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SENATE  
S.B. No. **3393**

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Introduced by Senator Loren Legarda

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EXPLANATORY NOTE

The rubber industry is vital to the Philippine export economy. The country has comparative advantage in rubber production over other Asian countries because of its fertile soil, favorable climate conditions, available labor force, and access to international markets. Yet the Philippines struggles in exporting rubber, and still needs to catch up with other Southeast Asian countries in supplying the brisk demand for rubber in the world market.

The Philippine domestic rubber production is only at 351,556 metric tonnes. About 201,934 metric tonnes or 60% is for domestic consumption and 140,622 or 40% for export. The domestic market requires 323,000 metric tonnes per year, thus we have a deficit of 112,066 metric tonnes per year aside from the export requirement of 5% increase per year to the huge demand in the world market. The International Rubber Study Group (IRSG) reported that in 1999, the world total natural rubber production is 6.68 million metric tonnes, while the natural rubber consumption is 6.55 million metric tonnes. Moreover, world demand is increasing by 2-3 percent annually.

This low rubber production and productivity can be attributed to the following issues and problems: 1) area planted with rubber is dismally minimal; 2) limited value adding activities for rubber products; 3) lack of defined quality standards for rubber products; 4) weak linkage of farm producers with key players in the marketing chain; 5) limited access to credit and financing; and 6) absence of an enabling business environment that will attract investments.

To immediately address the problems confronting the rubber industry, this bill seeks to create under the Office of the President, the Philippine Rubber Authority (PhilRA). As a single entity directly under the control and supervision of the Office of the President, it will accelerate the execution of its program, projects, and activities.

In view of the foregoing, approval of this measure is earnestly sought.

LOREN LEGARDA

SENATE

S.B. No. 3393

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AN ACT  
CREATING THE PHILIPPINE RUBBER AUTHORITY (PhilRA), DEFINING ITS  
POWERS AND FUNCTIONS AND APPROPRIATING FUNDS THEREFOR

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

**SECTION 1. Title.** - This Act shall be known as the "*Philippine Rubber Authority Act of 2009*".

**SEC. 2. Declaration of Policy.** - It is hereby declared the policy of the State to promote and develop agriculture as an important part of the Philippine economy. Toward this end, the State shall provide full support to the rubber industry through appropriate technology and research, and adequate financial, production, marketing and other support services. It shall also recognize the right of rubber farmers and other stakeholders to actively participate in the planning and management of programs concerning the said industry.

**SEC. 3. Creating of the Philippine Rubber Authority (PhilRA.)** - The Philippine Rubber Authority (PRA), hereinafter referred to as the Authority, is hereby created under the Office of the president to carry out the provisions of this Act. The Authority shall serve as the government's primary planning, regulating and marketing agency responsible for the rubber industry.

**SEC.4. Statement of Objectives.** - This Act shall have the following objectives:

- a) To promote the integrated development of the rubber industry in all its aspects from research, production, processing, marketing and trade regulation to make them globally competitive;
- b) To sustain the growth of and demand for rubber in both domestic and international markets;
- c) To formulate and enforce standard and regulatory measures in order to maintain good quality rubber products traded in the domestic and international markets;
- d) To encourage and provide adequate incentives to investment in rubber industry;
- e) To improve farm productivity through the adoption of modern prescribed technology so as to increase farmers' income, and;
- f) To encourage and promote the use of locally produced rubber products.

**SEC.5. Powers and Functions** - The Authority shall have the following powers and functions:

- a) To undertake and regulate research studies on all aspects of the rubber industry, including its international markets, production, processing and marketing in the domestic and international markets;
- b) To administer and regulate in accordance with law, the licensing and registration and shipment of rubber processors/manufacturers including the tagging, marking, inspection, certification and shipment of their commercial products;
- c) To recommend production technology to guide the rubber production activities in the country;
- d) To design implement a specialized extension program and skills development training or workshops to improve the technical and entrepreneurial capabilities of rubber farmers, traders, processors and exporters to improve the quality of its commercial products;
- e) To establish a monitoring system in coordination with the Department of Trade and Industry and the Department of Agriculture for the assessment of rubber supply and demand situation in both domestic and international market;
- f) To provide assistance in the upgrading the efficiency and economy of existing processing facilities and the establishment of additional processing facilities as well as manufacturing plant in strategic locations in the country;
- g) To acquire world-class machinery and tools for distribution to the farmers and producers;
- h) To identify and improve infrastructure in the locality in coordination with the Department of Agriculture, Department of Public Works and Highways and the Local Government Unit concerned;
- i) To undertake industry manpower development;
- j) To assist farmers in sourcing funds for capital build-up;
- k) To conduct regular consultations with farmers, growers and other sectors involved in the rubber industry;
- l) To accredit associations or confederations of rubber farmers, growers and other associations involved with the rubber industry; and
- m) To undertake all other functions as may be necessary to implement the objectives of this Act.

**SEC.6. The Governing Board of PRA.** - The corporate powers and duties of the Authority shall be vested in, and exercised by, the Board to be appointed by the President, composed of the following:

- a) Three (3) representatives of the Government, one of whom shall be designated by the President as Chairman;
- b) Three (3) representatives from the rubber processors/manufacturers association upon the recommendation of their respective confederations duly accredited by the Authority; and
- c) Three (3) representatives from the rubber farmers association upon the recommendation of their respective associations duly accredited by the Authority.

**SEC.7. Powers and Functions of the Board.** - The Governing Board shall act as the policy making body of the Authority to formulate the policies, promulgate regulations and prescribe rules to attain the purposes and objectives of this Act.

