



LEGISLATIVE RESEARCH SERVICE

QUICK NOTES

Second Regular Session, 19th Congress

3rd Public Hearing of the Committee on Cooperatives joint with the Committees on Constitutional Amendments and Revision of Codes; Ways and Means; and Finance

Chairperson: Sen. Imee R. Marcos

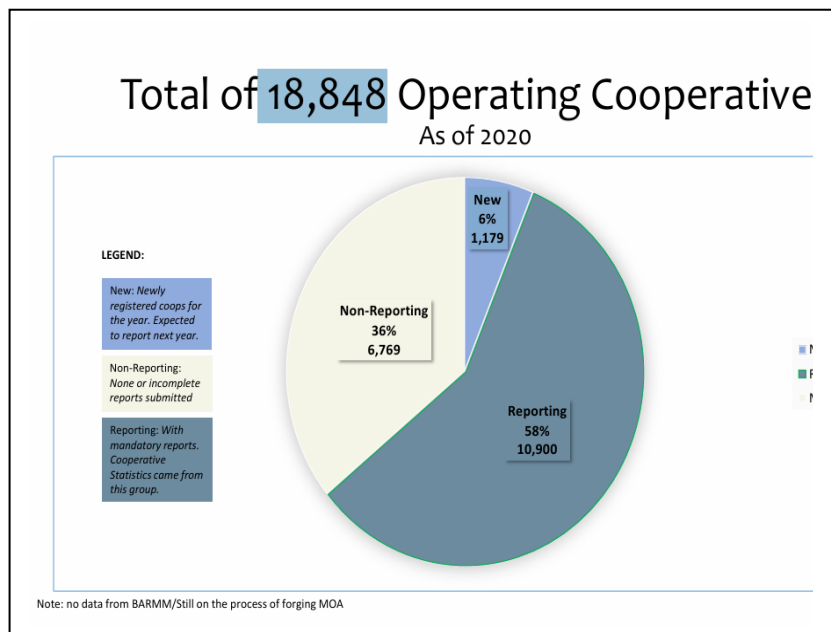
15 May 2024, Wednesday, 1:00 PM, Sen. Recto Room, Senate

Re: Amendments to the Cooperative Code of the Philippines

- **S. No. 418—Sen. Imee R. Marcos**
- **S. No. 2378—Sen. Jinggoy Ejercito Estrada**
- **S. No. 2480—Sen. Joseph Victor “JV” G. Ejercito**
- **H.No. 9673—Reps. Nicanor B. Briones, et.al.**

Background

- Updating the Philippine Cooperative Code of 2008, under Republic Act No. 9520, is crucial for ensuring the continued growth and sustainability of the 18,848 operating cooperatives¹ in the country. This update aims to address current challenges, incorporate best practices, and align the Code with recent economic and social developments.



- During the previous hearing of the Committee on Cooperatives on March 11, 2024, representatives from various cooperatives across the country, along with representatives from government agencies, expressed their strong support for the proposed amendments to the Cooperative Code. They emphasized the need for

¹ Sourced from: https://cda.gov.ph/wp-content/uploads/2021/09/2020-Statistics_rev6.pdf#:~:text=Total%20of,18%2C848%20Operating%20Cooperatives

modernization and reform to enhance the operational efficiency and competitive edge of cooperatives.

- As the Committee reconvenes to resume its public hearing, it will continue to receive and consider the detailed positions of these cooperatives and government agencies. This collaborative effort is essential to ensure that the amendments to the Cooperative Code are comprehensive, effective, and reflective of the needs and aspirations of the ever-growing cooperative sector.

Highlights of the Second Public Hearing

- *Sen. Imee Marcos, Chairperson of the Committee on Cooperatives*, cited a number of issues on the proposal, including, among others, the following:
 - ⇒ Inclusion of foreign cooperatives in a local federation;
 - ⇒ Implementation of share voting;
 - ⇒ Grant of tax exemption privileges to cooperatives;
 - ⇒ Coop Education and Training Fund (CETF); and
 - ⇒ Classification of different categories and types of cooperatives.
- *Undersecretary Luis Meinrado Pañgulayan* of the Department of Agrarian Reform (DAR) expressed his support for the proposal, with the exception of the provision concerning agrarian reform cooperatives. He emphasized that these cooperatives, being special purpose entities, require careful consideration before allowing foreign ownership.

The Undersecretary recommended that any decision regarding foreign ownership of agrarian reform cooperatives should be reviewed by the Presidential Agrarian Reform Council. He also suggested that if these cooperatives seek foreign assistance, they should establish agribusiness venture arrangements instead.²

- *Mr. Noel Raboy* of CLIMBS Life and General Insurance Cooperative expressed openness to allowing 40% share capital holdings in a federation, on the condition that such shares do not carry voting rights.³
- *Rep. Felimon Espares* clarified that in the House bill, the provision on share voting is made optional. This means that cooperatives, through their by-laws, can choose to implement either share voting or incentive voting.
- *Mr. Edwin Bustillos* of the Philippine Chamber of Cooperatives emphasized their commitment to the sixth cooperative principle, which is cooperation among cooperatives. He further stated that the specifics regarding foreign cooperatives' investment, participation, or membership should be determined by the local federation. Additionally, he suggested that the specifics of the

² Paraphrased from the TSN of the Public Hearing of the Committee on Cooperatives, March 11, 2024, p. 47.

³ *Ibid.*, pp. 92-93.

provision should be outlined in the implementing rules and regulations of the law.⁴

- *Ms. Marlene Sindayen* of Novaliches Development Cooperative (NOVADECI) suggested that cooperatives should not be required to provide the tax identification numbers of their members when applying for or renewing their certificates of tax exemption. She explained that this requirement is particularly burdensome for cooperatives with a large membership.⁵

Possible Points for Discussion

1. Provisions that may no longer align with the current economic, technological, and social landscape, necessitating updates to reflect modern practices and challenges.
2. Clarifying regulations on foreign investment and ownership in cooperatives, particularly for agrarian reform cooperatives, to balance foreign assistance with the protection of local interests.
3. Streamlining the process for obtaining and renewing tax exemptions to reduce the administrative burden on cooperatives, especially those with large memberships.
4. Does the CDA have the most current data on cooperatives? If not, what challenges or issues might be contributing to this lack of updated information?
5. What are the main reasons for cooperatives failing to submit required reports to the Cooperative Development Authority (CDA)? How does the CDA currently monitor and enforce compliance among cooperatives, and what challenges are faced in this process?
6. How does non-reporting impact the transparency and accountability of cooperatives, both internally (to members) and externally (to regulatory bodies)?

⁴ Paraphrased from the TSN of the Public Hearing of the Committee on Cooperatives, March 11, 2024, pp. 33-34.

⁵ *Ibid.*, pp. 86-87.