

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

PRESIDENTIAL DECREE NO. 681, April 04, 1975

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

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

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

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

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

CHAPTER I

TITLE, PURPOSE AND DEFINITIONS

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

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

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

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

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

a)

"FSDC" shall mean the Farm Systems Development Corporation, "Board of Administrators" shall mean the Board of Administrators and "Administrator" shall mean the Administrator, all as provided for in this Decree.

b)

"Corporation" shall mean the FSDC.

c)

"NIA" shall mean the National Irrigation Administration, "NEA" shall mean the National Electrification Administration, "DAP" shall mean the Development Academy of the Philippines, "NPC" shall mean the National Power Corporation, and "NGA" shall mean the National Grains Authority.

d)

"Association" shall mean a corporation organized or existing under Act No. 1459, or a corporation thereafter organized, that manages, runs and provide water for irrigation purposes, and other concomitant services.

e)

"Person" shall mean any natural person, firm, association, corporation, business trust, partnership, the National Government, or any political subdivision, agency or instrumentality thereof.

f)

"Service" shall mean irrigation service including the providing of any auxiliary or related service.

g)

"Area" shall mean: (1) the geographic area covered or serviced by an irrigation association, or (2) any lesser geographic area for the furnishing of irrigation service for which an association, person, or any entity pursuant to this Decree, borrows, or may apply to borrow, funds from FSDC, or may secure loans with the approval of the FSDC, to finance the acquisition or construction and operation, maintenance of irrigation and farm-related facilities.

h)

"Interest rate per centum per annum" shall mean an interest rate that is accrued solely upon the unpaid balance of any principal loan which has actually been advanced to a borrower and upon any interest payment which has become due or been paid by the borrowers, computed on an annual basis.

i)

"Loan" shall mean a loan, the total principal amount of which, as when required for application to the purpose thereof, is at the time of the making thereof, assured from funds that are or will become available therefor.

j)

"Congress" shall mean the President during his exercise of Martial Law, or the National Assembly under the new Constitution, whichever is the case at any given time.

k)

"President" shall mean the President of the Philippines during the existence of Martial Law, or the Prime Minister when the National Assembly comes into existence.

CHAPTER II

THE FARM SYSTEMS DEVELOPMENT CORPORATION

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

a)

to have a continuous succession under its corporate name otherwise provided by law;

b)

to prescribe and thereafter to amend and repeal its By-Laws not inconsistent with this Decree;

c)

to adopt and use a seal and alter it at its pleasure;

d)

to sue and be sued;

e)

to make contract of every name and nature and to execute all instruments necessary or convenient for the carrying on of its business;

f)

to make loans to irrigation or related associations for the construction or acquisition, operation and maintenance of irrigation systems and all related farm properties such as equipment, machinery, fixtures and materials. And thereafter, to make loans for the restoration, improvement or enlargement of such facilities;

g)

to assist irrigation-based associations and coordinate with government agencies and corporations having related functions and purposes in planning, developing, establishing, operating, maintaining, repairing and renovating association's facilities and systems;

h)

to prepare feasibility studies, engineering plans for integrating farm-based systems development including the procurement of modern and improved facilities, devices and accessory equipment;

i)

to provide managerial or administrative expertise including the rendering of professional training services for association's staff and employee development;

j)

to cooperate, coordinate and exchange such information, studies and reports with and to seek such cooperation and coordination from other departments, agencies and instrumentalities of the National Government including the National Irrigation Administration (NIA), the National Grains Authority (NGA), the National Electrification Administration (NEA), the Development Academy of the Philippines (DAP), and the National Power Corporation (NPC), as well most effectively conduce to the achievement of the purposes of this Decree;

k)

to borrow funds from any source, private or government, foreign or domestic, and to issue bonds or other evidence of indebtedness;

l)

to appoint, through its Board of Administrators, such officers and employees as are not otherwise provided in this Decree, to define their duties, fix their compensation, and require bonds of them;

m)

