



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

Sixteenth Congress
Second Regular Session

HOUSE BILL NO. **4900**



Introduced by Representative Sharon S. Garin

EXPLANATORY NOTE

From 1971 to 1982, small and marginalized coconut farmers have been remitting coconut levy funds to the government. These funds were intended to support and advance the development of the coconut industry for the benefit of coconut farmers.

Various laws and issuances were signed to ensure that coconut levy funds were collected throughout the years. These include:

- 1) On June 19, 1971, Republic Act 6260, known as the "Coconut Investment Fund" (CIF) was implemented and authorized the collection from coconut farmers a sum equivalent to P0.55 on the first domestic sale for every 100kg of copra;
- 2) On August 20, 1973, P.D. 276 created the Coconut Consumers Stabilization Fund (CCSF) which imposed an additional of P15 for every 100kg sale of copra resecada;
- 3) On November 14, 1974, the Coconut Industry Development Fund (CIDF) was established to finance the establishment, operation, and maintenance of hybrid coco seed farm and replanting program. The levy was made permanent; and
- 4) On October 2, 1981, PD 1841 (the Coconut Industry Stabilization Fund) revised levies and imposed the amount of P50 for every 100kg of copra resecada and later was raised to P100 per 100kg of copra.

As a testament to the effectivity of collections during the first decade of its implementation, through the blood and sweat of the coconut farmers, the levy accumulated the amount of P9.625 billion.

After the EDSA Revolution of 1986, the administration of the late former President Corazon Aquino, through the Presidential Commission on Good Government, sequestered all assets acquired by Marcos and his cronies including the coco levy funds. But despite the huge amount of existing coconut levy funds, the genuine stakeholders – the small and marginalized

coconut farmers, remain underprivileged and the coconut industry remains stagnant and dragged down.

It is estimated that the coco levy funds, inclusive of earnings, interests and other increments, have grown to some P200 billion according to a July 11, 2013 report of the *Philippine Daily Inquirer*.

It was a great moment when after almost four decades, the highest court of the land affirmed that the funds were indeed owned by the small coconut farmers and should be treated as public funds.

On January 24, 2012, the Supreme Court declared the CIIF block of shares as having been purchased by means of the coconut levy funds and therefore should be treated as public funds.

Executive Orders 312 and 313 of former President Estrada, which sought to privatize shares in San Miguel Corporation that were bought with coco levy funds, were junked by the Supreme Court in April 2012.

The series of promulgations of the Supreme Court in September and November 2012 declared that the Cojuangco's claims to the UCPB and SMC stocks that were bought with the coco levy funds are public funds. On October 5, 2012, San Miguel Corporation formally paid the government, through the PCGG, the sum of almost P58 billion for the preferred shares it bought.

In the most recent ruling of the Supreme Court dated July 9, 2013, the high court upheld its decision that shares in the UCPB of Cojuangco were owned by the government. The coconut levy funds should be used for the benefit of the small and marginalized coconut farmers and farm workers.

The abovementioned decisions by the courts regarding the coco levy funds affirm the need to return these funds to their rightful owners. This bill seeks to address the decades-long struggle of coconut farmers by enacting a genuine law on the use of the coconut levy funds. It is meant to provide a mechanism to protect the rights, welfare and interest of the small and marginalized coconut farmers and farm workers.

In view of the forgoing, the passage of this bill is earnestly sought.


SHARON S. GARIN
AAMBIS-Owa Party-list



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**AN ACT PROVIDING AN ADEQUATE FINANCIAL PROTECTION
TO THE COCONUT INDUSTRY AND ITS WORKERS, PROVIDING FOR THE
MANAGEMENT THEREOF, AND FOR OTHER PURPOSES**

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

Section 1. **Title.** This Act shall be known as the "*Coconut Farmers' Trust Fund Act*."

Section 2. **Declaration of Policy.** It is hereby declared the policy of the State to promote the welfare and benefits due to coconut farmers, especially the poor and marginalized, under various statutes and to expedite the delivery thereof in order to attain a balanced, equitable, integrated and sustainable growth and development of the coconut industry.

