

SENATE

Senate Bill No. 738

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INTRODUCED BY SEN. JINGGOY EJERCITO ESTRADA

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EXPLANATORY NOTE

The Constitution mandates the State to formulate policies *"that provide adequate social services, promote full employment, a rising standard of living, and an improved quality of life for all."* (Article II, Section 9)

Countless solutions, plans and programs, both old and new, have rightly been forwarded. Among the many, two general summaries can be inferred. The first is the distribution of aids and grants to the less and underprivileged in our cities and countryside. The other manner by which poverty is tackled is by providing technical and financial assistance through loans. It has been often said, "it is better to teach a man how to catch a fish than just give him a fish." The question now is "What will happen if the man who was taught how to catch a fish does not have the means to produce by himself the rod he needs to fish?" Many plans and programs failed and blueprints unable to leave the drafting table because critical factors were not taken into account.

It is necessary to look closer at state-sponsored or supported poverty alleviation programs and develop mechanisms that weigh the critical factors of finance, management and organization capability as well as the issue of existence, essential to consider in discussing the standard of living and the quality of life for all.

The Landbank and other government financial institutions provide credit to cooperatives. However, primary (small and starting cooperatives) cooperatives find it difficult to access these credit facilities. This bill intends to provide, through a Cooperative Trust Fund, access to credit for primary cooperatives that need support from the government.

  
JINGGOY EJERCITO ESTRADA  
Senator

10 JUL -7 P4:18

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Senate Bill No. 738

PRESENTED BY



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INTRODUCED BY SEN. JINGGOY EJERCITO ESTRADA

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AN ACT  
ESTABLISHING A FIVE BILLION PESO (Php5,000,000,000.00)  
COOPERATIVE TRUST FUND THAT WILL PROVIDE FINANCING FACILITIES  
TO LIVELIHOOD PROGRAMS OF COOPERATIVES AND APPROPRIATING  
THE NECESSARY SUM FOR INCLUSION IN THE GENERAL  
APPROPRIATIONS ACT OVER A PERIOD OF FIVE (5) CONSECUTIVE  
FISCAL YEARS IN FIVE EQUAL APPORTIONMENTS

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

**SECTION 1. Declaration of Principles and Policy.** - It is the declared policy of the State to free the people from poverty through the promotion of full employment, a rising standard of living, and an improved quality of life for all (Constitution, Article 2, Section 9).

The State recognizes that the promotion of social justice shall include the commitment to create economic opportunities based on freedom of initiative and self-reliance (Constitution, Article 13, Section 2).

The State has identified cooperatives as private enterprises that can promote industrialization and full employment based on sound agricultural development and agrarian reform (Constitution, Article 12, Section 1).

The State mandates the Government and all its branches, subdivisions, instrumentalities and agencies to ensure the provision of technical guidance, financial assistance and other services to enable cooperatives to develop into viable and responsive economic enterprises (RA No. 6938, "Cooperative Code of the Philippines." Chapter 1, Article 2).

**SEC. 2. Creation of a Cooperative Trust Fund.** - The Government shall provide financial assistance to cooperatives through the creation of a Cooperative Trust Fund with the Landbank of the Philippines, a Government Financial Institution, hereinafter referred to as the Landbank, which shall manage the loans of these private enterprises based on the provisions of this Act.

The Cooperative Trust Fund, hereinafter referred to as the Trust Fund, shall amount to Five Billion Pesos (Php 5,000,000,000.00).

**SEC. 3. Fund Sources.** -The following fund sources shall be used to finance the Trust Fund established in Section 2 hereof:

a) Cooperative Support Fund, formerly the Samahang Nayon Support Program (SNSP) established under a project agreement between the United States Agency for International Aid (USAID) and the National Economic Council of the Philippines;

b) Cooperative Rural Development Loan Fund, formerly administered by the defunct Regional Cooperative Development Assistance Offices IX & XII (RCDAO IX & XII);

c) Cooperative Marketing Project Fund as established under a loan agreement between the Governments of the Philippines and United States of America, through the USAID for Cooperative Marketing; and

d) Cooperative Development Loan Fund established under Presidential Decree No. 175.

Congress shall appropriate an amount that is necessary to augment the sum total of the funds enumerated above to be automatically included into the General Appropriations Act over a period of five (5) consecutive fiscal years to commence on the year of effectivity of this Act in five equal apportionments to be deposited in trust to the Landbank.

The Landbank shall automatically provide for a counter-part fund equal to the amount appropriated by Congress for a particular fiscal year.

**SEC. 4. The Board of Trustees.** - A Board of Trustees of the Trust Fund, hereinafter referred to as the Board, is hereby created. The Board of Trustees shall be composed of the following:

1. The Chairman of the Cooperative Development Authority as Co-Chairman;
  2. A representative from the private cooperative sector appointed by the President of the Republic of the Philippines as Co-Chairman;
  3. President of the Landbank of the Philippines as Vice-chairman;
  4. The Secretary of Finance as Member;
  5. The Director-General of the National Economic Development Authority as Member;
  6. The Cooperative Committee Chairperson of the Senate as Member;
- and
7. The Cooperative Committee Chairperson of the House of Representatives.

The representative from the private cooperative sector shall be appointed for a term of six (6) years.

