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Working Paper

CARP Institutional Assessment in a Post-2008 Transition Scenario: Implications for Land Administration and Management (LAM)

PIDS Discussion Paper Series, No. 2008-07

Provided in Cooperation with:

Philippine Institute for Development Studies (PIDS), Philippines

Suggested Citation: Cortez, Felino; Ballesteros, Marife M. (2008) : CARP Institutional Assessment in a Post-2008 Transition Scenario: Implications for Land Administration and Management (LAM), PIDS Discussion Paper Series, No. 2008-07, Philippine Institute for Development Studies (PIDS), Makati City

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Philippine Institute for Development Studies
Surian sa mga Pag-aaral Pangkaunlaran ng Pilipinas

CARP Institutional Assessment in a Post-2008 Transition Scenario: Implications for Land Administration and Management

Marife Ballesteros and Felino Cortez

DISCUSSION PAPER SERIES NO. 2008-07

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February 2008

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**CARP Institutional Assessment in a Post-2008 Transition Scenario:
Implications for Land Administration and Management (LAM)^{*}**

ABSTRACT

The objective of this paper is to present the land administration and management (LAM) issues on CARP and determine the necessary institutional reforms on LAM in view of CARP expiration in 2008. The paper discussed the adverse effects brought about by weak land policy and poor land administration on attaining the objectives of CARP. The poor land records, the lack of information sharing among government land agencies, the tedious land titling and registration process, the unclear land policies have resulted not only in prolonged implementation of the program but also flawed land redistribution and incomplete transfers of property rights. These outcomes evolved second-generation issues as “unperfected” titles are traded despite the restrictions imposed by the land reform law. The current LAM in the country showed that the system cannot handle the land transactions that evolve and continue to evolve from hundreds and thousands of transactions involving CARP awarded lands. There is a need to restore not only the confidence on Torrens system of titling on agriculture lands but also to restore the functioning of the rural land market. This is a key challenge on LAM since it would require reconciling information from key land agencies and including that of the Land Bank. It will also require legislative actions on land market regulations, land use policy and land administration in the country.

JEL classifications: Q15, Q24

Keywords: land reform, land ownership and tenure, land

^{*} This research is a collaborative effort between the Institute and the Rural Development, Natural Resources and Environment Sector of the World Bank in the Philippines which initiated the Project and made possible its funding through the Food and Agriculture Organization (FAO).

**CARP Institutional Assessment in a Post-2008 Transition Scenario:
*Implications for Land Administration and Management (LAM)***

M. Ballesteros and F. Cortez¹

I. Introduction

1. The objective of this paper is to present the land administration and management (LAM) challenges on CARP and assess possible scenarios for LAM in view of CARP expiration in 2008. While there are several factors that hinder successful implementation of land reform in the country, this paper focus on the adverse effects brought about by weak land policy and poor land administration on attaining the objectives of CARP.

2. The discussion proceeds as follows: Section II provides an overview of CARP accomplishments and the role of land policy and land administration in CARP. Section III discusses the LAM issues that have affected the implementation of the key programs and activities of CARP specifically those on land redistribution. An assessment of second-generation issues that have evolved from CARP implementation and outcomes is provided in Section IV. The discussion focuses on four key development concerns - (a) security of tenure; (b) efficient functioning of the rural land markets; (c) access to land of the poor; and (c) access to credit. Section V presents the conclusion and recommendation of the study.

II. Overview of CARP Accomplishment and LAM Issues

3. One of the fundamental objectives of the Comprehensive Agrarian Reform Program (CARP) is to provide secure property rights to farm workers to foster greater productivity and to enable workers to capture all of the benefits derived from agricultural use of land. The implementation of the program thus focused on land redistribution which involves the transfer of ownership or usufruct rights from landlords to identified beneficiaries of the program. In ownership transfer, the law sets a ceiling on the maximum landholdings of owners and heirs and land in excess of these ceilings is awarded to actual cultivators and other farm workers. On the other hand, tillers or farm workers in retained lands of owners are granted permanent usufruct rights.

4. The land redistribution process involves both land acquisition and titling. It is primarily implemented by the Department of Agrarian Reform (DAR) which is the lead

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agency on CARP. However, DAR depends on several government agencies on activities such as land surveys, land titling, title registration, land valuation, land conversion and on settlement of agrarian disputes (**Table 1**). In particular, the Department of Environment and Natural Resources (DENR) also carries out land disposition through issuance of administrative titles (e.g. free patent, homestead) over public A&D lands.

Table 1. CARP Key Programs and Implementing Agencies	
Program Components	Concerned Implementing Agencies
<u>Land Acquisition and Distribution</u>	
Land Survey	Department of Environment and Natural Resources (DENR), DAR
Land Valuation and Compensation	Land Bank of the Philippines (LBP)
Land Titling and Registration	DAR, Land Registration Authority (LRA)
Land Coverage and Beneficiary Identification	DAR, DENR
<u>Non Land Transfer Activities</u>	
Leasehold Operation	DAR
Production and Profit Sharing	
Stock Distribution Option	
<u>Beneficiaries Development</u>	
Extension Services	DAR, Department of Trade and Industry (DTI), Department of Labor and Employment (DOLE), National Irrigation Administration (NIA)
Credit Assurance	LBP
Infrastructure Support	Department of Public Works and Highways (DPWH)
Rural Roads, Bridges	
Communal Irrigation Projects	NIA
Common Service Facilities/Agro-Industrial Prototype Projects	DTI
Livelihood Projects	DAR, DTI
<u>Delivery of Agrarian Justice</u>	
	Judiciary

Source: Department of Agrarian Reform

5. The accomplishment of DAR and DENR in terms of land redistribution has been comparable to more successful land reform program elsewhere (Hayami et al. 1990). DAR has distributed a total of 3.826 million hectares of private and government-owned agricultural lands which corresponds to about 39% of the total farm area in the country in 1980 (i.e. prior to CARP implementation) (**Table 2**). Added to this is the more than 1.7

million hectares of public agricultural A & D lands distributed by DENR under the CARP *Handog Titulo* program.²

	Scope (has)	Accomplishment			No. of Beneficiaries
		Area (ha)	%	Balance (ha) ^{b)}	
DAR	4,428,357	3,826,214	86.40	1,337,538	2,201,934
DENR					
Public A & D ^{a)}	2,502,000	1,720,186	68.75	781,814	1,447,818
ISF/CBFM	1,269,411	1,335,999	105.25	completed	502,380

^{a)} Scope revised from 4.5 M hectares to 2.5 M hectares

^{b)} Balance of DAR based on revised scope

Note: Official statistics from DAR Planning Services Office

Sources: Planning Services Office, DAR; Comprehensive Agrarian Reform Program-DENR

6. In particular, the land transfer program of DAR has benefited some 2,201,934 beneficiaries (excludes beneficiaries of leasehold and SDOs). Most beneficiaries (84%) obtained individual ownership (or *fee simple*) rights on land which allowed full control over the operation and management of the land (**Table 3**). About 12% are operated as cooperatives with possibly less than 2% on leaseback arrangement. Assuming that the agrarian reform beneficiaries and leaseholders are those currently operating the farms awarded to them, the expectation is that at least two fifths of farm operators in the country as of 2002 are the beneficiaries (or their heirs) of CARP.³ However, several independent surveys showed the prevalence of sale and other forms of transfers of agrarian reform issued titles (both EPs and CLOAs). It is thus possible that most of the current farm operators are not the original beneficiaries or their heirs.

7. CARP has provided significant improvement on land tenure which can potentially translate into significant benefits from land. This includes those distributed under common ownership with leaseback or contract growing arrangements or stock distribution options which are also considered favorable to beneficiaries given “appropriate” contractual or corporate arrangements (Hayami 1990; Dy 1994, Digal 2004).

8. However, CARP has had no appreciable impact on poverty, productivity or investments in the agriculture sector as indicated in several studies (Deininger 1999; Habito 2003; Reyes 2003; Balisacan 2007). Studies also mentioned that CARP has not really targeted the poorest of the poor. For instance, only 3% of the landless agricultural workers in the rice and corn sector have benefited from the program (Hayami 1990). Moreover, access of the poor and landless to the land market has worsened significantly with land market regulations.

² The program provides administratively issued titles to public A&D lands. It covers titles issued on integrated social forest lands (ISF) and community based forestry management (CBFM).

³ Farm operator refers to a person who takes the technical and administrative responsibility of managing a holding. He may work alone, with members of household or with hired labor. He may or may not be the owner of land.

9. One major cause of failure is the weak institutional support for land redistribution and property rights in the land sector. The land reform program in the Philippines has been implemented in an environment of weak land policy and poor land administration. These institutional weaknesses are reflected on the many problems that have confronted and continue to challenge CARP.

