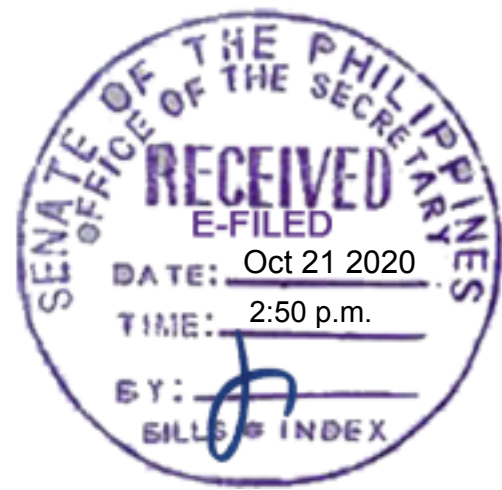


EIGHTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
*Second Regular Session* )



**SENATE**

**P.S. Res. No. 551**

---

Introduced by **SENATOR LEILA M. DE LIMA**

---

**RESOLUTION**  
**DIRECTING THE APPROPRIATE SENATE COMMITTEE TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, INTO THE STATUS OF THE SPECIAL AUDIT BEING UNDERTAKEN BY THE COMMISSION ON AUDIT (COA) ON THE RECOVERED ₱75 BILLION COCO LEVY FUND AS INVENTORIED BY THE PRESIDENTIAL COMMISSION ON GOOD GOVERNANCE (PCGG), WITH THE END VIEW OF MAINTAINING GOVERNMENT TRANSPARENCY AND ENSURING THAT THE PROPER AMOUNT IS RIGHTFULLY USED TO SUPPORT AND COMPENSATE OUR COCONUT FARMERS**

1           WHEREAS, Article II, Section 28 of the 1987 Constitution declares, in part,  
2 that “[t]he State adopts and implements a policy of full public disclosure of all its  
3 transactions involving public interest”;

4           WHEREAS, the 1987 Constitution also mandates that “[t]he Commission on  
5 Audit shall have the power, authority, and duty to examine, audit, and settle all  
6 accounts pertaining to the revenue and receipts of, and expenditures or uses of funds  
7 and property, owned or held in trust by, or pertaining to, the Government, or any of  
8 its subdivisions, agencies, or instrumentalities, including government-owned or  
9 controlled corporations with original charters, and on a post-audit basis: (a)  
10 constitutional bodies, commissions and offices that have been granted fiscal  
11 autonomy under this Constitution; (b) autonomous state colleges and universities; (c)  
12 other government-owned or controlled corporations and their subsidiaries; and (d)  
13 such non-governmental entities receiving subsidy or equity, directly or indirectly,  
14 from or through the Government, which are required by law or the granting  
15 institution to submit to such audit as a condition of subsidy or equity”;

1           WHEREAS, the Coco Levy Fund (CLF) refers to various funds generated from  
2 levies, taxes, charges, and other fees exacted or imposed pursuant to or in connection  
3 with the sale of copra rececada or its equivalent in other coconut products, and  
4 collected mostly from coconut farmers, planters, millers, refiners, processors,  
5 exporters, desiccators, and other end-users of copra rececada or its equivalent in  
6 other coconut product, supposedly for the development of the coconut industry and  
7 improvement of the lives of coconut farmers;

8           WHEREAS, the imposition of coco levy started in 1971 during the Marcos  
9 administration when small coconut industries were first taxed through a ₱0.55 levy  
10 on the sale of every 100 kilogram of copra, as mandated by Republic Act (R.A.) No.  
11 6260 which created the Coconut Investment Fund (CIF). The taxes imposed grew as  
12 years passed, reaching up to ₱100 per 100 kilos;<sup>1</sup>

13           WHEREAS, parts of the CLFs were gradually diversified and went directly or  
14 indirectly to various projects and/or were converted into different assets or  
15 investments. A portion was used to acquire the First United Bank (FUB), now  
16 renamed the United Coconut Planters Bank (UCPB). This was made through the  
17 acquisition of the said bank through the Coconut Industry Investment Fund (CIIF)  
18 companies of a large block of shares of stock of San Miguel Corporation (SMC);<sup>2</sup>

19           WHEREAS, the Supreme Court (SC) observed that certain agencies were  
20 organized and financed with revenues derived from coconut levies, with former high  
21 government officials and their cronies as the main beneficiaries of the resulting  
22 coconut industry monopoly;<sup>3</sup>

23           WHEREAS, when the Presidential Commission on Good Government (PCGG)  
24 was tasked to recover these funds, it issued numerous sequestration orders against  
25 various assets and properties, including the shares of stock in UCPB purportedly  
26 owned by or registered in the names of more than a million coconut farmers and the  
27 CIIF companies, and the SMC shares held by the CIIF companies. After years of  
28 litigation, the SC definitively ruled that the coconut levy funds are in the nature of  
29 taxes and can only be used for public purpose;

---

<sup>1</sup> Elemia, C. (21 January 2017). *Coco levy fund scam: Gold for the corrupt, crumbs for farmers*. Retrieved October 14, 2020, from <https://www.rappler.com/newsbreak/in-depth/coco-levy-fund-scam-coconut-farmers-quezon>

