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THIRTEENTH CONGRESS OF THE REPUBLIC OF THE PHILIPPINES

First Regular Session

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HECENED BY: lide

SENATE

s. No. <u>331</u>

Introduced by Senator S. R. Osmeña III

EXPLANATORY NOTE

The coconut industry, involving some 3.3. million hectares of land continues to be among the top earners of the country and is a source of income for at least thirty percent (30%) of the country's total population. Today, a new plague threatens the coconut industry in the Philippines. This is the rampant cutting of coconut trees as coconut farms promise nothing to coconut farmers but the prospect of continued impoverishment.

During his presidency, Ferdinand Marcos established the Coconut Levy, total collections of which between 1973 to 1992 have been estimated at a staggering P9.695 billion. Although the Coconut Levy was for all intents and purposes a tax on coconut products collected from coconut farmers, provisions of P.D. No. 961, E.O. No. 490 and P.D. No. 1468 attempted to legalize the allegation that the coco levy funds partook of the nature of private funds. To quote Article III Sec. 5 of P.D. 1468: "xxx the intention being that said fund and disbursements thereof as herein authorized for the benefit of the coconut farmers shall be owned by them, in their own private capacities xxx". This became the basis for the use of the coco levy funds for the acquisition of assets which benefited a few individuals close to the powers that be, but had, however little to do with the welfare of coconut farmers in general. These assets include:

- (a) majority shares of stock of the United Coconut Planters' Bank (UCPB) the so-called coconut farmers' bank, which however for all intents and purposes is no different from the ordinary profit-oriented, risk-shy commercial bank;
- (b) one-third (1/3) of the shares of stock of San Miguel Corporation;
- (c) the United Coconut Planters Life Assurance Corporation;
- (d) the Coconut Marketing Corporation;
- (e) the United Coconut Chemicals, Inc; and
- (f) the luxurious Coconut Palace.

Notwithstanding the dubious effects of the Marcos Decrees, the coconut levy funds should in justice be restored to the 1.4 million farmers who became involuntary contributors to the fund, but have yet to realize beneficial returns from their contributions.

This bill seeks to correct the injustice wrought upon the coconut farmers by strengthening the Philippine Coconut Authority to better serve the needs and interests of the coconut farmers. This bill also reaffirms the Coconut Levy Funds as Public Funds, and reconstitutes the same in the Coconut Industry

Rehabilitation and Development Fund which will be placed in trust for, and for the benefit of the farmers, to be administered by the Philippine Coconut Authority, subject to agreement between the Authority and accredited national organizations of small farmers.

In view of the foregoing, the immediate approval of this bill is earnestly requested.

SERGIO OSMEÑA III

Senator

THIRTEENTH CONGRESS OF THE REPUBLIC OF THE PHILIPPINES

First Regular Session

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RECEIVED BY: Culu

SENATE S.No. 1 331

Introduced by Senator S. R. Osmeña III

AN ACT

STRENGTHENING THE PHILIPPINE COCONUT AUTHORITY, INCREASING THE SMALL COCONUT FARMERS' PARTICIPATION IN, AND THEIR BENEFITS FROM, THE COCONUT INDUSTRY, AND BOLSTERING THE INDUSTRY'S DEVELOPMENT, AMENDING FOR THE PURPOSE PRESIDENTIAL DECREE NUMBERED FOURTEEN HUNDRED AND SIXTY-EIGHT, AS AMENDED, OTHERWISE KNOWN AS THE REVISED COCONUT INDUSTRY CODE.

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

SECTION 1. Section, Article 1 of Presidential Decree No. 1468, as amended, is hereby amended to read as follows:

"SEC. 2. Declaration of Policy. – It is hereby declared to be the policy of the State to promote the rapid integrated and sustainable development and growth of the coconut and other palm oil industry in all its aspects and to ensure that the coconut farmers, ESPECIALLY THE SMALL COCONUT FARMERS, TILLERS, WORKERS AND OWNER-CULTIVATORS WHO COMPRISE THE OVERWHELMING MAJORITY OF THE PEOPLE IN THE COCONUT INDUSTRY, become direct participants in, and beneficiaries of, such development and growth."