to acquire, by purchase or otherwise, real and personal properties as may be required, advisable or desirable for the proper conduct of its business;

n)

to prescribe rules and regulations in which its general business may be conducted as well as to fix and implement terms and conditions of loans for irrigation and related activities;

o)

to establish branch offices;

p)

to invest its funds or other assets in such undertaking as it may deem wise or necessary to carry out its purposes and objectives;

q)

to report to the President at least annually, not later than June 30, and when the same comes into existence, the Prime Minister and the National Assembly on the status of its operation in the Philippines including a comprehensive reporting of loans made advanced, loans secured from other sources and the advance thereof, the names and locations of the borrowers, the number of farmers receiving service as a result of such loans;

r)

to do and perform any other acts and things, and to have and exercise any other powers which may be necessary, incidental or appropriate to accomplish the purpose for which the FSDC is organized.

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

a)

For the purpose of administering the provisions of this Decree, there is hereby established a public corporation, to be known as the FARM SYSTEMS DEVELOPMENT CORPORATION. All the powers of the corporation shall be vested in and exercised by a Board of Administrators, which shall be composed of: the Executive Secretary, the NIA Administrator, the NEA Administrator, the NGA Administrator, the DAP

President, the NPC General Manager as regular members and the Administrator as ex-officio member, and that the term of the ex-officio member shall be co-terminous with his term as the Administrator. The Chairman shall be appointed by the President from among the regular members. The Chairman and every member of the Board of Administrators shall be entitled to a per diem of not more than P300.00 for such meeting actually attended by them. Provided that the total of such per diems shall not exceed one thousand five hundred pesos (P1,500.00) per month per member.

b)

The Board of Administrators shall meet regularly at least twice a month and as often as the exigencies of Corporation's affairs demand. The presence of at least four members shall constitute a quorum which shall be necessary for the transaction of any business. The affirmative votes of a majority of the members present shall be necessary for the approval of any resolution, decision or order, except when a greater number of votes is required as sometimes hereinafter provided. When the Chairman is absent at a meeting duly called, the Administrator as ex-officio member shall preside.

c)

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

1)

to implement the provisions and purposes of this Decree;

2)

to formulate and adopt policies and plan, and to promulgate rules and regulations for the management, operation and conduct of the affairs and business of the PSDC;

3)

to raise and/or borrow the necessary funds from local and international financing sources or institutions and to secure the same by any guarantee, pledge, mortgage, deed or trust, or assignment of the property of the Corporation for the purpose of financing the programs and projects deemed vital for the attainment of its goals and objectives;

4)

to enter into, make and execute contracts of any kind or nature as may be necessary or incidental to the accomplishment of its purposes and, generally, to exercise all the powers necessary to achieve the corporation's purposes and objectives;

5)

to prescribe terms and conditions in the loan agreement and other related contracts that the borrower's rates, charges, rules and regulations, policies, and all other terms and condition affecting its extension and furnishing of service shall be such as to assure achievement of the loan purposes, and that the same shall be filed with and for such purpose approved by the Board of Administrators before being put into effect or changed by the borrower;

6)

to approve the budget of the corporation and to appoint and fix the salaries of such executive officers and other

officials of the corporation as may be necessary for the accomplishment of its corporate purposes;

7)

to establish policies and guidelines for employment on the basis of merit, technical competence, and moral character, and upon the recommendation of the Administrator to organize or re-organize FSDC's staffing pattern and personnel and to define their powers and duties.

8)

to establish and maintain such reasonable employee and executive benefit plans (including life, accident, or special individual insurance policies) as the exigencies or resources of the Corporation shall permit and its Board of Administrators shall authorize.

d)

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

The Administrator shall have the following powers and duties:

1)

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

2)

to submit for the consideration of the Board of Administrators such policies, plans and programs as he deems necessary to carry out the provisions and purposes of this Decree;

3)

to direct and supervise the operations and internal administration of the FSDC and, for this purpose, to delegate some or any of his powers and duties to subordinate officials of the Corporation;

4)

to appoint and fix the number and compensation of subordinate officials and employees of the FSDC, including appointments on a part-time basis notwithstanding Section 259 of the Revised Administrative Code.

