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Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Fifteenth Congress
First Regular Session

HOUSE BILL NO. 1038

Introduced by Honorable Florencio G. Noel

EXPLANATORY NOTE

The islands that make up the Philippine archipelago is green with the graceful leaves of the coconut tree. Sixty-eight of the seventy-nine provinces of the country are coconut areas. Of 12 million hectares of farmland, 3.1 million hectares easily a fourth, are coconut grown. The coconut industry is expectedly one of the major sources of employment generation. Supposed to be one of the leading industries, it is strongly depended upon for foreign exchange earnings.

But it has not given its full potential. The late Hon. Ramon Mitra, erstwhile Secretary of Agriculture, statesman and at one time Speaker of the House sought to correct the matter by filing HB 32445 during the 8th Congress. Unfortunately, for reasons now difficult to explain the bill did not become a law. Over the years stagnation has characterized the industry. Starting with senile or badly unhealthy trees that give very low yield, costly and outdated processing methods that result in inferior quality copra oil, the industry declined. No advantage has been taken of the many high value by-products that coconut oil can give through technological development

Clearly, there is an urgent need for an agency mandated to oversee and supervise an integrated approach that will result in the coconut industry producing and yielding all it can. This agency if it is to succeed must be properly manned and full funded so it can be the source of needed economic uplift the country badly needs.

Interested experts, pundits in science and technology, as well as knowledgeable economic gurus have enumerated factors that need immediate attention if the Philippines desire to be globally competitive, specifically in the copra oil industry. First low yield, poor quality trees have to be substantially improved by continuous study and experimentation. Added to this extensive research for more and improved coco by-products must be sustained germane to this a close study of improved copra soil extraction and processing and needs to be given priority. In this way can high value copra oil be guaranteed to produce downstream excellent coco products. Then knowledgeable marketing strategies and strong credit institutions need to be brought in.

Our tree of life, properly nurtured and never neglected, can ensure a sustained quality of life for always employed farmers, lessees and tillers who all can in the process be direct participants in and beneficiaries of the industry. On this industry, its viability

and sustained improvement in the areas of production processing and marketing and intensive research depends and can well guarantee the economic well being of a major part of the country's population. In view of the foregoing immediate approval of this bill is earnestly sought.

A handwritten signature in black ink, consisting of a stylized 'F' followed by a series of loops and a long horizontal stroke.

FLORENCIO G. NOEL

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1
2 **AN ACT**
3 **REVITALIZING THE COCONUT INDUSTRY, APPROPRIATING**
4 **FUNDS THEREFOR AND FOR OTHER PURPOSES**
5

6 *Be it enacted by the Senate and House of Representatives of the Philippines*
7 *in Congress assembled:*
8

9 **ARTICLE I**

10
11 **GENERAL PROVISIONS**
12

13 SECTION 1. *Short Title.* – This Act shall be known as “*The*
14 *Coconut Industry Development Act of 2008.*”

15 SEC. 2. *Statement of Policy.* – It is the policy of the State to
16 recognize the essential role of coconut as a strategic, indigenous,
17 replenishable and renewable source of livelihood for a great number of
18 people.

1 Towards this end, the State shall promote the rapid, steady and
2 continuous integrated development and growth of the coconut industry in all
3 its aspects and ensure that the coconut farmers, farm workers, processors,
4 lessees and tillers, and their families, shall become direct participants in, and
5 beneficiaries of, such development and growth thereby increasing their
6 income and uplifting their quality of life.

7 **SEC. 3. *Goals and Objectives.*** – Pursuant to the above-mentioned
8 policy, the effort of government shall be directed towards the following goals
9 and objectives:

10 a) Promote the steady, accelerated and orderly development of the
11 coconut industry consistent with the agrarian reform policy of the
12 government;

13 b) Develop and establish the coconut based farming systems including
14 but not limited to the establishment of model coconut farms;

15 c) Hasten and advance industrialization in the coconut industry and
16 the diversification and proper utilization of coconut products and by-products;

17 d) Promote the effective utilization and marketing of coconut products
18 and by-products in the domestic and foreign markets and preserve the
19 competitiveness and reliability of the country as a major producer and supplier

1 of said products, by establishing national standards acceptable in the
2 international market

3 e) To increase production by expanding the planting and replanting
4 program of coconut trees in strategic areas identified as having the most
5 potential;

6 f) Conduct scientific researches and investigations in all areas
7 pertaining to agricultural, industrial, marketing and socio-economic aspect
8 of the coconut industry and encourage the participation of small farm
9 holders in research and technology;

10 g) Encourage and promote the organization of coconut farmers
11 cooperatives, associations, and organizations and provide them credit and
12 financing schemes;

13 h) Generate and disseminate information and communication to
14 farmers, producers and other sectors to ensure the appreciation and adoption
15 of appropriate technology and practices, inventions, as well as the proper
16 awareness and correct understanding of issues and development in the
17 coconut industry; and

18 i) Coordinate and integrate all efforts of various agencies of
19 government and provide general direction for the steady and orderly
20 development of the industry.