10. For instance, the scope of coverage for land reform has been poorly identified and targeted. There is a dearth of information on land in the country both in terms of ownership and physical attributes (World Bank 2003). The lack of reliable information on land resources have made assessment on landownership data on a national or even provincial level mainly products of guestimates. Weak land administration and land policy also resulted in several conflicts on ownership, coverage and valuation as which caused major setbacks in the completion of land redistribution. This resulted in “unperfected” titles or transfers and hindered the installation of beneficiaries on distributed lands.

11. The effects of poor land policy and land administration do not end in the land redistribution phase but have evolved into second generation issues that further constrained the functioning of rural land markets, security of land tenure and access of the poor to land. The agrarian reform law has prohibited the conveyance and transfer of awarded lands through market transactions but government has “allowed” sale and other forms of transfers to be undertaken in the informal market. The sale of “imperfect” titles through informal transactions has increased documentation problems and weakened property rights in the rural lands.

III. LAM Issues Affecting Land Acquisition and Distribution

12. Land redistribution is a major component of the CARP. It encompasses both the acquisition of private and public agricultural lands and the disposition of ownership and use rights to identified beneficiaries. There are several key activities undertaken to complete the transfer of property rights from landowners to the identified beneficiaries. These are the following: (1) identification of the scope of CARP coverage; (2) acquisition or possession by government of private lands; (3) determination of land values or just compensation; and (4) land titling and registration of titles.

13. **Identification of the Scope of CARP coverage** - The identification of the land area for CARP coverage is the initial process in the implementation of land redistribution. The agrarian reform law has set a ceiling on total agricultural land that can be owned or retained by any natural or juridical entity in the country. Based on the landownership ceiling of 5 hectares the coverage for land redistribution under CARP includes the land in excess of this ceiling.⁴ Information about the structure of landownership in the country thus provides the basis for identification of CARP scope.

⁴ Heirs of landowners are considered beneficiaries and are granted a maximum of 3 hectares per heir.

Table 3. DAR Accomplishment by Type of Distribution, as of December 2006

Region	Total Area (ha)	Individual Ownership with Land Transfer				Common Ownership			Non Land Transfer	
		EP	CLOA-I	CLOA-C ^a Co-ownership	Subtotal	CLOA-C ^a Cooperative	CLOA-C ^a Farmers' Organization	Subtotal	*Equity Ownership (SDO) %	**Leasehold (has)
		% to total	% to total	% to total	% to total	% to total	% to total	% to total		
PHILIPPINES	3,567,815.66	15.51	23.46	45.61	84.58 ^b	2.81	9.09	11.90 ^b	0.216 ^b	1,632,757
I	122,990.76	0.82	0.87	1.75	3.44	0.002	0.01	0.01	-	149,455
II	299,830.58	2.16	1.97	1.16	5.29	0.01	3.10	3.12	-	86,744
CAR	79,200.64	0.03	0.52	1.67	2.22	0.0002	0.00004	0.0002	-	1,736
III	356,466.87	5.43	2.53	1.52	9.48	0.29	0.08	0.37	0.138	158,875
IV-A	135,025.19	0.44	2.06	0.88	3.37	0.01	0.40	0.41	-	155,901
IV-B	151,453.38	0.47	1.83	1.87	4.18	0.001	0.07	0.07	-	
V	253,575.22	1.33	1.82	3.94	7.09	0.01	0.01	0.02	-	59,160
VI	336,105.63	1.10	1.38	3.96	6.45	0.02	2.87	2.90	0.075	121,718
VII	127,932.31	0.49	0.70	1.64	2.83	0.0002	0.75	0.75	-	73,102
VIII	312,247.22	0.49	1.07	5.88	7.43	0.05	1.27	1.32	-	214,440
IX	186,031.42	0.31	0.45	3.07	3.82	1.03	0.36	1.39	-	139,035
X	244,537.76	0.49	2.60	3.67	6.75	0.04	0.06	0.10	-	206,246
XI	193,633.34	0.24	1.10	3.66	5.01	0.38	0.03	0.42	0.003	176,524
XII	413,653.07	0.92	3.69	6.76	11.37	0.21	0.02	0.23	-	78,542
CARAGA	187,674.27	0.18	0.79	3.89	4.86	0.35	0.05	0.40	-	4,653
ARMM	49,671.96	0.61	0.08	0.30	0.99	0.41	-	0.41	-	6,626

a.) These collective CLOAs are issued to beneficiaries operating individually but with titles that have yet to be subdivided and individually titled.

b.) Proportion does not add up to 100% due to a total of 117,786.04 hectares ARMM accomplishments that are not disaggregated into specific land titles.

Source: MIS, Department of Agrarian Reform

*Presidential Agrarian Reform Council (PARC), 2005

** Planning Services Office, Department of Agrarian Reform

14. However, systematic landownership information is not available in the country. There is no single office in the Government bureaucracy responsible for the maintenance of records that could generate a list of landownership. In the absence of systematic database on landownership, the DAR devised the “*Barangay Carpet Approach*” to capture this data. The strategy is undertaken at the level of Municipal Agrarian Reform Office (MARO) who supervises Agrarian Reform Program Technologist (ARPT) or enumerators. The ARPTs create a list of landholdings with their corresponding beneficiaries to provide a basis for determining the areas to be covered. The listing is carried out per *barangay* and has to be completed before another *barangay* is considered.

15. The “*Barangay Carpet Approach*”, starts by obtaining land records at the office of the Local Assessors where copies of the Tax-Map and Tax-Declarations of all the lots in every *barangay* in a municipality can be found. These records consist of both titled and untitled lands that were individually declared for taxation purposes by the corresponding landowners or land claimants. However, some of these records are not current or undated. Some of the Tax Declarations do not reflect the actual landowners, while the Tax-Maps only shows the crude graphical sketches and does not show the actual configuration or shape of the lots subject of the corresponding tax declarations. Records from the Assessors Office would require validation from other sources of land records.

16. For titled lots, validation of ownership can be done at the Office of the Register of Deeds. However, only 20% of privately owned land in the country is titled (LAMP Study World Bank). In the case of untitled lands, the magnitude of validation is enormous and only the DENR or the Courts are competent to determine the rightful owner.

17. Record validation is also constrained by the difficulty of access to land records even among government agencies. Land records are fragmented. These records are created and maintained by different agencies of the Government such that locating records requires familiarity on how these records are filed or inventoried. The sources of information are the land records consisting of the maps/plans in the LRA/DENR, titles in the ROD/LRA, and tax declarations and tax maps of the local Assessor’s Office. The most common complaint of the DAR people in the field is the non-availability of records. If the records needed are available, it takes time to avail of certified copies of the same. Thus, in some cases, the potential beneficiaries are required to secure the copies of the records needed in the documentation of their claim at their own expense for timely processing.

18. The implication of this disjointed system of land records is that total landholdings of every citizen in the country cannot be accurately determined. A person may have owned a titled agricultural lot with an area less than five hectares situated in a particular municipality and is therefore exempt from coverage but the same person may have owned another agricultural lot with an area also exempt from coverage in another town or province. The MARO would have no knowledge of this situation and can only find out by conduct of thorough research. Moreover, if the same owner registers title of the lot in another person’s name the said lot cannot be considered part of the latter’s landholdings. A landowner who wishes to retain ownership of his landholdings will purposely cause the issuance of the title of his land in the name of another person he

has control of which is not limited to children or relatives. This has been a common evasion scheme used by owners for the last thirty-five years since P.D. 27.

19. Recently, the DAR verified its inventory of CARP scope for land redistribution. The inventory showed that the scope for coverage increased from 4.4 million hectares to 5.16 million hectares or an additional area of 735,395 hectares (**Table 4**). This revision raised the balance for private lands that have yet to be distributed to 1.33 million hectares. However, the reliability of these estimates is debatable. In particular, the landownership information has been based on the records of cadastral and titles at the Registry of Deeds, which are not updated. It is often the case that land subdivision had been undertaken without formal registration or titling. The estimates also show that while DAR has made allowances for retained areas of owners (5 hectares based on law) no allowances were made for heirs of landowners which is a critical factor in determination of current land coverage.

20. With more than thirty years of land reform (or almost 20 years for CARP) there are strong indications that the long implementation of the program has afforded many landowners the opportunity to protect their landholdings through subdivision of properties to heirs or dummies. In sugar farms for instance, there has been a significant shift in the size and structure of farms between the period 1985 and 2002. Prior to the implementation of CARP (1985), about 40% of sugarcane farms have sizes greater than 5 hectares (**Table 5**). In 2002, only 12% of these farms have sizes above 5 hectares. Comparatively, CARP accomplishment in sugarcane regions has been among the lowest.

