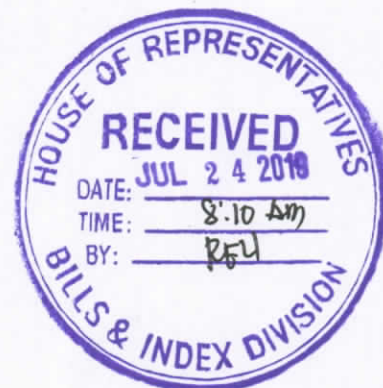




Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

EIGHTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. **2552**



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.

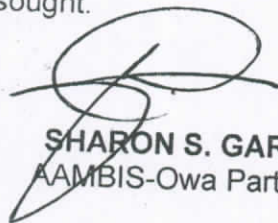
The series of promulgations of the Supreme Court in September and November 2012 declared that the Cojuangco's claims to the UCPB and SMC stocks that were bought with the coco levy funds are public funds. On October 5, 2012, San Miguel Corporation formally paid the government, through the PCGG, the sum 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. It is ironic that *coconut*, popularly dubbed as the "tree of life," has been the source of so much bitterness and hardship for our small and marginalized farmers.

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



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

EIGHTEENTH CONGRESS
First Regular Session

House Bill No. **2552**

Introduced by Representative Sharon Garin

AN ACT
ESTABLISHING THE COCONUT FARMERS AND INDUSTRY
DEVELOPMENT TRUST FUND AND PROVIDING FOR ITS
MANAGEMENT AND UTILIZATION

1 Section 1. **Short Title.** This Act shall be known as the "Coconut Farmers and
2 Industry Development Trust Fund Act."
3

4 Section 2. **Declaration of Policy.** It is hereby declared the policy of the State to
5 pursue and attain the balanced, equitable, integrated, and sustainable growth and
6 development of the coconut industry. Towards this end, the State shall adopt the
7 necessary measures to immediately address the serious problems besetting the
8 coconut industry, protect the socio-economic well-being of coconut farmers, and
9 ensure that the benefits due them, especially the poor and the marginalized,
10 under various statutes shall be consolidated and their delivery expedited. Any
11 measure or program undertaken in accordance to this Act shall be deemed
12 complementary to and shall not be a replacement for existing and potential coconut
13 development programs already conducted by other agencies.
14

15 **Chapter I**
16 **Definition of Terms**
17

18 Section 3. **Definition of Terms.** As used in this Act:
19

- 20 a. **Coconut Industry Investment Fund (CIIF)** refers to the Fund created
21 pursuant to Presidential Decree (PD) No. 1468, which authorized the
22 United Coconut Planters Bank (UCPB) to utilize the surplus funds from
23 the Coconut Consumers Stabilization Fund (CCSF) and the Coconut
24 Industry Development Fund (CIDF) for investments in the form of shares
25 of stock in corporations organized for the purpose of engaging in the
26 establishment and operation of industries, commercial activities, and
27 other allied business undertakings related to the coconut industry in all

its aspects and the establishment of a research program into the commercial and industrial uses of coconut.