The Board shall convene within fifteen (15) days from the date of effectivity of this Act and shall meet at least twice a year thereafter.

The Board of Trustees shall hold office at the central office of the Landbank of the Philippines.

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

1. Formulate, revise or adjust periodically all policies on the utilization of the Cooperative Trust Fund and to promulgate the necessary rules and regulations for the effective implementation of this Act;

2. Monitor the implementation of the loan and trust fund program.

**SEC. 6. Loans Management.** - The Board shall determine the necessity of requiring borrowing cooperatives to attend a marketing and management seminar to be conducted by the Cooperative Development Authority, taking into consideration the capability of the borrowing cooperative in managing its affairs. Borrowing cooperatives that are required to undergo the CDA seminar shall submit a certificate of attendance from the CDA together with all other requirements to be imposed by the Board in applying for a loan under the cooperative trust fund program. The CDA seminar shall focus on providing borrowing cooperatives the required skills in the preparation of the documentation for loan as well as management and marketing expertise to ensure success of the project.

**SEC. 7. Interest on Loans.** - The Landbank is hereby authorized to impose a maximum annual interest on loans equal to fifty percent (50%) of the prevailing market rate of interest imposed by Landbank under its agrarian lending program.

**SEC. 8. Loans Evaluation and Approval.** - The following are the only types of loan that may be extended to cooperatives from the Trust Fund:

a) PRODUCTION LOAN - loans to finance income generating cooperative programs such as crops, fisheries and livestock-based projects;

b) WORKING CAPITAL LOAN - loans to finance the start-up operation of the cooperative project such as labor costs, fuel, rental of facilities and marketing;

c) FIXED ASSET LOAN - loans to be utilized for the acquisition of new or upgrading of existing facilities and equipment;

d) TRADING CAPITAL LOAN - loans to be used for the purchase of raw materials; and

e) REDISCOUNTING LOAN - rediscounting of Promissory Notes (PNs) of eligible credit cooperatives/unions and other registered organizations

The evaluation and approval of loans shall remain the sole responsibility of the Landbank subject to the guidelines and policies set by the Board of Trustees of the Cooperative Trust Fund.

Loans, however, may only be granted to cooperatives based on the following pre-qualifying requirements:

1. Must be duly registered with the CDA;

2. Must have a membership of at least sixty (60) individuals;

3. All members should have attended pre-membership education seminar (PMES) given by the CDA accredited trainers. (Attendance certificate needed); all eligible borrowers should have attended a membership education seminar (MES) given by CDA accredited trainers. (attendance certificate needed);

4. With a minimum paid-up share capital. The Board of Trustees shall determine the amount;

5. With an ongoing capital build-up program resulting in an increase in paid-up share capital per member. The Board of Trustees shall determine the amount of increase in paid-up share capital;

6. With written policies, systems, procedures, and short/long-term plans on:

- a) Membership management including continuous membership expansion;
- b) Capital build-up and savings mobilization;
- c) Credit including loan pricing and collection;
- d) Accounting and internal control systems; and
- e) Budgeting; and

7. Must have been accredited by the Cooperative Development Authority for at least six (6) months prior to its application for a loan.

The Board is hereby authorized to formulate additional pre-qualifying requirements for borrowing cooperatives, taking into consideration the policies set forth in RA 6938 and in this Act.

**SEC. 9. Audit.** - The Commission on Audit shall be the ex-officio auditor of all the funds provided for in this Act and is, accordingly, empowered to designate and appoint its representative(s) and other subordinate personnel to perform such necessary audit duties as the Commission shall direct. They shall be responsible to and shall only be removed by the Commission on Audit.

**SEC.10 . Sunset Review.** - As the need arises, the Congress shall conduct a sunset review of the accomplishments and impact of the Trust Fund program as well as the performance of its implementing agencies for purposes of determining whether or not the Trust Fund program and the corresponding appropriations mentioned in this Act deserve to be continued based on a cost-benefit analysis thereof. If the result of the review is unfavorable, then the appropriate Committee of Congress shall not report favorably any bill or resolution that authorizes the enactment of a new budget authority for the Trust Fund program.

For purposes of this Act, the term "sunset review" shall mean, with respect to the Trust Fund program, a systematic evaluation by the committees of the Senate and House of Representatives which have legislative jurisdiction over such programs, with the assistance of appropriate agencies and congressional support agencies, to determine the merits of the program, justify its continuation rather than termination or its continuation at a level less than, equal to, or greater than the existing level. Such review shall be undertaken in the scope and the detail the committee having jurisdiction deems appropriate and shall include, but not limited to, an assessment of the degree to which the original objective of the program has been achieved, of the problem it was intended to address, and the costs and benefits of the program.

**SEC. 11. Separability Clause.** - Should any part of this Act be declared unconstitutional, the rest of the provisions of this Act shall not be affected thereby.

**SEC. 12. Repealing Clause.** - All laws, decrees, executive orders, proclamations, rules and regulations, and issuances, or parts thereof which are inconsistent with the provisions of this Act, are hereby repealed, amended or modified accordingly.

**SEC. 13. Effectivity Clause.** - This Act shall take effect fifteen (15) days from its publication in a newspaper of general circulation.

*Approved,*