Towards this end, the State shall utilize the coconut levy funds to promote higher levels of productivity, income and employment for the coconut industry and maintains the nature of the funds as public property.

Section 3. **Coconut Farmers' Trust Fund.** There is hereby constituted a trust fund, to be known as the Coconut Farmers' Trust Fund, herein referred to as the "Trust Fund."

Section 4. **Purpose of the Trust Fund.** The Trust Fund shall be established for the development of the coconut industry for the ultimate benefit of small coconut farmers and farm workers such as but not limited to the following:

- (a) A *social fund* for the farmers which shall include insurance coverage, scholarship funds and social security concerns of the small coconut farmers, farm workers and their families;
- (b) A *development fund* which will guarantee the productivity income and employment drive of the government among farmers;
- (c) A *marketing fund* that will promote the varied products of individual coconut farmers, farmers' cooperatives, and small and medium-scale coconut enterprises;
- (d) A *research and development fund* to accelerate the implementation of value-adding activities and full value recovery of the coconut industry; and

- (e) A *credit and investment fund* that will assist the coconut farmers to increase the productivity in terms of intercropping and integrated farming.

Section 5. The Coconut Farmers' Trust Fund Council. There is hereby a Coconut Farmers' Trust Fund Council to administer the trust fund and the disposition and the utilization of the earnings and incomes thereof.

The Coconut Farmers' Trust Fund Council, herein referred to as the "Council," shall be headed by the Board of Trustees (BOT) and supported by Fund Managers.

The Council shall be composed of President of the Philippines sitting as its chairperson, and seventeen (17) other members, as follows:

- (a) The regular members of the Council (11)
- a. Four (4) representatives from coconut farmers' organizations (one from Luzon, one from Visayas and two from Mindanao);
 - b. Two (2) representatives from non-government organizations (NGOs) involved in rural development advocacy;
 - c. Two (2) representatives from the finance and banking sector, who must have extensive experience and proven expertise in finance, banking and trust management;
 - d. Two (2) from the CIIF Companies; and
 - e. One (1) from the Civil Society Organizations (CSO) with a broader and global view of the coconut industry.
- (b) Ex-Officio members (6)
- a. The Secretary of the Department of Agriculture (DA);
 - b. The Secretary of the Department of Finance (DOF);
 - c. The Secretary of the Department of Science and Technology (DOST);
 - d. The Secretary of the Department of Social Welfare and Development (DSWD);
 - e. The Secretary of the Department of Trade and Industry (DTI); and
 - f. The Administrator of the Philippine Coconut Authority (PCA).

The ex-officio members including the Chairperson of the Council have no voting power.

The regular members of the Council shall be appointed by the President from the short list provided from the general assembly of various coconut farmers' organization and NGOs facilitated by the PCA.

The members of the Council shall serve for a term of three (3) years. While the ex-officio members shall serve as coterminous with that of his/her appointing authority.

All trustees, with the exception of the chairperson, shall serve for maximum of two consecutive terms of office.

Section 6. Functions and Responsibilities of the Council. To ensure that the benefits and gains arising out of the Trust Fund directly redound to, and are received by, the small coconut farmers and farm workers, the Council shall:

- (a) Determine the disposition, utilization and allocation of the said funds with regard to the administration and management of the trust fund;
- (b) Formulate, implement and set policies to alleviate poverty incidence among the small coconut farmers and farm workers;
- (c) Formulate sustainable means in increasing the productivity of small coconut farmers, including but not limited to intercropping and integrated farming;
- (d) Conduct intensive research and development for a full scale rehabilitation of the coconut industry and promotion of coconut-based farm systems;
- (e) Establish coconut-industrial estates in every strategic province or region which will serve as processing plants and provide advance technologies to coconut farmers;
- (f) Provide health and life insurance services to small coconut farmers, farm workers and their families;
- (g) Provide education assistance and technical/skills trainings for the dependents of the coconut farmers;
- (h) Formulate and fund the pension plan of retired small coconut farmers and farm workers;
- (i) Establish priorities for the referential assistance to small coconut farmers and farm workers, which shall be reviewed periodically and revised as necessary in accordance with changing conditions;
- (j) Formulate the rules and regulations governing the allocation, utilization and disbursements of the Fund;
- (k) Formulate the Implementing Rules and Guidelines of this Act; and
- (l) Perform such other acts and things as may be necessary, proper or conducive to attain the purposes of the Fund.