- b. **CIIF Holding Companies** refer to the fourteen (14) holding companies, namely: (1) Anglo Ventures Corporation; (2) ASC Investors, Inc.; (3) Arc Investors, Incorporated; (4) AP Holdings, Incorporated; (5) Fernandez Holdings, Incorporated; (6) First Meridian Development, Inc.; (7) Randy Allied Ventures, Incorporated; (8) Rock Steel Resources, Incorporated; (9) Roxas Shares, Incorporated; (10) San Miguel Officers Corporation, Incorporated; (11) Soriano Shares, Incorporated; (12) Te Deum Resources, Incorporated; (13) Toda Holdings, Incorporated; and (14) Valhalla Properties Limited, Incorporated, created by the CIIF Oil Mills Group to acquire, hold and manage the shares of stocks of San Miguel Corporation (SMC).
- c. **CIIF Oil Mills Group** refers to the six (6) CIIF companies, namely: (1) Southern Luzon Coconut Oil Mills; (2) Cagayan de Oro Oil Company, Incorporated; (3) Iligan Coconut Industries, Incorporated; (4) San Pablo Manufacturing Corporation; (5) Granexport Manufacturing Corporation; and (6) Legaspi Oil Company, Incorporated, acquired by the UCPB using the CIIF.
- d. **CIIF SMC Block Shares** refer to the thirty-three million one hundred thirty-three thousand and two hundred sixty-six (33,133,266) shares of stock in SMC, sequestered by the Presidential Commission on Good Government (PCGG) in April 1986 representing thirty-one percent (31%) of the total outstanding capital stock of SMC.
- e. **Converted SMC Series I Preferred Shares** refer to that portion of the CIIF SMC Block Shares covering seven hundred fifty-three million eight hundred forty-eight thousand and three hundred twelve (753,848,312) preferred shares of stock in SMC representing twenty-four percent (24%) of the outstanding capital stock of SMC.
- f. **Coconut Farmer** refers to:
1. Farmer-owner of a coconut farm who:
 - a) Tills the land (owner-cultivator); or
 - b) Does not till the land but has control and supervision over the cultivation of a farm; and
 2. A non-owner of the coconut farm who is either a:
 - a) Leaseholder or tenant who tills or supervises the cultivation of the farm; or
 - b) Farm worker or laborer, whether seasonal or itinerant, engaged in the harvesting of the nuts and processing of copra as major means of livelihood.

1 g. **Coconut Levy Assets** refer to any and all kinds of property, whether
2 real or personal, tangible or intangible, wherever situated, which have been
3 acquired through or otherwise funded by the Coconut Levy Funds, including
4 those assets that may be recovered in favor of the Government, as well as
5 the fruits or income derived therefrom, including those acquired in exchange
6 or substitution thereof, including but not limited to the following:
7

- 8 1. The shares of stock in the UCPB determined to be owned by the
9 Government;
- 10 2. The CIIF Oil Mills Group;
- 11 3. The CIIF Holding Companies;
- 12 4. The Converted SMC Series 1 Preferred Shares; and
- 13 5. Remaining CIIF SMC Block Shares or the proceeds of their sale.

14
15 h. **Coconut Levy Funds** refer to various funds generated from levies, taxes,
16 charges, and other fees exacted or imposed pursuant to or in connection
17 with the sale of *copra rececada* or its equivalent in other coconut
18 products, and collected for the most part from coconut farmers, planters,
19 millers, refiners, processors, exporters, dessicators, and other end users
20 of *copra rececada* or its equivalent in other coconut products. These shall
21 refer to any and all of the following:
22

- 23 1. The Coconut Investment Fund created under Republic Act (RA) No.
24 6260;
- 25 2. The Coconut Consumer Stabilization Fund, later renamed as the
26 Coconut Stabilization Fund, created under PD No. 276;
- 27 3. The Coconut Industry Development Fund created under PD No. 582;
- 28 4. The Coconut Industry Investment Fund created pursuant to PD No.
29 1468; and
- 30 5. The Coconut Reserve Fund under PD No. 1468 and PD No. 1842.

31
32 i. **Investment Guidelines** refer to the investment management guidelines,
33 rules, procedures, and policies to be formulated by the Coconut Farmers
34 and Industry Trust Fund Committee created under Section 11 of this Act,
35 hereinafter referred to as the Committee, and as may be amended
36 from time to time, which shall provide the parameters for investments of
37 the Trust Fund or any portion thereof, and shall include, among others,
38 asset allocation, criteria for selection of fund managers, required income
39 from the fund, and other investment management threshold requirements.
40

41 j. **Trust Income** refers to the income, interest earnings, and other monetary
42 benefits realized by and accruing to the Trust Fund or any portion
43 thereof.
44

45 k. **Trust Principal** refers to:
46

- 47 1. The initial Trust Principal composed of dividends declared, paid, or
48 issued on the Converted SMC Series 1 Preferred Shares; the
49 proceeds from the redemption of the Converted SMC 1 Preferred

1 Shares; all income or interest derived therefrom as of the effectivity
2 of this Act; or any other cash Coconut Levy Asset deposited in the
3 Bureau of the Treasury (BTr) and the UCPB as administrator of the
4 CIIF;