Table 4. Inventory of CARP Scope	
ITEM	Area (ha.)
Lands owned by 143,452 landowners owning more than 5 has.	1,792,737
Lands owned by GFIs	29,491
Lands owned by other private banks	24,296
GOL/Landed Estates/Settlements	89,718
Total	1,936,242
Less:	
Retention of 143,452 Los	717,260
Land already distributed in 2005-06	75,376
Plus:	
Undistributed lands in Field Operation File1 (FOF1) but not in ICS	193,932
Net Scope Balance	1,337,538

Source: CARP: Status of Implementation as of December 2006, DAR

Table 5. Number of Farms for Sugarcane by farm size

	<5 Hectares	5-20 Hectares	>20 Hectares	Total
1985				
Number of Farms	20,795	9,930	3,495	34,220
% to Total	60.8	29.0	10.2	100.0
Ave. Farm Area (ha)	1.85	8.44	54.51	
2002				
Number of Farms	145,325	19,900 ^a	1,961 ^b	167,186
% to Total	86.9	11.9	1.2	100.0
Ave. Farm Area (ha)	0.71	3.93	83.36	

^{a.)} farm size range is 5-24.99 has.

^{b.)} farm size range is 25 has. and over

Source: 1985 data: Philippine Statistical Yearbook and PHILSUCOM, Research and Development Office, Statistical Series as Reported by World Bank, *Philippines Agricultural Strategy Review*

2002 data: Census of Agriculture, 2002, National Statistics Office

21. **Acquisition of Private Lands.** In P.D. 27, the acquisition of private land is confiscatory. Under the Comprehensive Agrarian Reform Law (RA 6657), market-assisted forms of acquisition have been provided using the Voluntary Offer to Sell (VOS) and Voluntary Land Transfer or direct payment (VLT/DPS) schemes.

22. Both the VOS and VLT schemes have been encouraged because these schemes could achieve the “quickest results and the least political cost” (Putzel 1992 p.312). There is less resistance from the landowners since they willingly surrender their land for coverage. The VLT scheme in contrast to VOS is not only voluntary but also non-compensable. Payment is directly made by the beneficiary to the landowner based on agreed contract.

23. The VOS and VLT schemes brought to fore basic weaknesses of land administration under land reform. The program became susceptible to abuses (Putzel 1992 p 315-316) – one, the CARP became an avenue for land speculation where landowners acquire agricultural land at very low cost and through VOS offer land for coverage at values beyond productive capacity of the land; two, resubmission as VOS those lands covered but not yet paid for under P.D. 27; three, many lands offered under VOS were of poor quality and/or in isolated areas where the revolutionary government are active; and four, in particular, the VLT has been used by landowner to evade coverage and to undertake implicit sale of property. DAR operations indicated that as much as 70% of VLT accomplishments are transfers to relatives, friends or non-legitimate beneficiaries of the program (Borras 2005). VLT accomplishments represent about 37% of total private agricultural lands distributed under CARP (**Table 6**). While the fiscal implication of VLT is advantageous, effective land administration is needed to curtail evasion tactics.

Table 6. Voluntary Land Transfer on Private Agricultural Lands
(as of December 2006)

Region	Private Agricultural Lands				
	Total (w/ OLT)*	Total (w/o OLT)	Area (ha)	VLT	
				% share to total w/ OLT	% share to total w/o OLT
PHILIPPINES	2,151,108	1,589,722	601,885	27.98	37.86
I	108,478	78,378	66,569	61.37	84.93
II	180,428	102,401	38,325	21.24	37.43
CAR	22,660	21,401	19,296	85.15	90.16
III	287,364	89,882	31,592	10.99	35.15
IV-A	101,251	85,733	22,447	22.17	26.18
IV-B	81,781	66,112	37,498	45.85	56.72
V	209,571	161,376	52,664	25.13	32.63
VI	266,418	227,384	31,227	11.72	13.73
VII	74,613	56,756	3,362	4.51	5.92
VIII	93,320	74,192	14,580	15.62	19.65
IX	113,811	103,147	66,370	58.32	64.35
X	108,601	91,839	62,236	57.31	67.77
XI	139,378	130,765	40,230	28.86	30.77
XII	180,923	147,071	38,589	21.33	26.24
CARAGA	69,674	63,191	25,282	36.29	40.01
ARMM	112,837	90,093	51,618	45.75	57.29

* OLT = land distributed under P.D. 27

Source: Planning Services Office, Department of Agrarian Reform

24. Despite market-assisted schemes there is yet a large inventory of private agricultural land that has not been brought into the agrarian reform process. DAR reports an accomplishment of 63% on private agricultural lands which are mainly accomplishments from P.D. 27. The low accomplishment is due to major protests from landowners and delays on documentation which hindered the process of land disposition and takeover of beneficiary.

25. The major reasons for the protest of landowner on CARP are the following- one, protest on coverage; two, rejection of land valuation or just compensation. Protest on coverage arises from issues on the non-agricultural use of land or on the retained areas of owners. Protest due to non-agriculture use of the land is common among landowners and this arises from the unclear policy of government on land use. Because of the paramount concern to prevent evasion of CARP, the power to approve land conversions was vested on the DAR. The 1991 Local Government Code, however, also vested upon the LGUs the authority to reclassify lands in their locality through the preparation of a Comprehensive Land Use Plan. Unfortunately, most LGUs do not have information on the actual extent of land use and thus significant deviation can exist between the actual land utilization and proposed land use plan (Silva 1993, IARDS 1998). There is an incentive among LGUs to upgrade land classification to non-agriculture because of the

income that can be generated from such classification. DAR also plays a passive role in land conversion as indicated in DAR Administrative Order No. 7 series of 1997- *“if the City/Municipality does not have a Comprehensive Land Use Plan and Zoning Ordinance duly approved by the HLURB or Sanggunian but the dominant use of the area surrounding the land subject of the application of conversion is no longer agricultural, or if the proposed use is similar to or compatible with the dominant use of the surrounding areas , conversion may be granted.....”*. Non-coverage of land for CARP is further justified by government laws that support agro-tourism and agro-industrial activities.

26. DAR usually proceeds with coverage and distribution even in the presence of protests from the landowners. If the protest is a rejection of valuation, DAR proceeds with the land distribution process. The Land Bank of the Philippines creates an escrow account in favor of the landowner and the DAR takes possession of the land for distribution and titling. On the other hand, if the protest is on coverage, DAR may wait for court decision before proceeding with the distribution. In cases where distribution and titling have been carried out, a favorable decision for the landowner would result in cancellation of CLOAs. This process implies that transfer of ownership has not been completed (or perfected). While DAR argues that property rights of beneficiaries are secure, the possibility of CLOA cancellation creates insecurity.

27. **Determination of Landowner Compensation** - The problem of “just compensation” or “right” valuation is the most thorny issue that confronts CARP. While the basis for valuation is prescribed in P.D. 27 and Section 17, RA 6657 landowners often disagrees with the valuation conducted by the Land Bank of the Philippines and many of this disagreement ended up in court unresolved.

28. In the implementation of the Operation Land Transfer under P.D. 27 the valuation of the land was guided by the provision in the law which states that *“ the cost of the land to be transferred to the tenant-farmer pursuant to this Decree, the value of the land shall be equivalent to two and one-half (2 1/2) times the average harvest of three normal crop years immediately preceding the promulgation of this Decree”*. However, this valuation guideline has been challenged in court by many landowners on the basis of violation to the Bill of Rights. The Philippine Constitution provides under Section 9, Article III that (1987 Philippine Constitution) –*“ Private property shall not be taken for public use without just compensation”*. This implies that just compensation cannot be legislated and that only the courts of competent jurisdiction can decide on the issue of just compensation.

29. Under the provision of RA 6657 or the Comprehensive Agrarian Reform Law, the criteria of determining the valuation has been tempered. As enumerated in the pertinent provision of “ SEC. 17, RA 6657- *Determination of Just compensation .---In determining just compensation, the cost of acquisition of the land, the current value of like properties, its nature, actual used and income, the sworn valuation by the owner, the tax declarations, and the assessment made by government assessors shall be considered. The social and economic benefits contributed by the farmers and the farm workers and by government to the property as well as the non-payment of taxes or loans secured from any government financing institution on the said land shall be considered as additional factors to determine its valuation.*”

30. The Land Bank of the Philippines provides and approves land valuation based on its own appreciation of the conditions of the land. The valuation or the purchase price of the land is submitted by the LBP to the MARO. It is this valuation that will be included in the offer of the DAR when it serves the notice to acquire the land. If the landowner accepts the offer of the DAR, the Land Bank of the Philippines (LBP) shall pay the landowner the purchase price of the land within thirty (30) days after he executes and delivers a deed of transfer in favor of the government and surrenders the Certificate and other muniments of title. However, in cases when the landowner disagrees with the valuation, the landowner has the right to a court proceeding. There are several unresolved cases in court involving questions of just compensation. These cases include not only lands that were covered through CARP but also lands covered under P.D. 27 of 1972.

