

Republic of the Philippines
Congress of the Philippines
Metro Manila

Tenth Congress

Republic Act No. 8435

December 22, 1997

AN ACT PRESCRIBING URGENT RELATED MEASURES TO MODERNIZE THE AGRICULTURE AND FISHERIES SECTORS OF THE COUNTRY IN ORDER TO ENHANCE THEIR PROFITABILITY, AND PREPARE SAID SECTORS FOR THE CHALLENGES OF THE GLOBALIZATION THROUGH AN ADEQUATE, FOCUSED AND RATIONAL DELIVERY OF NECESSARY SUPPORT SERVICES, APPROPRIATING FUNDS THEREFOR AND FOR OTHER PURPOSES

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled::

Section 1. *Short Title.* - This act shall be known as the "***Agriculture and Fisheries Modernization Act of 1997.***"

Section 2. *Declaration of Policy.* - The goals of the national economy are more equitable distribution of opportunities, income and wealth; a sustained increase in the amount of goods and services produced by the nation for the benefit of the people; and an expanding productivity as the key to raising the quality of life for all, especially the underprivileged.

The State shall promote industrialization and full employment based on sound agricultural development and agrarian reform, through industries that make full and efficient use of human and natural resources, and which are competitive in both domestic and foreign markets. In pursuit of these goals, all sectors of the economy and all regions of the country shall be given optimum opportunity to develop. Private enterprises, including corporations, cooperatives, and similar collective organizations, shall be encouraged to broaden the base of their ownership.

Thus, it is hereby declared the policy of the State to enable those who belong to the agriculture and fisheries sectors to participate and share in the fruits of development and growth in a manner that utilizes the nations resources in the most efficient and sustainable way possible by establishing a more equitable access to assets, income, basic and support services and infrastructure.

The State shall promote food security, including sufficiency in our staple food, namely rice and white corn. The production of rice and white corn shall be optimized to meet our local consumption and shall be given adequate support by the State.

The State shall adopt the market approach in assisting the agriculture and fisheries sectors while recognizing the contribution of the said sector to food security, environmental protection, and balanced urban and rural development, without neglecting the welfare of the consumers, especially the lower income groups. The state shall promote market-oriented policies in agricultural production to encourage farmers to shift to more profitable crops.

The state shall empower the agricultural and fisheries sector to develop and sustain themselves. Toward this end, the State shall ensure the development of the agriculture and fisheries sectors in accordance with the following principles:

- a) *Poverty Alleviation and Social Equity*. - The State shall ensure that the poorer sectors of society have equitable access to resources, income opportunities, basic and support services and infrastructure especially in areas where productivity is low as a means of improving their quality of life compared with other sectors of society;
- b) *Food Security*. - The State shall assure the availability, adequacy, accessibility of food supplies to all at all times;
- c) *Rational Use of Resources*. - The State shall adopt a rational approach in the allocation of public investments in agriculture and fisheries in order to assure efficiency and effectiveness in the use of scarce resources and thus obtain optimal returns on its investments;
- d) *Global Competitiveness*. - The State shall enhance the competitiveness of the agriculture and fisheries sectors in both domestic and foreign markets;
- e) *Sustainable Development*. - The State shall promote development that is compatible with the preservation of the ecosystem in areas where agriculture and fisheries activities are carried out. The State should exert care and judicious use of the country's natural resources in order to attain long-term sustainability;
- f) *People Empowerment*. - The State shall promote people empowerment by enabling all citizens through direct participation or through their duly elected, chosen or designated representatives the opportunity to participate in policy formulation and decision-making by establishing the appropriate mechanisms and by giving them access to information; and
- g) *Protection from Unfair Competition*. - The State shall protect small farmers and fisher folk from unfair competition such as monopolistic and oligopolistic practices by promoting a policy environment that provides them priority access to credit and strengthened cooperative-based marketing system.

Section 3. Statement of Objectives. - This Act shall have the following objectives:

- a) To modernize the agriculture and fisheries sectors by transforming these sectors from a resource-based to a technology-based industry;
- b) To enhance profits and incomes in the agriculture and fisheries sectors, particularly the small farmers and fisherfolk, by ensuring equitable access to assets, resources and services, and promoting higher-value crops, value-added processing, agribusiness activities, and agro-industrialization;
- c) To ensure the accessibility, availability and stable supply of food to all at all times;
- d) To encourage horizontal and vertical integration, consolidation and expansion of agriculture and fisheries activities, group functions and other services through the organization of cooperatives, farmers' and fisherfolk's associations, corporations, nucleus estates, and consolidated farms and to enable these entities to benefit from economies of scale, afford them a stronger negotiating position, pursue more focused, efficient and

appropriate research and development efforts and enable them to hire professional managers;

e) To promote people empowerment by strengthening people's organizations, cooperatives and NGO's and by establishing and improving mechanisms and resources for their participation in government decision-making and implementation;

f) To pursue a market-driven approach to enhance the comparative advantage of our agriculture and fisheries sectors in the world market;

g) To induce the agriculture and fisheries sectors to ascend continuously the value-added ladder by subjecting their traditional or new products to further processing in order to minimize the marketing of raw, unfinished or unprocessed products;

h) To adopt policies that will promote industry dispersal and rural industrialization by providing incentives to local and foreign investors to establish industries that have backward linkages to the country's agriculture and fisheries resource base;

i) To provide social and economic adjustment measures that increase productivity and improve market efficiency while ensuring the protection and preservation of the environment and equity for small farmers and fisherfolk; and

j) To improve the quality of life of all sectors.

Section 4. *Definition of Terms.* -

"Agrarian Reform Community" is a barangay at the minimum or a cluster of contiguous barangays where there is a critical mass of farmers or farm workers and which features the main thrust of agrarian development land tenure improvement and effective delivery of support services.

"Agricultural Lands" refers to lands devoted to or suitable for the cultivation of the soil, planting of crops, growing of trees, raising of livestock, poultry, fish or aquiculture production, including the harvesting of such farm products, and other farm activities and practices performed in conjunction with such farming operations by persons whether natural or juridical and not classified by the law as mineral land, forest land, residential land, commercial land, or industrial land.

"Agricultural Land Use Conversion" refers to the process of changing the use of agricultural land to non-agricultural uses.

"Agricultural Sector" is the sector engaged in the cultivation of the soil, planting of crops, growing of fruit trees, raising of livestock, poultry, or fish, including the harvesting and marketing off such farm products, and other farm activities and practices.

"Agricultural Mechanization" is the development, adoption, manufacture and application of appropriate location-specific, and cost-effective agricultural technology using human, animal, mechanical, electrical and other non-conventional sources of energy for agricultural production and post-harvest operations consistent with agronomic conditions and for efficient and economic farm management.

"*Agriculture and Fisheries Modernization*" is the process of transforming the agriculture and fisheries sectors into one that is dynamic, technologically advanced and competitive yet centered on human development guided by the sound practices of sustainability and the principles of social justice.

"*Agro-Processing Activities*" refers to the processing of raw agricultural and fishery products into semi-processed or finished products which include materials for the manufacture for food and/or non-food products, pharmaceuticals and other industrial products.

"*Banks*" collective used, means government banks and private banks, rural banks and cooperative banks.

"*Basic Needs Approach to Development*" involves the identification, production and marketing of wage goods and services for consumption of rural communities.

"*Communal Irrigation System (CIS)*" is an irrigation system that is managed by a bona fide Irrigators Association.

"*Competitive Advantage*" refers to competitive edge in terms of product quality and/or price. It likewise refer to the ability to produce a product with the greatest relative efficiency in the use of resources.

"*Cooperatives*" refers to duly registered associations of persons with a common bond of interest who have voluntarily joined together to achieve a lawful common social and economic end, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking in accordance with universally accepted cooperatives principles.

"*Department*" refers to the Department of Agriculture.

"*Economic Scale*" refers to the minimum quantity of volume of goods required to be efficient.

"*Economies of Scale*" refers to the decrease in unit cost as more units are produced due to the spreading out of fixed costs over a greater number of units produced.

"*Empowerment*" involves providing authority, responsibility and information to people directly engaged in agriculture and fishery production, primarily at the level of the farmers, fisher folk and those engaged in food and non-food production and processing, in order to give them wider choices and enable them to take advantage of the benefits of the agriculture and fishery industries.

"*Extension Services*" refers to the provision of training, information, and support services by the government and non-government organizations to the agriculture and fisheries sectors to improve the technical, business, and social capabilities of farmers and fisher folk.

"*Farmer's and Fisherfolk's Organizations or Associations*" refer to farmers and fisherfolks cooperatives, associations or corporations duly registered with appropriate government agencies and which are composed primarily of small agricultural producers, farmers, farm, workers, agrarian reform beneficiaries, fisher folk who voluntarily join together to form business enterprises or non-business organizations which they themselves own, control and patronize.

"*Farm-to-Market Roads*" refer to roads linking the agriculture and fisheries production sites, coastal landing points and post-harvest facilities to the market and arterial roads and highways.

"*Fisheries*" refers to all systems or networks of interrelated activities which include the production, growing, harvesting, processing, marketing, developing, conserving, and managing of all aquatic resources and fisheries areas.

"*Fisheries Sector*" is the sector engaged in the production, growing, harvesting, processing, marketing, developing, conserving, and managing of aquatic resources and fisheries areas.

"*Fishing*" refers to the application of techniques using various gear in catching fish and other fisheries products.