- 5 2. Any and all proceeds of privatization of the Coco Levy Assets
6 remitted thereto by the Privatization and Management Office (PMO)
7 organized under Article III of Executive Order (EO) No. 323 (s. 2001);
8 and
9 3. Proceeds of privatization of any or all properties or assets conveyed
10 by any person, group, or entity to the Committee, from time to time,
11 as provided in Section 8 hereof.
12

13 Chapter II

14 Audit and Reconveyance of Coconut Levy Assets

15

16 Section 4. **Audit and Inventory of Coconut Levy Assets.** Upon the effectivity of
17 this Act, the PCGG shall conduct a complete accounting and inventory of the
18 Coconut Levy Assets as well as the investments, disbursement, and expenditures
19 relating to the coconut levy fund and submit a certified report to the BTr, the
20 Commission on Audit (COA), and the Office of the President (OP).
21

22 The COA shall audit the Report on the Accounting and Inventory of the Coconut
23 Levy Assets prepared and submitted by the PCGG for the purpose of, among
24 others, determining completeness of said inventory, the existence of the subject
25 assets, establishing the reasonableness of the asset valuation, and tracing of the
26 flow of the coconut levy fund.
27

28 The COA shall submit to the PCGG its initial audit report, the reviewed Report on
29 the Accounting and Inventory of the Coconut Levy Assets, and the valuation as well
30 as the empirical basis and methodologies employed for said valuation, together with
31 its observations for revision and compliance, within ninety (90) days from submission
32 of the Report on the Accounting and Inventory of the Coconut Levy Assets. However,
33 if necessary, further audit may be undertaken after the initial audit.
34

35 The PCGG shall then incorporate the COA's observations for revision and compliance
36 in the Report on the Accounting and Inventory of the Coconut Levy Assets and submit
37 the revised version to the COA within thirty (30) days, subject to reasonable time
38 extension, from the submission of the COA's observations for revision and
39 compliance.
40

41 After determining that the observations for revision and compliance were incorporated
42 in the revised Report on the Accounting and Inventory of the Coconut Levy Assets by
43 the PCGG, the COA shall submit the final version of the Report on the Accounting and
44 Inventory of the Coconut Levy Assets to the Committee, as well as the empirical basis
45 and methodologies employed for the valuation.
46

47 The Committee shall publish the same, within fifteen (15) days from its receipt of
48 the final version of the Report on the Accounting and Inventory of the Coconut Levy
49 Assets, in at least two (2) newspapers of national circulation.
50

1 Section 5. **Reconveyance of Coconut Levy Assets.** Immediately upon the
2 effectivity of this Act, the PCGG, the government representatives to the boards of
3 sequestered/surrendered corporations, and any government agency or person in
4 possession, custody, control, or administering any Coconut Levy Asset shall perform
5 or cause the performance of the following:

- 6
7 a. Reconveyance of the title of such asset to the Republic of the
8 Philippines;
9 b. Delivery of all stock certificates and other evidence of ownership
10 to the BTr for safekeeping; and
11 c. Deposit all cash assets in the Trust Fund.
12

13 Any provision of the law to the contrary notwithstanding, the BTr and the UCPB
14 shall directly remit the initial Trust Principal to the Trust Fund; *Provided*, That the BTr
15 shall transfer the remaining cash assets from the special account in the General Fund
16 within a period of five (5) years in equal amounts each year.
17

18 The COA shall conduct an audit to determine compliance with pertinent laws,
19 rules, and regulations on reconveyance of the Coconut Levy Assets to the
20 government.
21

22 The COA shall also conduct the regular financial and compliance audit of the Coconut
23 Levy Assets, and submit the annual audit report thereon as mandated by the
24 government auditing rules and regulations, until said assets are privatized.
25
26

27 Chapter III 28 Coconut Farmers and Industry Development Trust Fund

29 Section 6. **The Coconut Farmers and Industry Development Trust Fund.** There
30 is hereby created a trust fund to be maintained for a period not to exceed thirty (30)
31 years or until the fund is fully utilized to be known as the Coconut Farmers and
32 Industry Development Trust Fund, hereinafter referred to as the Trust Fund, which
33 shall consist of the Trust Principal and the Trust Income. No portion of the Trust
34 Fund shall be derived from the General Fund of the National Government; *Provided*
35 *That*, any unutilized balance in the Trust Fund after thirty (30) years shall revert to the
36 General Fund of the National Government, and shall be capitalized, managed,
37 utilized, and accounted for in the manner provided in this Act. Nothing in this Act
38 shall be understood to prevent or prohibit any person, group, or entity from
39 conveying to the Committee other properties and/or additional assets either for
40 the use of the coconut industry or for the purposes of privatization, in which case
41 the proceeds of such privatization shall form part of the Trust Fund.
42