Provided, however, the provisions of the Civil Service Law and the Wage and Position Classification Laws shall not apply to the appointment and compensation of any such, subordinate officials and employees;

5)

for cause, to remove, suspend, or otherwise, discipline any subordinate official or employee;

6)

to prepare an annual report on the activities of the FSDC at the close of each fiscal year and to submit a copy thereof to the President of the Philippines and when it comes into existence, the Prime Minister and the appropriate committee of, and as determined by the National Assembly; and

7)

to exercise such other powers and duties as may be vested in him by the Board of Administrators.

In case of absence or disability of the Administrator, he shall designate any of the Directors who shall act in his place.

SEC. 6. POWER TO ISSUE BONDS.—Whenever the Board of Administrators may deem it necessary for the corporation incur any indebtedness or to issue bonds to carry out the provisions of this Decree, it shall, by resolution, so declare and state the purpose for which the proposed debt is to be incurred. The resolution shall be confirmed by the affirmative vote of at least four (4) members of the Board and approved by the President of the Philippines.

SEC. 7. SINKING FUND.—A sinking fund shall be established in such manner that the total annual contribution thereto accrued at such rate of interest as may be determined by the Board of Administrators, shall be sufficient to redeem at maturity the bonds issued under this Decree.

Such fund shall be under the custody of the Treasury of the FSDC which shall invest the same in such manner as the Board of Administrators may direct; charge all expenses of investment to said sinking fund, and credit the same with the interest on investment and other income belonging to it.

SEC. 8. GUARANTEE BY THE GOVERNMENT.—The Republic of the Philippines hereby guarantees the payment by the FSDC of both principal and the interest of the bonds, debentures, collaterals, notes or such other obligations issued by the FSDC by virtue of this Decree, and shall pay such principal and interest in the event that the Corporation fails to do so. In case the Corporation shall be unable to pay the said principal and interest, the Secretary of Finance shall pay the amount thereof which is hereby appropriated out of any funds in the National Treasury not otherwise appropriated and thereupon, to the extent of the amounts so paid, the Government of the Republic of the Philippines shall succeed to all the rights of the holders of such bonds, debentures, collaterals, note or other obligations, unless the sum so paid by the Republic of the Philippines shall be refunded by the Corporation within a reasonable time.

SEC. 9. COMMISSIONER ON AUDIT.—The Commissioner on Audit shall be the ex-office auditor of the FSDC, and to give autonomy to the governing board of the FSDC in the management and operation of the corporation, the provisions of Section 584 of the Revised Administrative Code, as amended by Republic Act Nos. 2266 and 2716 as further amended by Presidential Decree No. 61, shall apply to the Office of the Representative of the Commissioner on Audit.

SEC. 10. CAPITAL STOCK.—The authorized Capital Stock of the FARM SYSTEMS DEVELOPMENT CORPORATION is eight hundred million pesos divided into eight million shares of no par value, which shares are not to be transferred, negotiated, pledged, mortgaged or otherwise given as security for the payment of any obligation. The sum of fifty million pesos (P50 M) of the capital stock shall be subscribed and paid wholly by the Government of the Philippines which amount is hereby appropriated and programmed immediately for FY 1976.

The remaining seven hundred fifty million pesos shall be wholly subscribed by the Government of the Philippines and shall be appropriated, programmed, and paid as follows:

a)

the sum of fifty-five million pesos (P55 M) for the FY 1976-1977.

b)

the sum of seventy-two million pesos (P72 M) for the FY 1977-1978 and FY 1978-1979.

c)

the sum of sixty-seven million pesos (P67 M) for each succeeding fiscal year until fiscal year 1985-1986.

d)

and such sums as may be appropriated, programmed, and/or allocated by the President or the National Assembly when it comes to existence from time to time as the financial needs of the FSDC so requires and until the authorized capital is fully paid up.