31. Another issue on land valuation is that the compensation formula can be manipulated. The landowners could secure more than market value compensation of their lands. Based on implementation, the value of land is determined by averaging three estimates of market value- (1) assessed market value which is based on recent tax declaration; (2) market value which is based on three sales of comparable land in the vicinity inflated by consumers' price index; (3) owners own declaration of fair market value made during the land registration program of 1987 and 1988. The formula permits valuation of up to 33% more than market value (DAR AO 1988 in Putzel 1992). However, this formula does not necessarily deter excessive compensation. There are several ways under which the formula can be abused (Putzel 1992 p 312)- (1) market values can be based on highly valued land , labeling the sales as comparable; (2) landowner pays one tax installment on the basis of an inflated land value and thus raised the assessed value of land; (3) the landowner can plan the most advantageous level for their declared market value. The compensation thus is subject to abuses and corrupt practices.

32. On the other hand, in stock development options where land is converted to stock of corporations, there is an incentive to undervalue land asset. The case of the *Hacienda Luisita* provides an example (**Box 1**).

Box 1: Corporate Stock-sharing and Hacienda Luisita

The Hacienda Luisita case shows how the stock distribution scheme was implemented in sugarcane plantation owned by the Cojuangco family. To allow corporate stock sharing with the farmer beneficiaries, a “spin-off” corporation, Hacienda Luisita Inc. (HLI) was established on August 1, 1988.

Hacienda Luisita then became the newest string of the Cojuangco companies and was but a small part of the empire. Only 4,914 hectares of the original 6,431 hectare property were transferred to HLI from main company TADECO (Tarlac Development Corporation). Given that only the ‘lands actually devoted to agricultural activities’ were covered by CARP, the Cojuangco family shifted some of the land to other uses. The 4,914 hectares agricultural land was considered the farmers’ assets in HLI. This land was valued at P196.63 million or about P40,000 per hectare. An appraisal of the said property in the same year shows that there are several lots within the 4,914 area that have much higher appraisal. For instance, 187 lots with an area of 265.7 hectares have an appraised value of P218,758 per hectare. Another 11 lots with an area of 120.92 hectares was appraised at P500,002 per hectare. Further appraisal would have revealed other possible discrepancy in land value.

On the other hand, non-land assets including standing crops were considered equity of the Cojuangco family. The value of the non-land assets correspond to two-thirds the total assets of the company thus the Cojuangco’s remained in control of the HLI.

The determination of non-land assets has been questionable. Agribusiness corporations can inflate the value of their non-land assets to ensure it would total more than their land assets. This made the owners of HLI maintain control over the estate covered by CARP. Moreover, it was easy for any corporation to ensure that its non-land assets are greater than its land assets since ‘the standing crops’ are counted as a non-land asset. For Hacienda Luisita, this accounted for a total of P103 million and about 18% of the total assets of the company. On the other hand, the land asset was not appropriately valued and no allowance for increases has been provided.

Corporate stock-sharing was a provision proposed to force corporate farms to increase their capital investment or lose control of the enterprise to their workers. However, given accepted and legal corporate accounting practices, it turned virtually impossible under the CARP for workers to gain a majority share in any agribusiness corporation.

Source: Putzel, James (1990) *A Captive Land: The Politics of Agrarian Reform in the Philippines*. Manila: Ateneo University Press

33. It has been argued that the SDO scheme is progressive in that it would force corporate farms to increase capital investments in their farms or lose control of their corporate farms to workers (Dy 1994). However, the experience of the Hacienda Luisita shows that land assets can be valued at a low price and remain unchanged overtime. The original owners of the Corporation can be guaranteed control through simple accounting procedure.

34. **Land Titles and Titling** - The title to land covered by CARP is a primary requirement in land acquisition and payment of landowner. The land covered by CARP is recorded in the Registry of Deeds through an annotation in the owners Transfer Certificate of Title (TCT) of the memorandum of CARP coverage including names of beneficiaries. The inability of a landowner to surrender TCT will delay the process of

land distribution even in cases when the landowner accepts the coverage and property valuation. The failure of the landowner to surrender his title may arise from the following reasons: (1) lost title or (2) untitled land.

35. The certificate of title is considered lost if the owner's duplicate copy or the original copy of the title on file in the Register of Deeds is lost or both copies are lost. If only the owners duplicate copy is lost a petition for the issuance of new title is filed in court. However, if the original copy of the Register of Deeds or both the owners copy and original copy is lost, a petition for reconstitution of title is needed. The law requires that petition for both types of lost title will be filed only by the landowner or his authorized agent. A landowner who intends to delay coverage can declare lost owners' title and would have no incentive to petition for the issuance of new title.

36. In the case of untitled land, the subject land has to be initially titled prior to CARP coverage. Lands can be titled either administratively (Free Patent) or judicially. Under existing laws, administrative titles are provided through the DENR while judicial titles are issued by the court. There are also untitled lands situated within the area not classified as Alienable and Disposable (A&D). These lands cannot be titled until such lands have been declared A&D through legislative actions (1987 Philippine Constitution Section 4 Article XII; RA6657 Section 4).

37. Land titling in the country can be a long process. An application for a judicial confirmation of ownership involves a tedious and expensive process specifically when the ownership of the lot is being contested (e.g. ownership contested among heirs). In the case of the Free Patent, conveyance of the land is made only five years after issuance of title. The tedious titling system means that coverage can be subsequently delayed.

38. The coverage for untitled A&D lands is however an unresolved issue between the DENR and DAR*. As far as the DENR is concerned any land which is not titled or has not been placed under the Land Registration Act is unregistered and therefore, *public land*. On the hand, DAR argues that any A&D land utilized for agriculture and is being claimed for private ownership (whether titled or untitled) is private property and thus within DAR jurisdiction. DAR further argues that in such cases a notice of coverage can be issued even if untitled. DAR can also proceed with the land distribution and the Land Bank pays the purchase price to the lawful owner based on legal declaration of the courts. DAR have also issued original certificate of titles (OCT-CLOAs) to beneficiaries of untitled public lands.

39. The difficulties of coverage and the long process of land titling, on the one hand and the need of DAR to provide land distribution outputs on the other hand, have led to issuance collective titles or collective CLOAs. A collective CLOA is a certificate of title in the name of all the ARBs in the lot covered by the title but does not show the individual area awarded to each beneficiary. All collective CLOAs cover an area of 2.05 million hectares accounting for about two-thirds of the total outputs of DAR (refer to Table 3). Since the beneficiaries of the CLOA have yet to define the lot area, payment on land

* A joint Memorandum Circular (MC No. 14, series of 1997) was issued in 1997 to clarify the delineation of responsibilities between DENR and DAR with regards to privately claimed agricultural land. However, despite the Circular, DAR continued to claim jurisdiction over A&D lands devoted to agriculture.

cannot be made upon award of the title. This factor has contributed to the low collection rate or loan amortization of CARP beneficiaries.

40. Land titling problems can also work against the landowner. Cases of distributed lands but unpaid landowners of P.D. 27 arise from inability of landowners or existing heirs to obtain titles or reconstitute lost titles.

IV. Assessment of Second-Generation Issues

41. The problems on land administration and land management have spawned second generation issues that affected the efficiency arguments of pursuing a land reform program. The possibilities of unperfected transfer of rights, the restrictions on beneficiaries to fully exercise their *fee simple* rights and the conflicts in the land redistribution process have led to insecure land rights and less access of the poor to the land and credit markets.

42. **Security of Tenure** - The beneficiaries of the CARP obtain the formal rights on the land upon award of CLT/EPs or CLOAs or leasehold certificate. This ensures the beneficiary of a longer and permanent period to cultivate the land. However, the CARP redistribution process of issuance of titles prior to completion of documents or quieting of protest weakens the indefeasibility of these titles. Tenure security thus can be threatened when land redistribution conflicts lead to long drawn court battles. Moreover, when the resolution of cases tends to favor landowners the insecurity of tenure from imperfect titles can be real.

43. The secure land rights obtained through the reform is further threatened when these “unperfected” titles are traded in the market. The agrarian reform law prohibits land acquired by the beneficiaries of the program to be sold, transferred or conveyed except through hereditary succession or to the government or to the Land Bank or to other qualified beneficiaries for a period of 10 years after the award (RA 6657 Sec 27). However, this provision of the law has been visibly disregarded or overlooked.

44. Independent surveys have come out with different estimates on the extent of transfer of rights which is not within the provisions of the law (DAR calls these transactions “illegal” or “violations”). Based on DAR’s own surveys, the extent of these “illegal” transactions ranged from a low of 2% to a high of 100%. The high proportion of sale has been noted in peri-urban areas where agriculture land commands higher price (**Table 7 & 8**). However, the proportions of these “illegal” transactions can also be high in agriculture areas specifically in rice areas (DAR 1998, David et al 2003; LAMP 2002). These transactions may happen as soon as beneficiaries get hold of their EPs or CLOAs or even prior to issuance of title (LAMP 2002).

