

MALACAÑANG  
Manila

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 659

**IMPROVING THE NEGOTIABILITY AND ACCEPTABILITY OF AGRARIAN REFORM BONDS**

**WHEREAS**, Section 2, Chapter I of Republic Act No. 6657, otherwise known as the Comprehensive Agrarian Reform Law (CARL), as amended, provides, among others, that "The State shall provide incentives to landowners to invest the proceeds of the agrarian reform program to promote industrialization, employment and privatization of public sector enterprises. Financial Instruments used as payment for lands shall contain features that shall enhance negotiability and acceptability in the marketplace".

**WHEREAS**, Section 18 (4), Chapter VI, of the same law, allows the Land Bank of the Philippines (LBP) Bonds and/or Agrarian Reform (AR) Bonds as the financial instruments to be used for paying lands under the CARP up to the amount of their value and/or acquiring shares of stock of government financial institutions, and in paying for various taxes and fees to government;

**WHEREAS**, Executive Order No. 267, s. 1995, provides for the issuance of national government bonds known as Agrarian Reform Bonds which are negotiable at anytime and which AR Bonds replaced the LBP Bonds or land transfer payments under the agrarian reform program with the same features of the LBP Bonds;

**WHEREAS**, although a major feature of the AR Bonds is alignment of the market interest rate with the 91-day treasury bill, these bonds are not competitive with similar government securities like Small Denominated Treasury (SDT) Bonds, ERAP Bonds, and the Bankers Association of the Philippines (BAP)-sponsored issue of Pag- IBIG Bonds;

**WHEREAS**, complaints have been lodged by the affected landowners on the lack of acceptability of their bonds compared to other government bonds, and in the refusal of government entities to accept directly from landowners, AR Bonds at face value, but at a discounted price lessening the credibility of government bonds as instruments of indebtedness and further strengthening the resistance of landowners whose lands are sought to be taken and paid for with these government bonds;



**WHEREAS**, the aforementioned conditions also diminish the just compensation due the landowners when their landholdings are covered under the Comprehensive Agrarian Reform Program (CARP);

**NOW, THEREFORE, I, GLORIA MACAPAGAL-ARROYO**, President of the Philippines, by virtue of the powers vested in me by law, do hereby order:

**SECTION 1. *National Government Guaranty.*** AR Bonds are deemed and considered as issued by the National Government. These bonds are the direct, unconditional and general obligation of the Republic of the Philippines.

**SEC. 2. *Features of AR Bonds.*** AR Bonds shall have the following features:

- a. Market interest rates aligned with 91-day treasury bill rates. Ten percent (10%) of the face value of the bonds shall mature every year thereafter from the date of issuance of the bond; Provided, that should a landowner choose to forego the cash portion, whether in full or in part, he shall be paid correspondingly in AR Bonds.
- b. Transferability and negotiability. The AR Bonds may be used by the landowner, his successors-in-interest or his assigns.

**SEC. 3. *Usage of AR Bonds.*** AR Bonds may be used by the landowner, his successor-in-interest or his assignees, up to the amount of their face value, for any of the following:

- a. Acquisition of land or other real properties of the government, including assets under the Asset Privatization Program and other assets foreclosed by government financial institutions in the same province or region where the lands for which the bonds were paid are situated;
- b. Acquisition of shares of stock of government-owned or controlled corporations or shares of stock owned by the government in private corporations;
- c. Substitution for surety or bail bonds for the provisional release of accused persons, or for performance bonds;
- d. Security for loans with any government financial institution, provided the proceeds of the loans shall be invested in an economic enterprise, preferably in a small and medium scale industry, in the same province or region as the land for which the bonds are paid;



- e. Payment for various taxes and fees to the government, provided that the use of these bonds for these purposes shall be limited to a certain percentage of the outstanding balance of the financial instruments, and provided further, that the Presidential Agrarian Reform Council (PARC) shall determine the percentage mentioned above.
- f. Payment for tuition fees of the immediate members of the family of the original bondholder in government universities, colleges, trade schools, and other institutions;
- g. Payment of fees of the immediate members of the family of the original bondholder in government hospitals; and
- h. Such other uses as the PARC may, from time to time, allow.