1 **ARTICLE II**

2
3 **PHILIPPINE COCONUT INDUSTRY DEVELOPMENT**

4 **AUTHORITY**

5 SEC. 4. *Philippine Coconut Industry Development Authority.* –

6 To implement the policy and objectives of this Act, there is hereby created
7 and established a corporate body known as the Philippine Coconut Industry
8 Development Authority (PHILCIDA), hereinafter referred to as the
9 Authority.

10 SEC. 5. *Powers and Functions.* – The Authority shall exercise the
11 following powers and functions:

12 a) Formulate and adopt a general program of development geared
13 towards increased farm productivity, through planting or replanting of
14 suitable seedling varieties, rehabilitation and fertilization of coconut,
15 integrated coconut-based farming systems and product processing, and
16 whenever necessary, the construction of related support and infrastructure
17 facilities. For this purpose, the Authority shall adopt a special program to
18 maximize the yield of small coconut farmers and their farm families
19 particularly those farms covered by the agrarian reform program of the
20 government;

1 b) Undertake scientific researches and investigations on crop and
2 varietal improvement, pests and diseases, agronomy and mineral nutrition,
3 coconut wood utilization, virology and biochemistry and epidemiology of
4 *cadang-cadang*, and such other similar studies on varietal and crop
5 improvement of general or local suitability;

6 c) Undertake scientific researches and investigations on food, non-
7 food products and by-products including bio-diesel, directly or in
8 collaboration with other public agencies or the private sector;

9 d) Establish, maintain and operate such number of research centers
10 and experiment stations, including laboratories, seed gardens, nurseries, pilot
11 farms and industrial facilities as may be necessary to undertake extensive
12 research in coconut pests and diseases, improvement of copra, manufacture
13 of coconut products and by-products and the greater utilization of the
14 coconut for traditional and non-traditional uses;

15 e) Purchase or fabricate such machineries, material, equipment and
16 supplies as may be necessary to execute successfully such researches,
17 investigations and experimental work as provided under this Act on its own
18 or in partnership with other agencies;

19 f) Conduct intensive studies and data research, establish and
20 maintain a database of primary, accurate and reliable information on coconut

1 culture, production, pricing capacity, marketing, inventories as well as
2 scientific thesis and treaties in coordination with other government offices,
3 the private sector and international agencies and bodies;

4 g) Promote the utilization and integration of in-house developed
5 technologies;

6 h) Construct, invest, establish and operate integrated coconut
7 centrals, processing plants and integrated processing mills and other support
8 facilities in aid of its research and development function;

9 i) Create subsidiaries or enter into partnerships or joint ventures
10 with any public or private foreign or local entity, natural or juridical, and
11 acquire, own or hold shares of stock or interest therein for the purpose of
12 fully utilizing the commercial value of pioneer and new technology
13 generated in the industry, or of financing the manufacture, on commercial
14 scale, of coconut trees: *Provided*, That such subsidiary, partnership, joint
15 venture, which the Authority is authorized to create, shall be governed by
16 the provisions of general laws applicable to corporations and such entities:
17 *Provided, further*, That after such partnership, subsidiary, or joint venture
18 with private Filipino citizens or entities authorized to be created shall have
19 become fully viable for commercial operation, and the Authority has
20 recovered its investments or contributions the Authority shall immediately

1 divest itself of its interest over the partnership, subsidiary, or joint venture in
2 favor or any private person or entity. For purposes of this paragraph, the
3 Authority shall make studies and investigations of the enterprises and
4 projects for which the loans, contributions and subscriptions to the capital of
5 the enterprise or investments mentioned are needed, and determine the
6 advisability of financing the same;

7 j) Promote, encourage and help coconut planters, farmers,
8 processors and workers organize themselves into associations and
9 cooperatives to give them greater control in the marketing of their products
10 and to help them obtain more credit facilities to register and accredit such
11 associations and cooperatives for purposes of participation in the
12 developmental programs of the Authority: *Provided*, That the Authority
13 shall not directly or indirectly influence the farmers in the exercise of their
14 choice or selection of candidates or leaders in the organizations;

15 k) Render training, extension service programs and disseminate
16 information to coconut farmers, farm workers and processors relative to
17 production technology, marketing systems and other technical skills and
18 values, attitude formation and socio-economic development strategies;

19 l) Expand and develop the domestic and foreign market for coconut
20 products and by-products;

1 m) Regulate the marketing and the exportation of coconut products
2 and by-products to conform with quality or food standards recognized by
3 both the domestic and international market;

4 n) Take samplings and conduct examination of any copra product to
5 measure and determine its moisture content as required in the trade; conduct
6 laboratory analysis to determine the chemical characteristics of coconut
7 products and by-products including the presence of toxin and other
8 contaminations and issue the necessary commodity clearance and export
9 permit: *Provided*, That the Authority may withhold the issuance of such
10 clearance or permit, or suspend or cancel any clearance or permit already
11 issued in case of violation by the holder of any provision of this Act or rules
12 and regulations duly promulgated by the Authority;

