

Republic of the Philippines
House of Representatives
Quezon City

Seventeenth Congress
First Regular Session
House Bill No. 5385



Introduced by Representative Estrellita B. Suansing

EXPLANATORY NOTE

This bill seeks to establish the Department of Cooperatives to provide appropriate institutional structure for the development of cooperatives and strengthen the regulatory and administrative framework for their efficient management.

Article XII, Section 15 of the 1987 Constitution provided for the promotion of growth and viability of cooperatives as instruments of equity, social justice and economic development under the principles of subsidiarity and self-help.

Under Republic Act No. 6939, also referred to as the "*Cooperative Development Authority Act*," the Cooperative Development Authority was created under the Office of the President to coordinate the efforts of government agencies and instrumentalities in providing technical guidance, financial assistance and other services to cooperatives.

At present, the cooperative movement is the largest social institution in the country. As of December 31, 2014, the total number of registered cooperatives is 25,652 with an estimated total membership of 13,053,027. These numbers are expected to increase in the next five years.

Moreover, the integration of Southeast Asian nations and the present pyramidal structure of the Philippine economy are expected to catalyze the growth of more cooperatives. With the current organizational structure and workforce of the Cooperative Development Authority, being an attached agency it may not be able to sufficiently address the increasing demands of the cooperatives, thus, there is a great need to strengthen the institutional and regulatory framework of the government on cooperatives to keep up with the fast changing times and to address their present problems, issues and concerns.

This measure aims to provide a more efficient, integrated and conducive environment for the advancement of cooperatives.

In view of the foregoing, approval of this bill is earnestly sought.


ESTRELLITA B. SUANSING

Republic of the Philippines
House of Representatives
Quezon City

Seventeenth Congress
First Regular Session
House Bill No. 5285

Introduced by Representative Estrellita B. Suansing

AN ACT

CREATING THE DEPARTMENT OF COOPERATIVES AND APPROPRIATING FUNDS THEREFOR

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

1 SECTION 1. **Short Title.** – This Act shall be known as the “*Department of*
2 *Cooperatives Act.*”

3 SEC. 2. **Declaration of Policy.** – It is the declared policy of the State to promote
4 the viability and growth of cooperatives as instruments of equity, social justice and
5 economic development pursuant to Section 15, Article XII of the 1987 Constitution. The
6 State also recognizes the cooperative movement as a major and indispensable
7 component of national development.

8 Toward this end, the State shall establish an appropriate institutional structure
9 and implement effective regulatory framework to support and expand the development
10 of cooperatives and ensure the provision of technical guidance, financial assistance and
11 other services to enable them to develop into viable and responsive economic
12 enterprises.

13 SEC. 3. **Department of Cooperatives.** – The Department of Cooperatives,
14 hereinafter referred to as the Department, is hereby established to carry out the above-
15 declared policy. It shall be the primary policy, planning, coordinating, implementing and
16 regulating entity of the government in the promotion and development of cooperatives
17 in the country.

18 SEC. 4. **Powers and Functions.** – The Department shall have the following
19 powers and functions:

20 a) Register all cooperatives, federations and unions and exercise
21 supervision and jurisdiction over all levels, types and categories of registered
22 cooperatives, including amendments to its by-laws; supervise the division, merger,
23 consolidation, dissolution and liquidation of cooperatives as well as the transfer of all
24 or substantially all of their assets and liabilities, and such other matters as may be
25 necessary;

26 b) Formulate, adopt, and implement integrated plans and programs on
27 cooperative development consistent with the national policy on cooperatives, including

1 those of overseas Filipino workers, the rural and marginalized farm and fishery
2 workers, and such other types and categories of cooperatives that shall register with
3 the Authority;

4 c) Establish in consultation with the cooperative movement, guidelines and
5 standards to promote safe and sound cooperative practices;

6 d) Develop training programs to ensure the development, growth and
7 viability of cooperatives and provide its members with technical skills for the efficient
8 operation of their cooperatives including entrepreneurial capabilities and managerial
9 expertise;

10 e) Coordinate, support and assist the developmental efforts of government
11 agencies, whether national or local, its subdivisions and instrumentalities and the
12 private sector in the promotion, organization, and development of cooperatives;

13 f) Assist the cooperatives, including the federations and unions, in
14 complying with the laws, rules and regulations and lawful orders issued and
15 implemented by the Department as well as the duly approved by-laws of the
16 cooperatives;

17 g) Require the submission of annual reports, audited financial statements,
18 and such other documents in such forms as may be prescribed by the Department;

19 h) Conduct an annual or special inspection or examination of a
20 cooperative upon the request or initiative of the officers of the cooperative in
21 accordance with such rules and regulations that maybe promulgated when deemed
22 necessary to protect the interests and welfare of the members of cooperatives;

23 i) Impose and collect reasonable fees, fines or charges in the performance
24 of its registration, regulatory and supervisory functions, and utilize the same for the
25 furtherance of its administrative functions and requirements;

26 j) Establish regional offices in the various cities all over the Philippines, to
27 implement the provisions of this Act;