**SEC. 4.      *Acceptance of AR Bonds as Payment***

- a. The portion of the 10-year AR Bond that has matured or will mature within the given year in which the tax liability shall be paid or for such percentage of the outstanding balance of the bond as determined by the PARC under Sec. 18, (4) (v) of RA 6657 of the AR Bonds held by the landowner/taxpayer and/or successors-in-interest or assignees shall be accepted as payment for tariff and duties and the following internal revenue tax liabilities, but not limited to, except withholding tax for non-withholding or non-remittance of taxes withheld:
  - a.1   Income taxes;
  - a.2   Capital gains tax due from individual taxpayers;
  - a.3   Estate tax;
  - a.4   Donor's tax;
  - a.5   Value added tax (VAT);
  - a.6   Excise tax;
  - a.7   Other percentage taxes;
  - a.8   Deficiency tax assessment arising from tax investigations;
  - a.9   Surcharge, interest and penalties arising from late filing of returns and/or payment of taxes; and



- a.10 Tax arrearages and penalties.
- b. The 10-year AR Bonds can be used up to the amount of their face value by the landowner, in whose name the bonds were issued, as well as by his successors-in-interest or assignees, for the following:
- b.1 Payment of real estate taxes, interest charges and penalties;
  - b.2 Payment of various fees, interest charges and penalties that may be assessed against private or government banks and other financial institutions by the Bangko Sentral ng Pilipinas and other government agencies in the course of their operation;
  - b.3 Acquiring shares of stock of government-owned and/or controlled corporations or shares of stock owned by the government in private corporations;
  - b.4 Security deposit of foreign corporations with the Securities and Exchange Commission (SEC); and
  - b.5 Performance bond of housing contractors with the Housing and Land Use Regulatory Board (HLURB).
- c. AR Bonds shall be accepted as collateral for securing loans from government financial institutions but at a discounted value, subject to the condition that the proceeds of the loan are to be invested in an economic enterprise.

**SEC. 5. Eligibilities.** AR Bonds shall enjoy the same form of eligibilities granted to SDT Bonds, ERAP Bonds, BAP-sponsored Pag-IBIG Bonds and other government bonds that may be issued in the future. Such eligibilities include, among others, the following:

- a. Capital reserve instruments for insurance companies and investment for Reserve funds for pre-need companies;
- b. Performance and judicial bonds;
- c. Reserve for trust duties;
- d. Liquidity floor requirements for government funds or deposits;
- e. Investments for small and medium enterprises (SME) funds; and

f. Compliance with Agri-Agra Law.

**SEC. 6. Assistance of Other Government Entities.** The assistance of the Department of Finance (DoF) and the Department of the Interior and Local Government (DILG) and other concerned government agencies is hereby enjoined to extend full support to the AR Bonds as mandated by law.

**SEC. 7. Implementing Guidelines.** The LBP shall issue the guidelines to implement the provisions of this Executive Order in coordination with concerned government agencies.

**SEC. 8. Administrative Sanctions.** Failure to follow the directives of this Executive Order within 30 days from effectivity thereof shall subject concerned officials to administrative sanctions pursuant to existing laws, rules and regulations.

**SEC. 9. Repealing Clause.** All Executive Orders, issuances, rules and regulations, or parts thereof, inconsistent with the provisions of this Executive Order are hereby repealed and/or modified accordingly.

**SEC. 10. Effectivity.** This Executive Order shall take effect immediately upon publication in a national newspaper of general circulation.

**DONE** in the City of Manila, this 11th day of September, in the year of Our Lord, Two Thousand and Seven.

By the President:



**EDUARDO R. ERMITA**  
Executive Secretary