13 o) Require exporters, traders, millers, refiners, desiccators, oleo-
14 chemical processor, other manufacturers and end-users of coconut products
15 and by-products to submit periodic reports of production, receipts of
16 deliveries or purchases or both, sales, inventory, contracts and such other
17 data the Authority may deem necessary to properly and effectively promote
18 the development of the industry. All information given to the Authority by
19 the individual firms shall be confidential in nature and could not be used
20 against them;

1 p) Undertake, initiate or participate in trade missions to obtain better
2 preferential trading arrangements with importing countries, and enter or
3 otherwise participate in behalf of the coconut trading industry in all
4 agreements, arrangements, missions or conventions with any foreign
5 government or entity with respect to trading relations, market quotas, tariff
6 and non-tariff barriers and such other matters affecting the export of coconut
7 products and by-products;

8 q) Provide, in coordination with the private sector, a system of
9 accreditation of association of traders, millers, desiccators, farmers,
10 exporters and end-users of coconut products;

11 r) To assist coconut farmers, organizations in marketing their
12 products locally or abroad when the need arises;

13 s) Assist coconut farmers organizations in establishing farmer-
14 owned bonded warehouses and processing facilities;

15 t) Impose and collect all fees, charges, assessments and imposts
16 including interests and surcharges authorized under this Act or its
17 implementing rules and regulations and disburse funds generated by the
18 Authority from its operations to carry out its functions;

19 u) Grant or accept and receive donations of any kind for any
20 purpose not inconsistent with the purposes of this Act;

1 v) Enter into, make and execute contracts of any kind as may be
2 necessary or incidental to the attainment of its purposes;

3 w) Promulgate its own rules for investigation and procedure to
4 investigate complaints involving violations of this Act or any rules and
5 regulations issued pursuant thereto, or any such other laws, rules and orders
6 affecting the coconut industry; attribute or settle conflicting claims or render
7 the appropriate decision or award including the imposition and
8 administrative penalty of suspension of license, registration, permit or
9 clearance issued in accordance with this Act;

10 x) Order the closure of any mill, refinery, processing firm, copra
11 warehouse or any place or building where coconut products are stored or to
12 intercept and seize any vehicle or ship or vessel carrying or transporting
13 coconut products where there is reasonable ground to believe that the owner,
14 possessor or person or persons in control of such place, building, vehicles,
15 ship or vessel, of such products have violated the provisions of this Act or
16 any rules and regulations promulgated thereto in a manner that is prejudicial
17 and detrimental to the coconut industry, or the consuming public;

18 y) Develop and recommend measures and methodology quarantine
19 for coconut products and by-products and to impose such restrictions in the

1 transport movement or handling of the same in accordance with such
2 standards and quarantine procedure determined by the Authority;

3 z) Call upon or deputize any official or law enforcement agency of
4 the government as may be necessary to assist the Authority in carrying out
5 and enforcing its functions under this Act;

6 aa) Obtain loans and grants from local and foreign sources to finance
7 or support the operations of the Authority under this Act;

8 bb) Issue *subpoena* or *subpoena duces tecum* to summon witnesses to
9 appear in any investigation or hearing conducted by it; and

10 cc) Exercise all powers and functions necessary or incidental to
11 attain the national policy and objectives under this Act.

12 **ARTICLE III**

13 **BOARD OF DIRECTORS AND OTHER PERSONNEL**

14 SEC. 6. ***Board of Directors.*** – The corporate powers and duties of
15 the Authority shall be vested and exercised by a Board of Directors,
16 hereinafter referred to as the Board, composed of eleven (11) members to be
17 appointed by the President, five (5) of whom shall represent the coconut
18 farmer sector, the trading and processing sector and the science and research
19 sector. The chairman shall be designated by the President from among the
20 members appointed.

1 SEC. 7. ***Tenure.*** – The members of the Board shall hold office for
2 a term of six (6) years or until their successors shall have been appointed and
3 qualified or unless sooner removed for cause. The first members of the
4 Board to be appointed under this Act shall hold office as follows: Three (3)
5 members for two years, Four (4) members for four years and Four (4)
6 members, inclusive of the chairman, for six years. Appointment to vacant
7 positions shall only be for the unexpired term of the predecessor.

8 SEC. 8. ***Powers and Functions.*** – The Board shall exercise the
9 following powers and functions:

10 a) Formulate and adopt a national government plan for the coconut
11 industry and promulgate the necessary rules and regulations, policies and
12 measures in support of the plan;

13 b) Prescribe the organization of the Authority and fix the
14 compensation of all its personnel in accordance with law and determine and
15 grant such allowances and incentives as it may deem proper with the rates to
16 be approved by the Department of Budget and Management;

17 c) Reorganize the Authority when there is a need to institute reforms
18 in the organizational structure to effect economy and promote efficiency.
19 For this purpose, the Board may group, coordinate, consolidate or integrate
20 positions and create, classify, split and abolish positions;

1 d) Adopt, promulgate or amend, revise, modify or repeal rules and
2 regulations necessary to implement the provisions of this Act;

3 e) Appoint the administrator and deputy administrators and other
4 officers upon the recommendation of the chairman and chief executive
5 officer;

6 f) Approve the annual budget and such supplemental budgets of the
7 Authority;

8 g) Review, revise, modify, increase or decrease the fees and
9 assessment authorized to be collected in this Act as market condition may
10 warrant taking into account public interest, cost of services and the prices of
11 coconut products and by-products; and

12 h) Perform such other duties as may be assigned to it by the
13 President of the Philippines.