"*Fishing Grounds*" refers to areas in any body of water where fish and other aquatic resources congregate and become target of capture.

"*Food Security*" refers to the policy objective, plan and strategy of meeting the food requirements of the present and future generations of Filipinos in substantial quantity, ensuring the availability and affordability of food to all, either through local production or importation, of both, based on the country's existing and potential resource endowment and related production advantages, and consistent with the over all national development objectives and policies. However, sufficiency in rice and white corn should be pursued.

"*Fresh Agricultural And Fishery Products*" refers to agricultural and fisheries products newly taken or captured directly from its natural state or habitat, or those newly harvested or gathered from agricultural areas or bodies of water used for aquaculture.

"*Global Competitiveness*" refers to the ability to compete in terms of price, quality and value of agriculture and fishery products relative to those of other countries.

"*Gross Value-Added*" refers to the total value, excluding the value of non-agricultural of fishery intermediate inputs, of goods and services contributed by the agricultural and fisheries sectors.

"*Head works*" refers to the composite parts of the irrigation system that divert water from natural bodies of water such as river, streams, and lakes.

"*Industrial Dispersal*" refers to the encouragement given to manufacturing enterprises to establish their plants in rural areas. Such firms normally use agricultural raw materials either in their primary or intermediate state.

"*Irrigable Lands*" refers to lands which display marked characteristics justifying the operation of an irrigation system.

"*Irrigated Lands*" refers to lands serviced by natural irrigation or irrigation facilities. These include lands where water is not readily available as existing irrigation facilities need rehabilitation or upgrading or where irrigation water is not available year-round.

"*Irrigation System*" refers to a system of irrigation facilities covering contiguous areas.

"*Irrigators' Association (IA)*" refers to an association of farmers within a contiguous area served by a National Irrigation System or Communal Irrigation System.

"*Land Use*" refers to the manner of utilizing the land, including its allocation, development and management.

"*Land Use Plan*" refers to a document embodying a set of policies accompanied by maps and similar illustrations which represent the community-deserved pattern of population distribution and a proposal for the future allocation of land to the various land-using activities, in accordance with the social and economic objectives of the people. It identifies the location, character and extent of the area's land resources to be used for different purposes and includes the process and the criteria employed in the determination of the land use.

"*Land Use Planning*" refers to the act of defining the allocation, utilization, development and management of all lands within a given territory or jurisdiction according to the inherent qualities of the land itself and supportive of sustainable, economic, demographic, socio-cultural and environmental objectives as an aid to decision-making and legislation.

"*Main Cana*" refers to the channel where diverted water from a source flows to the intended area to be irrigated.

"*Market Infrastructure*" refers to facilities including, but not limited to, market buildings, slaughterhouses, holding pens, warehouses, market information centers, connecting roads, transport and communication and cold storage used by the farmers and fisher folk in marketing their produce.

"*National Information Network (NIN)*" refers to an information network which links all offices and levels of the Department with various research institutions and local end-users, providing easy access to information and marketing services related to agriculture and fisheries.

"*National Irrigation System (NIS)*" refers to a major irrigation system managed by the National Irrigation Administration.

"*Network of Protected Areas for Agricultural and Agro-industrial Development (NPAAD)*" refers to agricultural areas identified by the Department through the Bureau of Soils and Water Management in coordination with the National Mapping and Resources Information Authority in order to ensure the efficient utilization of land for agriculture and Agro-industrial development and promote sustainable growth . The NPAAD covers all irrigated areas, all irrigable lands already covered by irrigation projects with firm funding commitments; all alluvial plain land highly suitable for agriculture whether irrigated or not; Agro-industrial crop lands or lands presently planted to industrial crops that support the viability of existing agricultural infrastructure and agro-based enterprises, highlands, areas located at an elevation of five hundred (500) meters or above and have the potential for growing semi temperate and high-value crops; all agricultural lands that are ecological fragile, the conversion of which will result in serious environmental degradation, and mangrove areas and fish sanctuaries.

"*On-Farm Irrigation Facilities*" refers to composite facilities that permit entry of water to paddy areas and consist of farm ditches and turnouts.

"*Primary Processing*" refers to the physical alteration of raw agricultural or fishery products with or without the use of mechanical facilities.

"*Post-Harvest Facilities*" includes, but is not limited to , threshing, drying, milling, grading , storing, and handling of produce and such other activities as stripping, winnowing, chipping and washing.

"*Post -Harvest Facilities*" includes, but it is not limited to, threshers, moisture meters, dryers, weighing scales, milling equipment, fish ports, fish landings, ice plants and cold storage facilities, processing plants, warehouses, buying stations, market infrastructure and transportation.

"*Premature Conversion of Agricultural Land*" refers to the undertaking of any development activity, the results of which modify or alter the physical characteristics of the agricultural lands to render them suitable for non-agricultural purposes, without an approved order of conversion from the DAR.

"*Resource Accounting*" refers to a tracking changes in the environment and natural resources biophysically and economically (in monetary terms)

"*Resource-based*" refers to the utilization of natural resources.

"*Rural Industrialization*" refers to the process by which the economy is transformed from one that is predominantly agricultural to one that is dominantly industrial and service-oriented. Agriculture provides the impetus and push for industry and services through the market that it creates, the labor that it absorbs, and the income that it generates which is channeled to industry and services. As development continues, with agriculture still an important sector, industry and services begin to generate income and markets and concomitantly increase their share of total income.

"*Strategic Agriculture and Fisheries Development Zones (SAFDZ)*" refers to the areas within the NAPAAD identified for production, Agro-Processing and marketing activities to help develop and modernize, either the support of government, the agriculture and fisheries sectors in an environmentally and socio-cultural sound manner.

"*Secondary Canal*" refers to the channel connected to the main canal which distributes irrigation to specific areas.

"*Secondary Processing*" refers to the physical transformation of semi-processed agricultural or fishery products.

"*Shallow Tube Well (STW)*" refers to a tube or shaft vertically set into the ground for the purpose of bringing ground water to the soil surface from a depth of less than 20 meters by suction lifting.

"*Small Farmers and Fisherfolk*" refers to natural person dependent on small-scale subsistence farming and fishing activities as their primary source of income.

"*Small and Medium Enterprise (SME)*" refers to any business activity or enterprise engaged in industry, agribusiness and/or services, whether single proprietorship, cooperative, partnership or corporation whose total assets, inclusive of those arising from loans but exclusive of the land on which the particular business entity's office, plan and equipment are situated, must have value falling under the following categories:

Micro - not more than P 1,500,000

Small - P 1,500,001 to P 15,000,000

Medium - P15,000,001 to P 60,000,000

The Department, in consultation with the Congressional Oversight Committee on Agricultural and Fisheries Modernization, may adjust the above values as deemed necessary.

"*Socio-culturally Sound*" means the consideration of the social structure of the community such as leadership pattern, distribution of roles across gender and age groups, the diversity of religion and other spiritual beliefs, ethnicity and cultural diversity of the population.

"*Technology-based*" refers to utilization of technology.

"*Zoning Ordinance*" refers to a local legislation approving the development land use plan and providing for the regulations and other conditions on the uses of land including the limitation of the infrastructure that may be placed within the territorial jurisdiction of a city or municipality.

TITLE I PRODUCTION AND MARKETING SUPPORT SERVICES

Chapter 1 Strategic Agricultural and Fisheries Development Zones

Section 5. *Declaration of Policy.* - It is the policy of the State to ensure that all sectors of the economy and all regions of the country shall be given optimum opportunity to develop through the rational and sustainable use of resources peculiar to each area in order to maximize agricultural productivity, promote efficiency and equity and accelerate the modernization of the agriculture and fisheries sectors of the country.

Section 6. *Network of Areas for Agricultural and Agro-Industrial Development.* - The Department shall, within six (6) months after the approval of this Act, and in consultation with the local government units, appropriate government agencies, concerned non-government organizations (NGOs) and organized farmers' and fisherfolk's groups, identify the strategic Agriculture and Fisheries Development Zones (SAFDZ) within the network of protected areas for agricultural and agro-industrial development to ensure that lands are efficiently and sustainably utilized for food and non-food production and agro-industrialization.

The SAFDZ which shall serve as centers where development in the agriculture and fisheries sectors are catalyzed in an environmentally and socio-cultural sound manner, shall be identified on the basis of the following criteria

- a. Agro-climatic and environmental conditions giving the area as competitive advantage in the cultivation, culture, production and processing of particular crops, animals and aquatic products;
- b. Strategic location of the area for the establishment of agriculture or fisheries infrastructure, industrial complexness, production and processing zones;

c. Strategic location and of the area for market development and market networking both at the local and international levels; and

d. Dominant presence of agrarian reform communities (ARCs) and/or small owner-cultivators and amortizing owners/agrarian reform beneficiaries and other small farmers and fisher folk in the area.

The SAFDZ shall have an integrated development plan consisting of production, processing, investment, marketing, human resources and environmental protection components.

Section 7. *Modern Farms.* - The Department in coordination with the local government units (LGUs) and appropriate government agencies, may designate agrarian reform communities (ARCs) and other areas within the SAFDZ suitable for economic scale production which will serve as model farms.

Farmer-landowners whose lands are located within these designated areas shall be given the option to enter into a management agreement with corporate entities with proven competence in farm operations and management, high-end quality production and productivity through the use of up-to-date technology and collateral resources such as skilled manpower, adequate capital and credit, and access to markets, consistent with the existing laws.

