

**[ DAR ADMINISTRATIVE ORDER NO. 03, S. 2010,  
June 24, 2011 ]**

**IMPLEMENTING RULES AND REGULATIONS ON THE PROVISION  
OF AGRICULTURAL SUPPORT TO AND LIBERALIZATION OF  
ACCESS TO CREDIT BY AGRARIAN REFORM BENEFICIARIES  
UNDER REPUBLIC ACT NO. 9700**

**I. Prefatory Statement**

Pursuant to Republic Act No. 9700, otherwise known as "AN ACT STRENGTHENING THE COMPREHENSIVE AGRARIAN REFORM PROGRAM (CARP), EXTENDING THE ACQUISITION AND DISTRIBUTION OF ALL AGRICULTURAL LANDS, INSTITUTING NECESSARY REFORMS, AND AMENDING FOR THE PURPOSE CERTAIN PROVISIONS OF REPUBLIC ACT NO. 6657, OTHERWISE KNOWN AS THE COMPREHENSIVE AGRARIAN REFORM LAW OF 1988, AS AMENDED, AND APPROPRIATING FUNDS THEREFOR", the Department of Agrarian Reform (DAR), under the support services delivery component of CARP, is mandated to implement new programs and expand existing ones to continuously provide farmers and farm workers, specifically the ARBs, with the opportunity to enhance their dignity and improve the quality of their lives through greater productivity of agricultural lands.

**II. Scope**

These rules and regulations shall apply to the delivery of support services to agrarian reform beneficiaries (ARBs) in accordance with Section 14 of R.A. 9700, specifically in the provision of agricultural support as initial capitalization of new ARBs and the delivery of socialized credit for existing ARBs.

**III. Definition of Terms**

1. **Accreditation** shall refer to the formal recognition by the DAR of the Peoples' Organization (PO) after proper verification and validation of required documents.
2. **Agrarian Reform Beneficiary (ARB) Cooperative** is a community-based organization, duly registered with the Cooperative Development Authority (CDA), wherein ARBs comprise the majority (at least 50%+1) membership.
3. **Agricultural Credit Facilities** are financial windows that are available to support the agricultural credit needs of men and women ARBs.

4. **Agricultural production** involves natural farming activities from land preparation, planting to harvesting and corresponding utilization of farm inputs/materials such as seeds, fertilizers, and farm implements/equipment, to include fisheries (e.g., fishpond, aquaculture, and prawn farms), livestock and poultry.
5. **Community-based Organizations (CBOs)/Peoples' Organizations (POs)** are existing farmers' cooperatives, associations and women's organizations which the DAR may tap as credit conduits to propel economic development in agrarian reform areas.
6. **Cooperative bank** is a member-owned financial institution authorized and supervised by Bangko Sentral ng Pilipinas (BSP), to provide a wide range of banking and financial services (e.g., loans, deposits, payment services, etc.) to its clients.
7. **Existing ARBs** are men and women farmer-beneficiaries who are holders of Emancipation Patent (EP)/Certificate of Land Ownership Award (Individual or Collective CLOA), and other instruments issued by the DAR, including leaseholders. New ARBs, who have availed of the subsidy under the Agricultural Production Support Program (APSP), shall thereafter be considered as "existing ARBs".
8. **Financing Institution** is any bank or non-bank organization, which is capable and willing to provide, among others, financial services to ARBs and ARB cooperatives.
9. **Financial Services Cooperative** is a CDA-registered cooperative whose core business is the provision of savings, credit and other financial services.
10. **Government Financing Institutions (GFIs)** refer to the Development Bank of the Philippines (DBP), Land Bank of the Philippines (LBP) and other government-owned/ controlled financing institutions under the supervision of Bangko Sentral ng Pilipinas (BSP).
11. **Joint and Several Liability** is when two or more people agree to take on the same obligation (such as a loan), they may each be responsible for a certain portion of the obligation or they may each be responsible for the entire obligation. When the contract states that liability is "joint and several", it means that all parties together are responsible for the obligation ("joint") but also that each party individually is responsible for the entire obligation on their own ("several"). The creditor may sue all of them or just one for the debt.
12. **Marketing Agreement** is a contract entered into between and among producers/ farmers and buyers where the former commit to produce certain crops/products which the buyer/s agree to purchase at pre-agreed terms, such as volume, selling price, quality standard at a given time.
13. **Micro-finance** is the viable and sustainable provision of a broad range of financial services (savings and credit) generally, by the private sector to poor and low-income households engaged in livelihood and microenterprise activities using nontraditional and innovative methodologies and approaches (e.g., non-collateralized cash-flow based lending). The maximum individual loan amount

provided for microfinance loans is P150,000. (Social Reform Agenda)

14. **New Agrarian Reform Beneficiaries (New ARBs)** are men and women farmer-beneficiaries awarded with EP/CLOA from July 1, 2009 onwards, under R.A. 9700.
15. **Purchase Order** is a commercial document issued by a buyer to a seller, indicating types, quantities, and agreed prices for products or services the seller will provide to the buyer. Sending a PO to a supplier constitutes a legal offer to buy products or services. Acceptance of a PO by a seller usually forms a one-off contract between the buyer and seller, so no contract exists until the PO is accepted.
16. **Socialized Credit** is a credit assistance that is made available, accessible, and affordable to existing men and women ARBs to finance agricultural production and agri-based enterprises.
17. **Standing crop** is the quantity or total volume of planted crops, which are in a particular location at a particular time and ready for harvesting.
18. **Subsidy** is a one-time grant to the individual new men and women ARBs for the initial capitalization of agricultural production.