14 SEC. 9. ***Quorum and Meeting.*** – The Board shall meet as often
15 as the exigency of the service may demand. The presence of at least six (6)
16 members shall constitute a quorum and the vote of a majority of the
17 members present constituting a quorum shall be necessary for the adoption
18 of any rule, resolution, decision or any other act of the Board.

19 SEC. 10. ***Compensation.*** – The members of the Board may receive
20 per diems for every meeting actually attended at such amount to be fixed by

1 the Board but not to exceed Two Thousand Pesos (₱2,000.00) per board
2 meeting: *Provided*, That it shall not exceed four (4) board meetings during
3 any month for each member.

4 SEC. 11. ***Officers and Personnel.*** – The chairman of the Board,
5 who shall have the rank and privileges of a department secretary, shall be the
6 head and chief executive officer of the Authority. Upon his
7 recommendation, the Board shall appoint an administrator of the Authority
8 who shall be the chief operating officer, with the rank and privileges of a
9 department undersecretary. The administrator shall have the responsibility
10 of managing the day-to-day affairs and operations of the Authority subject to
11 the supervision and control of the chief executive officer and in accordance
12 with the policies established by the Board.

13 There shall be such sufficient number of deputy administrators as the
14 Board may prescribe to assist the administrator who shall be appointed or
15 removed for cause by the Board. The administrator and the deputy
16 administrator may be delegated with such powers and duties as the chairman
17 and chief executive officer may prescribe from time to time.

18 SEC. 12. ***Application of the Civil Service Law.*** – All officers and
19 employees of the Authority shall be subject to the civil service laws, rules

1 and regulations, and all selection and appointments shall be based on merit
2 and fitness.

3 **ARTICLE IV**

4 **MANAGEMENT AND OPERATIONS**

5 SEC. 13. *Management.* – The management of the corporate affairs
6 of the Authority shall be the responsibility of the chief executive officer with
7 the assistance of the administrator, deputy administrator and such other
8 officers as may be determined by the Board.

9 SEC. 14. *Duties of the Chief Executive Officer.* – The chief
10 executive officer shall exercise the following duties and responsibilities:

11 a) Initiate and develop corporate policies, programs and objectives
12 for approval of the Board;

13 b) Establish general administrative and operating policies;

14 c) Appoint all other non-officer employees of the Authority;

15 d) Execute for and in behalf of the Authority contracts, obligations
16 and agreements which are required to be approved by the Board;

17 e) Appoint technical consultants;

18 f) Discipline officers and employees in accordance with civil service
19 laws, rules and regulations;

1 g) Submit the internal organizational structure of the Authority,
2 financial statements and other reports as may be required by the Board;

3 h) Delegate or assign any of the foregoing powers and duties except
4 the power to appoint any official in the hierarchy of authority and always
5 subject to his supervision and control; and

6 i) Exercise such other powers and duties as may be delegated by the
7 Board.

8 SEC. 15. *Corporate Planning Office.* – To assist the chief
9 executive officer in the formulation of general plans and programs,
10 promulgation of policies, the monitoring and evaluation of industry and
11 corporate activities, there shall be a Corporate Planning Office which shall
12 serve as the technical arm under the office of the chairman, having the status
13 of a branch which shall be headed by an executive director with a rank of a
14 deputy administrator. The executive director shall be co-terminous with the
15 chairman and with three (3) permanent managers performing the functions
16 of plans and programs development, policy research and analysis, and
17 monitoring and evaluation.

18 SEC. 16. *Duties of the Chief Operating Officer.* – The chief
19 operating officer shall exercise the following duties and responsibilities:

1 a) Ensure that the administrative and operating policies are carried
2 out under the direction and control of the chairman and chief executive
3 officer;

4 b) Prepare and submit to the chief executive officer, within sixty (60)
5 days before the beginning of each calendar year, an annual operational
6 budget of the Authority; and

7 c) Monitor operational problems, adopt remedial measures and
8 submit policy proposals to improve the day-to-day affairs and operations of
9 the Authority.