Section 8. *Mapping.* - The Department, through the Bureau of Soils and Water Management (BSWM), in coordination with the National Mapping and Resource Information Authority (NAMRIA) and the Housing and Land Use Regulatory Board (HLURB) shall undertake the mapping of network of areas for agricultural and agro-industrial development for all municipalities, cities and an appropriate scale. The BSWM may call on other agencies to provide technical and other logistical support in this undertaking .

Section 9. *Delineation of Strategic Agriculture and Fisheries Development Zones.* - The Department, in consultation with the Department of Agrarian Reform, the Department of Trade and Industry, the Department of Environment and Natural Resources, Department of Science and Technology, the concerned LGU's, the organized farmers and fisher folk groups, the private sector and communities shall, without prejudice to the development of identified economic zones and free ports, establish and delineate based on sound resource accounting, the SAFDZ within one (1) year from the effectivity of this Act.

All irrigated lands, irrigable lands already covered by irrigation a projects with firm funding commitments, and lands with existing or having the potential for growing high-value crops so delineated and included within the SAFDZ shall not be converted for a period of five (5) years from the effectivity for this Act: *Provided, however,* That not more than five percent (5%) of the said lands located within the SAFDZ may be converted upon compliance with existing laws, rules, regulations, executive order and issuances, and administrative orders relating to land use conversion: *Provided, further,* That thereafter 1) a review of the SAFDZ, specifically of the productivity of the areas, improvement of the quality of life of farmers and fisher folk, and efficiency and defectiveness of the support services shall be conducted by the Department and the Department of Agrarian Reform, in coordination with the Congressional Oversight Committee on Agricultural Committee and Fisheries Modernization; 2) conversion may be allowed, if at all, on a case-to-case basis subject to existing laws, rules, regulations, executive orders and issuances, and administrative orders governing land use conversion; 3) in case of conversion, the land owners will pay the Department the amount equivalent to the government's investment cost including inflation.

Section 10. *Preparation of Land Use and Zoning Ordinance.* - Within one (1) year from the finalization of the SAFDZ, in every city and municipality, all cities and municipalities shall have prepared their respective land use and zoning ordinance incorporating the SAFDZ, where applicable. Thereafter, all land use plans and zoning ordinances shall be updated every four (4) years or as often as may be deemed necessary upon the recommendation of the Housing and Land Use Regulatory Board and must be completed within the first year of the term of office of the mayor. If the cities/municipalities fail to comply with the preparation of zoning and land use plans, the DILG shall impose the penalty as provided for under Republic Act No.7160

Section 11. *Penalty for Agricultural Inactivity and Premature Conversion.* - Any person or juridical entity who knowingly or deliberately causes any irrigated agricultural lands seven (7) hectares or larger, whether contiguous or not, within the protected areas for agricultural development, as specified under Section 6 in relation to Section 9 of this Act, to lie idle and unproductive for a period exceeding one (1) year, unless due to force majeure, shall be subject to an idle land tax of Three Thousand Pesos (P3,000.00) per hectare per year. In addition, the violator, shall be required to put back such lands to productive agricultural use. Should the continued agricultural inactivity, unless due to force majeure, exceed a period of two (2) years, the land shall be subject to escheat proceedings.

Any person found guilty of premature or illegal conversion shall be penalized with imprisonment of two (2) to six (6) years, or a fine equivalent to one hundred percent (100%) of the government's investment cost, or both, at the discretion of the court, and an accessory penalty of forfeiture of the land and any improvement thereon.

In addition, the DAR may impose the following penalties, after determining, in an administrative proceedings, that violation of this law has been committed:

- a. Consolation or withdrawal of the authorization for land use conversion; and
- b. Backlisting, or automatic disapproval of pending and subsequent conversion applications that they may file with the DAR.

Section 12. *Protection of Watershed Areas.* - All watersheds that are sources of water for existing and potential irrigable areas and recharge areas of major aquifers identified by the Department of Agriculture and the Department of Environment and Natural resources shall be preserves as such at all times.

Chapter 2 Agriculture and Fisheries Modernization Plan

Section 13. *Agriculture and Fisheries Modernization Plan (AFMP).* - The Department, in consultation with the farmers and fisher folk, the private sector, NGOs, people's organizations and the appropriate government agencies and offices, shall formulate and implement a medium- and long-term comprehensive Agriculture and Fisheries Modernization Plan.

The Agriculture and Fisheries Modernization Plan shall focus on five (5) major concerns:

- a. Food security;
- b. Poverty alleviation and social equity;

- c. Income enhancement and profitability, especially for farmers and fisher folk;
- d. Global competitiveness; and
- e. Sustainability.

Section 14. *Food Security , Poverty Alleviation, Social Equity and Income Enhancement.* - The Department, in coordination with other concerned departments or agencies, shall formulate medium- and long-term plans addressing food security, poverty alleviation, social equity and income enhancement concerns based on, but not limited to, the following goals and indicators for development:

- a. Increased income and profit of small farmers and fisherfolk;
- b. Availability of rice and other staple foods at affordable process;
- c. Reduction of rural poverty and income inequality;
- d. Reduction of the incidence of malnutrition;
- e. Reduction of rural unemployment and underemployment; and
- f. Improvement in land tenure of small farmers.

Section 15. *Global Competitiveness and Sustainability.* - The Department shall formulate medium-and-long-term plans aimed at enhancing the global competitiveness and sustainability of the country in agriculture and fisheries based on, but not limited to, the following goals and indicators for development:

- a. Increase in the volume, quality and value of agriculture and fisheries production for domestic consumption and for exports;
- b. Reduction in post-harvest losses;
- c. Increase in the number/types and quality of processed agricultural and fishery products;
- d. Increase in the number of international trading partners in agriculture and fishery products;
- e. Increase in the number of sustainable agriculture and fisheries firms engaged in domestic production, processing, marketing and export activities;
- f. Increase in and wider level of entrepreneurship among farmers and fisher folk in the area;
- g. Increase in the number of farms engaged in diversified farming; and
- h. Reduced use of agro-chemicals that are harmful to health and the environment.

Section 16. *Global Climate Change.* - The Department, in coordination with the Philippine Atmospheric, Geophysical and Astronomical Service Administration (P. A. G. A. S. A.) and such other appropriate government agencies, shall devise a method of regularly monitoring and

considering the effect of global climate changes, weather disturbances, and annual productivity cycles for the purpose of forecasting and formulating agriculture and fisheries production programs.

Section 17. *Special Concerns.* - The Department shall consider the following areas of concerns, among other in formulating the AFMP:

- a. Strategies and programs aimed to achieve growth and profitability targets in the context of the constraints and challenges of the World Trade Organization (WTO);
- b. Programs arising from the implementation of the Agrarian Reform Program;
- c. Identification of SAFDZ;
- d. Infrastructure and market support for the SAFDZ;
- e. Infrastructure support to make agriculture and fisheries production inputs, information and technology readily available to farmers, fisherfolk, cooperatives and entrepreneurs;
- f. Credit programs for small farmers and fisher folk, and agricultural graduates;
- g. Comprehensive and integrated agriculture and fisheries research, development and extension services;
- h. Preservation of biodiversity, genetic materials and the environment;
- i. Adequate and timely response against environmental threats to agriculture and fisheries;
- j. Rural non-farm employment;
- k. Access to aquatic resources by fisher folk;
- l. Basic needs program for the impoverished sectors of society who will be affected by liberalization;
- m. Indigenous peoples;
- n. Rural youth;
- o. Women;
- p. Handicapped persons; and
- q. Senior citizens.

Section 18. *Monitoring and Evaluation.* - The Department shall develop the capability of monitoring the AFMP through a Program Benefit Monitoring and Evaluation System (PBMES). In addition, it can secure the services of independent consultants and external evaluators in order to assess its over-all impact. The Department shall make periodic reports to the Congressional Oversight Committee on Agriculture and Fisheries Modernization.

Section 19. *Role of Other Agencies.* - All units and agencies of the government shall support the Department in the implementation of the AFMP.

In particular, the Department of Public Works and Highways shall coordinate with the Department with respect to the infrastructure support aspect of the plan order to accomplish networking of related infrastructure facilities.

The Department of Interior and Local Government shall provide assistance to the Department in mobilizing resources under the control of local government units.

The Department of Trade and Industry, Agrarian Reform, Science and Technology, and Environment and Natural Resources shall coordinate their investment programs and activities to complement the Department's implementation of the AFMP.

The Department of Education, Culture and Sports, the Technical Educational and Skills Development Authority, the Department of Health with the Department of Social Services and Development shall coordinate with the Department to determine the financial requirements of small farmers and fisherfolk to adjust to the effects of modernization as envisioned in the Agriculture and Fisheries Modernization Plan.

The departments referred above shall be required to identify in their budget proposals the allocation intended for the improvement of the environmental and other conditions affecting agriculture and fisheries.

Congressional initiatives shall also be coordinated by the Committees on Agriculture on both Houses to complement and enhance the programs and activities of the Department in the implementation of the AFMP.

Chapter 3 Credit

Section 20. *Declaration of Policy.* - It is hereby declared the policy of the State to alleviate poverty and promote vigorous growth in the countryside through access to credit by small farmers, fisher folk, particularly the women involved in the production, processing and trading of agriculture and fisheries products and the small and medium scale enterprises (SMEs) and industries engaged in agriculture and fisheries.

Interest rates shall be determined by market forces, provided that existing credit arrangements with agrarian reform beneficiaries are not affected. Emphasis of the program shall be on proper management and utilization.