43 Section 7. **Purpose of the Trust Fund.** The Trust Fund shall be used exclusively
44 for the ultimate benefit of coconut farmers and for the development of the coconut
45 industry, as embodied in the Coconut Farmers and Industry Development Plan to
46 be prepared pursuant to Section 21 hereof.
47

48 Section 8. **Capitalization of the Trust Fund.** All assets and/or properties derived
49 from all coconut levy recovered assets; and all dividends, interest earnings, and
50 incomes that are available upon the effectivity of this Act shall form part of the initial

1 capital of the Trust Fund. The Trust Fund shall thereafter be augmented with all
2 the proceeds of privatization/disposition of the Coconut Levy Assets remitted
3 directly thereto by the PMO in accordance with this Act, including any and all
4 forms of income, interests, earnings, yields, or any monetary benefit derived
5 therefrom prior to the privatization/disposition of these Coconut Levy Assets.
6

7 In order to ensure the enduring character of the Trust Fund, the Principal thereof
8 shall be augmented by grants, donations, and other lawful transfers by public or
9 private entities. At the end of the year, all unspent portion of the trust income for
10 the year shall accrue to the Trust Principal.
11

12 **Section 9. *Management and Utilization of the Trust Fund.*** The Trust Fund shall
13 be available and may be utilized only for the purpose for which it was created and
14 upon authorization of the Committee, subject to the following conditions:
15

- 16 a. Ten Billion Pesos (PHP 10,000,000,000.00) of the initial trust principal,
17 which shall be known as the Jumpstart Fund, may be used within two
18 (2) years commencing from the approval of the plan by the President
19 to jumpstart the development of the industry;
- 20 b. All disbursements shall only be made on the basis of the funding
21 requirement of the program, activity, or project by the Committee as
22 provided in the Coconut Farmers and Industry Development Plan; *Provided,*
23 That an annual allocation of at least Five Billion Pesos shall be released for
24 the programs and projects provided under this Act; and
- 25 c. The ceiling for expenses of the Committee for the administration,
26 monitoring, evaluation, information services, and other necessary
27 activities for the effective performance of its functions under this Act shall
28 be provided in the Implementing Rules and Regulations under Section 26
29 of this Act.
30

31 All releases from the Trust Fund approved by the Committee shall be released
32 directly to the implementing agencies; *Provided That,* coconut productivity and
33 developmental programs and projects shall be implemented by the Philippine
34 Coconut Authority (PCA) created under PD No. 232 (s. 1973), as amended by PD
35 No. 1468 (s. 1978). Other coconut productivity and developmental programs and
36 projects implemented by other agencies shall be closely coordinated with the PCA.
37

38 Disbursements or expenditures by the concerned implementing agencies in violation
39 of the purpose of the Trust Fund shall be void and shall subject the erring officials
40 and employees to disciplinary actions in accordance with existing laws, and to
41 appropriate criminal action under existing penal laws. Disbursements of the funds
42 should be done in accordance with the Government Accounting Manual and all other
43 related laws, rules, and regulations.
44

45 **Section 10. *Designation of the Bureau of the Treasury as Depository of the***
46 ***Trust Fund.*** Any law to the contrary notwithstanding, the BTr is hereby designated
47 as the depository of the Trust Fund, which shall:
48

- 49 a. Hold and account the Trust Fund in the manner set forth by the
50 Committee;

- b. Release funds directly to the implementing agencies upon the instruction of the Committee;
- c. When so appointed by the Committee, act as a fund manager of the investments of the Trust Fund with the authority and accountability as that of a private fund manager; and
- d. Perform other tasks as may be authorized by the Committee.

The Committee may designate alternative depository banks which shall perform the same functions as that of the BTr.