**SEC.8. *Term of Office of the members of the Governing Board.*** - Unless sooner removed for cause by the President through the recommendation of their respective association, appointed members of the Governing Board shall hold office for a period of two (2) years from the date of appointments.

**SEC.9. *Organization.*** - The Chief Executive Officer of the Authority shall be the Administrator to be appointed by the President upon recommendation of the Board. He shall be assisted by two (2) Deputy Administrators to be appointed by the President upon recommendation of the Board. The Board shall determine and create organizational structure of the Authority and shall appoint all other officers of the Authority.

**SEC.10. *Powers and Functions of the Administrator.*** - Subject to the control and supervision of the Board, the Administrator shall have the following powers and functions:

- a) Submit policy recommendations and proposed measures necessary to carry out the objectives and functions of the Authority, for the consideration of the Board;
- b) Recommend to the Board for approval, an organizational structure, and plantilla of personnel of the Authority, in accordance with existing laws, rules and regulations;
- c) Execute, administer and implement policies and measures approved by the Board;
- d) Submit to the Board, in line with the national budget cycle, an annual budget and such supplemental budget as may be necessary for its consideration and approval;
- e) Represent the Authority in all its dealings with other persons, entities, agencies and institutions whether public or private, domestic or foreign, subject to the limitations and conditions herein provided;
- f) Appoint, subject to the confirmation of the Board, and discipline or remove for cause in accordance with the civil service law, rules and regulations, the officers and personnel of the Authority; and
- g) Perform such other duties which may be assigned to him by the Board or by the Secretary of the Department of Agriculture.

**SEC.11. *Promulgation of Rules and Regulations*** - The Governing Body shall promulgate rules and regulations for the full implementation of this Act within ninety (90) days of its effectivity. Such rules and regulations shall take effect upon the publication in two (2) newspaper of to time as it may deem appropriate.

**SEC.12. *Annual Report*** - The Board, shall within three months after the end of every fiscal year, submit its annual report to the President. The annual report shall include a statement of the Board's accomplishments together with its plans and recommendation to improve and develop the industry.

**SEC.13. *Priority Projects.*** - Immediately after the approval of this Act, the Authority, in coordination with other related agencies, shall undertake vigorously the following:

- a) Plant Now Pay Later Program for Rubber and other Investment Promotion and Facilitation activities;
- b) Production Support, Research and Extension which include massive nursery development, establishment of budwood gardens in key areas nationwide,

strategic accreditation and plant material certification, technology extension, development and promotion of rubber production and harvesting technologies, technology extension, strengthening farmer coops and industry associations and research on rubber-based cropping system;

- c) Upgrading the efficiency and economy for existing processing facilities and the establishment of additional processing facilities to absorb increased production as well as the establishment of on-site rubber manufacturing plant;
- d) Manpower Development program through training and scholarships.

**SEC.14. *Rubber Development Fund.*** – To implement Section 13 of this Act, there is hereby created a Rubber Development Fund which shall be used exclusively for the above-mentioned programs, initially in the amount of Two hundred million pesos (P 200,000,000) from the funds in the National Treasury not otherwise appropriated. Annually thereafter, not less than One hundred forty million pesos (P140, 000,000) shall be provided to augment the fund in the General Appropriations Act.

**SEC.15. *Exemption from Taxes and Duties.*** – The authority shall be exempt from the payment of customs duties and taxes on the importation of dairy animals, veterinary and other supplies, other farms inputs, rubber equipment and machineries, including spare parts, for distribution to rubber farmers cooperatives subject to the following conditions:

- (1) That said equipment and machineries, including its spare parts are not manufactured domestically in sufficient quantity, of comparable quality and reasonable prices;
- (2) That it shall be actually, directly and exclusively used by the rubber farmers and cooperatives in the manufacture of its products;
- (3) That it shall not be disposed within three (3) years from acquisition, without prior approval of the Authority; and
- (4) If it will subsequently sold, transferred or exchange in the Philippines to non exempt persons or entities, the purchasers and recipients shall be considered the importers thereof, and shall be liable for the customs duties and internal revenue taxes due on such importations. The customs duties and internal revenue taxes due on such articles shall constitute a lien on the article itself, superior to all other charges or liens, irrespective of the processors thereof.

Any donation, contribution, bequest, subsidy or financial aid which may be made to the Authority shall constitute as allowable deduction from the income of the donor for income tax purposes and shall be exempt from donor's tax, subject to such conditions as provided under the National Internal Revenue Code, as amended.

**SEC.16. *Credit Facilities.*** – The Banko Sentral ng Pilipinas shall adopt such monetary and rediscounting policies as may be designed to encourage rural banks, savings and loan associations, commercial banks and other credit institutions to meet financing and credit needs essential to achieve the objectives of this Act.

In addition, the Philippine National Bank, the Land bank of the Philippines and the Development Bank of the Philippines shall design and establish special lending programs at affordable terms for rubber farmers, cooperatives, processors and manufacturers.

**SEC.17. Appropriations.** - There is hereby authorized to be appropriated from the National Treasury not otherwise appropriated, the sums necessary to carry into effect the provisions of this Act: *Provided*, That thereafter, it shall be included in the annual budget of the General Appropriations Act of the year following its enactment into law and every year thereafter.

**SEC.18. Separability Clause.** - If for any reason, any provision of this Act is declared invalid or unconstitutional, the remaining provisions not affected thereby shall continue to be in full force and effect.

**SEC.19. Repealing Clause.** - All other laws, rules and regulations and other issuances or parts thereof contrary to or inconsistent herewith are likewise repealed or modified accordingly.

**SEC.20. Effectivity Clause.** - This Act shall take effect fifteen (15) days following its publication in the *Official Gazette* or in at least two (2) national newspapers of general circulation.

Approved,