10 SEC. 17. ***Branch Offices.*** – The Authority shall have the following
11 branches:

12 a) *Agricultural Research and Development Branch* for the execution
13 and implementation of policies, plans and programs relating to advancement
14 in industrialization and development;

15 b) *Industrial Research and Development Branch* for the execution
16 and implementation of policies, plans and programs relating to advancement
17 in industrialization and development for the coconut products and by-
18 products, particularly on food, oleo-chemicals, fuels and lubricants;

19 c) *Market Research and Development Branch* for the formulation
20 and implementation of policies, plans and programs relating to domestic and

1 international markets development affecting the coconut industry including
2 the enforcement of market rules and regulations formulated by the
3 Authority;

4 d) *Field Operations Branch* for execution and implementation of
5 policies, plans and programs relating to production, marketing and
6 processing activities;

7 e) *Administration and Finance Branch* for developing and
8 maintaining the delivery of all necessary administrative, financial and
9 manpower support for the whole operations of the Authority; and

10 f) *Development Information and Communication Branch* for the
11 execution and implementation of policies, plans and programs relating to
12 development information and communication as well as other socio-
13 economic research and development.

14 Every branch shall be headed by a deputy administrator or such
15 qualified acting or officer in charge as may be designated by the chief
16 executive officer.

17 SEC. 18. ***Regional Offices.*** – The Authority shall establish and
18 organize regional offices in accordance with the political and administrative
19 regions in the country and such number of provincial or district offices, or
20 both, that will assist the Authority in the full implementation of this Act.

1 SEC. 19. *Departments, Divisions and Units.* – There shall be,
2 under the office of the chairman and chief executive officer, an administrator
3 and deputy administrators of specialized departments, divisions, units or
4 offices as may be necessary to provide the needed administrative, technical
5 and specialized services, as may be deemed proper and expedient by the
6 Board, which shall be headed by a person with the required specialization or
7 expertise.

ARTICLE V

SOURCES OF FUNDING

SEC. 20. ***Coconut Development Fund.*** – There is hereby established a *National Coconut Development Fund*, herein referred to as the “*Coconut Fund*,” to be administered by the Authority for the purpose of financing the growth and development of the coconut industry, including human resource development, training of farmers and other related activities. As initial capitalization, the sum of ONE BILLION PESOS (P1,000,000,000.00) is hereby appropriated to be made available within one (1) year from the approval of this Act.

18 Thereafter, a continuing appropriation is hereby authorized to be
19 appropriated in the amount of not less than One Billion Pesos of the total
20 industry export performance of the immediately preceding year as reported

1 by the Bangko Sentral ng Pilipinas and to be deposited in a trust account
2 with an authorized government bank as may be determined by the Authority.
3 The amount shall be released annually by the said bank to the Authority
4 upon presentation of its approved budget and programs.

5 SEC. 21. *Special Corporate Support Fund.* – The Authority shall
6 have a Special Corporate Support Fund for its administrative operating
7 expenses to be funded from the following sources:

8 a) An assessment of twelve centavos (P0.12) per kilogram of copra
9 or husked nuts, or their equivalent in other coconut products, delivered to
10 and purchased by traders, exporters, millers, desiccators and other end-users
11 of coconut products: *Provided*, That such assessment shall be collected by
12 the Authority and deposited with any government depository bank which
13 shall be used exclusively for the operational, supplemental or special budget
14 duly approved by the Board: *Provided, further*, That no portion of the fund
15 nor any unexpended balance thereof, including its earnings, shall be
16 transferred to the general or any special funds of the government, but shall
17 remain as corporate funds to be used in accordance with the authorized
18 purposes; and

19 b) The proceeds of regulatory and service fees or charges as may be
20 determined and imposed by the Board in the implementation of the

1 provisions of this Act to cover reasonable costs of service in the issuance of
2 licenses, certificates, export permits prior commodity clearances including
3 other incomes to be withdrawn in accordance with the immediately
4 preceding paragraph. Such regulatory and service fees or charges shall be
5 exempted from the provisions of Presidential Decree No. 1234, entitled
6 *“Instituting A Procedure For The Management Of Special And Fiduciary*
7 *Funds Earmarked Or Administered By Departments, Bureaus, Offices And*
8 *Agencies of the National Government, Including Government-Owned Or*
9 *Controlled Corporations.”*

10 SEC. 22. ***Other Sources of Funding.*** – In the event the funds as
11 provided in Sections 20 and 21 of this Act become insufficient, an amount
12 not less than the initial appropriation mentioned in Section 20 hereof shall be
13 appropriated from the following sources:

14 a) The proceeds of the value-added tax imposed on all coconut
15 products and by-products, except copra, copra cake and meal which are
16 hereby exempted from payment of value added tax and on the services of
17 coconut oil mills, desiccated coconut factories and other processors of
18 coconut products shall be collected by the Bureau of Internal Revenue under
19 Executive Order No. 273, entitled *“Adopting A Value-Added Tax, Amending*
20 *For This Purpose Certain Provisions Of The National Internal Revenue*

1 *Code, And For Other Purposes,": Provided, That* such proceeds of the
2 value added tax shall be deposited with the Treasurer of the Philippines
3 within the first ten (10) days of each quarter and shall be automatically
4 appropriated to finance the programs and projects of the Authority;