<sup>2</sup> Republic of the Philippines vs. Sandiganbayan, G.R. No. 118661, January 22, 2007, 512 SCRA 25

<sup>3</sup> COCOFED vs. PCGG, G.R. No. 75713, October 2, 1989, 178-SCRA 236

1           WHEREAS, in 2012, the SC affirmed with finality the 2004 Sandiganbayan  
2 decision of recognizing the CLF as “public funds and must be used solely for the  
3 benefit of the coconut industry and its farmers”. However, in the absence of a clear  
4 guideline for its management and utilization, the fund was left untapped for its  
5 original purpose;<sup>4</sup>

6           WHEREAS, based on the inventory conducted by the PCGG as directed by  
7 Executive Order (EO) 179, signed on 18 March 2015 by former President Benigno S.  
8 Aquino III, the “recovered” CLF includes the ₱60.17 billion from the CIIF and the  
9 ₱854.92 million from SMC transferred by the PCGG to the government special  
10 account in the National Treasury. The fund also includes the ₱13.58 billion  
11 government securities transferred by the UCPB and the corresponding interests;<sup>5</sup>

12           WHEREAS, in September 2019, it was announced that the Commission on  
13 Audit (COA) was conducting a special audit on the ₱75-billion coconut levy fund,  
14 which the SC declared should be used for the benefit of coconut farmers and for the  
15 development of the coconut industry. However, no timeline was given as to when the  
16 audit would be finished;<sup>6</sup>

17           WHEREAS, on 5 October 2020, the Senate passed on third and final reading  
18 Senate Bill No. 1396 or the Coconut Farmers and Industry Trust Fund Act. Under the  
19 proposed law, the trust fund will be managed by a board that will craft plans on the  
20 utilization of the levy collected from coconut farmers, which was estimated to have  
21 grown to over ₱100 billion;<sup>7</sup>

22           WHEREAS, the successful completion of COA’s special audit ensures that the  
23 funds are still wholly intact in anticipation of the passage of the Coconut Farmers  
24 and Industry Trust Fund Act which will signify a crucial step towards the return of  
25 these ill-gotten funds to our coconut farmers;

---

<sup>4</sup> Peace & Equity Foundation. (2016). *A Primer on PEF’s Priority Commodities: Industry Study on Coconut*. Retrieved October 14, 2020, from [https://pef.ph/wp-content/uploads/2016/03/Industry-Study\\_Coconut.pdf](https://pef.ph/wp-content/uploads/2016/03/Industry-Study_Coconut.pdf)

<sup>5</sup> Congressional Policy and Budget Research Department. (2020). *CPBRD Policy Brief No. 2020-11. The Coco Levy Fund: Is the Long Wait Finally Over?* Retrieved October 14, 2020, from [https://cpbrd.congress.gov.ph/images/PDF%20Attachments/CPBRD%20Policy%20Brief/PB2020-11\\_Coconut\\_Levy\\_Funds\\_Revised.pdf](https://cpbrd.congress.gov.ph/images/PDF%20Attachments/CPBRD%20Policy%20Brief/PB2020-11_Coconut_Levy_Funds_Revised.pdf)

<sup>6</sup> Colcol, E. (17 September 2019). *COA conducting special audit on coco levy funds*. Retrieved October 14, 2020, from <https://www.gmanetwork.com/news/news/nation/708403/coa-conducting-special-audit-on-coco-levy-funds/story/>

<sup>7</sup> Ramos, C. M. (5 October 2020). *Senate passes coco levy trust fund bill on final reading*. Retrieved October 14, 2020, from <https://newsinfo.inquirer.net/1343866/senate-passes-on-final-reading-coco-levy-trust-fund-bill>

1           WHEREAS, it has already been almost five decades since the imposition of the  
2 coco levy and plenty of coconut farmers have already died of old age without any of  
3 these taxes imposed on them ever being returned;

4           WHEREAS, coconut farmers are already one of the poorest and most  
5 marginalized sectors in society. They are confronted with many disadvantages that  
6 prevent them from escaping the generational cycle of poverty, such as security of  
7 land tenure, lack of institutional support, lack of access to basic social services and  
8 exposure to environmental hazards such as typhoons and storm surges. The long  
9 overdue return of these funds is not to be taken as a cure-all for these systemic  
10 problems but rather a correction of one of history's greatest injustices committed  
11 against our coconut farmers through different administrations;

12           WHEREAS, it is imperative to conduct an inquiry on the progress of COA's  
13 special audit as the actual status of the multi-billion fund is crucial in ensuring the  
14 integrity and protection of the funds which are intended for the improvement of the  
15 lives of coconut farmers and for the development of the coconut industry;

16           NOW, THEREFORE, BE IT RESOLVED BY THE SENATE, to direct the  
17 appropriate Senate Committee to conduct an inquiry, in aid of legislation, into the  
18 status of the special audit being undertaken by the Commission on Audit (COA) on  
19 the recovered ₱75 billion Coco Levy Fund as inventoried by the Presidential  
20 Commission on Good Governance (PCGG), with the end view of maintaining  
21 government transparency and ensuring that the proper amount is rightfully used to  
22 support and compensate our coconut farmers.

*Adopted,*

  
**LEILA M. DE LIMA**