Chapter IV Coconut Farmers and Industry Development and Industry Trust Fund Committee

Section 11. *Creation of the Coconut Farmers and Industry Development Trust Fund Committee.* The Coconut Farmers and Industry Development Trust Fund Committee is hereby created under the OP.

The Committee shall have the following powers and functions:

- a. Coordinate and monitor the implementation of the Coconut Farmers and Industry Development Plan;
- b. Approve any allowable disbursement out of the Trust Fund pursuant to Section 14 of this Act;
- c. Formulate the Investment Guidelines pursuant to the allowable investment stated in Section 28 of this Act;
- d. Appoint a fund manager, if necessary, to handle the investment of the Trust Principal;
- e. Identify the Coconut Levy Assets that will be privatized, retained, or abolished and submit its recommendation to the President for approval;
- f. Approve the marketing and disposition program for the Coconut Levy Assets approved for privatization;
- g. After obtaining the approval of the President, authorize the sale and other mode of privatization of Coconut Levy Assets approved for privatization;
- h. Authorize the rehabilitation of Coconut Levy Assets approved for privatization pending actual disposition;
- i. Submit reports and recommendations to the President in connection with its functions under this Act; and
- j. Exercise such other incidental powers and functions as may be necessary to attain the objectives of this Act.

The PCA shall provide Secretariat support to the Committee.

Section 12. *Composition.* The Committee shall be composed of the following:

- a. Six (6) representatives from the government who shall be serving in *ex officio* capacities:
 - 1. Secretary of the Department of Agriculture (DA), as Chairperson;
 - 2. Secretary of the Department of Finance (DOF), as Vice Chairperson;

3. Secretary of the Department of Trade and Industry (DTI);
 4. Secretary of the National Economic and Development Authority (NEDA);
 5. Administrator of the PCA; and
 6. A representative from the Office of the Executive Secretary.
- b. Three (3) representatives from the coconut farmers' organizations, one (1) from Luzon, one (1) from Visayas, and one (1) from Mindanao, who have considerable experience, substantial membership, and reputable track records.
- c. Two (2) representatives from the coconut industry sector who have considerable experience and reputable track records.

The nominees of the coconut farmers' organizations shall be validated and shortlisted by the PCA. The list of nominees, which shall number at least three (3) per island group, shall be submitted to the President not later than thirty (30) days following the effectivity of this Act. The representatives of the coconut industry sector shall be appointed by the President from a list of nominees, which shall number at least six (6), submitted by the PCA.

The government representatives in the Committee shall serve only during their respective terms in office. The representatives from the coconut farmers' organizations and the coconut industry sector shall each hold a term of three (3) years, unless sooner removed for cause, and may be reappointed once. Any of the representatives shall continue to hold office until their successor is appointed; *Provided That*, any appointment to fill a vacancy in the Committee shall be only for the unexpired term.

Section 13. *Ex Officio Alternates.* The *ex officio* members of the Committee may designate their respective permanent alternates who shall be the officials next-in-rank to them and their acts shall be considered acts of their principals.

Section 14. *Meetings of the Committee.* The Committee shall meet once a month, or as often as deemed necessary and expedient to discharge its responsibilities. The presence of at least a majority of the members present at a meeting at which a quorum exists shall be adequate for any decision by the Committee; *Provided, That* the approval of at least a majority of the members of the Committee shall be required on matters involving the following:

- a. Any single disbursement of funds involving more than Fifty Million Pesos (Php 50,000,000.00);
- b. Any proposed investment involving more than One Hundred Million Pesos (Php 100,000,000.00); and
- c. All dispositions or privatization proposals.

Provided further, That the disbursements requiring the approval of at least a majority of the members of the Committee may be subject to the President's disallowance.

The Chairperson, if unavailable, may designate the Vice Chairperson to convene the Committee and preside over the Committee's meeting on behalf of the Chairperson.