45. It is observed that transfers can take several forms- direct sale, waiver of rights of beneficiary, sale via land pawning activities or simply abandonment of land. Waiving of rights refers to the act of farmer beneficiaries to make written waivers in favor of other persons. The act involves a voluntary release of ownership and possession of awarded lands. It is common knowledge in agrarian villages and in the municipal DAR offices that waiver of rights has been used by contracting parties to effect sale transactions or

ownership transfers (DAR 1996, p. 7). Comparatively, there are more transfers via “waiver” that have been recorded at DAR municipal office than direct sale. The waiver thus is DAR’s scheme to record changes in beneficiary before or after the issuance of titles. However, this waiver is not an acceptable instrument of conveyance for Property Registration thus the buyer can hold the title and waiver but cannot register the title under the Torrens system of titling. A form of conveyance such as the Deed of Absolute Sale is required for property registration. This Deed has to be signed by the original beneficiary and the heirs.

46. Another indirect way to sale of awarded lands is converting land to non-agriculture uses. The farmer beneficiary through the assistance of the buyer files a conversion request to DAR. The sale transaction is then undertaken upon conversion. The conversion to non-agriculture use allows the land to be sold without the restrictions imposed upon by the land reform law on both conveyance and land ownership ceilings.

47. Land pawning or *sanglaan* is another common scheme for sale. Land pawning is considered an informal credit facility that involves a transfer of cultivation rights which can be redeemed upon payment of the loan. Loans obtained from pawning can remain outstanding until loan is repaid. The interest on the land is obtained from the cultivation of the land. It has been reported that permanent transfers have occurred through pawning (Nagarajan, David and Meyer 1993).

48. These “illegal” transactions of agrarian beneficiaries can have profound effects on land administration and management. It is possible that land covered by a CLOA/EP has been transacted several times like any ordinary titled land. There are several arrangements that could have possibly resulted from these transactions. First, the sale and transfers have not been registered at the Registry of Deeds and the EP/CLOA titles while in the possession of the buyer are still in the name of the original beneficiary. Second, the transfers have been undertaken prior to DAR’s issuance of EP/CLOA and thus EP/CLOA has been issued in the name of the buyer. This has been observed in areas covered by P.D. 27. The 1972 land reform law issued initially a certificate of land tenure (CLT) to beneficiaries which are converted to land titles upon full payment of land cost.⁵ Third, land has been converted to non-agriculture use, CLOA has been cancelled and non-CLOA title (i.e. transfer certificate of title) has been issued in the name of buyer.

⁵ With the approval of CARL in 1987, however, the issuance of titles followed that of CARP process. Thus many EPs were issued only under CARP since collections on land amortization was also low under PD 27.

Table 7. Extent of EP Recipients Selling Ownership and Lease Rights in Selected Villages in 23 provinces, 1995.

Village ^a	No. of EP recipients	% recipient with transaction				
		Total	Mortgaging	Selling	Transfer of rights	Others ^b
Pang/Umingan	500	8.4	0.6	7.8	-	-
Isa/Ilagan	218	25.2	8.3	16.1	0.9	-
Pam/Candaba	59	3.4	1.7	1.7	-	-
NE/Guimba	126	21.4	7.1	12.7	-	1.6
Bul/San Miguel	117	7.7	1.7	6.0	-	-
Que I/Candelaria	69	42.0	2.9	2.9	20.3	15.9
Que II/Gen. Luna	31	29.0	-	9.7	16.1	3.2
Cav/Gen. Trias	59	44.1	-	44.1	-	-
Lag/Cabuyao	18	61.0	-	61.1	-	-
Sor/Sorsogon	72	13.9	13.9	-	-	-
Cam S/Pili	117	8.6	6.0	-	-	2.6
Neg Oc/Bago City	89	-	-	-	-	-
Ant/Hamtic	76	21.1	14.5	6.6	-	-
Boh/Carmen	126	4.0	1.6	0.8	-	1.6
Neg Or/Canlaon City	145	20.0	17.2	0.7	-	2.1
Ley/Carigara	27	74.1	63.0	11.1	-	-
Zam Sur/Mahayag	84	50.0	47.6	2.4	-	-
Bukid/Valencia	129	25.6	11.6	6.2	7.8	-
Ag Sur/Bayugan	116	6.9	-	6.9	-	-
S Cot/Tiboli	178	7.9	7.9	-	-	-
Dav N/Asuncion	93	8.6	-	8.6	-	-
N Cot/Kidsayap	193	9.3	3.6	5.7	-	-
Lan N/Lala	110	19.1	8.2	10.9	-	-
Total (average)	2752	15.2	7.0	7.2	1.1	0.8

^a Rows show data for a village in the province/municipality indicated.

^b Includes abandonment and waiving of rights to others

Source: DAR (1994), "A Study on the Extent, Nature, and Causes of Illegal Transactions and Violations of EP/CLOA Recipients in Selected Sites of the SOPs and Non-SOPs," Policy and Strategic Research Service, DAR, Manila

Table 8. Extent of CLOA Recipients Selling Ownership and Lease Rights in Selected Villages in 23 provinces, 1995.

Village ^a	No. of CLOA recipients	% recipient with transaction				
		Total	Mortgaging	Selling	Transfer of rights	Others ^b
Pang/Rosales	54	1.9	1.9	-	-	-
Isa/Naguillan	14	7.1	7.1	-	-	-
NE/Zaragoza	35	28.6	2.9	25.7	-	-
Que I/Candelaria	88	45.5	11.4	1.1	33.0	-
Que II/Pitogo	21	100.0	-	-	-	100.0
Cav/Silang	150	16.7	-	16.7	-	-
Lag/Biñan	251	100.0	-	100.0	-	-
Cam S/Calabanga	86	7.0	7.0	-	-	-
Neg Oc/Talisay	122	18.0	-	-	-	18.0
Ant/San Remegio	42	9.5	7.1	-	-	2.4
Boh/Carmen	38	5.3	2.6	-	-	2.6
Neg Or/Bayawan	451	1.6	1.3	0.2	-	-
Ley/Palo	127	21.3	-	21.3	-	-
Ag Sur/Prosperidad	11	36.4	-	27.3	-	9.1
Dav N/Asuncion	108	8.3	1.9	6.5	-	-
N Cot/Libungan	45	13.3	-	13.3	-	-
Total (average)	1643	26.5	1.9	20.1	1.8	2.8

^a Rows show data for a village in the province/municipality indicated.

^b Includes abandonment and waiving of rights to others

Source: DAR (1994), "A Study on the Extent, Nature, and Causes of Illegal Transactions and Violations of EP/CLOA Recipients in Selected Sites of the SOPs and Non-SOPs," Policy and Strategies Research Service, DAR, Manila

49. Some of the sale and transfers of the CLOAs have been apparently registered but the continuous sale of lands with CLOA titles (including CLOA-collective) and possibly the subdivision of these lands into smaller parcels imply that the volume of unregistered transactions increases overtime. In the absence of data sharing between DAR and the Registry of Deeds, the trail of transactions are difficult to undertake. This implies that landownership information in the agriculture sector has been further distorted. The non-transparency of transactions and distortion of information have also destabilized the Torrens system of land registration on agriculture land.

50. Thus the mere possession of EP/CLOA title including derivatives from this title does not guarantee secure rights. The EP/CLOA titles have been derived from stable or genuine titles. However, the process of transfers has not observed the rule-of-law or the due process requirement and therefore the derivatives from CLOA/EP titles are contestable.

51. **Efficient Functioning of the Rural Land Markets** - The informal and “illegal” schemes by which the “imperfect” CARP titles have been transacted, transferred and registered have rendered CLOAs and EP titles contestable. The possibility of competing claims on ownership or usufruct rights on these lands is not remote. Thus despite the perceived security provided to a CLOA/EP title by law, it has not attained complete acceptance in the formal sector. The Supreme Court has not held CLOA titles in the same regard as other titles (LAMP_DENR Study on Land Laws and Regulations 2002). This is one reason why banks require CLOA holders to convert their lands to TCT when agriculture land is used as collateral.

52. The program has also resulted in a dual market on agricultural lands. This arises from the existence of both TCT titles and agrarian reform titles (CLOA/EP) on agriculture lands. TCT titles represent agriculture lands that have not been subject of reform or lands that have been retained by the landowners (i.e. landowners after subdivision of their property are issued a new title in TCT form instead of CLOAs). These titles are not subject to land market regulations. They can be traded and transferred freely in the formal market. On the other hand, CLOA/EP titles represent the titles given to beneficiaries of the reform. These titles are subject to land market regulations and are traded and transferred through informal channels. Based on DAR scope, the land reform area is potentially almost half of total farm area. This implies that half of the total farm area is already represented by TCT titles.