SEC. 2. Paragraph (b), (c), (e) and (h) of Section 3, Article II of the same Decree are hereby amended to read as follows:

"b) to formulate and implement a nationwide replanting program using RECOMMENDED [precocious] high-yielding [hybrid] seed nuts and, in the

discretion of the Philippine Coconut Authority, the program may include new areas provided that existing coconut farmers shall always be given priority;

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- c) to distribute, for free, to coconut farmers the HIGH-YIELDING[hybrid] coconut seed nuts herein authorized to be acquired;
- e) in coordination with the HIGH-YIELDING [hybrid] coconut seed farm herein authorized to be established, to conduct genetic and agricultural researches and investigations for the improvement of the coconut palm productivity;
- h) to regulate the marketing and the exportation of ALL COCONUT PRODUCTS [copra] and by-products by establishing standards for domestic trade and export and, thereafter, to conduct an inspection o of all COCONUT PRODUCTS [copra] and its by-products proposed for export to determine if they conform to the standards established;

The same Section is hereby further amended by deleting paragraphs (j) and (p) and adding a new paragraph to be denominated as paragraph (k), which shall read as follows:

CONTROL OR DIRECT, THE GENUINE SMALL COCONUT FARMERS, TILLERS, WORKERS AND OWNER-CULTIVATORS TO FORM THEIR OWN INDEPENDENT ORGANIZATION, FREE FROM DOMINANCE OR PATERNALISM BY GOVERNMENT, LANLORDS OR OTHER INDIVIDUALS OR GROUPS, SO THAT THEY WILL BE IN A POSITION TO PROTECT AND ADVANCE THEIR OWN INTERESTS AND THE DEVELOPMENT OF THE COCONUT AND OTHER PALM OIL INDUSTRY IN COOPERATION AND COORDINATION WITH THE AUTHORITY AND OTHER GOVERNMENT AGENCIES:

The paragraphs (k), (c) and (r) are hereby adjusted as paragraphs (j), (p), and (q), respectively.

Ī	Section 3. The first paragraph of Section 4, Article of the same Decree is
2	hereby amended to read as follows:
3	"SEC. 3. Governing Board. – The corporate powers and duties of
4	the Authority shall be vested in and exercised by a GOVERNING Board of
5	Nine (9) [seven (7)] members to be appointed by the President AS
6	FOLLOWS:
7	A) A REPRESENTATIVE FROM THE SCIENCE AND
8	TECHNOLOGY SECTOR;
9	B) THE ADMINISTRATOR OF THE PHILIPPINE COCONUT
10	AUTHORITY;
11	C) A REPRESENTATIVE OF THE DEPARTMENT OF
12	AGRARIAN REFORM;
13	D) THREE (3) REPRESENTATIVES OF THE SMALL
14	COCONUT FARMERS TO BE APPOINTED FROM AMONG THE
15	NOMINEES OF THE SMALL COCONUT FARMERS ORGANIZATIONS
16	ACCREDITED BY THE AUTHORITY TO COME ONE EACH FROM
17	LUZIN, VISAYAS AND MINDANAO; AND
18	E) TWO (2) REPRESENTATIVES TO COME ONE EACH
19	FROM AMONG THE NOMINEES OF THE RESPECTIVE
20	ORGANIZATION OF COCONUT PRODUCTS MANUFACTURERS AND
21	COCONUT BY-PRODUCTS PROCESSORS ACCREDITED BY THE
22	AUTHORITY;
23	F) A REPRESENTATIVE FROM THE NON-GOVERNMENT
24	ORGANIZATION (NGO) INVOLVED IN THE COCONUT INDUSTRY;
25	THE PRESIDENT SHALL DESIGNATE FROM AMONG THE
26	MEMBERS OF THE CHAIRMAN OF THE BOARD."
27	SEC. 4. Section 6, Article II of the same Decree is hereby amended to
28	read as follows:

"SEC. 6. Compensation of the Members of the Board. – The
members of the Board shall receive a per diem of [two hundred] TWO
THOUSAND pesos for each meeting actually attended: Provided, That
such per diem shall not exceed [one] TEN thousand pesos during any
month for each member."

