

# [ **PRESIDENTIAL DECREE NO. 681, April 04, 1975** ]

## **CREATING THE "FARM SYSTEMS DEVELOPMENT CORPORATION" PRESCRIBING ITS POWERS AND ACTIVITIES PROVIDING FUNDS THEREFOR AND FOR OTHER PURPOSES**

**WHEREAS**, it is the desired goal of the government to hasten rural development and to provide substantial opportunities to Filipino farmers to attain economic well-being and lead a dignified life;

**WHEREAS**, in the pursuit of this desire, the government shall pool the collective efforts of the public and private sectors in order to effect the necessary changes and reforms in the social, economic and political structures of our society;

**WHEREAS**, there is an imperative need to increase food production in order to cope with the demand by an expanding population;

**WHEREAS**, the government is cognizant of the role the farmers play in the process of modernizing the agricultural sector;

**NOW, THEREFORE, I FERDINAND E. MARCOS**, President of the Republic of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby decree, order and make as part of the law of the land the following:

### **CHAPTER I**

#### **TITLE, PURPOSE AND DEFINITIONS**

**SECTION 1. TITLE.**—This Decree shall be referred to as the "FARM SYSTEMS DEVELOPMENT CORPORATION DECREE".

**SEC. 2. POLICY PURPOSE.**—The commitment of the farmers to participate in the efforts to improve farming, processing and marketing methods is vital in the process of increasing food production and hastening rural development. It is hereby declared to be the policy of the State to pursue and foster in an orderly and expeditious manner, the attainment of this objective.

For this purpose, the FSDC shall promote the organization and assist all irrigation associations and other farm-based related entities which are willing to pursue diligently the above purpose.

To become effectively established and operationally stable, the irrigation association, and other farm-related entities shall be given every tenable support and assistance by the national government, its instrumentalities and agencies to the fullest extent of which they are capable. Being by their nature substantially self-regulating and Congress having by the enactment of this Decree, they should be subject to minimal regulations by other administrative agencies in all phases of their organization and operation requiring and justifying regulation, in order to further encourage and promote their development.

**SEC. 3. DEFINITIONS.**—As used in this Decree, the following words or terms shall have the following meaning, unless a different meaning clearly appears from the context:

- a) "FSDC" shall mean the Farm Systems Development Corporation, "Board of Administrators" shall mean the Board of Administrators and "Administrator" shall mean the Administrator, all as provided for in this Decree.
- b) "Corporation" shall mean the FSDC.
- c) "NIA" shall mean the National Irrigation Administration, "NEA" shall mean the National Electrification Administration, "DAP" shall mean the Development Academy of the Philippines, "NPC" shall mean the National Power Corporation, and "NGA" shall mean the National Grains Authority.
- d) "Association" shall mean a corporation organized or existing under Act No. 1459, or a corporation thereafter organized, that manages, runs and provide water for irrigation purposes, and other concomitant services.
- e) "Person" shall mean any natural person, firm, association, corporation, business trust, partnership, the National Government, or any political subdivision, agency or instrumentality thereof.
- f) "Service" shall mean irrigation service including the providing of any auxiliary or related service.
- g) "Area" shall mean: (1) the geographic area covered or serviced by an irrigation association, or (2) any lesser geographic area for the furnishing of irrigation service for which an association, person, or any entity pursuant to this Decree, borrows, or may apply to borrow, funds from FSDC, or may secure loans with the approval of the FSDC, to finance the acquisition or construction and operation, maintenance of irrigation and farm-related facilities.
- h) "Interest rate per centum per annum" shall mean an interest rate that is accrued solely upon the unpaid balance of any principal loan which has actually been advanced to a borrower and upon any interest payment which has become due or been paid by the borrowers, computed on an annual basis.
- i) "Loan" shall mean a loan, the total principal amount of which, as when required for application to the purpose thereof, is at the time of the making thereof, assured from funds that are or will become available therefor.
- j) "Congress" shall mean the President during his exercise of Martial Law, or the National Assembly under the new Constitution, whichever is the case at any given time.
- k) "President" shall mean the President of the Philippines during the existence of Martial Law, or the Prime Minister when the National Assembly comes into existence.

## **CHAPTER II**

### **THE FARM SYSTEMS DEVELOPMENT CORPORATION**

**SEC. 4. FSDC AUTHORITIES, POWERS AND DIRECTIVES.**— The FSDC is hereby authorized, empowered and directed to promote the organization of, and assist farmer-associations particularly irrigation associations to the end of achieving the objectives of hastening rural development, and for such purpose it is hereby, without limiting the generality of the foregoing and in addition to their authorization, powers and directives established by this Decree, specifically authorized, empowered and directed:

