

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SIXTEENTH CONGRESS
First Regular Session

House Bill No. 2665



Introduced by Representatives
DIOSDADO MACAPAGAL ARROYO and GLORIA MACAPAGAL ARROYO

AN ACT
REORGANIZING THE COOPERATIVE DEVELOPMENT AUTHORITY, REPEALING
FOR THE PURPOSE REPUBLIC ACT NO. 6939, CREATING THE COOPERATIVE
DEVELOPMENT AUTHORITY

EXPLANATORY NOTE

Cooperatives play a significant role in economic development, especially in rural areas where the absence of large spending power does not attract private investment to harness local skills and resources that can uplift the local economy's living standards besides exporting produce to distant customer locations in cities.

Cooperatives of farmers enable consolidation of fragmented land, investment in mechanization and irrigation, better bargaining power to buy seeds and fertilizers cheaply, arrange for proper common storage and greater bargaining power in selling farm produce to traders as also make banks comfortable in providing agricultural credit, thereby improving the productivity of agriculture and improving the incomes of farmer-members of the cooperatives.

Cooperatives of fishing/pisciculture, animal husbandry and dairy, residential housing, and other economic activities can contribute similarly to economic development.

Towards this end, being able to adjust with the needs of the times is of paramount importance, owing to the importance of cooperatives not only in the present needs of society but also in the future needs of the same.

Legislation has to be enacted if a better chance for both survival and growth is to be given to cooperatives.

Due to reasons cited above, the expeditious approval of this bill is earnestly sought.



DIOSDADO MACAPAGAL ARROYO
Second District, Camarines Sur



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Second District, Pampanga

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

SECTION 1. *Short Title.* – This Act shall be known as the “Cooperative Development Authority Charter Act of 2013.”

SECTION 2. *Declaration of Policy.* – It is hereby declared the policy of the State to promote the viability and growth of cooperatives as instruments of equity, social justice and economic development and create an agency, in fulfillment of the mandate in Section 15, Article XII of the 1987 Constitution.

Toward this end, the State shall recognize cooperatives as associations organized for the economic and social betterment of their members, operating business enterprises based on mutual aid, and founded upon internationally accepted cooperative principles and practices. The State recognizes the cooperative sector as primarily responsible for the institutional development of cooperatives. Accordingly, the State recognizes the rights of the cooperative sector to initiate and foster within their own ranks cooperative promotion, organization, training, information gathering, audit and support services, with government assistance where necessary. In furtherance of this policy, the National Economic and Development Authority shall include the

promotion of growth and expansion of cooperatives as major and indispensable components of national development plans.

The government and all its branches, subdivisions, instrumentalities and agencies shall ensure the provision of technical guidance, financial assistance and other services to enable the cooperatives to develop into viable and responsive economic enterprises towards a strong cooperative movement free from any condition which infringes upon the objectives and character of cooperatives. The State shall, except as provided in this Act, maintain a policy of non-interference in the management and operation of cooperatives.

SECTION 3. *Cooperative Development Authority.* – The Cooperative Development Authority created under Republic Act No. 6939, hereinafter referred to as the Authority, is hereby reorganized to carry out the provisions of this Act and those of Republic Act No. 9520, otherwise known as the “Philippine Cooperatives Code of 2008”. The Authority shall have its principal place of business in Metro Manila, and shall maintain offices and branches in such other places as the proper conduct of its business shall require. The Authority shall be an agency attached to the Office of the President for policy and program coordination.

SECTION 4. *Powers, Functions and Responsibilities.* – The Authority shall have the following powers and functions:

- (a) Exercise supervision and jurisdiction over all types and categories of cooperatives registered with the Authority;
- (b) Register all types of cooperatives including amendments to its by-laws; division, merger, consolidation, dissolution and liquidation of cooperatives as well as the transfer of all or substantially all of their assets and liabilities;
- (c) Order the cancellation or revocation of the Certificate of Registration after due notice and hearing pursuant to Articles 67 and 68 of the Philippine Cooperative Code of 2008 and by-laws of the cooperative;
- (d) Formulate, adopt, and implement integrated plans and programs on cooperative development consistent with the national policy on cooperatives, and establish an integrated framework on cooperative development for all government agencies;
- (e) Develop and formulate, in consultation with the cooperative sector, and issue appropriate regulations, standards, rules, orders, guidelines and/or circulars to implement the Cooperative Code to ensure the sound operation of cooperatives;
- (f) Establish a consultative mechanism in order to provide the cooperative sector a system for maximum participation on matters of government plans, projects and policies related to cooperatives.