#### **IV. Statement of Policies**

##### **A. General Policy Statement**

*The State, as far as practicable, shall adopt a community-based approach in CARP implementation, to assure, among others, that the farmers shall have greater control of farm gate prices, and easier access to credit (Sect. 2, par. 7, RA 9700).*

##### **B. Specific Policy Statements**

1. The DAR shall adopt an integrated policy of support services delivery to ARBs. To this end, the DAR, together with the Department of Finance and the Bangko Sentral ng Pilipinas (BSP), shall institute reforms to liberalize access to credit by ARBs (Sec. 14, R.A. 9700). To realize this, the DAR shall develop and implement credit policy measures to further enhance the access of ARBs to various credit facilities/sources.
2. From the total fund appropriation for CARP, forty percent (40%) shall be allocated for support services. Thirty percent (30%) of the support services fund shall be immediately set aside and made available for agricultural credit facilities. Such funds earmarked for the program shall be fully disbursed for this purpose. The remaining 70% shall be utilized for extension and other support services.
3. One-third (1/3) of the funds appropriated for agricultural credit facilities shall be specifically allotted for subsidies to support the initial capitalization for agricultural production of new ARBs upon the awarding of EP and/or CLOA. The guidelines set forth shall ensure that the subsidies are used for its intended purpose to provide seed capital to enable the new ARBs jump start their agricultural endeavor.

4. The remaining two-thirds (2/3) shall be allocated to provide access to socialized credit to existing ARBs, including the leaseholders. The DAR and program partners shall set-up mechanisms to implement the credit program sustainably.
5. The Land Bank of the Philippines (LANDBANK) and other government financial institutions (GFIs), through their accredited retail lending institutions (i.e., cooperatives, POs, microfinance institutions, non-traditional conduits and cooperative/rural banks) shall provide the credit delivery platforms for the provision of financial assistance to ARBs (who are holders of EPs, individual or collective CLOAs) and cooperatives.
6. LANDBANK and other partner-GFIs shall continue to provide credit assistance to credit conduits (e.g., ARB cooperatives, MFIs) purely on the merits of marketing agreements or expected harvests, provided that the loans obtained shall be used in the improvement or development of the farm holding of the ARBs or the establishment of facilities which shall enhance production or marketing of agricultural products or increase farm income.
7. DAR shall ensure that collections from the credit programs, upon termination of the partnership with concerned credit service providers, shall be reverted to the Bureau of Treasury under the ARF account for further credit program allocations.
8. The DAR, in cooperation with the program partners, shall ensure that subsidy/grant for agricultural support shall be primarily for the promotion and adoption of sustainable agriculture in mitigating effects of climate change.
9. Parallel capacity development interventions for end-borrowers and partner credit conduit shall be provided to enhance credit worthiness of borrowers and sustain the management of funded projects.

## **V. Operational Guidelines and Procedures**

The DAR, in collaboration with Department of Finance (DOF) and BSP, shall establish two (2) ARB credit programs, as follows:

- 1. Agricultural Production Support Program (APSP); and**
- 2. Socialized Credit and Microfinance Program (SCMFP).**

### **A. Guiding Principles:**

The provision of agricultural support and socialized credit is anchored on the following key principles:

1. DAR shall adopt a multi-pronged approach that includes credit assistance, institutional and ARBs' capacity-building, enterprise development, adoption of sustainable agri-based enterprise/agricultural technologies, and established market linkage

- to ensure effectiveness, efficiency, viability and sustainability of the program;
2. The long-term viability dimension of socialized credit shall always be emphasized. The credit funds are finite and should be disbursed, availed and utilized responsibly;
  3. The household cash flow patterns of ARBs may be compounded by their payments of land amortization, thus becoming more vulnerable and unpredictable. To this end, DAR shall strive to develop schemes to address such cashflow weaknesses of ARBs without engendering dole-out mindset;
  4. As a mitigating measure against credit risks, DAR shall support funding requests of conduits for close credit supervision of ARBs;
  5. Promotion of savings mobilization and/or capital build-up (share capital) generation among ARBs within their cooperatives/POs;
  6. Documentation, implementation and replication of financial best practices for program sustainability;
  7. Multi-stakeholders partnership to ensure ARBs' long-term access to agricultural credit; and
  8. Harmonization of SCMFP, CAP-PBD, and GMFA for more comprehensive ARB outreach and better credit penetration of agrarian reform areas.

## **B. Operational Strategy:**

### **1. Agricultural Production Support Program (APSP)**

#### **a. Allocation, Use, and Access of Funds**

The DAR shall establish the Agricultural Production Support Program (APSP), the funding of which shall be sourced out from the one-third (1/3) of thirty percent (30%) allocated for credit facilities over the next five years (CY 2009 to 2014), as provided for by law. All the allocated funds shall be for the provision of direct subsidy. The use of and access of the fund shall be guided by the following:

- i. The APSP shall provide one-time subsidy to new ARBs upon their receipt/ award of EPs/CLOAs under R.A. 9700, through organized groups. ARBs are encouraged to be members in bank-assisted cooperatives (BACs) and cooperatives participating in MICOOP and/or build, operate, adopt transfer (BOAT) schemes;
- ii. The amount of subsidy to be given to each new ARB shall be determined by the NCPSC, taking into consideration the total fund allocation for subsidy; and the total number of new ARBs for the next five years.
- iii. The ARB recipients shall utilize the subsidy, subject to the following terms:
  - Should the ARB-recipients decide to collectively purchase farm implements/