

Comments on House Bills for the Condonation of Land Amortization Liabilities of Agrarian Reform Beneficiaries (HB 3409, 3434, 3490, 3787, 3797)

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Fiscal impact

The accompanying slide presentation of Dr. Marife Ballesteros provides the requisite background, facts, and figures in relation to the subject heading. The following needs to be highlighted, namely that there are 898,942 agrarian reform beneficiaries (ARBs) supposed to be amortizing their land. Of these, 11% are fully paid; 12% are still amortizing; and 13% have never paid. The bulk (64%) fall under “distributed, not yet paid (DNYP)”, meaning the Land Bank of the Philippines (LBP) are not able to initiate amortization because of lack of documentation, lack of documentation of individual liability, and the like. Hence, the amount collected annually is only around Php 1 billion, which is the amount of collection waived by government during the one-year moratorium period imposed by the Executive. This represents only 0.03% of government revenues.ⁱ When compared with the annual budget it is even smaller at 0.02% of the 2022 budget (equal to Php 5.024 trillion).

Economic impact

Beyond fiscal impact is the economic impact. Assuming 108,000 beneficiaries are paying, then the average payment per beneficiary is about Php 9,000 per annum; condonation allows the beneficiary to shift that amount to other household or farm expenses. Furthermore, those whose amortization is forthcoming (DNYP, unpaid) no longer have the future burden of such amortization.

More important is the removal of a land title encumbrance. This makes the Certificate of Land Ownership Award (CLOA) or equivalent title, closer to a fee simple title. This relieves the obstacle for beneficiaries to transfer the land to a third party, at a fair market value, who can presumably make more productive use of the awarded land. This is the situation of many aged beneficiaries (the CARP having commenced in 1987, and PD 27 in 1972). This facilitates the operation of the land market, whose paralysis since the 1990s has significantly reduced the productivity of agriculture.ⁱⁱ

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Recommendations

I recommend in favor of legislating the proposed condonation. Two elements need to be incorporated to maximize the economic benefit of the law. First, all current and future liabilities in relation to land distribution under CARP should be included in the condonation, including land yet to be distributed, estate tax delinquency, etc. This is a feature of HB 3797. Second, the condonation should refrain from conditionalities attached to the condonation, which may serve as restriction on subsequent free operation of land markets. Again, such conditionalities are of HB 3797; similarly, HB 3490 imposes a 10 year ban on transfer, sale, and mortgage of land covered by the condonation.

ⁱ <https://www.manilatimes.net/2022/09/15/news/national/govt-to-lose-p1b-with-moratorium-on-land-amortization/1858519>.

ⁱⁱ Adamopoulos, T, and D. Restuccia. 2020. Land reform and productivity: a quantitative analysis with micro data. *American Economic Journal: Macroeconomics* 12(3):1-29.