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SEC. 5. A new Article is hereby inserted after the last section of Article II to be denominated as Article III to read as follows:

ARTICLE III

COCONUT FARMERS

"SECTION 1. PRINCIPAL BENEFICIARIES. — WITHOUT PREJUDICE TO THE RIGHTS OF OTHER SECTORS, THE COCONUT FARMERS, ESPECIALLY THE SMALL COCONUT FARMERS, WHO CULTIVATE THE LAND PERSONALLY OR PHYSICALLY EITHER AS A TENANT OR LESSEE, FARM WORKER, OWNER-CULTIVATOR AND WHO DERIVE THEIR MAJOR SOURCE OF INCOME FROM THE COCONUT FARM, AND THROUGH THEM THE ENTIRE COCONUT INDUSTRY SHALL BE THE PRINCIPAL BENEFICIARIES OF THIS ACT.

"SEC. 2. SELF-INITIATIVE AND SELF-RELIANCE. — IN ORDER TO BENEFIT FROM THE INDUSTRY ON A SUSTAINABLE AND LONG-TERM BASIS, THE SMALL COCONUT FARMERS SHALL DEVELOP SELF-INITIATIVE AND SELF-RELIANCE FOR EFFECTIVE PARTICIPATION IN, AND OPTIMUM BENEFITS FROM, THE DEVELOPMENT OF THE INDUSTRY, AFTER CONSULTATION AND UPON REQUEST OF THE FARMERS, AND FOR THIS PURPOSE, THE AUTHORITY SHALL EXTEND TO THEM ALL POSSIBLE ASSISTANCE.

"SEC. 3. ASSISTANCE TO SMALL FARMERS. – UPON THE REQUEST OF THE COCONUT FARMERS, THE AUTHORITY SHALL ASSIST THEM IN THE FOLLOWING WAYS, AMONG OTHERS;

- "B) ENCOURAGING AND HELPING THEM FORM AND STRENGTHEN THEIR VOLUNTARY AND INDEPENDENT ORGANIZATIONS; ELIMINATING THE OBSTACLES TO THE EXERCISE OF THEIR RIGHT TO SELF-ORGANIZATION THRU A PROGRAM OF INFORMATION, INDUCATINO AND TRAINING AND THROUGH OTHER WAYS OF FACILITATING THE ESTABLISHMENT AND GROWTH OF THEIR OWN ORGANIZATION(S);
- APPROPRIATE AGENCIES, SUCH AS THE DEPARTMENT OF SCIENCE AND TECHNOLOGY, TO FULLY UTILIZE THE COCONUT AND ITS BY-PRODUCTS LIKE COCONUT MEAT AND BAGASSE, COCONUT OIL, COCONUT WATER, COCONUT SHELL, COCONUT COIR AND DUST, AND OTHER BY-PRODUCTS;
- "D) ASSISTING THEM IN ACQUIRING THE LATEST TECHNOLOGY AND EQUIPMENT AS WELL AS IN RAISING FUNDS FOR THE PROCESSING OF ALL COCONUT PRODCUTS AND BY-PRODUCTS ON THE COTTAGE, VILLAGE, AND HIGHER LEVELS;
- "E) PROVIDING THEM THE KNOW-HOW AND SKILLS FOR THE EFFICIENT MARKETING OF THEIR COCONUT PRODUCTS AND BY-PRODUCTS INDIVIDUALLY OR THROUGH THEIR ORGANIZATION/COOPERATIVES BOTH IN THE DOMESTIC AND IN THE INTERNATIONAL MARKET SO THAT THE BENEFITS

THEREFROM WILL DIRECTLY ACCRUE TO THEM RATHER THAN TO MIDDLEMEN;