SEC. 11. FOREIGN LOANS.—The Corporation is hereby authorized to contract loans, credits, any convertible foreign currency of capital goods, and indebtedness from time to time from foreign governments, or any international financial institutions or fund sources or to issue bonds, the total outstanding amount of which exclusive of interests, shall not exceed TWO HUNDRED FIFTY MILLION UNITED STATES DOLLARS or the equivalent thereof in other currencies, on such terms and conditions as it shall deem appropriate for the accomplishment of its purposes and to enter into and execute agreements and other documents specifying such terms and conditions.

The President of the Philippines, by himself, or through his duly authorized representative, is hereby authorized to negotiate and contract with foreign governments or any international financial institutions or fund sources, in the name and in behalf of the Corporation, one of several loans, for the accomplishment of its purposes.

The President of the Philippines, by himself, or through his duly authorized representative, is hereby further authorized to guarantee, absolutely and unconditionally, as primary obligor and not as surety merely in the name and in behalf of the Republic of the Philippines, the payment of the loans, credits, indebtedness and bonds issued over and above the amount of which the President of the Philippines is authorized to guarantee under Republic Act numbered sixty one hundred forty two, as amended, as well as the performance of all or any of the obligations undertaken by the corporation in the territory of the Republic of the Philippines pursuant to loan agreements entered into with foreign governments or any international financial institutions or fund sources.

The loans, credits and indebtedness contracted under this subsection and the payment of the principal, interest and other charge thereon, as well as the importation of machinery, equipment, materials, supplies and services, by the Corporation. Paid from the proceeds of any loans, credit or indebtedness incurred under this Act, shall also be exempt from all direct and indirect taxes, fees, imports, other charges and restrictions, including import restrictions previously and presently imposed, and to be imposed by the Republic of the Philippines, or any of its agencies and political subdivisions.

SEC. 12. ENFORCEMENT POWERS.—If any association which has borrowed funds from FSDC, or from any other lender with FSDC's lawfully required prior approval, shall default in its principal or interest payment, or shall fail, after notice from the FSDC to comply with any other term or condition of loan agreement or of any rule or regulation promulgated by the FSDC in administering the provision of this Decree, the Board of Administrators is hereby authorized and empowered in its direction to do any or any combination of the following:

a)

Refuse to make or give any lawfully required approval to any new loan to the borrower;

b)

Withhold without limitations the FSDC advancement, or withhold its approval for any other lender with respect to which the FSDC has such approving power to make advancement of funds pursuant to any loan

already made to the borrower;

c)

Withhold any technical or professional assistance otherwise being furnished or that might be furnished to the borrower;

d)

Foreclose any mortgage or deed or trust or other security held by the FSDC on the properties of such borrower, in connection with which the FSDC may subject to any superior or co-equal rights in such lien held by any other lender, (1) bid for and purchase or otherwise acquire such properties, (2) pay the purchase price thereof and any cost and expenses incurred in connection therewith out of the revolving fund, (3) accept title to such properties in the name of the Republic of Philippines, and (4) even prior to the institution of foreclosure proceedings, operate or lease such properties for such period, and in such manner as may be deemed necessary or advisable to protect the investment therein, including the improvement, maintenance and rehabilitation of facilities and systems to be foreclosed, but the FSDC shall, within five years after acquiring such properties in foreclosure proceedings sell the same for such consideration as it determines most conducive to the purposes of this Decree; or

e)

Take any other remedial measure for which the loan agreement may provide.

In addition to the foregoing, the Board of Administrators, may at its own instance and in the name of the FSDC, petition any court having jurisdiction for such purpose or any administrative agency possessing regulatory powers for such purpose (including the Board of Power and Waterworks and Securities and Exchange Commission) to issue such order and afford such lawful relief as may be necessary.