Briefer on the Proposed legislative measure

Condonation of ARBs unpaid land amortization and interest thereof

Marife M Ballesteros

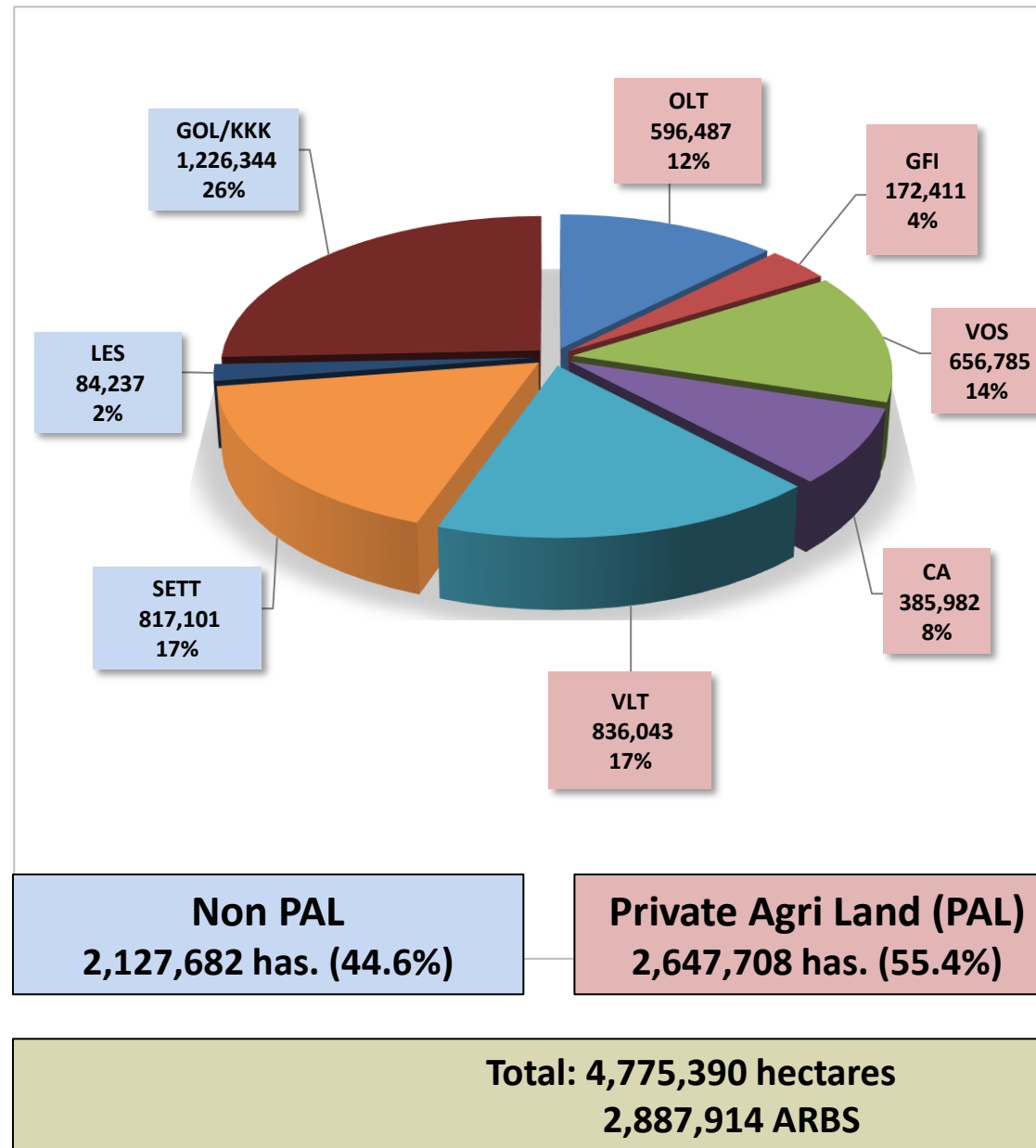


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CARP Land Acquisition and Distribution Program Accomplishment (as of 2019)

source : DAR year end report



LBP-COMPENSABLE:
1,811,665 has. (37.9%)

- VOS Voluntary Offer to Sell
- CA Compulsory Acquisition
- OLT Operation Land Transfer of Rice & Corn farms
- GFI (Lands foreclosed by) Government Financial Institutions

NON-LBP COMPENSABLE:
2,963,725 has. (62.1%)

- VLT Voluntary Transfer
- GOL Gov't owned lands
- SETT Gov't Settlements
- LES Landed Estates

Compensable vs. Non-Compensable Lands

- ❑ LBP-compensable lands= Private agricultural lands acquired through OLT, CA, VOS and EO 407/448 (GFIs). Landowners are paid compensation through the Land Bank of the Philippines and agrarian reform beneficiaries pay amortization for the land at subsidized prices and interest rates.
- ❑ Non-LBP Compensable lands = Non-private lands and private lands under the VLT/DPS scheme. Government does not pay for the acquired land BUT DAR shoulders the costs for documentation, survey and titling of the awarded lands

Legal basis on valuation of land under CARP

❖ Land Reform Act of 1955 (RA1400) = distribution of private landed estates (LES); voluntary or as requested by 1/3 of tenants;

❖ Land Reform Code of 1972(PD 2; PD 27) = compulsory and confiscatory acquisition of private agriculture lands planted to rice and corn