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"F) COOPERATING WITH THEM INDIVIDUALLY AND COLLECTIVELY, THROUGH THEIR ORGANIZATIONS, IN THE MONITORING OF ILLEGAL CUTTING OF COCONUT TREES, ILLEGAL CONVERSION OF COCONUT LANDS TO OTHER AGRICULTURAL OR NON-AGRICULTURAL USES, AND ALL CASES OF ILLEGAL OR EXPLOITATION OF COCONUT FARMERS, EJECTMENT TENANTS, LESSEES, WORKERS AND OWNER-CULTIVATORS, AND FILING, OR ASSISTING THEM IN THE FILING AND PROSECUTION OR, APPROPRIATE ADMINISTRATIVE AND JUDICIAL CASES TO HELP PROTECT THEIR RIGHTS;

- "G) HELPING THEM IN THE PRODUCTION AND/OR ACQUISITION OF ORGANIC FERTILIZERS AS WELL AS OF BIO-ORGANIC TECHNIQUES OF SOIL ENRICHMENT AND BEST CONTROL; AND MOST IMPORTANTLY.
- "H) HELPING THEM IN PRESSING FOR THE IMMEDIATE AND THOROUGH IMPLEMENTATION OF AGRARIAN REFORM IN ALL COCONUT LANDS."
- SEC. 6. Upon the effectivity of this Act, every reference in existing laws to the Philippine Coconut Producers Federation (COCOFED) shall, subject to the established rights of said federation and consistent with the letter and spirit of this Act, pertain to such genuine national organization, coalition, confederation, or association of coconut farmers accredited by the Philippine Coconut Authority as truly representing the coconut farmers, especially small coconut farmers, for all purposes favorable to them.
- SEC. 7. The whole of Article III, entitled Levies, of Presidential Decree No.
 1468, as amended, is hereby renumbered as Article IV and substituted to read as
 follows:

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"LEVIES

"SECTION 1. LEVIES AND PUBLIC FUNDS. – ALL COCONUT LEVIES ARE HEREBY REAFFIRMED AND DECLARED AS PUBLIC TRUST FUNDS.

"SEC. 2. COCONUT INDUSTRY REHABILITATION AND DEVELOPMENT FUNDS. – ALL THE FUNDS ESTABLISHED FROM THE PROCEEDS OF THE LEVIES, INCLUDING THE COCONUT INVESTMENT FUND, THE COCONUT CONSUMERS STABILIZATION FUND, THE COCONUT INDUSTRY DEVELOPMENT FUND, THE COCONUT DEVELOMENT FUND, AND OTHERS, AS WELL AS ALL THE ASSETS ACQUIRED OR ESTABLISHED THEREFROM, AND ALL THE OTHER ASSETS SET UP USING THE COCONUT LEVY COLECTIONS SHALL FORM PART OF A SINGLE FUND WHICH IS HEREBY CREATED AND WHICH SHALL BE KNOWN AS THE COCONUT INDUSTRY REHABILITATION AND DEVELOPMENT FUND (CIRDF).

"SEC. 3. NATURE AND PRIMARY PURPOSE OR CIRDF. – THE COCONUT INDUSTRY REHABILITATION AND DEVELOPMENT FUND SHALL NOT BE PART OF THE GENERAL FUNDS OF THE NATIONAL GOVERNMENT AND SHALL BE USED EXCLUSIVELY FOR THE REHABILITATION AND DEVELOPMENT OF THE COCONUT INDUSTRY AND THE UPLIFTMENT OF THE LIVES OF THOSE DEPENDENT ON IT, PARTICULARLY THE SMALL COCONUT FARMERS, THE CIRDF SHALL BE SUBJECT TO AUDITING RULES AND REGULATIONS OF THE COMMISSION ON AUDIT.

"SEC. 4. CIRDF UNDER THE PCA. – THE COCONUT INDUSTRY REHABILITATION AND DEVELOPMENT FUND SHALL BE HELD,

ADMINISTERED, UTILIZED, AND/OR DISPOSED OF UNDER THE PROVISION OF SECTION IN HEREOF.