53. The presence of informal channels transfers in the rural land market makes it difficult to carry out effective land administration, management and planning. While only half of agriculture land is subject to reform, it puts the whole agriculture sector in a contestable position.

54. It has also alienated the agricultural sector from the concerns of local development in general and LGUs, in particular. A primary reason is that the financial base of the LGU has been eroded by their inability to impose property tax on agricultural lands and rural land market transactions. The LGUs derive nearly all their real property-related income from Real Property tax. Real property tax including transfer taxes represent about one-third of their locally generated resources (LAMP_DENR Fees and Finance Policy Study 2002). Given the problems on land due to CARP, the agricultural property sector has not been contributing as much as it should to local and national economic development. The difficulty of collecting taxes due to lack of knowledge on the actual owner of agricultural property has been confirmed by City and Municipal Assessors (LAMP_DENR Land Market Study 2002).

55. Thus LGUs tend not to support CARP. The lack of support is reflected in the conflict between the LGUs and DAR with regard to land conversion of agricultural lands. LGUs have been tasked to implement a comprehensive land use plan in their locality. This function has given them the authority to reclassify lands which often has been done without regard to the CARP (IARDS 1998; Silva 1993).

56. The process of re-documentation or correction needed to restore confidence on land rights information is complex (Box 2). The magnitude of this process cannot be given a definite time frame to finish given the poor system of land administration in the country.

Box 2: The Process and Extent of Correction of CLOA/EP Titles

The DAR has no mechanism to monitor the sale of the lands covered by CLOAs. It will only be known when the LBP will process the Claimfolders (CFs) for the purpose of paying the landowner. However, before payment is made the LBP would have to create a ledger of the beneficiaries and amount that have to be paid by each beneficiary. This would require not only the beneficiary's name but also the area of the lot which each ARB is entitled based on actual subdivision survey of the lot.

To satisfy the requirements of the LBP, the CFs are returned to the DAR with a list of requirements which could only be accomplished by field investigation of the lot subject of the Claimfolder. The sale of the CLOA will only be discovered during the field investigation and the land surveying that the DAR and LBP is jointly undertaking. If the lots were already sold to other parties and the lot occupants are not anymore the original beneficiaries, the joint investigation will result in the re-identification and re-documentation of the new beneficiaries. In the meantime, the ARBs are not paying the required amortization for several reasons; (a) the ARB do not know how much to pay for the cost of the land awarded to them; (b) the LBP does not have any valuation of the land; (c) the ARB has illegally sold the land.

There are three judicial proceeding involved to remedy a situation where the lot covered by a CLOA is sold illegally by the ARB. These proceedings will involve the following cases, namely: (a) disqualification of the erring ARB; (b) correction of the Title; (c) cancellation of the CLOA previously issued to the erring ARB. These cases will involve a process of Inclusion and Exclusion.

If it was found out that there are changes in the farmer-beneficiary on the ground during the conduct of the investigation and ground survey, the original beneficiary will be disqualified and a new farmer-beneficiary is assigned and documented, a process of re-identification and re-documentation ensue. In the meantime, the Rule of Law dictates that there is no summary disqualification, the erring ARB is given a day in court and the disqualification proceedings is undertaken by the DARAB. During the hearing of the disqualification case by the DARAB neither the erring ARB who sold the land nor the buyer of the land will appear since they know that the transaction they entered into is illegal. However, there is no punitive action on this act; selling the land covered with CLOA is not a criminal offense – the only penalty is disqualification of the erring ARB. Both of them will simply ignore the judicial proceedings.

Since the disqualification will result in the change of the names of the ARBs annotated in the title of the original landowner, another judicial proceedings for the correction of the title will be undertaken by the DAR Adjudication Board (DARAB). Before the filing of the case for the correction of the title the DARAB will ascertain that the new list of ARBs is correct; any omission will result in the filing of another correction case.

Aside from the disqualification proceedings at the DARAB, another case is filed for cancellation of the CLOA issued to the erring ARB. Unlike a disqualification case where the DARAB has jurisdiction, cancellation of CLOA title is a Land Registration Case and only the regular court (MTC or RTC) has the jurisdiction over these cases. The DARAB cannot issue an Order directing the Register of Deeds to cancel a CLOA title, only the court of competent jurisdiction can order for the cancellation of the title. The CLOA title of the new beneficiary can only be issued when the CLOA of the erring ARB is finally cancelled and rendered void.

The resolution of Inclusion and Exclusion cases and the Cancellation of the CLOA title is a long process. As the acquisition and disposition of lands to be covered continues, the number of Inclusion and Exclusion Cases continue to pile up in the dockets of the courts. The number of cases of this nature is mounting and beyond the capability of one DARAB Attorney in every province.

57. **Access to Formal Credit** - CLOA and EP title holders have limited options to obtain credit. This has often been attributed to the restrictions on the sale and transfer of awarded lands as provided in the law (Llanto and Estanislao 1993; Ravallo 1999). However, the instability of the CLOA and EP titles as earlier discussed has further reduced the acceptability of these titles for credit in the formal sector. A preliminary study of the lending practices of a sample of banks has shown that judicial titles, patents and CLOAs are accorded differential treatment even when the prescribed periods for restrictions have run their courses. The judicial titles are usually accorded the maximum allowable percentage on the appraised value while patents (that are free of their restriction) may be granted loans at 10-20% less. So far, there had not been a loan to a CLOA title holder even after the ten-year prescription period had passed (LAMP_DENR Land Market Study 2002).

58. On the other hand, the institution of land pawning has been built up as a result of asset obtain from CARP. Land pawning has been the source of long term funds for the beneficiaries. Evidence from the field shows that beneficiaries of CARP no longer till their land and are prone to pawn their land and seek alternative livelihood elsewhere. Several studies have shown the increasing involvement of households in non-farm activities. Revenues from non-farm activity and cash generated from pawning have become a major source of funds for schooling to enable children to obtain degrees highly demanded for overseas employment (Estudillo 2006).

59. Land pawning thus can have positive welfare implications since it allows the household to “cash in” its assets temporarily and promotes mobilization of unused resources (Fukui 1995). However, the net gain to society depends on several factors: (1) the number of households that have been able to “buy back” the land; (2) whether those who are unable to buy the land are worse off or better off; and (3) whether the transfers have been made to more efficient farmers (not absentee landlords). These factors remain an empirical issue.

60. **Access to Land by the Poor** - The large majority of the poor in the rural areas are the landless rural workers or the labor contractors. CARP has not only excluded these workers from the program but has also reduced or hindered their access to land. The agrarian reform law has outlawed tenancy due to the common belief that it is exploitative. Land reform has also discouraged landowning households to engage in share tenancy arrangement due to the possibility of being covered by the reform.

61. In the past, the availability of labor (i.e. draft or human power) allows the landless access to land. With CARP, the means to gain access to agriculture land is through provision of credit or through sale. This implies that land transfer in the agriculture sector have been from poorer households to wealthier households.

62. In a survey of land sale and pawning in rice farms, the buyers and pawnees on ARB lands include moneylenders, professionals and businessman or farming households that are supported by incomes from overseas workers (OFWs) (**Table 9, 10, 11**). Although the survey has been limited to rice areas, surveys from other regions report of similar characteristics of market players in the rural land market.

63. Deininger et al (1999) has estimated the extent of reduction in access to land of landless agriculture workers in rice farms. He noted that access to land by landless

workers in rice farms in 1998 was reduced by half of what they have in 1985. This translated into a reduction of welfare (measured by consumption patterns of farm households) by as much as 30%.

Table 9. Distribution of selling arrangements by type of occupation of <u>buyer</u> in selected villages.							
	Farming	Professional	Services	Overseas work	House keeping	Business	All
Nueva Ecija							
Bakal II	1	4	-	-	-	8	13
	(8)	(31)	-	-	-	(62)	
Maragol	1	1	-	1	-	2	5
	(20)	(20)	-	(20)	-	(40)	
Gabaldon	4	2	1	-	-	-	7
	(57)	(29)	(14)	-	-	-	
Pinili	1	4	-	3	1	-	9
	(11)	(44)	-	(33)	(11)	-	
Laguna							
Masapang	1	5	1	-	-	11	18
	(6)	(28)	(6)	-	-	(61)	
Quezon							
Sta. Catalina Sur	1	4	1	2	-	3	11
	(9)	(36)	(9)	(18)	-	(27)	
San Isidro	4 ^a	-	-	1	-	-	5
	(80)	-	-	(20)	-	-	
Iloilo							
Signe	1	1	-	1	-	-	3
	(33)	(33)	-	(33)	-	-	

^a Includes two sales to buyers who do agricultural labor.