- a) to have a continuous succession under its corporate name otherwise provided by law;
- b) to prescribe and thereafter to amend and repeal its By-Laws not inconsistent with this Decree;
- c) to adopt and use a seal and alter it at its pleasure;
- d) to sue and be sued;
- e) to make contract of every name and nature and to execute all instruments necessary or convenient for the carrying on of its business;
- f) to make loans to irrigation or related associations for the construction or acquisition, operation and maintenance of irrigation systems and all related farm properties such as equipment, machinery, fixtures and materials. And thereafter, to make loans for the restoration, improvement or enlargement of such facilities;
- g) to assist irrigation-based associations and coordinate with government agencies and corporations having related functions and purposes in planning, developing, establishing, operating, maintaining, repairing and renovating association's facilities and systems;
- h) to prepare feasibility studies, engineering plans for integrating farm-based systems development including the procurement of modern and improved facilities, devices and accessory equipment;
- i) to provide managerial or administrative expertise including the rendering of professional training services for association's staff and employee development;
- j) to cooperate, coordinate and exchange such information, studies and reports with and to seek such cooperation and coordination from other departments, agencies and instrumentalities of the National Government including the National Irrigation Administration (NIA), the National Grains Authority (NGA), the National Electrification Administration (NEA), the Development Academy of the Philippines (DAP), and the National Power Corporation (NPC), as well most effectively conduce to the achievement of the purposes of this Decree;
- k) to borrow funds from any source, private or government, foreign or domestic, and to issue bonds or other evidence of indebtedness;
- l) to appoint, through its Board of Administrators, such officers and employees as are not otherwise provided in this Decree, to define their duties, fix their compensation, and require bonds of them;

- m) to acquire, by purchase or otherwise, real and personal properties as may be required, advisable or desirable for the proper conduct of its business;
- n) to prescribe rules and regulations in which its general business may be conducted as well as to fix and implement terms and conditions of loans for irrigation and related activities;
- o) to establish branch offices;
- p) to invest its funds or other assets in such undertaking as it may deem wise or necessary to carry out its purposes and objectives;
- q) to report to the President at least annually, not later than June 30, and when the same comes into existence, the Prime Minister and the National Assembly on the status of its operation in the Philippines including a comprehensive reporting of loans made advanced, loans secured from other sources and the advance thereof, the names and locations of the borrowers, the number of farmers receiving service as a result of such loans;
- r) to do and perform any other acts and things, and to have and exercise any other powers which may be necessary, incidental or appropriate to accomplish the purpose for which the FSDC is organized.

**SEC. 5. FSDC BOARD OF ADMINISTRATORS, ADMINISTRATOR.—**

- a) For the purpose of administering the provisions of this Decree, there is hereby established a public corporation, to be known as the FARM SYSTEMS DEVELOPMENT CORPORATION. All the powers of the corporation shall be vested in and exercised by a Board of Administrators, which shall be composed of: the Executive Secretary, the NIA Administrator, the NEA Administrator, the NGA Administrator, the DAP President, the NPC General Manager as regular members and the Administrator as ex-officio member, and that the term of the ex-officio member shall be co-terminous with his term as the Administrator. The Chairman shall be appointed by the President from among the regular members. The Chairman and every member of the Board of Administrators shall be entitled to a per diem of not more than P300.00 for such meeting actually attended by them. Provided that the total of such per diems shall not exceed one thousand five hundred pesos (P1,500.00) per month per member.
- b) The Board of Administrators shall meet regularly at least twice a month and as often as the exigencies of Corporation's affairs demand. The presence of at least four members shall constitute a quorum which shall be necessary for the transaction of any business. The affirmative votes of a majority of the members present shall be necessary for the approval of any resolution, decision or order, except when a greater number of votes is required as sometimes hereinafter provided. When the Chairman is absent at a meeting duly called, the Administrator as ex-officio member shall preside.

c) The Board shall, without limiting the generality of the foregoing, have the following specific powers and functions:

- 1) to implement the provisions and purposes of this Decree;
- 2) to formulate and adopt policies and plan, and to promulgate rules and regulations for the management, operation and conduct of the affairs and business of the PSDC;
- 3) to raise and/or borrow the necessary funds from local and international financing sources or institutions and to secure the same by any guarantee, pledge, mortgage, deed or trust, or assignment of the property of the Corporation for the purpose of financing the programs and projects deemed vital for the attainment of its goals and objectives;
- 4) to enter into, make and execute contracts of any kind or nature as may be necessary or incidental to the accomplishment of its purposes and, generally, to exercise all the powers necessary to achieve the corporation's purposes and objectives;
- 5) to prescribe terms and conditions in the loan agreement and other related contracts that the borrower's rates, charges, rules and regulations, policies, and all other terms and condition affecting its extension and furnishing of service shall be such as to assure achievement of the loan purposes, and that the same shall be filed with and for such purpose approved by the Board of Administrators before being put into effect or changed by the borrower;
- 6) to approve the budget of the corporation and to appoint and fix the salaries of such executive officers and other officials of the corporation as may be necessary for the accomplishment of its corporate purposes;
- 7) to establish policies and guidelines for employment on the basis of merit, technical competence, and moral character, and upon the recommendation of the Administrator to organize or re-organize FSDC's staffing pattern and personnel and to define their powers and duties.
- 8) to establish and maintain such reasonable employee and executive benefit plans (including life, accident, or special individual insurance policies) as the exigencies or resources of the Corporation shall permit and its Board of Administrators shall authorize.

d) The management of the FSDC shall be vested in the Administrator who shall be a person of known integrity, competence in technical and executive fields related to the purposes of this Decree. He shall be appointed by the President of the Philippines and shall not be removed except for cause.

The Administrator shall have the following powers and duties:

- 1) to execute and administer the policies, plans and programs and the rules and regulations, approved or promulgated by the Board of Administrators;