No borrower shall, without the approval of the Board of Administrators, and of any other lender holding or sharing a lien on such borrower's properties, sell or dispose of the property, rights, franchises, permits or any other assets acquired and/or mortgaged pursuant to the provisions of this Decree until all outstanding indebtedness to the FSDC and any other such lender, including all interest owing thereon, shall have been repaid; Provided, that the FSDC may by appropriate rule or regulation grant general permission to borrowers, to dispose of incidental properties (excluding real property), rights, franchises, permits or other assets no longer deemed necessary or useful in conducting the borrower's operations.

No association with outstanding loan with FSDC shall borrow money from any source without the Board of Administrators' prior approval; Provided, that the Board of Administrators may, by appropriate rule or regulation, grant general permission to such associations to secure short term loans not requiring the encumbering of their real properties or a substantial portion of other properties or assets.

SEC. 13. EXEMPTION FROM ALL TAXES, DUTIES, FEES, IMPOSTS AND OTHER CHARGES BY GOVERNMENT AND GOVERNMENT INSTRUMENTALITIES.—The FSDC shall devote all its returns from its capital investments as well as excess revenues from its operation to attain its objectives. To enable the FSDC to pay its indebtedness and obligations and in furtherance and effective implementation of the policy enunciated in this Decree, the FSDC is hereby-declared exempt for a period of ten years from the effectivity of this Decree.

a)

From the payment of all taxes, duties, fees, imposts, charges, costs and restrictions to the Republic of the Philippines, its provinces, cities, municipalities, and other government agencies and instrumentalities, including taxes, duties, fees, imposts and other charges provided for under the Tariff and Customs Code of the

Philippines, R. A. 1937 as amended by Presidential Decree No. 34 dated October 27, 1972 and Presidential Decree No. 69 dated November 24, 1972, and filing and service fee and other charges or costs in any court of administrative proceedings in which it may be a party;

b)

From all income taxes, franchise taxes and realty taxes to be paid to the National Government, its provinces, cities, municipalities, and other government agencies and instrumentalities;

c)

From all import duties, compensating taxes and advance sales tax, wharfage fees on import of foreign goods required for its operations and projects; and

d)

From all taxes, duties, fees, imposts and all other charges imposed directly or indirectly by the Republic of the Philippines, its provinces, cities, municipalities on all petroleum and related products used by the FSDC.

Any provision of existing laws to the contrary notwithstanding, any donation, contribution, bequest, subsidy or financial aid which may be made to the Corporation shall be exempt from taxes of any kind, and shall constitute allowable deductions in full from the income of the donors or givers for income tax purposes.

SEC. 14. EXPENDITURES AND DISBURSEMENTS.—The expenditures and disbursements made by the Corporation in the conduct of its affairs shall not be subject to the procurement requirements and restrictions imposed by existing laws upon government agencies, instrumentalities and government-owned or controlled corporations.

SEC. 15. SUPERVISION.—The FSDC shall be under the direct supervision of the Office of the President for purposes of policy direction and coordination.

CHAPTER III

TRANSITORY PROVISIONS

SEC. 16. TRANSITORY PROVISION.—The properties, rights, assets, choses in action, obligation, liabilities, records and contracts of the Barrio Irrigators' Service Association (BISA) Program, now under the joint sponsorship of NEA, NIA, PDAP, and DAP, shall be transferred to the Corporation.

SEC. 17. REPEALING CLAUSE.—All laws, executive orders, administrative rules and regulations inconsistent with the foregoing provisions are hereby repealed or accordingly modified.

SEC. 18. SEPARABILITY CLAUSE.—The provisions of this Decree are hereby declared separable, and if any provision of the Decree is held invalid or unconstitutional the remainder thereof shall not be affected.

SEC. 19. EFFECTIVITY.—This Decree shall take effect immediately.

Done in the City of Manila, this 4th day of April, in the year of Our Lord, nineteen hundred and seventy-five.

(Sgd.) FERDINAND E. MARCOS

President

Republic of the Philippines

By the President:

(Sgd.) ALEJANDRO MELCHOR

Executive Secretary

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