28 k) Hear, decide and settle disputes between and among members, officers,
29 and directors of cooperatives, and between and among cooperatives after mediation
30 and conciliation proceedings have been conducted in accordance with the Alternative
31 Dispute Resolution Law, and if necessary for the settlement of the issues, summon
32 witnesses and order the production of documents and records, and in the pursuance
33 of its objectives, punish for direct contempt any person guilty of misconduct in the
34 presence of the Department by imprisonment of not more than ten (10) days. Acts
35 constituting indirect contempt as defined under Rule 71 of the 1997 Rules of Civil
36 Procedure shall be punished in accordance with said rule;

37 l) Order the cancellation of the certificate of registration and the dissolution
38 of the cooperative, after due hearing and notice, for willful violation of the Philippine
39 Cooperative Code of 2008 and its by-laws;

40 m) Implement and enforce its decision with the assistance of deputized law
41 enforcement agencies or the local government units as may be necessary;

42 n) Submit an annual report to the President and the Congress on the state
43 of the cooperative movement; and

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

3 **SEC. 5. *Secretary.*** – The authority and responsibility for the exercise of the
4 mandate of the Department and for the discharge of its power and functions shall be
5 vested in the Secretary of the Department, hereinafter referred to as the Secretary,
6 who shall be appointed by the President of the Philippines subject to the confirmation
7 by the Commission on Appointments.

8 **SEC. 6. *Duties of the Secretary.*** – The Secretary shall have the following
9 powers and functions:

10 a) Exercise over-all supervision and direction over the entire operations
11 of the Department and its attached agencies;

12 b) Establish policies and standards for the effective, efficient and
13 economical operation of the Department in accordance with the programs of the
14 government;

15 c) Review and approve request for financial and manpower resources of
16 all operating offices of the Department;

17 d) Designate and appoint officers and employees of the Department in
18 accordance with the civil service laws, rules and regulations;

19 e) Advice the President on the promulgation of executive and
20 administrative orders, regulatory and legislative proposals on matters pertaining to the
21 promotion and development of cooperatives in the country;

22 f) Implement and enforce policies, decisions, orders, rules and regulations
23 issued by the Department;

24 g) Execute contracts, incur obligations, acquire and dispose of assets and
25 deliver documents on behalf of the Department;

26 h) Approve the organizational structure, staffing pattern, operating and
27 capital expenditures of the Department; and

28 i) Exercise such other powers and functions and perform such other duties
29 as may be authorized, delegated, or assigned.

30 **SEC. 7. *Undersecretaries and Assistant Secretaries.*** – The Secretary shall
31 be assisted by four (4) Undersecretaries all of whom shall be appointed by the
32 President upon the recommendation of the Secretary: one (1) for Regulatory
33 Services; one (1) for Development Services; one (1) for General Administrative,
34 Planning and Legal Services; and one (1) for Field Operations Services who shall
35 have supervision and control on the regional offices.

36 Each Undersecretary shall be assisted by one (1) Assistant Secretary who shall
37 also be appointed by the President of the Philippines upon the recommendation of the
38 Secretary. The Assistant Secretary shall perform such duties and functions as may
39 be assigned by the Secretary or Undersecretary.

40 **SEC. 8. *Qualification.*** – The Secretary, Undersecretaries and Assistant
41 Secretaries of the Department must be citizens of the Philippines, at least thirty years
42 of age, of good moral character and must have a working knowledge in public
43 administration and a minimum of five (5) years experience in cooperative
44 development.

1 SEC. 9. **Compensation.** – The Secretary, Undersecretaries and Assistant
2 Secretaries shall be entitled to compensation and to other benefits and privileges
3 provided under existing laws.

4 SEC. 10. **Organizational Structure.** – The Department shall be composed of
5 the following organizational units:

- 6 a) Office of Secretary;
- 7 b) Office of the Undersecretaries;
- 8 c) Department Services
 - 9 1) Cooperative Regulatory Service
 - 10 2) Cooperative Development Service
 - 11 3) General Administrative Service
 - 12 4) Planning Service
 - 13 5) Legal Service
- 14 d) Regional Offices

15 SEC. 11. **Cooperative Regulatory Service.** – the Cooperative Regulatory
16 Service of the Department is responsible for the registration of cooperatives and for
17 the effective implementation of laws, rules and regulations on cooperatives in
18 accordance with Republic Act No. 9520, otherwise known as the "*Philippine*
19 *Cooperative Code of 2008.*" It includes the Registration, Supervision and Examination
20 Divisions, the Adjudication Division and the Investigation and Enforcement Division.

21 SEC. 12. **Cooperative Development Service.** – The Cooperative
22 Development Service of the Department is responsible for providing training programs
23 to ensure the development, growth and viability of cooperatives and provide their
24 members with technical skills for the efficient operation of their cooperatives including
25 entrepreneurial capabilities and managerial expertise and for coordinating the
26 developmental efforts of government agencies whether national or local, its
27 subdivisions and instrumentalities and the private sector in the promotion, organization
28 and development of cooperatives. It shall include the Project Development Assistance
29 Division, the Research, Education, Information and Training Division, and the
30 Technical Assistant Division.