In this regard, the State enjoins the active participation of the banking sector and government financial institutions in the rural financial system.

Section 21. *Phase-out of the Directed Credit Programs (DCPs) and Provision for the Agro-Industry Modernization Credit and Financing Program (AMCPP).* - The Department shall implement existing DCPs; however, the Department shall, within a period of four (4) years from the effectivity of this Act, phase-out all DCPs and deposit all its loanable funds including those under the Comprehensive Agricultural Loan Fund (CALF) including new funds provided by this Act for the AMCFP and transfer the management thereof to cooperative banks , rural banks, government

financial institutions and viable NGOs for the Agro-Industry Modernization Credit Financing Program (AMCFP). Interest earnings of the said deposited loan funds shall be reverted to the AMCFP.

Section 22. Coverage. - An agriculture, fisheries and agrarian reform credit and financing system shall be designed for the use and benefit of farmers, fisher folk those engaged in food and non-food production, processing and trading, cooperatives, farmers'/fisherfolk's organization, and SMEs engaged in agriculture hereinafter referred to in this chapter as the "beneficiaries"

Section 23. Scope of the Agro-Industry Modernization Credit and Financing Program (AMCFP). - The Agro-Industry Modernization Credit and Financing Program shall include the packaging and delivery of various credit assistance programs for the following:

- a. Agriculture and fisheries production including possessing of fisheries and agri-based products and farm inputs;
- b. Acquisition of work animals, farm and fishery equipment and machinery;
- c. Acquisition of seeds, fertilizer, poultry, livestock, feeds and other similar items;
- d. Procurement of agriculture and fisheries products for storage, trading , processing and distribution;
- e. Acquisition of water pumps and installation of tube wells for irrigation;
- f. Construction , acquisition and repair of facilities for production, processing , storage, transportation, communication, marketing and such other facilities in support of agriculture and fisheries;
- g. Working capital for agriculture and fisheries graduates to enable them to engage in agriculture and fisheries related economic activities;
- h. Agribusiness activities which support soil and water conservation and ecology-enhancing activities;
- i. Privately-funded and LGU-funded irrigation systems that are designed to protect the watershed;
- j. Working capital for long-gestating projects; and
- k. Credit guarantees on uncollaterized loans to farmers and fisherfolks.

Section 24. Review of the mandates of Land Bank of the Philippines Crop Insurance Corporation, Guarantee Fund For Small and Medium Enterprises, Quedan and Rural Credit Guarantee Corporation, Agricultural Credit Policy Council. - The Department of Finance shall commission and independent review of the charters and the respective programs of the Land Bank of the Philippines (LBP), Philippine Crop Insurance Corporation (PCIC), Guarantee Fund for Small and Medium Enterprises (GFSME), Quedan and Rural Credit Guarantee Corporation (Quendancor), and Agricultural Credit Policy Council (ACPC), and recommend policy changes and other measures to induce the private sectors participation in lending to agriculture and to improve credit access by farmers and fisherfolk: Provided, That agriculture and fisheries projects with long gestation period

shall be entitled to a longer grace period in repaying the loan based on the economic life of the project.

The Land Bank of the Philippines, shall, in accordance with its original mandate, focus primarily on plans and programs in relation to the financing of agrarian reform and the delivery of credit services to the agriculture and fisheries sectors, especially to small farmers and fisherfolk.

The review shall start six (6) months after the enactment of this Act. Thereafter, the review shall make recommendations to the appropriate Congressional Committees for possible legislative actions and to the Executive Branch for policy and program changes within six (6) months after submission.

Section 25. *Rationalization of Credit Guarantee Schemes and Funds.* - All existing credit guarantee schemes and funds applicable to the agriculture and fishery sectors shall be rationalized and consolidated into an Agriculture and Fisheries Credit Guarantee Fund. The rationalization shall cover the credit guarantee schemes and funds operated by the Quendancor, the GFSME and the Comprehensive Agricultural Loan Fund. The Agriculture and Fisheries Credit Guarantee Fund shall be managed and implemented by the Quendancor Provided, That representation to the Quendancor Board shall be granted to cooperatives, local government units and rural financial institutions; Provided, further, That credit guarantee shall be given only to small-scale agriculture and fisheries activities and to countryside micro-small, and medium enterprises. It may also cover loan guarantees for purchase orders and sales contracts.

The Agriculture and Fisheries Credit Guarantee Fund shall be funded by at least ten percent (10%) of the funding allocation for the AMCFP.

Chapter 4 Irrigation

Section 26. *Declaration of Policy.* - It is the policy of the State to use its natural resources rationally and equitably. The state shall prevent the further destruction of watersheds, rehabilitate existing irrigation systems and promote the development of irrigation systems that are effective, affordable, appropriate, and efficient.

In the choice of location-specific irrigation projects, the economic principle of comparative advantage shall always be adhered to.

Section 27. *Research and Development.* - Irrigation Research and Development (R&D) shall be pursued and priority shall be given to the development of effective, appropriate, and efficient irrigation and water management technologies.

The Department shall coordinate with the Department of Environment and Natural Resources concerning the preservation and rehabilitation of watersheds to support the irrigation systems.

Section 28. *Criteria for Selection of Irrigation Development Scheme.* - The Selection of appropriate scheme of irrigation development shall be location-specific and based on the following criteria:

- a. Technical feasibility;
- b. Cost-effectiveness;

- c. Affordability, low investment cost per unit area;
- d. Sustainability and simplicity of operation;
- e. Recovery of operation and maintenance cost;
- f. Efficiency in water use;
- g. Length of gestation period; and
- h. Potential for increasing unit area productivity.

All irrigation projects shall, in addition to the criteria enumerated above, be subjected to a social cost-benefit analysis.

Section 29. *Simplified Public Bidding.* - The construction, repair, rehabilitation, improvement, or maintenance of irrigation projects and facilities shall follow the Commission on Audit (COA) rules on simplified public bidding.

Irrigation projects undertaken by farmers, farmer's organizations and other private entities whose funding is partly or wholly acquired by way of loan from government financial institutions shall not be subject to the bidding requirements of the government.

Section 30. *National Irrigation Systems (NIS).* - The National Irrigation Administration (NIA) shall continue to plan, design, develop, rehabilitate, and improve the NISs. It shall continue to maintain and operate the major irrigation structures including the head works and main canals.

In addition, the NIA is mandated to gradually turn over operation and maintenance of the National Irrigation System's secondary canals and on-farm facilities to Irrigators' Associations

Section 31. *Communal Irrigation Systems (CIS).* - The Department shall, within five (5) years from the effectivity of this Act, devolve the planning, design and management of CISs, including the transfer of NIA's assets and resources in relation to the CIS, to the LGUs. The budget for the development, construction, operation and maintenance of the CIS and other types of irrigation systems shall be prepared by and coursed through the LGUs. The NIA shall continue to provide technical assistance to the LGUs even after complete devolution of the Irrigation Systems to the LGUs, as may be deemed necessary.

Section 32. *Minor Irrigation Schemes.* - The Department shall formulate and develop a plan for the promotion of a private sector-led development of minor irrigation systems, such as Shallow Tube Wells (STWs), Low-Lift pumps (LLPs) and other inundation systems. the plan shall be included in the Short-term Agriculture and fisheries Modernization Plan.

Section 33. *Other Irrigation Construction Schemes.* - The Government shall also encourage the construction of irrigation facilities through other viable schemes for the construction of irrigation such as build-operate-transfer, build-transfer and other schemes that will fast-track the development of irrigation systems.

Section 34. *Guarantee of the National Government.* - To make build-operate-transfer (BOT) projects for irrigation attractive to proponents, the national government shall issue the need payment

guarantee for BOT projects which shall answer for default of the National Irrigation Administration. Such amounts needed to answer for the payment guarantee is hereby to be appropriated.

Section 35. *Irrigation Service Fees (ISF).* - Upon effectivity of this Act, the NIA shall immediately review the ISF rates and recommend to the Department reasonable rates within six (6) months from the effectivity of this Act.

Section 36. *Monitoring and Evaluation.* - The Department shall monitor the implementation of R&D programs and irrigation projects. The Department shall review all existing irrigation systems every four (4) years, to determine their viability or ineffectiveness. The Department shall employ the services of independent evaluators to assess the overall impact of the country's irrigation development .

Section 37. *Exemption from Election Ban.* - The repair, maintenance and rehabilitation of irrigation facilities as well as BOT irrigation projects shall be exempted from the scope of the election ban on public works.

Chapter 5 Information and Marketing Support Service

Section 38. *Declaration of Policy.* - It is hereby declared the policy of the State to empower Filipino farmers and fisherfolk, particularly the women, involved in agriculture and fisheries through the provision of timely, accurate and responsive business information and efficient trading services which will link them to profitable markets for their products. They shall likewise be given innovative support toward the generation of maximum income through assistance in marketing.

Section 39. *Coverage.* - A market information system shall be installed for the use and benefit of, but not limited to, the farmers and fisher folk, cooperatives, traders, processors, the LGUs and the Department.

Section 40. *The Marketing Assistance System.* - The Department shall establish a National Marketing Assistance Program that will immediately lead to the creation of a national marketing umbrella in order to ensure the generation of the highest possible income for the farmers and fisher folk or groups of farmers and fisher folk, matching supply and demand in both domestic and foreign markets.