1
2 Section 15. **Compensation of the Members of the Committee.** The members of the
3 Committee may be entitled to per diems and reimbursable expenses, in accordance
4 with the COA rules and regulations.
5

6 Section 16. **Obligations of the Members of the Committee.** The members of
7 the Committee shall act with due care, diligence, skill, and good faith in all its
8 dealings with the Trust Fund and the Coconut Levy Assets. They shall avoid
9 conflicts of interest and declare before the Committee any interest they may have
10 in any particular matter.
11

12 Where a member of the Committee receives any profit or benefit by virtue of his
13 office, including acquiring shares in corporations that form part of the Coconut
14 Levy Assets, using the Coconut Levy Assets for one's benefit, receiving
15 commission on contracts from the Coconut Levy Assets, or taking advantage of
16 corporate opportunities involving the Coconut Levy Assets, all such profits or
17 benefits shall be returned to the Trust Fund without prejudice to any administrative,
18 civil, or criminal action against such member. This provision shall be applicable
19 notwithstanding the fact that such member of the Committee used one's own funds
20 in the venture.
21

22 The Committee shall recommend to the President the removal and replacement
23 of the member who performs such acts.
24

25 Section 17. **Executive Director of the Committee.** The administrator of the PCA
26 shall be appointed as Executive Director of the Committee.
27

28 The Executive Director shall have the following powers and functions:
29

- 30 a. Execute policies and administer the programs approved or promulgated
31 by the Committee;
32 b. Monitor the progress of the implementation of the Plan and submit
33 periodic reports to the Committee;
34 c. Prepare an annual report on the activities of the Committee at the close
35 of each fiscal year and to submit a copy thereof to the President and
36 Congress;
37 d. Keep and maintain official records and reports of the proceedings of
38 the Committee;
39 e. Administer oaths in all matters falling within the jurisdiction of the
40 Committee; and
41 f. Exercise such other duties as may be vested by the Committee that
42 are consistent with the provisions of this Act.
43

44 Section 18. **Cooperation with the Committee.** The Committee may also call upon
45 any department, bureau, office, agency, and instrumentality of the Government,
46 including Government-Owned or -Controlled Corporations (GOCCs), for any
47 assistance it may need in the discharge of its functions and responsibilities as well
48 as in the implementation of its programs and projects.
49

1 Section 19. **Accounting and Auditing.** The Committee shall maintain records and
2 accounts of all investments, income, receipts, disbursements, and other
3 transactions relating to the management, administration, and disposition of the Trust
4 Fund. These records and accounts shall be maintained in accordance with existing
5 accounting and auditing laws, rules, and regulations. The Trust Fund shall be
6 audited by the COA.

7
8 Section 20. **Legal Counsel.** The Solicitor-General shall be the *ex officio*
9 counsel of the Committee on legal matters.

10
11
12
13 Chapter V
14 Coconut Farmers and Industry Development Plan

15 Section 21. **Preparation of the Coconut Farmers and Industry Development**
16 **Plan.** An *Ad Hoc* Committee is hereby created to be composed of technical officials
17 from the Department of Agriculture, the Department of Agrarian Reform, the
18 Department of the Interior and Local Government, the Department of Finance,
19 the Department of Public Works and Highways, the Department of Science
20 and Technology, the Department of Social Welfare and Development, Department
21 of Health, the Department of Trade and Industry, the Department of Budget and
22 Management, the National Economic and Development Authority, the National Anti-
23 Poverty Commission, the Technical Education and Skills Development Authority,
24 the Land Bank of the Philippines, and the Development Bank of the Philippines.

25
26 In addition, twelve (12) representatives from the coconut farmers' organizations
27 composed of four (4) from Luzon, four (4) from Visayas, and four (4) from
28 Mindanao; and four (4) representatives from the different coconut industry sectors
29 who all have considerable experience, substantial membership, and reputable
30 track records, shall also be members of the *Ad Hoc* Committee.

31
32 The nomination process of the representatives from the coconut farmers
33 organizations and the different coconut industry sectors shall be the same as that
34 in Chapter IV, Section 12 of this Act; *Provided, That*, the list of nominees from the
35 coconut farmers' organizations shall number at least twelve (12) per island group;
36 *Provided, also*, that eight (8) of the twelve (12) representatives from the Coconut
37 Farmers' Organizations must not have more than five (5) hectares of coconut farm
38 landholding; *Provided Further, That*, the list of nominees from the coconut industry
39 sector shall number at least twelve (12).

40
41 The Administrator of the PCA shall act as the *Ad Hoc* Committee's Chairperson.

42
43 The members of the *Ad Hoc* Committee shall be compensated in the same manner
44 as that of the Committee under Chapter IV, Section 15 of this Act.