5 b) The proceeds of the basic export and premium duties under
6 Section 514 (*Export Products Subject To Duty and Rates*) of the Tariff and
7 Customs Code levied on copra, coconut oil, copra meal or cake and
8 desiccated coconut exports, should the President of the Philippines reimpose
9 such duties under and by virtue of the flexible clause provision of Section
10 515 of such Code: *Provided, That* such proceeds shall be collected by the
11 Bureau of Customs and deposited with the Treasurer of the Philippines
12 within the first ten (10) days of each quarter and shall be automatically
13 appropriated and released to finance socio-economic and developmental
14 programs and projects of the Authority;

15 c) The proceeds of loans which the Authority may obtain from
16 financial institutions: *Provided, That* should the total outstanding proceeds
17 shall at any one time exceed One Billion Pesos (P1,000,000,000.00), the
18 transaction shall be subject to the approval of the President; and

19 d) The proceeds from sale of bonds and other certificates of
20 indebtedness issued by the Authority and duly approved by the Monetary

1 Board, in an amount exceeding One Hundred Million Pesos
2 (P100,000,000.00) at any one time: *Provided*, That the bonds and other
3 certificates of indebtedness to be issued under this Act shall be exempt from
4 taxation: *Provided, further*, That proceeds of the bonds and other
5 certificates of indebtedness herein mentioned shall be used to finance socio-
6 economic and developmental programs and projects of the Authority as the
7 President of the Philippines may approve.

8 ARTICLE VI

9 REGISTRATION, LICENSE, PERMITS

10 SEC. 23. *Application for Registration.* – Any person directly or
11 indirectly engaged in the business involving coconut products or by-products
12 shall apply for registration with the Authority. For purposes of this Act,
13 such person shall include:

- 14 a) Traders;
- 15 b) Processors;
- 16 c) Refiners;
- 17 d) Marine surveyors;
- 18 e) Trade intermediaries or brokers;
- 19 f) Laboratories dealing with the examination or analysis of coconut;
- 20 either whole or husked; copra and coconut oil such as, but not limited to,

1 paring oil, cochin oil, acid oil, glycerine methyl ester, fatty alcohol, copra or
2 paring meal; other coconut products; and

3 g) Coconut lumber processors, sawmills and dealers.

4 SEC. 24. *License to Operate.* – Upon approval of application for
5 registration, the Authority shall issue the corresponding license to operate
6 under such rules and regulations promulgated for the purpose. The
7 application for registration and license shall be mandatory for both the
8 principal and his agents in the case of natural persons, and the central or
9 main offices and their branches or subsidiaries in the case of juridical
10 persons.

11 SEC. 25. *Limitation.* – The license to operate shall be valid only
12 for the business, activity or function registered. Any additional business
13 covered by this Act not included in the registration shall be subject to a
14 separate application in which the Authority may issue a new or amended
15 license to operate.

16 SEC. 26. *Denial of Registration and License.* – The Authority
17 may refuse any application for registration and issuance of license, or
18 renewal thereof, if the applicant has been found by the Authority, after
19 inquiry or investigation, to have committed an act or acts violative of the
20 rules and regulations administered by the Authority.

ARTICLE VII

COMMODITY SUPERVISION

SEC. 27. *Application for Export Clearance.* – Notwithstanding

any provision of law to the contrary, all exporters of copra, coconut oil,

desiccated coconut, copra cake or meal, and other coconut products and by-

products shall file with the Authority, not later than ten (10) days prior to the

date of loading, an application for export clearance specifying the following:

- a) Name of exporter;
- b) Commodity;
- c) Volume;
- d) Value;
- e) Name and address of consignee;
- f) Authorized agent bank report of foreign sale reference number
- g) Date of sale;
- h) Period of shipment;
- i) Port of loading;
- j) Name of vessel; and
- k) Destination and port of discharge.

1 SEC. 28. *Issuance of Export Clearance.* – The export clearance
2 shall be issued by the Authority upon satisfaction of the following:

3 a) The export price must not be less than ninety-five percent (95%)
4 of the prevailing market quotation or Bangko Sentral ng Pilipinas guiding
5 rate as determined by the Authority; and

6 b) The exporter has complied with the regulations governing the
7 products for export, including the payment of administrative fees and
8 assessment.

9 SEC. 29. *Commodity Clearance.* – Before shipment of coconut
10 products covered under Section 27 of this Act, the exporter shall obtain a
11 commodity clearance from the Authority showing the following:

12 a) An export clearance for the product issued to the exporter;

13 b) Inspection and sampling of the products by the inspector or
14 surveyor appointed or designated by the Authority;

15 c) Laboratory analysis of the samples attesting that the product is an
16 exportable quality, which analysis shall be valid only for one (1) month from
17 the date it is reported by the laboratory services of the Authority; and

18 d) Payment to the Authority of all fees related to the exportation of
19 the products.

1 SEC. 30. *Periodic Commodity Clearance.* – A periodic
2 commodity clearance shall be issued to regular exporters of desiccated
3 coconut with existing plant facilities upon filing of an application on a plant
4 basis within thirty (30) days prior to the date of initial shipment covered by
5 said clearance. The periodic commodity clearance shall be valid for a period
6 of six (6) months from date of issuance unless sooner revoked or canceled.

