of such policies. The Board shall take steps to integrate the existing Agricultural Guarantee Loan Fund and shall submit proposed legislation to this effect, if necessary. Within thirty days from the opening of every session of Congress, it shall submit to the Joint Committee created under this Act an annual report on the status of the Fund, showing among others, the total amount of the Fund, the details of investment and returns on these investments, and amounts actually spent to pay off the guaranteed losses or uncollectible debts.

SECTION 15. *Requirements for Rural Bank Loans.* — In order to avail of the guarantee provided in this Act, rural banks shall extend loans under the following conditions:

- (a) Farmer must agree in writing that he will apply approved farm practices under a supervised credit program and abide by the approved farm plan and budget prepared by the farmer with the assistance of an agricultural extension worker;
- (b) The farm plan and budget shall be the basis of the loan which shall depend on the size of the farm and the crop planted or to be planted;
- (c) Farmer-borrower shall not be tilling more than six hectares;
- (d) Priority must be given to: (1) cooperatives, (2) a farmer with a leasehold contract, and (3) a farmer who is a member of a cooperative or a "selda" or group and who is a beneficiary of agrarian reform;

(e) Loans shall be granted with any or a combination of the following collaterals, namely: (1) real estate property, if available; (2) chattel mortgage on standing crops and/or existing livestock or poultry; (3) stored crops in bonded warehouses; (4) two co-makers acceptable to the bank: *Provided*, That in case a farmer is a member of a group or "selda", the cooperative or "selda" may act as a co-maker: *Provided, further*, That in the case of multi-purpose cooperatives, no co-maker shall be required.

SECTION 16. *Privileges and Limitations of Rural Banks.* — No loan extended under the preceding section shall be in excess of five thousand pesos at any one time and at interest not exceeding twelve percent *per annum*, including service fees and other charges: *Provided*, That the maturity of the loan shall not be earlier than two months after harvest to provide sufficient time for marketing.

If a rural bank does not avail of the guarantee provided for in this Act, it shall, nevertheless, extend loans under the same terms and conditions set forth in the next preceding section to the beneficiaries of agrarian reform, to the extent of at least the government contribution to its capital stock.

All existing agricultural loan papers of the rural banking system as of the date of effectivity of this Act and all those arising out of this program shall be discounted by the Central Bank at a preferential rate and at a percentage of the face value thereof to be determined by the Central Bank: *Provided, however*, That all the proceeds thereof shall be channelled only to the beneficiaries of agrarian reform.

SECTION 17. *Requirements for ACA Loans.* — The loans shall be extended by the Agricultural Credit Administration under the same terms and conditions set forth in Section fifteen of this Act: *Provided, however*, That priority shall be given to areas where there are no rural banks, or where the rural banks therein do not avail of the guarantee provided in this Act.

SECTION 18. *Temporary Utilization of the Services of Government Agricultural Extension Workers to Implement the Supervised Credit Program.* — Such number of agricultural extension workers of the government, national and local, as may be necessary, shall, immediately upon the effectivity of this Act but not longer than three years after such effectivity, and under rules and regulations to be promulgated by the Secretary of the Department of Agrarian Reforms in consultation with the head of the department or office of the National Government or the chief executive of the local government concerned, certify the necessary farm plans and budgets, supervise the application of the proceeds of the loans granted under this Act, and render such other service as may be required under this Act to enable the rural banking system and the Agricultural Credit Administration to implement effectivity the supervised credit program provided herein.

SECTION 19. *Joint Congressional Special Account Committee.* — There is hereby created a joint congressional committee to be known as the Joint

Congressional Special Account Committee to be composed of the Chairman, the next ranking member and ranking minority member of both the Senate and House Committees on Ways and Means. It shall be the duty of the said committee to look into the status of the stabilization tax and its disposition, particularly the operations and effects of the Account, the utilization of the funds of the Account by the Land Bank, Agricultural Credit Administration, Central Bank, Agricultural Guarantee Fund Board and the other land reform agencies charged with the implementation of this Act, and to report, from time to time in its discretion, to the Senate and House of Representatives, through their respective Presiding Officers, its findings, together with such recommendations on necessary remedial legislation as it may deem advisable.