The cooperative sector shall undertake the organization/streamlining or rationalization of an apex body, representing all types and categories of cooperatives under the Philippine Cooperative Code of 2008, which shall function as the overall consultative and coordinating body with the Authority.

The Authority, in consultation with the cooperative sector, shall promulgate the guidelines for the implementation of the consultative mechanism;

(g) Establish and maintain a continuing educational and capability-program for the Authority;

(h) Require the submission of annual reports, audited financial statements, and such reports in compliance with the Philippine Cooperative Code of 2008, in such forms as may be prescribed by the Authority;

(i) Conduct regular inspection or examination of a cooperative in accordance with rules and regulations promulgated by the Authority and when deemed necessary, conduct a special inspection and investigation to protect the interest and welfare of the members of cooperatives. However, the Authority may delegate this power to accredited federations and unions in accordance with the Philippine Cooperative Code of 2008 and the implementing rules and regulations issued for this purpose;

(j) Compel the cooperative to call a General Assembly under the supervision of the Authority, subject to the criteria or condition/s to be defined in the implementing rules and regulations issued for this purpose;

In case a cooperative fails to call and conduct a General Assembly, the Authority shall, on its own, call a General Assembly meeting to address and settle the issues. The Authority may enlist the aid and support of and/or deputize any and all enforcement agencies of the government and federations and unions for the implementation of its orders;

(k) Impose sanctions for non-compliance with lawful orders, rules and regulations of the Authority, including the Articles of Cooperation and the By-Laws of the cooperative subject to conditions as defined in the implementing rules and regulations of this Act;

(l) Collect reasonable fees, fines or charges in the performance of its registration and regulatory functions;

(m) Establish and strengthen extension offices in all political and administrative regions in the country and such other places as may be determined by the Authority;

(n) Hear, decide and settle disputes between and among members, officers, and directors of cooperatives, and between and among cooperatives in accordance with Article 137 of the Philippine Cooperative Code of 2008;

(o) Implement and enforce its decision with the assistance of deputized law enforcement agencies or the local government unit concerned as may be necessary; and

(p) Exercise such other powers and functions as may be necessary to implement the provisions of the Philippine Cooperative Code of 2008.

SECTION 5. *Organizational Structure.* – The Authority shall have a Board of Directors and an Office of the Administrator.

The Board of Directors, hereinafter referred to as the Board, shall be the collegial policy-making body of the Authority which shall be composed of the Chairperson and six (6) members of the Board of Directors, all of whom shall be chosen from among the nominees of the cooperative sector, with two (2) representatives each from Luzon, Visayas and Mindanao. They shall be appointed by the President of the Philippines and shall serve for a term of six (6) years without reappointment. Except for the Chairperson, the Members of the Board shall serve on a part-time basis only: *Provided*, That any vacancy in the Board shall be filled-up by appointment of the President in accordance with the provisions of this section: *Provided*, further, That a member so appointed shall serve only for the unexpired term: *Provided*, finally, That the incumbent Chairperson and members of the Board shall continue to serve and act as chairperson and members of the present Board up to the end of their term under Republic Act No. 6939.

Except for the Chairperson, the members of the Board shall be entitled to per diem at rates to be determined and approved by the Department of Budget and Management and actual travel expenses.

The Office of the Administrator shall be headed by the Chairperson of the Board who shall exercise over-all supervision on the operations of the Authority.

SECTION 6. *Power and Functions of the Board* – The Board as the policy-making body shall have the following powers and functions:

a) Formulate policies, rules and regulations consistent with the provisions of the Philippine Cooperative Code of 2008;

b) Adopt implementing rules and regulations for the conduct of the internal operations of the Authority;

- c) Organize the operating structure and functions of the Authority. No changes in the approved organizational structure including transfer of personnel shall be effected without the approval of the Board; and
- d) Approve and adopt the annual budget of the Authority.