Figures in parentheses show percent distribution across occupation

Source: David, C. C., *et al.* 2003. Land Reform and Land Market Transactions in the Philippines: Terminal Report. Makati: Philippine Institute for Development Studies

Table 10. Distribution of pawning arrangements by occupation of pawnee in selected villages

	Farming	Trade	Professional	Services	Overseas work	Student	House keeping	Retiree	Business	Bank	All
Nueva Ecija											
Bakal II	23	-	4	-	2	-	-	-	15	-	44
	(52)	-	(9)	-	(5)	-	-	-	(34)	-	
Maragol	35 ^a	1	-	7	2	9	-	-	2	1	57
	(61)	(2)	-	(12)	(4)	(16)	-	-	(4)	(2)	
Gabaldon	14	-	11	-	2	-	-	-	8	3	38
	(37)	-	(29)	-	(5)	-	-	-	(21)	(8)	
Pinili	12	1	13	-	2	-	2	-	2	-	32
	(38)	(3)	(41)	-	(6)	-	(6)	-	(6)	-	
Laguna											
Masapang	6	-	-	-	-	-	-	-	6	-	12
	(50)	-	-	-	-	-	-	-	(50)	-	
Tubuan	4	-	2	-	-	-	1	-	1	-	8
	(50)	-	(25)	-	-	-	(13)	-	(13)	-	
Quezon											
Sta. Catalina Sur	4	-	2	-	1	-	-	-	5	-	12
	(33)	-	(17)	-	(8)	-	-	-	(42)	-	
San Isidro	-	-	-	-	1	-	-	-	1	-	2
	-	-	-	-	(50)	-	-	-	(50)	-	
Iloilo											
Pandan	6	-	3	-	7	-	-	1	1	-	18
	(33)	-	(17)	-	(39)	-	-	(6)	(6)	-	
Rizal	1	-	-	-	1	-	-	-	2	5	9
	(11)	-	-	-	(11)	-	-	-	(22)	(56)	
Signe	1	-	2	-	6	-	-	-	3	1	13
	(8)	-	(15)	-	(46)	-	-	-	(23)	(8)	

^aIncludes one pawning arrangement where pawnee is one (1) agricultural labor. Figures in parentheses show percent distribution across occupation.

Source: David, C. C., *et al.* 2003. Land Reform and Land Market Transactions in the Philippines: Terminal Report. Makati: Philippine Institute for Development Studies

Table 11. Socioeconomic Profile of Buyers, Pawners, Sellers and Pawnees in Study Villages								
	No. of Respondents	Average Annual Income			Average owned land	Age of HH Head	Size of HH	% with HH members working overseas
		Farm	Non-Farm	Total				
NE 1								
Buyers	5	203,971.00	64,600.00	268,571.00	2.90	60.4	3.8	60.0
Pawnees	8	280,024.31	64,800.00	344,824.31	0.85	47.1	4.1	25.0
Sellers	6	113,624.17	27,333.33	140,957.50	1.60	57.7	4.2	0.0
Pawners	29	88,289.40	41,793.10	130,082.50	1.39	57.6	4.7	34.5
NE 2								
Buyers	8	77,174.06	112,575.00	189,749.06	1.11	48.1	3.8	12.5
Pawnees	11	158,954.43	120,936.36	279,890.80	1.32	47.8	3.7	45.5
Sellers	4	43,268.75	0.0	43,268.75	0.75	44.8	4.3	0.0
Pawners	24	71,181.15	45,775.00	116,956.15	1.16	48.8	4.4	8.0

Source: Farm Household Survey, PIDS - Senate Survey, updated 2005

V. Conclusion and Recommendations

64. The weak land administration and management in the country has adversely affected the implementation of CARP. The poor land records, the lack of information sharing among government land agencies, the tedious land titling and registration process, the unclear land policies have resulted not only in prolonged implementation of the program but also flawed land redistribution. The accomplishment of CARP has been overstated as evidenced by the following: (1) some beneficiaries are the relatives or dummies of landowners; (2) some beneficiaries have abandoned or are unable to take possession of awarded lands; (3) some previously issued EPs/CLOAs have been recalled and cancelled.

65. The greater problem is the second-generation issues resulting from CARP accomplishments. CARP has proceeded with the issuance of formal titles under a Torrens registration system in the presence of protests and conflicts on ownership, coverage and non-payment to landowners (for reasons of valuation conflicts or simply documentation issues). This implies that the conveyance from landowner to beneficiaries has not been fully completed since many cases are yet to be resolved in courts. Moreover, full conveyance of the beneficiaries' rights over land is also dependent on their full payment of land amortization from the Land Bank. Collection of land amortizations from beneficiaries (including those under PD27) however amounts to only 25% of the total payments and interests made by Land Bank to the landowners.

66. Thus, it is possible that there can be several claimants to the land-- the beneficiary as the legitimate recipient of the land award; the Land Bank as the mortgagor of the land; the landowner, who has yet to be provided just compensation or whose coverage of land has yet to be determined.

67. Other claims on the awarded land may also arise from the practice of many beneficiaries to transfer ownership or cultivation rights through sale or land pawning activities prematurely (i.e., prior to the 10 year prescription period allowed by law and/or prior to full payment of land). Sale and pawning have become widely accepted practices in the locality sanctioned by *barangay* officials despite prohibition of such practice in the agrarian reform law. These transfers can be complicated because of the need to obtain consent not only of the beneficiary but also of the heirs who have legal claim on the property. In VLT or direct payment schemes, attempts of the beneficiary (i.e. legitimate farmer beneficiary) to engage in land trade have caused the landowner to get land back from the farmer.

68. The existence of several claims over CARP awarded land creates uncertainty over ownership and use rights on land. This discourages investments specifically major capital investments in agriculture. It hinders the development of agribusiness ventures and fosters peasant agriculture. Land property rights interacts with other institutions such that of credit and real estate development. These sectors are governed by formal, legal rights. The banking sector in the country, for instance is governed by traditional and conservative institutions. Second mortgages are uncommon thus land rights developed through CARP can severely limit mortgaging and development of CARP awarded lands.

69. The uncertainty over rights also moved the agriculture sector from a formal system of property rights to one that is largely informal. Trade and credit arrangements on CARP lands are mainly carried out through informal channels (e.g. land pawning, waivers on rights). While these arrangements allow markets to clear in an environment of uncertainty of property rights the net gains to society are not necessarily positive. The effects can be premature land conversion, misuse of resources and undervaluation of land resources. In particular, the practice of land pawning could lead to an opportunity to exploit land productivity since interest payments are tied to the income derived from land for a specified period (usually 2 years) with no safeguards on use of land. The value of land is also discounted by the high transaction cost involved in “protecting” these arrangements from legal concerns.

70. The problem thus that is presently plaguing the CARP is not the distribution of the lands that has yet to be acquired and distributed but the effort of restoring the agriculture land markets. From the point of view of land policy and land administration, what can be done? First, restore the confidence of the Torrens title on agriculture lands; second, lift restrictions on land market regulations and share tenancy. The second would be a sufficient condition to restore the rural land market.

71. There are two types of titles on agriculture lands that exist. One, the “perfected” title where there are no claims from the original landowner or the Land Bank (i.e. fully paid). This also includes the titles to the retained lands of landowners which are in the form of TCT rather than EPs/CLOAs”.⁶ So far, there are no restrictions on the conveyance of these lands.

72. The second type is the unperfected” title which for several reasons have existing claims. In the long-run, it is possible that the market itself can serve as a self-correcting device to settle some conflicting claims on awarded lands. Disputes can be attended to by the DAR as the cases are brought to their attention. Court cases can also be resolved through better arbitration. However, allowing time to take care of the problem translates into substantial opportunity costs for the agriculture sector as investment opportunities from appropriate agribusiness ventures are lost. Moreover, not all conflicts can be self-correcting but would require re-documentation due to premature selling and continuous subdivision of land or beneficiary.

73. There is no data that provides us with the extent of unperfected titles that exist. The assumption is that the number is substantial since information from DAR, Land Bank, LRA and Assessor’s Office are not reconcilable. Information from these agencies need to be reconciled not only to improve land information in agriculture but also to quiet EP/CLOA titles and place the derivatives of these titles under the land registration system.

74. DAR has to initiate the process of reconciling information from the key agencies involved. It is proposed that Land Bank invoke the provisions of Section 26, RA 6657 to foreclose all the lands of non-paying ARBs. The DAR will then re-identify and re-document the present occupants of the lands covered by CARP on the basis of a

⁶ Retained lands are those which have not been subject to CARP since total landholdings of owner is 5 hectares or less than 5 hectares. This also refers to land that has been placed under land reform which has been subdivided among the landowners and beneficiary. The title issued to the retained holdings of landowner is a TCT while title to land awarded to beneficiaries is a CLOA.

previously approved subdivision survey of the lands covered by the CARP. The result will show that some of the occupants are the ARBs on record and some are occupied by people who are not the ARBs on records or were the buyers of the lands. Changes on the subdivision survey will be made if there are any variances from the previously approved subdivision plan and the new subdivision plan is approved by DENR. Once this is done the Land Bank will sell the land to the present occupants similar to a VLT scheme with Land Bank as the landowner.