Section 41. *National Information Network.* - A National Information Network (NIN) shall be set up from the Department level down to the regional, provincial and municipal offices within one (1) year from the approval of this Act taking into account existing information networks and seems.

The NIN shall likewise link the various research institutions for easy access to data on agriculture and fisheries research and technology. All departments, agencies, bureaus, research institutions, and local government units shall consolidate and continuously update all relevant information and data on a periodic basis and make such data available on the Internet.

Section 42. *Information and Marketing Service.* - The NIN shall provide information and marketing services related to agriculture and fisheries which shall include the following:

- a. Supply data;
- b. Demand data

- c. Price and Price trends;
- d. Product standards for both fresh and processed agricultural and fisheries projects;
- e. Directory of, but not limited to cooperatives, traders, key market centers, processors and business institutions concerned with agriculture and fisheries at the provincial and municipal levels;
- f. Research information and technology generated from research institutions involved in agriculture and fisheries;
- g. International, regional and local market forecasts; and
- h. Resource accounting data.

Section 43. *Initial Set-up.* - The Department shall provide technical assistance in setting -up the NIN at the local level through the cooperatives and the LGUs Provided , That , at the local level, a system that will make marketing information and services related to agriculture and fisheries will be readily available in the city/municipal public market for the benefit of the producers, traders and consumers.

Section 44. *Role of Government Agencies.* - The Bureau of Agricultural Statistics will serve as the central information server and will provide technical assistance to end-users in accessing and analyzing product and market information and technology.

The Department of Transportation and Communications shall provide technical and infrastructure assistance to the Department in setting up the NIN.

LGUs shall coordinate with the Department for technical assistance in order to accelerate the establishment and training of information end-users in their respective jurisdictions.

The Cooperative Development Authority shall coordinate with the Department for technical assistance in order to provide training assistance to cooperatives in the use of market information and technology.

Section 45. *Role of Private Sector.* - The NIN shall likewise be accessible to the private sector engaged in agriculture and fisheries enterprises. The Department shall formulate guidelines and determine fees for private sector entities that use the NIN.

Chapter 6 Other Infrastructure

Section 46. *Agriculture and Fisheries Infrastructure Support Services.* - The Department of Public Works and Highways , the Department of Transportation and Communications, the Department of Trade and Industry and the LGUs shall coordinate with the Department to address the infrastructure requirements in accordance with this Act Provided, that The Department and the LGU shall also strengthen its agricultural engineering support in carrying out the smooth and expeditious implementation of agricultural infrastructure projects.

Section 47. *Criteria for Prioritization.* - The prioritization of government resources for rural infrastructure shall be based on the following criteria:

- a. Agro-industrial potential of the area;
- b. Socio-economic contributions of the investments in the area;
- c. Absence of public investments in the area; and
- d. Presence of agrarian reform beneficiaries and other small farmers and fisher folk in the area.

Section 48. *Public Infrastructure Facilities.* - Public Infrastructure investments shall give preference to the kind , type and model of infrastructure facilities that are cost-effective and will be useful for the production, conservation, and distribution of most commodities and should benefit the most number of agriculture and fisheries producers and processors.

Section 49. *Private Infrastructure Facilities.* - For infrastructure facilities primarily benefiting private investors, the State shall facilitate the purchase and use of such utilities and shall keep to the minimum the bureaucratic requirements for these types of investments. Private investors include cooperatives or corporations of agriculture and fisheries producers and processors.

Section 50. *Public Works Act.* - The Department of Public Works and Highways shall coordinate with the Department for the purpose of determining the order of priorities for public works funded under the Public Works Act directly or indirectly affect agriculture and fisheries.

Section 51. *Fishports, Seaports and Airports.* - The Department of Transportation and Communications, Philippine Ports Authority and Philippine Fisheries Development Authority shall coordinate with the Department for the purpose of determining priority fishports, seaports and airports and facilitating the installation of bulk-handling and storage facilities , and other post-harvest facilities needed to enhance the marketing of agriculture and fisheries products Provided, that fishports , seaports and airports are also equipped with quarantine , sanitary and phytosanitary centers. The Department of Transportation and Communications (DOTC) shall have the mandate to cancel arrastre and cargo handling franchises among operators whom it deems inefficient and/or ineffective owing, but not limited to, a past history of under-capitalization, lack of equipment and lack of professional expertise. The DOTC shall recommend to the Philippine Ports Authority and consult with ship-owners and ship-operators in assessing the cargo-handling capabilities of cargo operators prior to extending new franchises or awards.

Section 52. *Farm-to-Market Roads.* - The Department shall coordinate with the LGUs and the resident-farmers and fisher folk in order to identify priority locations of farm-to -market roads that take into account the number of farmer and fisher folk and their families who shall benefit therefrom and the amount , kind and importance of agricultural and fisheries products produced in the area.

Construction of farm-to-market roads shall be a priority investment of the LGUs which shall provide a counterpart of not less than ten percent (10%) of the project cost subject to their IRA in the area.

Section 53. *Rural Energy.* - The Department shall coordinate with the Department of Energy (DOE), the Department of Public Works and Highways (DPWH), the National Electrification Administration (NEA) and the National Power Corporation (NAPOCOR) for the identification and installation of appropriate types of energy sources particularly in the use of non-conventional energy sources for the locality in order to enhance agriculture and fisheries development in the area.

Section 54. *Communications Infrastructure.* - The Department shall coordinate with the DOTC to facilitate the installation of telecommunication facilities in priority areas, in order to enhance agriculture and fisheries development .

Section 55. *Water Supply System.* - The Department shall coordinate with the DPWH and the LGUs for the identification and installation of water supply system in the locality for agro-industrial uses to enhance agriculture and fisheries development in the area.

Section 56. *Research and Technology Infrastructure.* - The Department in coordination with other government agencies shall give priority and facilitate the funding of infrastructure necessary for research ventures such as farm laboratories and demonstration farms with state colleges and universities that derive their core funds from the Department .

Section 57. *Post-Harvest Facilities.* - The Department shall coordinate with the Bureau of Post-Harvest for Research and Extension and the Post-harvest Horticulture, Training and Research Center of the University of the Philippines, Los Baños, to identify appropriate post-harvest facilities and technology needed to enhance agriculture and fisheries development in the area.

Section 58. *Public Market and Abattoirs.* - The Department shall encourage the LGUs to turn over the management and supervision of public markets and abattoirs to market vendors' cooperatives and for that purpose, the appropriation for post-harvest facilities shall include the support for market vendor' facilities.

The Department shall coordinate with the LGUs in the establishment of standardized market systems and use of sanitary market , facilities , and abattoirs, intended to ensure the food safety and quality.

All markets shall have a sanitation unit, proper and adequate drainage and sewerage system, ample water supply, public toilets with lavatories, garbage receptacles, ice plants and cold storage, adequate lighting and ventilation and supply of electricity to ensure cleanliness and sanitation. Price monitoring bulletin boards for selected commodities and weighing scales accessible to the public shall also be established.

Proper protection and preservation of agriculture and fisheries products being sold in the market shall also be observed. All foods which require no further cooking shall be wrapped , covered , or enclosed in containers to preserve the freshness and prevent contamination. Selling of products on market floors shall be prohibited.

Section 59. *Agricultural Machinery.* - The Department shall give priority to the development and promotion of appropriate agricultural machinery and other agricultural mechanization technologies to enhance agricultural mechanization in the countryside.

Chapter 7

Products Standardization and Consumer Safety

Section 60. *Declaration of Policy.* - It is the policy of the State that all sectors involved in the production, processing, distribution and marketing of food and non-food agricultural and fisheries products shall adhere to, and implement the use of product standards in order to ensure consumer safety and promote the competitiveness of agriculture and fisheries products.

Section 61. *Bureau of Agriculture and Fisheries Product Standards.* - The Department, within six (6) months after the approval of this act, and in consultation with the Department of Trade and Industry and the Bureau of Food and Drug, shall establish the Bureau of Agriculture and Fisheries Product Standards (BAFPS).

Section 62. *Coverage.* - The BAFPS shall set and implement standards for fresh, primary-and - secondary-processed agricultural and fishery products.

Section 63. *Powers and Functions.* - The BAFPS shall have the following powers and functions:

- a. Formulate and enforce standards of quality in the processing, preservation, packaging, labeling, importation, exportation, distribution, and advertising of agricultural and fisheries products;
- b. Conduct research on product standardization, alignment of the local standards with the international standards; and
- c. Conduct regular inspection of processing plants, storage facilities, abattoirs, as well as public and private markets in order to ensure freshness, safety and quality of products.

Section 64. *Pool of Experts and Advisers.* - The BAFPS may coordinate, seek the services of, and consult with both private and governmental agencies, research institute, educational establishments and such other individuals and entities with expertise in the field of product standards and consumer safety.

The Department of Trade and Industry, the Food and Nutrition Research Institute, and the Bureau of Food and Drug Administration shall provide technical advice and form part of the pool of experts/advisers of the BAFPS.

TITLE 2 HUMAN RESOURCE DEVELOPMENT

Section 65. *Declaration of Policy.* - It is hereby declared the policy of the State to give priority to education and training on science and technology in order to accelerate social progress and promote total human liberation and development.

The State shall promote industrialization and full employment, based on sound agriculture and fisheries development and agrarian reform, through industries that make full and efficient use of human and natural resources.