45
46 The *Ad Hoc* Committee, in consultation with coconut farmers' organizations,
47 industry associations, civil society organizations, academe, concerned government
48 agencies, and other stakeholders in the coconut industry shall indicate in an
49 integrated coconut industry strategy the policies for the development and
50 rehabilitation of the coconut industry. It shall prepare every five (5) years, or as

1 determined by the Committee, a medium term plan of programs, activities, and
2 projects, which shall be funded out of the Trust Fund and which shall be known
3 as the Coconut Farmers and Industry Development Plan, hereinafter referred to as
4 the Plan. The Plan shall be consistent with the Philippine Development Plan and
5 shall be subject to mandatory review every year.

6
7 The Administrator of the PCA shall submit an annual report to the Committee on the
8 status of the implementation of the Plan and its corresponding programs/projects.

9
10 The PCA shall commission an independent study on the third year, or any other date
11 as may be determined by the Committee, to assess the impact of the programs and
12 projects in the Plan. The results of the independent study shall be one of the bases to
13 update the Plan. The conduct of the study shall be chargeable to the regular funds of
14 the PCA.

15
16 In the formulation of the Plan, the *Ad Hoc* Committee shall be guided by the
17 following objectives:

- 18
19 a. Increase in the income of coconut farmers and increase coconut
20 productivity including intercropping and livestock-raising;
21 b. Establishment of coconut-based enterprises including integrated
22 processing of coconut products and downstream products;
23 c. Rehabilitation and modernization of the coconut industry towards global
24 competitiveness;
25 d. Provision of timely and critical support to coconut farmers organization;
26 and
27 e. Establishment of social protection programs that directly benefit the
28 coconut farmers and farm workers, in case these social protection
29 programs are not funded by an appropriations law or any other special
30 laws, or where funding is insufficient. The social protection programs
31 shall include: (1) social services such as life, medical, and accident
32 insurance coverage of the coconut farmers and farm workers; (2)
33 scholarships for the benefit of the deserving descendants of the coconut
34 farmers and farm workers; and (3) livelihood programs.

35
36 The Plan shall provide an indicative funding requirement or allocation for the
37 implementation of any and all of the programs and projects, which funding or
38 allocation shall be itemized or broken down on a project-to-project basis;
39 *Provided, That* (a) for projects which are recurring, or to be implemented on a
40 regular basis, the allocation shall indicate the annual fund that may be required to
41 implement the project; and (b) for projects that are to be implemented or
42 concluded within a period of time, the allocation shall indicate the total fund that
43 may be required for the implementation of the whole project, itemized according
44 to the phases or stages of the project. The Plan shall also include the contribution
45 of the regular budget of the PCA.

46
47 Within ninety (90) days from the appointment of all farmer-representatives and the
48 industry representatives, the Plan shall be submitted by the *Ad Hoc* Committee to
49 the Committee which shall, in turn, submit the Plan to the President, as endorsed
50 by the Economic Development Cluster, for approval. Immediately upon its

1 approval, the Plan shall be returned to the Committee for the disbursement of
2 funds in accordance with the provisions of this Act. Any amendment to the Plan
3 shall require the approval of the President, as endorsed by the Economic
4 Development Cluster.

5
6 If the President has any objection or any amendment thereto, the President shall
7 notify the Committee within thirty (30) days from receipt thereof; otherwise, the
8 Plan shall be deemed approved.

10 Chapter VI 11 Privatization of the Coconut Levy Assets

12
13 Section 22. **Privatization of Coconut Levy Assets.** Pursuant to the national policy
14 on the efficient and transparent privatization of government assets (including GOCCs)
15 which are unnecessary or inappropriate for the government sector to maintain:
16