75. Correction or reconciliation of land information has no quick-fix procedure. Based on the Property Registration Act, the process would involve the following steps: (1) disqualify the beneficiary on record; (2) cancellation of CLOA; (3) changing the entry in the title of original landowner of the name of previous beneficiary and replace it with the name of the new beneficiary. This cannot be done administratively. Judicial process is required to disqualifying an ARB. Likewise, cancellation of a CLOA Title and the changing of the entry/encumbrance in the title, which is tantamount to correcting the title, is a Land Registration Case requiring court intervention/approval. This problem is being attended to by the DARAB in what they call as the Exclusion and Inclusion Cases.

76. The post land distribution concerns of CARP lands thus cannot be confined within a time period of 10 years considering the poor land administration in the country. The post distribution concerns of the CARP should therefore be handled by agencies that have a more permanent mandate. The DENR and the ROD are the key agencies in this regard given that the tasks of surveying, subdivision and titling are their long term mandate. Land reform disputes on land can also be handled by the DENR which have existing adjudication functions.

77. Two conditions that can facilitate the correction of EP/CLOA titles and restoration of the rural land market are the following: (1) the approval of the proposed Land Administration Reform Act (LARA) bill and (2) lifting on the restrictions on conveyance of land reform awarded lands.

78. The approval of the proposed Land Administration Reform Act (LARA) which is pending in Congress is critical not only for the rural sector but for national interest as well. The proposed bill provides for the creation of the Land Administration Agency (LAA) is to rationalize the presently inefficient and fragmented system of land administration and management. The bill envisions the creation of single office that will handle the land administration system in the country which will include, among others, efficient survey and mapping of land, first-time titling of alienable and disposable land, registration of land titles and title transfer and public land management. The bill seeks to re-engineer the present institutional architecture by merging all the offices that handles land administration function namely: the LRA/ROD, LMB, NAMRIA, DENR regional, provincial and community offices and the CARP Secretariat and its field offices. Similarly, legislation is being sought to reform the land valuation and registration which intends to consolidate different land administration functions (i.e. surveying, titling) in one office and to shift from judicial to administrative process activities requiring confirmation of incomplete or imperfect title, reconstitution of lost or destroyed certificates of title; removal of reservations on reconstituted titles, and amendment and alteration of certificates of titles. These moves are intended to improve record and titling system in country.

79. The lifting of restrictions on the conveyance of awarded lands as stated in RA 6657 Section 27 is also needed to facilitate correction and efficient functioning of land markets. The EP/CLOA titles cannot be perfected unless the law allows its sale and transfers through the market. The lifting of land market and tenancy regulations will also allow for more efficient transfer of resources from less productive farmers to more productive ones. It will also improve access of the poor to land. The literature on share tenancy has convincingly negated that it is exploitative arrangement (Otsuka and Hayami 1988).

80. These restrictions also affect the government and society as a whole for the following reasons: (1) it encourages corruption in the bureaucracy (DAR, LRA, LGU, etc) and (2) accurate documentation of land ownership becomes impossible and thus the collection of agricultural land tax, the implementation of progressive land tax or rents, and the monitoring of landownership to regulate the size land ownership are all not feasible. Effective land taxation that would complement CARP and support a viable land use policy is also difficult to implement.

81. Selling of government awarded land to the present occupant is not radical thinking. This is happening in the Asset Reform Program of government on housing. In the Community Mortgage Program, original beneficiaries sell their rights and the community officers replace the original beneficiary with the new occupant. The process of replacement does not require judicial process since the land is titled to the community organization rather than individual members. Changing membership of community organization is simply an administrative process approved by the NHMFC which is the mortgagee of the property. There is also no landowner protest since sale is a voluntary transaction between the landowner and community organization. Landowner is also fully paid by the National Home Mortgage Corporation (NHMFC) upon completion of documentation. The other key consideration is that there are no restrictions on the sale of these properties by the individual beneficiary. Thus in cases where individual titles have been issued to each community member, the title is traded like any ordinary sale transaction of titled property.

82. In the case of agribusiness plantations, the critical concerns are the following; (a) ensuring that farmer associations or cooperatives are given fair deal on production arrangements with multinational corporations; and (b) assisting in the establishment or creation of professional cooperatives or farmers associations. These concerns can be strengthened within a national rural development agency with support from non-government organizations.

83. With regards to its LAD functions, DAR should focus on those lands already identified specifically those on private agricultural lands instead of coming up with a new list. Opening the VOS scheme for owners of the lands already in the DAR PAL list can facilitate the process of distribution.

84. Overtime, private landowners have subdivided and reduced their individual landholdings. It is possible that land areas owned by families have been merely subdivided among members. However, this cannot be resolved by continuing redistribution. It can only be effectively address through an agricultural land tax scheme which would require creating an efficient land record system.

85. The phase-out of the DAR and its integration with other land agencies and the DA is the likely scenario in the long-run. Post land distribution issues require the combined efforts of the DAR, DENR, DOJ and the LRA. The proposed LAA of the LARA bill will provide the mechanism to bring the land functions of these different agencies together. With the proposed development on land administration and land policy, the distinction between ARBS and small farmers becomes ambiguous. The beneficiary development activities of DAR thus can be integrated with that of the DA.

Annex 1. DENR-CARP Regional Status of Patent Issuance
vis-à-vis Remaining Untitled Agricultural Lands
(July 1987 to December 2006)

Region	Revised Scope	Accomplishment		Balance
	Hectares	Lots	Hectares	Hectares
CAR	80,092	93,327	56,151	23,941
I	205,875	1,440,741	110,429	95,446
II	165,523	127,005	137,789	27,734
II	185,090	103,396	89,398	95,692
IV	361,283	209,591	238,534	122,749
V	191,768	78,750	105,001	86,767
VI	182,408	84,166	102,908	79,500
VII	153,089	89,490	80,552	72,537
VIII	174,034	111,494	125,835	48,199
IX	146,105	67,379	106,123	39,982
X	158,634	105,591	134,303	24,331
XI	182,739	81,561	134,665	48,074
XII	212,194	82,945	189,659	22,535
XIII	103,166	64,310	94,769	8,397
SUB-TOTAL	2,502,000	2,739,746	1,706,116	795,884
ARMM		8,036	14,070	(14,070)
LMB		36	-	-
GRAND TOTAL	2,502,000	2,747,818	1,720,186	781,814

Source: Department of Environment and Natural Resources (DENR)

Annex 2. Land Amortization Collections from Agrarian Reform Beneficiaries
(as of December 2006)

Agrarian Operations Center	Actual Collections (P M)				Amount Due & Collectible (P M)	Collection Rate (%)
	Principal	Interest	FAR	TOTAL		
AOC 1	3.6	1.5	2.6	7.7	19.6	28
2	12.1	7.9	12.1	32.1	174.8	13
3	41.5	14	50.8	106.3	294.6	27
4	6.6	1.6	38.6	46.8	53.9	49
5	2.3	3.1	17.8	23.2	80.4	21
6	1.5	1.1	19	21.6	41.6	34
7	0.3	0.3	9.3	9.9	12.5	44
8	0.6	0.1	8.6	9.3	3.2	78
9	0.9	0.2	9.7	10.8	18.8	37
10	5.5	3	17.2	25.7	38.3	41
11	7.4	1.8	53.9	63.1	66.5	51
12	6.4	3	26.8	36.2	375.3	8
TOTAL	88.7	37.6	266.4	392.7	1179.5	25

Source: Strategic Planning Group, Land Bank of the Philippines (LBP)

Annex 3. Reported Purpose for Pawning-Out Land, 1985-1989					
Purpose	Region 1		Region 2		
	V1	V2	V3	V4	V5
	(% of Contracts)				
Production and Investment	54	70	100	67	42
Farming	7	0	0	20	0
Education	11	20	67	20	15
Overseas Travel	26	20	33	20	12
Start Non-Farm Business	5	20	0	0	0
Purchase Assets	5	10	0	7	15
Consumption	46	30	0	33	58
Current Consumption	9	0	0	13	27
Medical	11	10	0	20	31
Debt Repayment					
To Pawnee ^a	11	10	0	0	0
To Others	15	10	0	0	0

^a Land pawning is effected to repay accumulated debts over a long period of time with the pawnee

^b The study is based on the International Rice Research Institute (IRRI) data set for the years 1985, 1989 and 2004. The 1985-1989 data set was the same data set utilized for the Nagarajan et al (1992) study. A panel household was derived from the data sets for the Estudillo et al (2006) study.

V = villages

Source: Nagarajan, G., C. David and R. Meyer. 1993. Informal Finance Through Land Pawning Contracts: Evidence from the Philippines. *Journal of Development Studies*. 29(1). pp. 93-107

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