Section 7. Philippine Coconut Farmers Framework for Development. The PCA, in consultation with the DA, DSWD, DTI, DOST, DOF, coconut farmers organizations, research centers, and private sector, shall formulate a ten-year Framework for Development, to be validated and updated annually. Such Framework shall serve as a guide in the formulation and implementation of plans, programs and projects for the development of the coconut industry, coconut farmers and farm workers, as envisioned in this Act. The Framework shall likewise provide for the following:

- a. **Social Service Development** – The PCA, in coordination with the DSWD, shall develop and implement programs that would support educational assistance, provide insurance coverage and other related social security concerns of the small coconut farmers, farm workers and their families;
- b. **Support and Development** – The PCA, in coordination with the DA, shall formulate and adopt a comprehensive program for the development of farm productivity, such as but not limited to planting or replanting of seedling varieties, rehabilitation and fertilization of coconut, integrated coconut-based farming systems and product processing, livelihood, and construction of related support and infrastructure facilities. The PCA shall adopt a special program to maximize the yield of small coconut farmers and their farm families;
- c. **Market Promotion and Development** – The PCA, in coordination with the DTI, shall link-up with agribusiness cooperatives and organizations directly with consumers’

cooperatives and organizations, agro-processing companies, or exporters to provide marketing outlets and assure relatively higher and stable prices of coconut. This also includes exploring national and international markets and facilitating the participation of coconut farmers in local and international conferences, trade fairs, expositions, and exhibits;

- d. **Research and Development** – The PCA, in coordination with the DOST, shall strengthen research collaboration among state universities and colleges and other research institutions for technical support that will promote the development of the coconut industry. The PCA and DOST shall establish and maintain a comprehensive farming system on coconut industry;
- e. **Credit and Investment Development** – The PCA, in coordination with the Land Bank of the Philippines, shall develop establishing links between the coconut farmers and their families in the Government Financial Institutions (GFIs) and other financial cooperatives.

Section 8. Capitalization of the Trust Fund. All assets and/or properties emanated from all coco levy recovered assets shall form the initial capital of the Trust Fund. All dividends, interest earnings and incomes that are available upon the effectivity of this act shall likewise form part of the initial funds.

Nothing in this Act shall be understood to prevent or prohibit any person, group or entity from conveying to the Council other properties and/or additional assets which shall form part of the Trust Fund.

In order to insure the enduring character of the Fund, the principal thereof shall be augmented from time to time by grants, donations and other lawful transfers by public or private entities. The disposition of the income from which shall be governed by the terms and conditions hereinafter specified, as well as the rules and regulations promulgated by the Committee pursuant to Section 7 hereof, as follows:

- (a) The Trust Fund shall be maintained and preserved to ensure the full implementation and realization of the objectives identified and sought to be attained under this;
- (b) In the event any property or asset of the Trust Fund or any portion hereof, as the case may be, is subsequently sold, alienated or disposed of, the proceeds and revenues arising out of and realized from such sale, alienation or dispositions, shall form part of the Trust Fund;
- (c) Only the income, interest, earnings and monetary benefit realized by and accruing on the Trust Fund shall be used and disposed of by the Council for such purposes and endeavors specific under the provisions of this Act.

The Trust Fund shall be managed and administered so as to maximize its earnings in a prudent manner consistent with its character as a perpetual fund in accordance to the purpose stated in Section 4 of this Act.