SECTION 7. *Qualifications of Members of the Board.* – The Chairperson or a member of the Board who shall be appointed must possess the following qualifications:

- (a) A natural born Filipino citizen;
- (b) Must not be more than sixty (60) years old at the time of the appointment and must be in good health;
- (c) A holder of at least a bachelor's degree and five (5) years of experience as an official or officer of a cooperative, government agency, or non-government organization engaged in cooperative development or, in the absence of a bachelor's degree, at least seven (7) years of experience in cooperatives either as an officer of a cooperative or a government agency or non-government organization engaged in cooperative development;
- (d) Except the Chairperson who should be a resident of the Philippines, the other members of the Board must be a resident of the region represented for at least five (5) years; and
- (e) Must be recommended and endorsed by a federation and/or union of cooperatives operating in good standing under the provisions of this Act and the Philippine Cooperative Code of 2008.

Any person appointed as Chairperson or regular member of the Board shall, upon appointment, divest himself of any direct or indirect pecuniary interest or dealings with any cooperative.

SECTION 8. *Removal of Member of the Board.* – The President of the Philippines may remove any member of the Board for any of the following reasons:

- (a) If the member is subsequently disqualified under the provisions of this Act;
- (b) If the member becomes physically or mentally incapacitated to properly discharge the duties and responsibilities of the position and such incapacity has lasted more than six (6) months; and
- (c) If the member is guilty of acts or omissions which are fraudulent or illegal in character or which are manifestly opposed to the aims, objectives and interests of the Authority and the cooperative sector.

SECTION 9. *Meetings of the Board.* – The Board shall meet at least once a month for the transaction of its regular business. Special meetings may be called by the Chairperson or majority of the members of the Board to consider specific matters. A majority vote by the entire Board shall be required for a decision. All regular and special meetings of the Board shall be held at the head office in Manila.

SECTION 10. *Chairperson/Administrator.* – The Chairperson shall be the Administrator of the Authority and shall have the rank and privileges of an Undersecretary.

In the absence of the Administrator, the Director IV shall be the Officer-in-Charge of the Authority who shall exercise the powers and duties of the Administrator.

SECTION 11. *Powers and Functions of the Chairperson/Administrator.* – The Chairperson/Administrator of the Authority shall have the following powers and functions:

- (a) Preside over the meetings of the Board ;
- (b) Supervise the over-all operations of the Authority;
- (c) Prepare, consolidate and submit periodic reports for the consideration of the Board;
- (d) Implement a human resource management system consistent with the Civil Service Code that will promote professionalism and excellence in accordance with sound principles of management;
- (e) Prepare the proposed annual and supplemental budgets of the Authority for the consideration and approval of the Board;
- (f) Report to the President of the Philippines and Congress on the performance and accomplishment of the Authority on a periodic basis;
- (g) Represent the Authority in all undertakings where its presence is required; and
- (h) Perform such other functions as may be required by law.

SECTION 12. *Power to Register Cooperatives.* – The power to register cooperatives shall be vested solely on the Authority pursuant to the provisions of the Philippine Cooperative Code of 2008.

All cooperatives duly registered with the Authority shall present their Certificate of Registration to the nearest Bureau of Internal Revenue office and the latter shall within ten (10) days issue the Certificate of Tax Exemption.

Any provision of law, executive order, rule or regulation to the contrary notwithstanding, the certificate of registration issued by the Authority to a duly registered cooperative shall ipso facto constitute as the sole legal basis or requirement for the full enjoyment of the tax exemption granted under Articles 60 and 61 of the Philippine Cooperative Code of 2008. Any public official or employee who violates or in any manner circumvents this provision shall be dealt under Article 140 of the Philippine Cooperative Code of 2008.

The Authority shall cite this provision in the certificate of registration.

SECTION 13. *Prohibition.* – Except as provided for under Article 130 of the Philippine Cooperative Code of 2008, the use of the word “cooperative” by any person or organization unless duly registered with the Cooperative Development Authority shall be prohibited and shall be penalized under Article 140 of the Philippine Cooperative Code of 2008.

SECTION 14. *Settlement of Disputes.* – Disputes within or between cooperatives, or disputes within or between federations or unions shall be meditated, conciliated or settled in accordance with this Act, Article 137 of the Philippine Cooperative Code of 2008 and its implementing rules and regulations or Republic Act No. 9285, otherwise known as the Alternative Dispute Resolution Act of 2004.

SECTION 15. *Cooperatives in the Education System.* – The history, philosophy, concepts, values, principles and practices of cooperatives and their role as a factor in the national economy shall be disseminated both in formal and non-formal education.