"SEC. 5. INVENTORY OF COCONUT LEVY-FUNDED ASSETS. —
THE AUTHORITY AND THE COMMISSION ON AUDIT SHALL
IMMEDIATELY CONDUCT A THOROUGH INVENTORY OF ALL
ASSETS ACQUIRED OR FUNDED BY THE COCUNT LEVY
COLLECTIONS, WITHIN SIX (6) MONTHS AFTER THE EFFECTIVITY
OF THIS ACT, THE AUTHORITY AND THE COMMISSION ON AUDIT
SHALL MAKE A PUBLIC DISCLOSURE OF THEIR FINDINGS.

"SEC. 6. AUDITING OR EXPENDITURES MADE OUT OF THE LEVY COLLECTIONS. — THE COMMISSION ON AUDIT SHALL CONDUCT AN AUDIT OF ALL THE DISBURSEMENT OR EXPENDITURES MADE OUT OF THE LEVY COLLECTIONS WITH THE END IN VIEW OF DETERMINING WHTHER THOSE EXPENDITURES ARE IN ACCORDANCE WITH THE PURPOSES FOR WHICH THE LEVIES WHERE COLLECTED AND THE RULES AND REGULATIONS CONCERNING THE DISBURSEMENT OF PUBLIC FUNDS. ON THE IMPROPER OR ILLEGAL USE OF THE LEVY COLLECTIONS, THE COMMISSION ON AUDIT, THE PRESIDENTIAL COMMISSION AND GOOD GOVERNMENT, THE AUTHORITY, THE OFFICE OF THE SOLICITOR GENERAL AND OTHER CONCERNED GOVERNMENT AGENCIES SHALL IMMEDIATELY INSTITUTE THE NECESSARY LEGAL ACTIONS WITH THE PRIMARY OBJECTIVE OF RECOVERING THE AMOUNT(S) IMPROPERLY USED.

"SEC. 7. TRANSFER OF COCONUT LEVY-FUNDED ASSETS TO THE PCA – IN COORDINATION WITH THE OFFICE OF THE SOLICITOR GENERAL AND OTHER APPROPRIATE GOVERNMENT AGENCIES, THE AUTHORITY SHALL DRAW UP PLANS OF ACTION FOR THE IMMEDIATE TRANSFER OF THE COCONUT LEVY-FUNDED

ASSETS TO THE AUTHORITY AS THE ADMINISTRATOR OF THE FUND.

"SEC. 8. SAFEGUARDING AND UTILIZATIONOF LEVY-FUNDED ASSETS. – THE AUTHORITY SHALL, IN COORDINATION WITH AND WITH THE CONSENT OF, THE COCONUT FARMERS AND THEIR ORGANIZATIONS, STUDY AND IMPLEMENT THE BEST MANNER BY WHICH EACH OF THESE COCONUT LEVY-FUNDED. ASSETS CAN BE SAFEGUARDED AND EVENTUALLY UTILIZED FOR THE PROGRAMS THAT THE AUTHORITY SHALL PURSUE, WITH THE EMPHASIS ON, AND PRIORITY FOR, THE UPLIFTMENT OF THE LIVES OF THE COCONUT FARMERS.

"SEC. 9. UNITED COCONUT PLANTERS BANK. – THE AUTHORITY, AS ADMINISTRATOR OF THE CIRDF, SHALL REDEFINE OR REDIRECT THE POLICIES OF THE UNITED COCONUT PLANTERS BANK TOWARDS THE PURSUANCE OF THE VERY PURPOSE FOR WHICH IT WAS ESTABLISHED, THAT IS TO PROVIDE THE COCONUT FARMERS READILY AVAILABLE CREDIT FACILITIES AT REASONABLE RATES.

"SEC. 10. COLLECTION OF UNCOLLECTED COCONUT LEVIES.

- THE AUTHORITY SHALL MAKE A PUBLIC DISCLOSURE OF THE COCONUT LEVIES THAT HAVE NOT YET BEEN COLLECTED. IT SHALL DRAW UP AND IMPLEMENT A MORE EFFECTIVE AND EFFICIENT WAY OF COLLECTING THE UNCOLLECTED LEVIES WHICH SHALL BE ADDED TO THE CIRDF.