Section 9. Extent of the Trust Fund. The Trust Fund shall include the following:

- (a) All properties and assets intended and conveyed or transferred to the Council emanating from all coco levy recovered assets;

- a. All funds established from the proceeds of the levies, including but not limited to the Coconut Investment Company (CIC), the Coconut Consumers Stabilization Fund (CCSF), the Coconut Industry Development Fund (CIDF), the Coconut Development Fund (CDF), the Coconut Industry Stabilization Fund (CISF), the Coconut Reserve Fund (CRD), and the Coconut Industry Investment Fund (CIIF) Companies;
 - b. All recovered assets from the San Miguel Corporation (SMC) and the United Coconut Planters Bank (UCPB) preferred shares.
- (b) Such other funds, properties and assets lawfully conveyed or transferred to the committee for the purposes herein stated.

Section 10. Designation of Trustee Banks. The Council shall designate the Land Bank of the Philippines as the depository bank of the Trust Fund, which shall have the following duties and responsibilities:

- (a) Manage, disburse and account for the Trust Fund or a portion thereof in the manner hereinafter provided by the Council; and
- (b) Exercise the tasks, functions and duties determined and established by the Council.

A trustee bank must be a government-owned and controlled corporation which shall serve as the depository and disbursement institution of the Trust Fund. It shall also serve as a credit financial institution to coconut farmers provided and allowed under the provisions of this Act.

Section 11. Use and Disposition of the Trust Income. The Council, on an annual basis, shall determine and establish an amount comprising the Trust Income. After such determination, the Council shall determine the utilization of the Trust Income.

All income and expenses of the Council shall be audited by the Commission on Audit (COA).

Section 12. Fund Managers. The direct management of the fund is entrusted to the Managing Director who is the Administrator of the Philippine Coconut Authority.

The Managing Director will be assisted by five Fund Managers selected from the rank-in-file personnel of PCA who must have extensive knowledge and experience in planning, research and development, finance, and management.

The Fund Managers, appointed by the President, will assume the functions and responsibilities in planning, research and development, finance and management of the Trust Fund.

Section 13. Cooperation with the Council. The Council may call upon any department, bureau, office, agency and instrumentality of the government of the Republic of the Philippines, including government-owned and controlled corporations, for such assistance as it may desire and need, in pursuit of the purpose and objectives of the Trust Fund, and in the discharge of its functions and responsibilities.

Section 14. **Meetings of the Council.** The Council shall meet at least once in every three months, or as often as deemed necessary by the Chairperson. For any decision, resolution, policy or rule to be made, the presence of nine (9) members shall constitute a quorum.

Section 15. **Accounting and Auditing.** The Council shall maintain appropriate records and accounts of all investment, income, receipts, disbursements and other transactions relating to the management, administration and disposition of the Coconut Farmers' Trust Fund and Trust Income.

For the proper accounting of the assets of the coconut levy fund, the following procedures should be followed:

- a. The list of assets, accounts receivables and unliquidated advances out of the Coco Levy Fund should be accounted for by the Presidential Commission on Good Government (PCGG) and the PCA;
- b. The immediate audit by COA is a must;
- c. A parallel review should be conducted by the Department of Justice (DOJ) as a management audit;
- d. The PCGG must immediately turn over identified and cleared assets to the Coconut Farmers' Trust Fund.

The Council shall make a public disclosure of all assets stated in Section 9 of this Act.

The Trust Fund shall be audited annually by the COA.

Section 16. **Implementation.** The PCGG, the Office of the Solicitor General and other appropriate government instrumentalities are hereby directed to take all the necessary steps to implement the purpose and objectives of this Act.

Section 17. **Repealing Clause.** All laws, decrees, executive orders, rules and regulations, issuances or parts thereof inconsistent with this Act are hereby repealed or amended accordingly.

Section 18. **Separability Clause.** If any of the provisions of this Act is declare invalid, the other provisions not affected thereby shall remain in full force and effect.

Section 19. **Effectivity Clause.** This Act shall take effect immediately following its publication in a newspaper of general circulation and in the Official Gazette.

Approved,