Notwithstanding existing laws, memorandum orders and directives, cooperatives development and administration as a field of study may be offered as a baccalaureate, post baccalaureate or masteral program in state universities and colleges (SUCs) in accordance with the standards, rules and regulations promulgated by their respective Board of Regents, the Commission on Higher Education (CHED) and the Authority in consultation with the cooperative sector as necessary: Provided, That SUCs shall provide for equivalency credit and accreditation of work experiences and non-formal education and training of cooperative leaders, managers and members: Provided, Further, That in cases where the SUCs do not offer a separate academic program in cooperatives development and administration, the SUCs shall be encouraged to include a 3-unit subject in the curricula of accountancy, agribusiness, agriculture, agricultural economics, business, community development, economics, education, forestry, social sciences, and other curricula that can be instrumental in the development of cooperatives. Special incentives including scholarships shall be formulated by the Authority for students taking up degree courses on cooperatives development and administration.

The role of non-government organizations, not registered as cooperatives but duly registered under Philippine laws and engaged in cooperative promotion,

organization, research and education, shall be recognized. The Authority may accredit such nongovernment organizations as non-academic training organizations. The training courses offered by them may be eligible as credits for the purposes of academic, professional and career advancements of their trainees. Existing training centers for cooperatives may qualify as non-government organizations under this Act.

Upon request of cooperatives, State colleges and universities shall provide technical assistance and guidance to cooperatives in the communities where they are located.

SECTION 16. *Cooperatives in the Banking System.* – The promotion and development of cooperative banks as part of the Philippine banking system and of financial service cooperatives as defined in the Philippine Cooperative Code of 2008 shall be a major concern of the Authority which shall undertake the necessary program towards this end in collaboration with the *Bangko Sentral ng Pilipinas* and the cooperative sector concerned.

SECTION 17. *Cooperatives Engaged in Services Covered by Other Laws.* – Registered cooperatives may engage in business endeavors in accordance with its approved articles of cooperation provided they acquire the necessary licenses, franchises, certificates of authority and permits from the appropriate agencies governing their type of cooperatives such as, but not limited to those providing manpower services, construction services, professional services, health care services, security services, social welfare services, research development, related health services, ecological and environment services, farmers and fisherfolk cooperatives and services to indigenous cultural minorities.

SECTION 18. *Reorganization of the Authority.* – The Authority shall be reorganized within one hundred twenty (120) days from the effectivity of this Act.

SECTION 19. *Transitory Provisions.* – Upon the effectivity of this Act, the personnel of the Cooperative Development Authority shall, unless removed for cause and after due process, continue to perform their duties and responsibilities and shall receive their corresponding salaries and benefits.

In the reorganization and staffing of the Authority, these personnel shall be given preference subject to civil service rules and regulation and rules of the Organization, Position Classification and Compensation Bureau of the Department of Budget and Management (DBM); Provided, That those who shall not be absorbed by the organization shall be allowed to retire under existing retirement laws if qualified or under Section 10 and other applicable provisions of Executive Order No. 366, Series of 2004, whichever is beneficial to the employee concerned.

SECTION 20. *Appropriations.* – The amount necessary for the implementation of this Act shall be included in the annual General Appropriations Act.

SECTION 21. *Transfer of Funds and Programs.* – The Cooperative Development Loan Fund and the Fund for Management Training and Assistance Program created under Presidential Decree No. 175, as amended, and the Cooperative Marketing Project created under loan agreements, all granted to the Department of Agriculture, is hereby transferred to the Authority which shall be used for the development and strengthening of cooperatives.

SECTION 22. *Implementing Rules and Regulations.* – The Board shall, in consultation with the cooperative sector, formulate the implementing rules and regulations for the effective implementation of the provisions of this Act. The implementing rules and regulations shall take effect within fifteen (15) days after publication in the Official Gazette or in two (2) newspapers of general circulation. All subsequent amendments to the implementing rules and regulations shall also be published before taking effect.

SECTION 23. *Information Campaign.* – The Cooperative Development Authority is mandated to conduct a six (6) months information campaign on the provisions of this Act from its effectivity.

SECTION 24. *Repealing Clause.* – Republic Act No. 6939, creating the Cooperative Development Authority is hereby repealed. All other laws, decrees, executive orders, rules and regulations or parts thereof inconsistent with the provisions of this Act are hereby amended or modified accordingly.

SECTION 25. *Separability Clause.* – If for any cause any part of this Act is declared unconstitutional, the rest of the provisions shall remain in force and effect.

SECTION 26. *Effectivity Clause.* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in at least two (2) national newspapers of general circulation.

Approved,