Section 66. *National Agriculture and Fisheries Education System (NAFES).* - The Commission on Higher Education (CHED), in coordination with the Department and appropriate government agencies, shall establish a National Agriculture and Fisheries Education System (NAFES) which shall have the following objectives:

- a. To establish, maintain and support a complete and integrated system of agriculture and fisheries education relevant to the needs of the economy, the community and society.
- b. To modernize and rationalize agriculture and fisheries education from the elementary to the tertiary levels;

c. To unify, coordinate and improve the system of implementation of academic programs that are geared toward achieving agriculture and fisheries development in the country; and

d. To upgrade the quality, ensure sustainability and promote the global competitiveness, at all levels, of agriculture and fisheries education.

Section 67. Education Program for Elementary and Secondary Levels. - There is hereby established an Agriculture and Fisheries Education Program, under the NAFES specially designed for elementary and secondary levels. The program shall be formulated, organized and implemented by the DECS with the following objectives:

a. to develop appropriate values that form the foundation for sustained growth in agriculture and fisheries modernization.

b. to increase the attractiveness of agriculture and fisheries education, so that more young and talented person will look at agriculture and fisheries as an acceptable option for career and livelihood;

c. to promote appreciation of science in agriculture and fisheries development;

d. to develop among students, positive attitudes towards entrepreneurship and global competition in the agriculture and fisheries business;

e. to improve the present curriculum in the elementary and secondary levels by emphasizing the core values necessary for agriculture and fisheries modernization; and

f. to develop an outreach program where students, parents and schools become instruments in effecting positive changes in the pupil's home and community.

Section 68. Post-Secondary Education Program. - There is hereby established a Post-Secondary Education Program for Agriculture and Fisheries under the NAFES, which shall be formulated and developed by TESDA in coordination with the appropriate government agencies and the private sector. The program shall include, among others, the following:

a. a mechanism for a flexible process of curriculum development;

b. integration of the dual training system in the various agricultural curricula and training programs;

c. integration of entrepreneurship and global competitiveness in the agro-fisheries curricula;

d. institutionalizing agriculture and fisheries skills standards and technical testing and certification;

e. regular upgrading of learning/training facilities, school buildings, laboratory equipment; and

f. development of a system for the strict enforcement of school regulations regarding standards and requirements.

Section 69. *Network of National Centers of Excellence for Territory Education.* - There is hereby established a Network of National Centers of Excellence in Agriculture and Fisheries Education, composed of qualified public and private colleges and universities, duly accredited as National Centers of Excellence (NCE) in the field of agriculture and fisheries.

For this purpose, the CHED shall formulate and implement a system of accreditation Provided, That not more than one provincial institute in every province and no more than one national university in each field in every region shall be accredited as such and Provided, further, That the system shall be based on the following criteria:

- a. institutional accessibility, population, economic contribution of agriculture and fisheries in the community, and the needs or unique requirements of the area
- b. quantity and quality of research studies conducted;
- c. degree of utilization of research results;
- d. quantity and quality of faculty members;
- e. type of facilities;
- f. linkage with international organizations; and
- g. potential contribution to agriculture and fisheries development in the target area.

Section 70. *Rationalization Plan.* - For the purpose of upgrading and maintaining a high degree of academic excellence in the fields of agriculture and fisheries, all existing public and private colleges and universities that are not hereinafter designated and accredited as centers of excellence shall be given adequate time to redirect its program to non-agriculture and/or non-fisheries areas needed by the province or region and/or merge their program with accredited NCEs in accordance with the Rationalization Plan to be jointly formulated by CHED and the Philippine Association of State Universities and Colleges (PASUC) upon consultation with the institution concerned.

The Rationalization Plan shall include a policy for the effective utilization of affected personnel and facilities, and shall not be construed as to result in the decrease of the budget allocation for the state universities and colleges concerned.

Section 71. *Counterpart Funding from LGUs.* - The LGUs shall, within two, (2) years from the effectivity of this Act, provide at least ten percent (10%) of the Maintenance and Other Operating Expenses (MOOE) budget for the operation of the provincial institutes within their area of responsibility.

In consultation with the LGUs, the CHED shall develop a provincial-national partnership scheme for a reasonable sharing of financial support taking into account social equity factors for poor provinces.

Section 72. *National Integrated Human Resource Development Plan in Agriculture and Fisheries.* - The CHED, in coordination with the Department and appropriate government agencies, shall formulate, develop and implement an integrated human resource development plan in agriculture and fisheries which shall serve as an instrument that will provide over-all direction in setting priorities in curricular programs, enrollment, performance targets, and investment programs.

Section 73. Output-Oriented Performance Standards. - In order to ensure the institutional accountability, efficiency, and quality, there shall be formulated and developed an Output-Oriented Performance Standards which shall serve as the primary instrument for institutional evaluation.

For this purpose, all public and private universities and colleges, that are designated as centers of excellence, shall cause to be installed a computerized monitoring and evaluation system that periodically collects and regularly measures variables indicating institutional performance based on the Output-Oriented Performance Standards.

Section 74. Evaluation System. - Not later than one (1) year from the effectivity of this Act, the CHED shall establish a baseline information using the Output-Oriented Performance Standards referred to in Section 73 of this Title. Once every five (5) years thereafter, all designated NCEs in agriculture and fisheries shall be subject to a third party evaluation.

The evaluation shall include, among others, management and educational experts of national stature and representatives of key sectors of the agriculture and fisheries industries, as well as representatives of the Department, the Department of Environment and Natural Resources, the Department of Science and Technology, and the National Economic and Development Authority.

Section 75. Agriculture and Fisheries Board. - There shall be created an Agriculture and Fisheries Board in the Professional Regulation Commission to upgrade the Agriculture and Fisheries profession.

Those who have not passed the Civil Service Examination for Fisheries and Agriculture but have served the industry in either private or public capacity for not less than five (5) years shall be automatically granted eligibility by the Board of Examiners.

The first board of examination for B.S. Fisheries and/or Agriculture Graduates shall be conducted within one (1) year from the approval of this Act.

Section 76. Continuing Agriculture and Fisheries Education Program. - The Commission on Higher Education, the Department of Education, Culture and Sports and Technical Education and Skills Development Authority, in coordination with the Department and the public and private universities and colleges, shall formulate and develop a National and Integrated Continuing Agriculture and Fisheries Education Program, which shall address the current education and training requirements of teachers, professors and educators in agriculture and fisheries.

For this purpose, pre-service and in-service training of teachers in Home Economics Livelihood Education (HELE) for the primary level and Technology and Home Economics (THE) for the Secondary level, shall be upgraded.

Section 77. Scholarship Program. - The CHED in coordination with the public and private universities and colleges, TESDA and the DBM, shall develop a national scholarship program that provides opportunities for deserving academic staff to pursue advanced degrees in agriculture and fisheries. Where appropriate, such scholarship program shall also provide opportunities for graduate work in foreign universities.

Section 78. Merit System. - To promote the development of scientific excellence and academic scholarship, the public and private universities and colleges, in cooperation with the CHED and the DBM, shall institute an output-oriented unified system of promotion for the academic personnel.

Section 79. *Budgetary Allocation Scheme.* - The Budgetary Allocation Scheme for NAFES shall be as follows:

- a. The current appropriation or budgets of state universities and colleges, that are herein designate as NCEs, shall continue and shall be modified and adjusted in succeeding years in order to meet the standards of the rationalized programs of the institutions as approved by Congress and shall be included in the annual General Appropriations Act;
- b. NCEs that are created under this Act shall likewise be provided with budgetary support based on their programs and a new staffing pattern as approved by DBM and shall be included in the annual General Appropriations Act.

TITLE 3 RESEARCH DEVELOPMENT AND EXTENSION

Chapter 1 Research and Development

Section 80. *Declaration of Policy.* - It is hereby declared the policy of the State to promote science and technology as essential for national development and progress.

The State shall likewise give priority to research and development, invention, innovation, and their utilization and to science and technology education, training, and services. In addition to appropriate and relevant technology, the state shall support indigenous and self-reliant scientific and technological capabilities, and their application to the country's productive system and national life.

Section 81. *The National Research and Development System in Agriculture and Fisheries.* - The Department, in coordination with the Department of Science and Technology and other appropriate agencies and research institutions shall enhance, support and consolidate the existing National Research and Development System in Agriculture and Fisheries within six (6) months from the approval of this Act. Provided, That fisheries research and development shall be pursued separately, from but in close coordination with that of agriculture.

Section 82. *Special Concerns in Agriculture and Fisheries Research Services.* - Agriculture and Fisheries Research and Development activities shall be multidisciplinary and shall involve farmers, fisherfolk and their organizations, and those engaged in food and non-food production and processing including the private and public sectors.

Research institutions and centers shall enjoy autonomy and academic freedom. The Department, in collaboration with the Department of Science and Technology and other appropriate agencies, shall harmonize its merit and output-oriented promotion system governing the scientific community in order to promote increased research excellence and productivity and provide the government research system a competitive edge in retaining its scientific personnel.

Appropriate technology shall be used to protect the environment, reduce cost of production , improve product quality and increase value added for global competitiveness.

Section 83. *Funds for Research and Development.* - Considering the nature of research, development and extension activities, funding shall be based on the following guidelines:

- a. Allocation of multi-year budgets which shall be treated as research and development grants.
- b. The budget for agriculture and fisheries research and development shall be at least one percent (1%) of the gross value added (GVA) by year 2001 allocating at least one percent (1%) of the total amount by 1999. The Department of Finance (DOF) in consultation with the Department shall formulate revenue enhancement measures to fund this facility.
- c. At least twenty percent (20%) shall be spent in support of basic research and not more than eighty percent (80%) shall be used for applied research and technology packaging and transfer activities.
- d. A science fund shall be established from which the scientific community in agriculture and fisheries shall draw its financial resource for sustained career development, Provide, That only the interest earnings of the funds shall be used.