31 SEC. 13. **Planning Service.** – The Planning Service of the Department is
32 responsible for the formulation, adoption and implementation of integrated and
33 comprehensive plans and programs on cooperative development consistent with the
34 national policy on cooperatives and the overall socioeconomic development plans of
35 the government.

36 SEC. 14. **General Administrative Service.** –The General Administrative
37 Service of the Department is responsible for providing the Department with services
38 relating to human resources development, personnel, records, facilities maintenance,
39 medical and dental, security, property and procurement services, financial
40 management services and information and communications technology.

41 SEC. 15. **Legal Service.** – The Legal Service is responsible for providing the
42 Department with services on legal affairs such as contract preparation, litigation, legal
43 and legislative research, complaints and investigation, legal counseling, and other
44 matters of law.

1 SEC. 16. **Regional Offices.** – The Department Secretary shall establish,
2 operate and maintain a regional office in each administrative region of the country.
3 The regional office shall be headed by a regional director and assisted by an assistant
4 regional director.

5 The regional offices shall, within their respective administrative regions,
6 exercise the following functions:

7 a) Implement laws, policies, plans, programs, projects, rules and
8 regulations of the Department;

9 b) Provide efficient and effective service to the people;

10 c) Coordinate with regional offices of other departments, offices, and
11 agencies;

12 d) Coordinate with the LGUs; and

13 e) Perform such other functions as may be provided by law.

14 SEC. 17. **Annual Report.** – The Secretary shall submit to Congress an annual
15 report generally dealing with the activities and operations of the Department, together
16 with the audit report of the relevant accounts.

17 SEC. 18. **Abolition of the Cooperative Development Authority.** – The
18 Cooperative Development Authority created under Republic Act No. 6939 is hereby
19 abolished. Properties, assets and liabilities, all powers and duties, rights and choses
20 in action vested by law or exercised by the Cooperative Development Authority are
21 hereby transferred to the Department.

22 SEC. 19. **Security of Tenure.** – In the implementation of this Act, there shall
23 be no undue separation of personnel. In the event that the lay-off of personnel
24 becomes unavoidable because of the abolition of their offices or positions, mitigation
25 measures shall be adopted such as redeployment of separated employees to other
26 appropriate departments, agencies or entities.

27 SEC. 20. **Separation from Service.** – Incumbent personnel of the Cooperative
28 Development Authority whose positions are excluded in the approved organizational
29 framework and staffing pattern of the Department, or who are not reappointed, shall
30 be separated from the service. Employees separated from the service as a result of
31 this Act shall, within six (6) months from their separation from the service, receive the
32 benefits to which they are entitled under the existing laws, rules and regulations.

33 Officials and employees who opt to retire during the reorganization are entitled
34 to, in addition to retirement benefits and pensions granted under the existing
35 retirement laws, an additional gratuity equivalent to two (2) months salary for every
36 year of service. An amount corresponding to the retirement benefits of all employees
37 opting to retire shall be held in reserve by the National Treasury for this purpose.
38 Employees who have opted to retire and who received retirement benefits are no
39 longer eligible for employment in the Department.

40 Republic Act No. 6656, entitled "*An Act to Protect the Security of Tenure of*
41 *Civil Service Officers and Employees in the Implementation of Government*
42 *Reorganization*," including its rules and regulations, shall govern the establishment of
43 the Department and the abolition of the Cooperative Development Authority.

1 SEC. 21. **Appropriation.** – The sum of One hundred million pesos
2 (P100,000,000.00) shall be set aside from any available funds of the National
3 Treasury, and is hereby appropriated and authorized to be released, for the
4 organization of the Department and its initial operations.

5 Thereafter, funds sufficient to fully carry out the objectives, powers and
6 functions of the Department shall be included in the annual General Appropriations
7 Act.

8 SEC. 22. **Implementing Rules and Regulations.** – Within ninety (90) days
9 from the effectivity of this Act, the appointed Secretary of the Department of
10 Cooperatives shall issue the necessary rules and regulations for the effective
11 implementation of this Act.

12 SEC. 23. **Separability Clause.** – If any provision or part of this Act is declared
13 invalid or unconstitutional, the remaining parts or provisions not affected thereby shall
14 remain in full force and effect.

15 SEC. 24. **Repealing Clause.** – Republic Act No. 6939, entitled “An Act
16 *Creating the Cooperative Development Authority to Promote the Viability and Growth*
17 *of Cooperatives as Instruments of Equity, Social Justice and Economic Development,*
18 *Defining Its Powers, Functions, and Responsibilities, Rationalizing Government*
19 *Policies and Agencies With Cooperative Functions, Supporting Cooperative*
20 *Development, Transferring the Registration and Regulation Functions of Existing*
21 *Government Agencies on Cooperatives as Such and Consolidating the Same With the*
22 *Authority, Appropriating Funds Therefor, and For Other Purposes” is hereby repealed.*
23 All other laws, rules, regulations, orders, circulars, and other issuances or parts
24 thereof, which are inconsistent with the provisions of this Act are hereby repealed or
25 amended accordingly.

26 SEC. 25. **Effectivity.** – This Act shall take effect fifteen (15) days after its
27 publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,