The Joint Committee shall elect a Chairman and Vice-Chairman from among its members. It shall be assisted by a technical staff the members of which may be named/appointed by the Chairman from the personnel of the Ways and Means technical staffs of both Houses of Congress, and it may avail by detail of the services of the personnel from other offices of the Government as he deems advisable. The provisions of existing laws to the contrary notwithstanding, and subject to the availability of funds, the Joint Committee may pay reasonable *honorarium* to such employees and officials as may be asked to work with the staff as well as commutable transportation and representation allowances to its members and its staff and consultants.

The Joint Committee may call upon any official or employee of the different government agencies involved in the implementation of this Act, to render such reports, services or assistance and to supply such studies, statistics, information, reports, and data as may be necessary to enable said Committee to perform its functions under this Act. Provisions of any law to the contrary notwithstanding, no such officer or employee may refuse to divulge the information requested or required by the Joint Committee.

SECTION 20. *Rules and Regulations.* — Within thirty days after the approval of this Act, the Governor of the Central Bank, the Secretary of Finance, upon recommendation of the National Treasurer; the Secretary, Department of Agrarian Reform, upon recommendation of the Agricultural Credit Administration and the Chairman of the Land Bank; and the Secretary of Agriculture and Natural Resources shall each promulgate such rules and regulations pertaining to their respective jurisdiction for the effective enforcement and implementation of the provisions of this Act and shall cause the same to be published once within fifteen days from promulgation, in any newspaper of general circulation in the Philippines and in the Official Gazette. Such rules and regulations shall take effect fifteen days after the publication in the Official Gazette.

SECTION 21. *Penal Provisions.* — Any person who fails to pay or refuses to turn over the collections of the taxes including surcharges and penalties, if

any, and the properties and assets, mentioned in this Act within the period fixed in Sections four, nine and ten hereof, or who delays, obstructs, or prevents the same or who fails or refuses to effect the release from the Account within the period fixed in Section five hereof, or who delays, obstructs, or prevents the same, or who orders, causes, or effects the transfer or diversion of the collections or proceeds of this Account, or any portion thereof, or otherwise unreasonably delays, prevents, or obstructs the implementation of the objectives of this Act, shall be punished with a fine not exceeding ten thousand pesos or imprisonment not exceeding six years or both in the discretion of the Court.

If the offender is a government official or employee, he shall, in addition, be dismissed from the service with prejudice to reinstatement and with disqualification for election or appointment to any public office.

Any official who orders, causes, or effects the transfer or diversion of this Account or any portion thereof, or otherwise unreasonably delays, prevents or obstructs the implementation of the objectives of this Act, or who violates or neglects to comply with any circular, order or process issued relative to the implementation of this Act, shall, likewise, be liable to the penalties hereinabove imposed.

Any collusion in the extension of credit under this Act between the farmer-borrower on the one hand, and the rural bank on the other, prejudicial to the Agricultural Guarantee Fund, shall, after conviction, be punished by imprisonment of not less than ten years, and a fine of not less than ten thousand pesos: *Provided*, That in the case of a rural bank, the member of the Board of Directors or Trustees or executive officials thereof found responsible shall be held liable.

A collusion exists whenever the farmer-borrower and the rural bank official or officials enter into an agreement for a fraudulent purpose or whenever said parties conspire secretly to defraud the government.

SECTION 22. *Separability Clause.* — The provisions of this Act are hereby declared to be separable and, if any clause, sentence, provision or section of this Act or application thereof to any person or circumstances should for any reason be held invalid and unconstitutional, such invalidity or unconstitutionality shall not affect other provisions or application of this Act which can be given force and effect without the invalid or unconstitutional provisions or application of this Act.

SECTION 23. *Repealing Clause.* — All acts, executive orders, rules and regulations, or parts thereof, which are inconsistent with the provisions of this Act are hereby repealed, amended or modified accordingly.

SECTION 24. *Effectivity.* — This Act shall take effect upon its approval.

Approved: September 10, 1971