The Department and other research agencies, in the national interest, are encouraged to go into co-financing agreements with the private sector in the conduct of research and development provided that the terms and conditions of the agreement are beneficial to the country.

Section 84. *Excellence and Accountability in Research and Development.* - The Department, in collaboration with the Department of Science and Technology and other appropriate government agencies, shall formulate the national guidelines in evaluating research and development activities and institutions, which shall involve an independent and interdisciplinary team of collegial reviewer and evaluators.

Section 85. *Communication of Research Results and Research-Extension Linkage.* - Research information and technology shall be communicated through the National Information Network (NIN)

All government agencies including the state colleges and universities and private educational institutions selected as NCEs shall be computerized , networked , provided with regular updated information and shall likewise provide, through the NIN results of research and development activities and current available technology relating agriculture and fisheries.

Chapter 2 Extension Services

Section 86. *Declaration of Policy.* - It is hereby declared the policy of the State to promote science and technology as essential for national development and progress. The State shall give priority for the utilization of research results through formal and non-formal education, extension, and training services. It shall support the development of a national extension system that will help accelerate the transformation of Philippine agriculture and fisheries from a resource -based to a technology-based industry.

Section 87. *Extension Services.* - Agriculture and Fisheries extension services shall cover the following major services to the farming and fishing community:

- a. Training services;
- b. Farm or business advisory services;

c. Demonstration services; and

d. Information and communication support services through trimedia.

Section 88. *Special Concerns in the Delivery of Extension services.* - The delivery of agriculture and Fisheries Extension Services shall be multidisciplinary and shall involve the farmers, fisherfolk, and their organizations and those engaged in food and non-food production and processing, including the private and public sectors.

There shall be a national merit and promotion system governing all extension personnel, regardless of source of funding, to promote professionalism and achieve excellence and productivity in the provision of the government extension services.

Section 89. *The National Extension System for Agriculture and Fisheries (NESAF).* - The Department in coordination with the appropriate government agencies, shall formulate a National Extension System for Agriculture and Fisheries.

The National Extension System for Agriculture and Fisheries shall be composed of three (3) subsystems:

a. the national government subsystem which directly complements;

b. The local government subsystems; and

c. the private sector subsystem.

Section 90. *The Role of Local Government Units.* - The LGUs shall be responsible for delivering direct agriculture and fisheries extension services.

The provincial governments shall integrate the operations for the agriculture extension services and shall undertake an annual evaluation of all municipal extension programs.

The extension program of state colleges and universities shall primarily focus on the improvement of the capability of the LGU extension service by providing:

a) Degree and non-degree training programs;

b) Technical assistance;

c) Extension cum research activities;

d) Monitoring and evaluation of LGU extension projects; and

e) Information support services through the tri-media and electronics.

Section 91. *Role of the Private Sector in Extension.* - The department shall encourage the participation of farmers and fisherfolk cooperatives and associations and others in the private sector in the training and other complementary extension services especially in community organizing, use of participatory approaches, popularization of training materials, regenerative agricultural technologies, agri-business and management skills.

The Department is hereby authorized to commission and provide funding for such training and extension services undertaken by the private sector.

Section 92. *The Role of Government Agencies.* - The Department, together with state colleges and universities shall assist in the LGU's extension system by improving their effectiveness and efficiency through capability-building and complementary extension activities such as:

- a) technical assistance;
- b) training of LGU extension personnel;
- c) improvement of physical facilities;
- d) extension cum research; and
- e) information support services;

Section 93. *Funding for Extension Activities.* - Extension activities shall be supported by the following measures:

- a) allocation of multi-year budgets that shall be treated as grants;
- b) allow transfer of funds from the Department to the local government units as extension grants, and
- c) the budget for agriculture and fisheries extension services shall be at least one percent (1%) of the gross value added (GVA) by year 2001

Section 94. *Excellence and Accountability in Extension.* - The Department shall formulate the guidelines in evaluating extension, activities, and institutions, which shall involve an independent and interdisciplinary team of the collegial reviewers and evaluators.

Section 95. *Extension Communication Support for LGU's.* - The Department in coordination with the public and private universities and colleges, shall develop an integrated multimedia support for national and LGU extension programs. The Department shall assist the LGU's in the computerization of communication support services to clients and linkages to the NIN.

TITLE 4 RURAL NON-FARM EMPLOYMENT

Chapter 1

Section 96. *Declaration of policy.* - It is hereby declared the policy of the State to promote full employment. Economic history, however, shows that as an economy modernizes the number of workers employed in its agricultural sector declines. It is therefore necessary to formulate policies and implement programs that will employ workers efficiently in rural areas in order to improve their standard of living, and reduce their propensity to migrate to urban areas.

Section 97. *Objectives.* - Rural non-farm employment aims to:

- a) promote a basic needs approach to rural development;
- b) make rural workers more adaptable and flexible through education and training;
- c) promote rural industrialization and the establishment of agro- processing enterprises in rural communities; and
- d) increase the income of rural workers.

Chapter 2 The Basic Needs Program

Section 98. Principles. - The Department, in coordination with the appropriate government agencies, shall formulate the Basic Needs Program to create employment and cushion the effect of liberalization based on the following principles:

- a) No credit subsidies shall be granted. The normal rules of banking shall apply to all enterprises involved, provided that existing credit arrangements with ARBs shall not be affected.
- b) Enterprises can use training, information, advisory and related services of the Government free of charge.
- c) The participation of the private sector shall be voluntary.

Teams composed of specialists from government agencies and the private sectors shall develop pilot programs in selected locales to establish the planning, implementation and evaluation procedures.

Section 99. Participation of Government Agencies. - The replication of the program shall be the responsibility of the local government units concerned in collaboration with the appropriate government agencies, and the private sector. The local government units shall bear the costs of promoting and monitoring the basic needs program for which their IRA shall be increased accordingly as recommended by the Secretary of the Department Provided, That the appropriate national government agencies shall continue to provide the necessary technical as well as financial assistance to the LGUs in the replication of the program.

The Cooperatives Development Authority shall encourage the establishment and growth of associations and cooperatives as vehicles for the stable expansion of basic needs enterprises.

The Department of Education, Culture and Sports, Department of Health, and the Technical Education and Skills Development Authority shall coordinate with the Department and Congress in the review, rationalization and reallocation of their regular budgets as well as their budgets under the GATT- related measures fund to finance education, training, health and other welfare services for farmers and fisherfolk.

Chapter 3 Rural Industrialization Industry Dispersal Program

Section 100. *Principles.* - Rural industrialization and industry dispersal programs shall be based on the interplay of market forces. The Board of Investments (BOI) is hereby required to give the highest priority to the grant of incentives to business and industries with linkages to agriculture.

Section 101. *Role of Government Agencies.* - The appropriate government agencies, under the leadership of the LGUs concerned, shall provide integrated services and information to prospective enterprises under the one-stop-shop concept.

Local government units are authorized to undertake investment and marketing missions provided that the costs of such missions are borne by the LGUs concerned. In making their land use plans, the LGUs, in consultation with the appropriate government agencies concerned, shall identify areas for industrial parks.

The Department shall coordinate with the Department of Trade and Industry , in particular, the Board of Investments, in the formulation of investments priorities for rural areas.

The Regional Wage Boards shall consult participating enterprises in this program before they issue wage orders.

Section 102. *Participating Enterprises.* - Participating enterprises may request any government agency for training, technical and advisory services free of cost.

A set of incentives shall be given to enterprises that subcontract part of their production to farmers, fisherfolk and landless workers during periods when they are not engaged in agricultural activities.

Section 103. *Financing.* - Except for basic infrastructure and other goods that benefit all citizens, the facilities of this program should be undertaken and financed by the private sector.

Chapter 4 Training of Workers

Section 104. *Role of TESDA.* - TESDA shall organize local committees that will advise on the scope, nature and duration of training for the above-mentioned programs.

TESDA is authorized to request the additional budgetary resources for these programs: Provided, That after a reasonable period, the task of coordinating the training is transferred to the LGUs concerned.

Section 105. *Role of the DENR.* - The Department and the DENR shall organize the training of workers in coastal resources management and sustainable fishing techniques.

Section 106. *Role of the Technology and Livelihood Resource Center (TLRC).* - The TLRC shall undertake field training in entrepreneurship and management of workers involved in the basic needs program.

Section 107. *Special Training Projects for Women.* - The Department, in collaboration with the appropriate government agencies concerned shall plan and implement special training projects for women for absorption in the basic needs and rural industrialization programs.

TITLE 5 TRADE AND FISCAL INCENTIVES

Section 108. Taxation policies must not deter the growth of value-adding activities in the rural areas.

Section 109. All enterprises engaged in agriculture and fisheries as duly certified by the Department in consultation with the Department of Finance and the board of Investment, shall, for five (5) years after the effectivity of this Act, be exempted from the payment of tariff and duties for the importation of all types of agriculture and fisheries inputs, equipment and machinery such as, but not limited to, fertilizer, insecticide, pesticide, tractor, trailers, trucks, farm implements and machinery, harvesters, threshers, hybrid seeds, genetic materials, sprayers, packaging machinery and materials, bulk-handling facilities such as conveyors and mini loaders, weighing scales, harvesting equipment, spare parts of all agricultural equipment, fishing equipment and parts thereof, refrigeration equipment, and renewable energy systems such as solar panels *Provided, however,* That the imported agricultural and fishery inputs, equipment and machinery shall be for the exclusive use of the importing enterprise.