**confiscatory = land valuation was based solely on agriculture production fixed at 2.5 times the annual yield and valued at 1972 government support price (P35/cavan for rice; P31/cavan for corn)

❖ CARL of 1988 (RA 6657) = compulsory and voluntary acquisition of all private agriculture lands (except commercial livestock & poultry farms; prawn farms or fishponds) with just compensation

**just compensation=land values based on capitalized net income; comparable sales; market/zonal value

❖ CARP Extension with reforms (RA 9700 of 2008) = extends the land distribution program by 5 years to 2014 specifically landholdings of 50 hectares and above and lands with unresolved valuation.

**all valuation based on RA6657; VOS and CA as the main modality for acquisition

Subdivision of Collective CLOAs

- Lands covered by Collective CLOA = 2,370,330 hectares.
- Collective CLOA of FOs, Coops, co-ownership under VLT, LES = 575,088 hectares
- Net area for subdivision = 1,795,242 hectares
- Accomplishment (As to end 2019) = 1,250,680 hectares (69.7%)
- Remaining balance = 544,562 hectares

Redocumentation of Distributed but Not Yet Documented (DNYD)/Paid (DNYP) Lands of OLT Lands

- Lands covered = 16,566 hectares
- Accomplishment = 13,916 hectares (84%)

Installation of uninstalled ARBs

- Number of ARBs covered = 33,119
- Accomplishment = 11,613 (35%)

Status of Completion of the LAD Process

(as of end 2019)

source : DAR year end report

Collection Performance

(as of June 2015)

	Principal	Principal +Interest
PD27/EO228	38%	50%
RA 6657	62%	53%
RA 9700	46%	38%
GRAND TOTAL	55%	52%

By Farmer Beneficiaries	Total = 898,952
Fully paid	11%
Partially paid	12%
Without payment	13%
DNYP/DNYD	64%
All	100%

Source of basic data: LBP Agrarian Reform Receivables System (ARRS)

Top 20 provinces with the highest percentages of ARBs no longer in possession of CARP

Source of data: 2015 ARB Survey, Commissioned by DAR to PSRTI

Region/Province	Land no longer in possession		Land still in possession		Total
	N	%	N	%	N
Philippines	531	4.24	12,006	95.76	12,537
Quezon	15	22.73	51	77.27	66
Oriental Mindoro	8	19.51	33	80.49	41
Antique	12	15.58	65	84.42	77
Nueva Ecija	24	13.26	157	86.74	181
Pampanga	11	12.09	80	87.91	91
Nueva Ecija (North)	36	12.04	263	87.96	299
Tarlac	28	10.94	228	89.06	256
Misamis Oriental	1	10.00	9	90.00	10
Guimaras	9	9.68	84	90.32	93
Cagayan	43	9.47	411	90.53	454
Zambales	7	9.33	68	90.67	75
Nueva Vizcaya	14	9.09	140	90.91	154
Pangasinan	27	8.77	281	91.23	308
Davao City	21	8.57	224	91.43	245
Albay	22	8.06	251	91.94	273
Isabela	44	8.04	503	91.96	547
Iloilo	27	7.56	330	92.44	357
Aklan	3	6.82	41	93.18	44
Bataan	10	6.37	147	93.63	157
Benguet	1	5.56	17	94.44	18

Implications of the condonation on ARBs land payment

- Will fully paid and partially paid ARBs be refunded?
- Will condonation cover ARBs whose land has been sold or converted to non-agriculture use?
- Will condonation include land mortgaged to creditors (formal or informal)?
- What is the scope of remaining private agriculture land for distribution? Will these include landholdings of 10-20 hectares ? How much budget is needed to pay for remaining lands?
- What is the timeline to complete the titling and installation of ARBs for those land acquired under CARP? What about the resolution of land conflict cases between DAR and landowners; and among beneficiaries?
- Should the legal restrictions on transferability of land be abolished? Will condonation free up the agriculture land market?
- Should the limits on the size of ownership landholdings for agriculture lands be changed?



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