7 SEC. 31. *Use of Moisture Meter.* – For an accurate determination
8 of moisture content in the copra *resecada*, and in observation of the standard
9 scale for moisture content established by the Authority, all persons or firms
10 engaged in the business involving copra shall use moisture meters duly
11 calibrated, serialized and sealed by the Department of Science and
12 Technology.

13 SEC. 32. *Fees.* – The Authority shall collect in addition to the fees
14 for the issuance, renewal or replacement of license and registration such
15 reasonable fees to cover the cost of services under this Act.

16 **ARTICLE VIII**

17 **INCENTIVES**

18 SEC. 33. *Restoration of Tax Incentives.* – Notwithstanding the
19 provisions of Executive Order No. 93, entitled “*Withdrawing All Tax And*
20 *Duty Incentives, Subject To Certain Exceptions, Expanding The Powers Of*

1 *The Fiscal Incentives Review Board And For Other Purposes,*” the
2 following tax incentives granted to the coconut industry, its institutions,
3 members and participants are hereby restored:

4 a) Deductibility for income tax purposes of gifts, donations, and
5 contributions made to the Authority to be used directly in the
6 implementation of its development programs;

7 b) The tax and fee exemption privileges granted to agro-industrial
8 coconut cooperatives under Section 1 of Republic Act No. 4403, entitled
9 *“An Act Encouraging The Organization Of Agro-Industrial Coconut*
10 *Cooperatives Under The Jurisdiction Of The Philippine Coconut*
11 *Administration, Amending For The Purpose Republic Act Numbered Eleven*
12 *Hundred Forty-Five,*” as follows:

13 1. Agro-industrial coconut cooperatives with net assets of not
14 more than Five Hundred Thousand Pesos (P500,000.00) shall be
15 exempt from all taxes and government fees of whatever nature; and
16 those with net assets in excess of Five Hundred Thousand Pesos
17 (P500,000.00) shall be exempt from the payment of documentary
18 stamp tax, resident taxes, tax on banks and insurance companies and
19 municipal and city taxes, but shall be liable for the payment of income
20 tax at the full rate provided for under existing laws on the amount

1 allocated for interest on capital, fixed and percentage taxes at the full
2 rate provided for under existing laws on gross sales to non-members;
3 and all other taxes provided for under existing laws;

4 2. Agro-industrial coconut cooperatives may deposit their
5 sealed cash boxes, documents and valuable papers in the safes of city
6 or municipal treasurer and other government offices free of charge
7 and the depository of said articles shall issue a receipt therefor; and

8 3. Agro-industrial cooperatives shall be represented in courts
9 by provincial or city fiscal or the government corporate counsel or his
10 representative in any case where they are a party either as a plaintiff
11 or defendant, except when the government is one of the parties;

12 c) Exemption from all assessments, levies, taxes and fees of
13 whatever nature arising from the sale or transfer to the Authority of coconut
14 seednut for the planting or replanting program under Presidential Decree
15 No. 1468, entitled "*Revising Presidential Decree Numbered Nine Hundred*
16 *Sixty One*;"

17 d) The deductibility as business expense for income tax purpose of
18 contributions, donations made by members of the coconut industry to
19 coconut farmers cooperatives or associations duly accredited by the
20 Authority;

1 e) Exemption from payment of sales tax, special fund impost to
2 diesel, specific tax applied to diesel fuel, manufacturer's tax on coconut oil
3 to be used as engine fuel, either in its pure state or as blending component
4 for diesel fuel under Section 1 of Executive Order No. 827, entitled
5 *"Exempting Coconut Oil From The Coconut Levy And Sales Tax As Well As*
6 *From The Special Fund Impost To Diesel,"* including the recognition as
7 exports of all sales of coconut oil to the Philippine National Oil Company
8 under the coco diesel program and for purposes of the grant of export
9 credits and other privileges per Executive Order No. 846, entitled
10 *"Amending Executive Order No. 827"* and Letter of Instructions No. 1332
11 to the Bangko Sentral ng Pilipinas, Philippine National Oil Company and
12 Philippine Coconut Authority and other agencies concerned to ensure the
13 f) success of the coco-diesel program of the government;
14 g) Exemption from any and all assessable taxes, including income
15 tax, duties, levies, imposts and other similar charges as well as ad valorem
16 duty imposed by Executive Order No. 860, entitled *"Imposing An*
17 *Additional Duty Of Three Percent (3%) Ad Valorem On All Imports,"* on
18 the purchase abroad and importation into the Philippines by coco-chemical
19 enterprises duly registered with the Board of Investment and the Authority
20 and the sale by foreign suppliers or contractors of all required, necessary

1 and useful machinery, equipment and services for the establishment of a
2 chemical processing plant under Executive Order No. 880, entitled
3 *“Declaring The Establishment Of A Coconut Chemical Industry As A*
4 *Means To Rationalize The Coconut Industry Of The Philippines And*
5 *Granting Additional Incentives Therefor;”*