The Department, in consultation with the Department of Finance and the Board of Investment, shall, within ninety (90) days from the effectivity of this Act, formulate the implementing rules and regulations governing the importation of agriculture and fishery inputs, equipment and machinery.

Section 110. Any person, partnership, corporation, association and other juridical entity found circumventing the provisions of Section 109 of this Act shall suffer the penalty of imprisonment for a period of not less than six (6) months but not more than one (1) year, or a fine equivalent to two hundred percent (200%) of the value of the imported materials, or both, at the discretion of the court, and the accessory penalties of confiscation of the imported goods in favor of the government and revocation of the privileges given under this title.

In cases where the violator is a juridical entity, the officers responsible in the violation of Section 109 shall suffer the penalty of imprisonment prescribed in this Section.

The importation of goods equivalent to or exceeding the declared assets of the enterprise, partnership, or the authorized capital stock in case of corporations, and/or the resale of the imported goods shall be a prima facie evidence of the violation of the provisions of Section 109 of this Act.

GENERAL PROVISIONS

Section 111. *Initial Appropriation.* - For the first year of implementation of this Act, the amount of Twenty Billion pesos (P20,000,000,000.00) is hereby appropriated. The Department is hereby authorized to re-align its appropriations in the current year of the date of effectivity of this Act to conform with the requirements of this Act *Provided,* That the amount shall be allocated and disbursed as follows:

1. Thirty percent (30%) for irrigation;
2. Ten percent (10%) for post-harvest facilities *Provided,* That the Secretary of Agriculture may invest up to fifty percent (50%) of the said amount to fund post-harvest facilities of cooperatives, especially market vendors' cooperatives, where said cooperatives exist and are operational *Provided,* further, That if no cooperatives are operational, said amount shall fund the post-harvest facilities of the market -assistance system;
3. Ten percent (10%) for other infrastructure including fishports, seaports, and airports, farm-and -coast-to-market roads, rural energy, communications infrastructure, watershed rehabilitation, water supply system, research and technology infrastructure, public markets and abattoirs;

4. Ten percent (10%) for the Agro-industry Modernization Credit and Financing Program (AMCFP) to be deposited by the Department in participating rural-based public and private financial institutions provided that no less than fifty percent (50%) of said funds shall be deposited in rural banks in cooperative banks;
5. Eight percent (8%) for the implementation of the Farmer-Fisherfolk Marketing Assistance System and support of market vendors' cooperatives;
6. Ten percent (10%) for research and development, four percent (4%) of which shall be used to support the Biotechnology Program;
7. Five percent (5%) for capability-building of farmers and fisherfolk organizations and LGUs for the effective implementation of the agriculture and fisheries programs at the local level;
8. Six percent (6%) for salary supplement of Extension Workers under the LGUs;
9. Five percent (5%) for NAFES , for the upgrading of the facilities of State Universities and Colleges that will be chosen as national center of excellence in agriculture and fisheries education;
10. Four percent (4%) for the National Information Network (NIN) consisting of both the national and local levels;
11. One-and-three-fourth percent (1.75%) for SUC- and TESDA-administered Rural Non-Farm Employment Training; and
12. One-fourth percent (0.25%) for the identification of the SAFDZs.

Section 112. Continuing Appropriation. - The Department of Budget and Management (DBM) is hereby mandated to include annually in the next six (6) years, in the President's Program of expenditures for submission to Congress, and release, an amount not less than Seventeen billion pesos (P17,000,000,000.00) for the implementation of this Act.

Additional funds over and above the regular yearly budget of the Department shall be sourced from twenty percent (20%) of the proceeds of the securitization of government assets, including the Subic, Clark, and other special economic zones.

Other sources of funds shall be from the following:

- a. Fifty Percent (50%) of the net earnings of the Public Estates Authority;
- b. Loans, grants, bequest, or donations, whether from local or foreign sources;
- c. Forty percent (40%) of the TESDA Skills Development Fund;
- d. Net proceeds from the privatization of the Food Terminal Inc. (FTI), the Bureau of Animal Industry (BAI), the Bureau of Plant Industry (BPI), and other assets of the Department that will be identified by the DA Secretary and recommended to the President for privatization;
- e. Proceeds from the Minimum Access Volume (MAV) in accordance with the provisions of Republic Act No. 8178;

f. Poverty alleviation Fund; and

g. Fifty Percent (50%) of the Support Facilities and Services Fund under Republic Act No. 6657.

Section 113. *Implementing Rules and Regulations.* - The Secretary within ninety (90) working days after the effectivity of this act, together with the Department of Agrarian Reform (DAR), Department of Environment and Natural Resources (DENR), Department of Finance (DOF), Department of Science and Technology (DOST), Department of Trade and Industry (DTI), Commission on Higher Education (CHED), Technical Education and Skills Development Authority (TESDA), Department of Education, Culture and Sports (DECS), Department of Social Services and Development (DSSD), National Economic and Development Authority (NEDA), Department of Budget and Management (DBM), Department of Labor and Employment (DOLE), Commission on Audit (COA), Civil Service Commission (CSC), in consultation with other agencies concerned, farmers, fisherfolk and agribusiness organizations, and in coordination with the Congressional Oversight committee on Agriculture and Fisheries Modernization, shall promulgate the rules and regulations for the effective implementation of this act.

The Secretary shall submit to the Committee on Agriculture of both houses of congress copies of the implementing rules and regulations within thirty (30) days after their promulgation.

Any violation of this section shall render the official/s concerned liable under Republic Act. No. 6713 otherwise known as the "Code of Conduct and Ethical Standards for Public Officials and Employees" and other existing administrative and/or criminal laws.

Section 114. *Congressional Oversight Committee on Agricultural and Fisheries Modernization.* - A congressional Committee on Agricultural and Fisheries Modernization is hereby created to be composed of the Chairs of the Committee on Agriculture of both Houses, six (6) members of the House of Representatives and six (6) members of the Senate, to be designated respectively by the Speaker of the House and the President of the Senate, who shall endeavor to have the various sectors and regions of the country represented.

The Chairs of the Committees on Agriculture in the Senate and House of Representatives, shall be respectively, the Chair and Co-Chair of the Oversight Committee. The other members shall receive no compensation: however, traveling and other necessary expenses shall be allowed.

The Committee shall oversee and monitor the implementation of the Congressional Commission on Agricultural Modernization (AGRICOM) recommendations as well as all programs, projects and activities related to agriculture and fisheries, and its allied concerns in both public and private sectors, with a view to providing all legislative support and assistance within the powers of Congress to ensure their inclusion, wherever feasible, in the national, regional, provincial, municipal, and sectoral development plans to recommend the disposal of assets no longer needed by the Department to fund the modernization program, and to see them through their successful implementation.

Section 115. *Powers and Functions of the Committee.* - The Congressional Oversight on Agriculture and Fisheries Modernization shall have the following powers and functions:

- a. Prescribe and adopt guidelines that will govern its work;
- b. Hold hearings, receive testimonies and reports pertinent to its specified concerns;

- c. Secure from any department, bureau, office or instrumentality of the Government such assistance as may be needed, including technical information, preparation, and production of reports and submission of recommendations or plans as it may require;
- d. Summon by subpoena any public or private citizen to testify before it, or require by subpoena duces tecum to produce before it such records, reports or other documents as may be necessary in the performance of its functions;
- e. Use resource persons from the public and private sectors as may be needed;
- f. Carry on the winding-up work of AGRICOM, such as editing and printing all technical reports and studies as well as bibliographic cataloguing of its collection of source materials, continue its information and advocacy work;
- g. Cause to be transferred to the Committee all works, outputs, source materials, and assets, funds, supplies and equipment of AGRICOM;
- h. Approve the budget for the work of the Committee and all disbursements therefrom , including compensation of all personnel;
- i. Organize its staff and hire and appoint such employees and personnel whether temporary , contractual or on consultancy, subject to applicable rules; and
- j. Generally to exercise all the powers necessary to attain the purposes for which its created.

Section 116. *Periodic Reports.* - The Committee shall submit periodic reports on its findings and make recommendations on actions to be taken by Congress and the appropriate department, and in order to carry out the objectives of this Act, an initial amount of Twenty million pesos (P20,000,000.00) is hereby appropriated for the Oversight Committee for the first year of its operation.

Section 117. *Automatic Review.* - Every five (5) years after the effectivity of this Act, an independent review panel composed of experts to be appointed by the President shall review the policies and programs in the Agriculture and Fisheries Modernization Act and shall make recommendations, based on its findings, to the President and to both Houses of Congress.

Section 118. *Repealing Clause.* - All laws, decrees, executive issuance, rules and regulations inconsistent with this Act are hereby repealed or modified accordingly.

Section 119. *Separability Clause.* - The provisions of this Act are hereby declared to be separable, and in the event one or more of such provisions are held unconstitutional, the validity of the other provisions shall not be affected thereby.

Section 120. *Effectivity.* - This Act shall take effect thirty (30) days from the date of its publication in the Official Gazette or in at least two (2) newspapers general circulation.

Approved: **22 December 1997**