"SEC. 11. ADMINISTRATION AND DISPOSITION OF ALL FUNDS

AND ASSETS. – ALL FUNDS AND ASSETS HELD OR TO BE HELD BY

THE AUTHORITY IN TRUST FOR, AND FOR THE BENEFIT OF, THE

COCONUT FARMERS SHALL BE ADMINISTERED, UTILIZED AND/OR

DISPOSED OF WHOLLY OR PARTIALLY UNDER EITHER OF THE

FOLLOWING ARRANGEMENTS, DEPENDING ON THE MUTUAL AGREEMENT BETWEEN THE AUTHORITY AND THE ACCREDITED NATIONAL ORGANIZATIONS OF THE COCONUT FARMERS:

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- "A) THE FUNDS AND ASSETS SHALL BE RETAINED BY THE AUTHORITY, AND THE AUTHORITY SHALL ADMINISTER, UTILIZE AND/OR DISPOSE OF THEM AS AGREED TO BY THE AUTHORITY AND THE DULY REGISTERED AND ACCREDITED ORGANIZATIONS OF THE SMALL COCONUT FARMERS. OR
- THE FUNDS AND ASSETS SHALL BE TRANSFERRED TO "B) THE SMALL COCONUT FARMERS ORGANIZATIONS THRU A SINGLE ACCREDITED NATIONAL ORGANIZATION FORMED AND AUTHORIZED BY THEM, FOR THE BENEFIT OF THE COCONUT FARMERS: PROVIDED, THAT THE TRANSFER OF FUNDS AND ASSETS SHALL BE GRADUAL, DEPENDING ON THE CAPABILITY OF THE FARMERS AND THEIR ORGANIZATIONS TO HANDLE THEM: PROVIDED, FURTHER, THAT THE AUTHORITY SHALL ASSIST IN, EXERCISE CONTINUING SUPERVISION OVER AND ADMINISTRATION, UTILIZATION, AND DISPOSITION OF SAID FUNDS AND ASSETS TO INSURE THEIR HONEST AND EFFECTIVE MANAGEMENT FOR THE OPTIMUM BENEFIT OF THE COCONUT FARMERS: PROVIDED, FURTHERMORE, THAT FOR THIS PURPOSE, SIGNATURE AND APPROVAL OF THE AUTHORITY'S THE ADMINISTRATOR OR HIS REPRESENTATIVE SHALL BE REQUIRED FOR EVERY DEPOSIT, ACQUISITION, UTILIZATION, DISBURSEMENT AND ALIENATION OF SAID FUNDS. AS WELL AS FOR EVERY CONTRACT OR AGREEMENT ENTERED INTO CONCERNING SAID FUNDS: AND PROVIDED, FINALLY, THAT THE AUTHORITY AND THE ACCREDITED NATIONAL FEDERATION OF SMALL COCONUT FARMERS SHALL PROMULGATE THE RULES AND REGULATIONS

1	FOR THE ENFORCEMENT AND OBSERVANCE OF ITS
2	SUPERVISORY POWER."
3	SEC. 8. Articles IV and V of the same Decree are hereby renumbered as
4	Articles V and VI, respectively.
5	SEC. 9. The incumbent members of the Board of the Philippine Coconut
6	Authority shall continue to discharge their duties and responsibilities as such until
7	their successors shall have been appointed and qualified.
8	SEC. 10. Any person who is criminally liable as of the effectivity of this Act
9	for violating any of the laws relating to the coconut levies herein repealed or
10	amended shall remain so criminally liable and nothing herein shall extinguish
11	such criminal liability.
12	SEC. 11. The provisions of this Act are hereby declared to be separable.
13	If, for any reason, a provision of this Act is held void or unconstitutional, the same
14	shall not affect the validity of the rest of the provisions of this Act.
15	SEC. 12. All laws, decrees, executive orders, rules and regulations, and
16	other issuance of parts thereof, inconsistent with this Act are hereby repealed,

SEC. 13. This Act shall take effect fifteen (15) days from its publication in

the Official Gazette or in a national newspaper of general circulation.

amended or modified accordingly.

Approved.

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