6 h) Exemption from all taxes, duty, imposts and other charges of
7 whatever nature arising from acquisition of capital equipment and
8 machinery including real estate tax on land and its improvement used by
9 any person or enterprise to undertake a private productivity program in
10 accordance with a farm development plan approved by the Authority, which
11 privileges shall be enjoyed for a period of ten (10) years from the date of
12 said approval: *Provided*, That the project shall be implemented and fully
13 developed within five (5) years from the date of approval of the farm
14 developmental plan; and

15 i) Generally, all other tax and non-tax incentives granted to the
16 coconut industry, its institutions, members and participants under other
17 existing applicable laws, decrees, executive orders and similar issuances.

18 SEC. 34. ***Tax Exemption.*** – Notwithstanding the provisions of any
19 law to the contrary, all real and personal properties, equipment and
20 machinery acquired by the Authority for its operations under this Act shall

1 be exempt from all taxes, fees, duties, imposts and assessments, both
2 national and local except income tax.

3 ARTICLE IX

4 SPECIAL PROVISIONS

5 SEC. 35. *Conservation of Coconut Trees.* – In order to conserve
6 and protect the resources devoted to coconut industry, the Authority shall
7 regulate the cutting or destruction of coconut trees, and in furtherance
8 thereof, no person shall convert public and agricultural lands primarily
9 devoted to coconut into other uses without the prior approval of the
10 Department of Agrarian Reform (DAR) and the Authority: *Provided, That*
11 *the cutting or conversion may be allowed only in cases where it is shown*
12 *that majority of the coconut trees in the land have become senescent and*
13 *economically unproductive as determined and certified by the Authority:*
14 *Provided, further, That no coconut trees may be cut nor any coconut farms*
15 *be subject of conversion where such tree or farm is involved in the*
16 *productivity and rehabilitation program of the Authority: Provided,*
17 *furthermore, That the affected farmers, tenants, lessees and regular farm*
18 *workers shall be furnished of the findings of the Authority.*

19 SEC. 36. *Measures to Protect the Industry.* – When the general
20 welfare of the industry for national interest so requires, and when there exist

1 unabated increase in production capacity resulting, singly or collectively, in
2 cutthroat competition, overproduction, underselling, and smuggling of poor
3 quality coconut products, thereby threatening the viability and stability of
4 the coconut industry or any sector thereof, the Authority shall regulate or
5 otherwise suspend the issuance of license for the establishment and
6 operation of any new coconut oil mill, desiccated coconut plant or refinery
7 or the upgrading of capacities of existing mill, plant or refinery. In granting
8 the license, the Authority shall evaluate and determine the need for the
9 establishment of additional mills or plant or upgrading the capacity of any
10 existing mills or plant in relation to:

- 11 a) The existing market demand;
- 12 b) The production capacity prevailing in the country, locally or any
13 sector of the industry;
- 14 c) The level and flow of supply or raw materials; and
- 15 d) Such other circumstances which may affect the viability or
16 stability of the industry concerned.

17 **ARTICLE X**

18 **PENALTIES**

19 SEC. 37. *Penalties.* – Any person who willfully or deliberately
20 violates any of the provisions of this Act or rules or regulations duly

1 promulgated hereunder shall be punished by a fine of not less than Fifty
2 Thousand Pesos (P50,000.00) but not more than One Hundred Thousand
3 Pesos (P100,000.00), or by imprisonment of not more than five (5) years, or
4 both: *Provided*, That should the violation constitute an act punishable under
5 the Revised Penal Code, the pertinent provision and penalty prescribed in
6 the said Code shall apply.

7 If the violation be committed by an association, partnership,
8 corporation or any juridical person, the officer or officers, director or
9 employee responsible for the violation shall be held liable and shall suffer
10 the penalties provided herein. An alien found guilty shall after having
11 served his sentence be immediately deported and in case of a naturalized
12 citizen, his Certificate of Naturalization shall be cancelled.

13 SEC. 38. ***Interest and Charges.*** – Assessment and regulatory or
14 service fees or charges which are not paid on the due date thereof shall be
15 subject to penalty interest of fourteen (14%) percent per annum plus a
16 surcharge of twenty five (25%) percent in case of willful or fraudulent
17 failure to pay.

18 ARTICLE XI

19 TRANSITORY PROVISION

1 SEC. 41. *Separability Clause.* – If any part or provision of this Act
2 is declared unconstitutional, other parts or provisions thereof which are not
3 affected thereby shall continue to be in full force and effect.

4 SEC. 42. *Repealing Clause.* – All laws, decrees, executive orders,
5 rules and regulations and other issuances or parts thereof, inconsistent with
6 the provisions of this Act, are hereby repealed or modified accordingly.

7 SEC. 43. *Effectivity.* – This Act shall take effect fifteen (15) days
8 after its publication in at least two (2) national newspapers of general
9 circulation.

10 Approved,