- 17 a. The Governance Commission for Government-Owned or -Controlled
18 Corporations shall determine whether it is to the best interest of the
19 Government to privatize any non-cash Coco Levy Asset and recommend to
20 the President the privatization and the mode of the divestment, taking into
21 account the need to generate maximum cash recovery and the implications
22 of such divestment on the coconut industry.
- 23 b. The PMO shall be the disposition entity for non-cash Coconut Levy Assets
24 which shall have been approved for divestment by the President and shall
25 expeditiously sell, alienate, or dispose of the same upon securing the
26 favorable recommendation of the Privatization Council pursuant to EO No.
27 323 (s. 2000) and other relevant laws, orders, rules, and regulations, and the
28 prior approval of the Committee. In the discharge of this additional mandate,
29 the PMO is hereby empowered to implement the actual
30 marketing/disposition program for the non-cash Coconut Levy Assets, to
31 execute and deliver, on behalf of the Government, the deeds of sale,
32 contracts, and other instruments as may be necessary or appropriate to
33 convey title to such assets to take possession of and conserve the non-cash
34 Coco Levy Assets transferred to it, and engage external expertise as may
35 be necessary in the fulfillment of its tasks under this Act. Any sale and other
36 mode of privatization shall not be considered final unless favorably
37 recommended by the Privatization Council and approved by the Committee.
- 38 c. The PMO shall, within three (3) months from the closure of its books at the
39 end of each fiscal year, submit a comprehensive annual report to the
40 President, through the Privatization Council, on the status of its privatization
41 efforts and its disposition program for the non-cash Coco Levy Assets, which
42 report shall include a description of the assets privatized and disposed of,
43 the purchasers, the consideration received, and the agreed terms of
44 payment.
45

46 Section 23. **Proceeds from Privatization.** All proceeds and receipts or revenues
47 arising out of or in connection with the privatization of the Coconut Levy Assets shall
48 be deposited to the Trust Fund, after deducting reasonable expenses actually, directly,
49 and exclusively incurred by the PMO in connection with such privatization as stated
50 under Section 22 hereof.

1
2 **Section 24. Allowable Investment.** The Committee shall manage the Trust Principal
3 with the skill, care, prudence, and diligence necessary under the circumstances that
4 a prudent person acting in like capacity and familiar with such matters would exercise
5 in the conduct of an enterprise of a like character with similar aims. Pursuant thereto
6 and in line with the basic principles of safety, growth, and liquidity, the Trust Principal
7 shall only be invested in any or all of the following:
8

- 9 a. Bonds, securities, securities, promissory notes, or other evidence of
10 indebtedness of the Government of the Philippines, or in bonds, securities,
11 promissory notes, and other evidence of indebtedness to which full faith,
12 credit, and unconditional guarantee of the Republic of the Philippines is
13 pledged;
14 b. Bonds, securities, promissory notes, or other evidence of indebtedness of
15 government financial institutions or government corporations with
16 acceptable credit or guarantee; *Provided, That* such investments shall be
17 subject to a ceiling to be fixed by the Committee in the implementing rules
18 and regulations; and
19 c. Deposits and loans and/or investments in any domestic bank doing
20 business in the Philippines and in good standing with the Bangko Sentral
21 ng Pilipinas; *Provided, That* in case of such deposits, these shall not exceed
22 at any time the unimpaired capital and surplus or total private deposits of
23 the depository bank, whichever is smaller; *Provided Further, That* the bank
24 shall have been first designated as a depository for this purpose by the
25 Monetary Board of the Bangko Sentral ng Pilipinas; *Provided Finally, That*
26 such investments shall be subject to a ceiling to be fixed by the Committee
27 in the implementing rules and regulations.
28
29
30

31 **Chapter VII**
32 **Final Provisions**

33 **Section 25. Suppletory Application of Republic Act No. 10149 and Executive**
34 **Order No. 323.** In the interpretation of the provisions of this Act, the provisions of RA
35 No. 10149, otherwise known as the "GOCC Governance Act of 2011," shall apply
36 suppletorily. EO No. 323, entitled, "Constituting an Inter-Agency Privatization Council
37 and Creating a Privatization and Management Office under the Department of Finance
38 for the Continuing Privatization of Government Assets and Corporations," shall also
39 apply suppletorily.
40

41 **Section 26. Implementing Rules and Regulations.** Within thirty (30) days from the
42 date of the constitution of the Committee, it shall formulate and promulgate the rules
43 and regulations for the proper implementation of this Act, in consultation with the PMO.
44

45 **Section 27. Congressional Oversight.** The Congressional Oversight Committee on
46 Agricultural and Fisheries Modernization shall exercise oversight functions over the
47 implementation of this Act. The financial review of the program in relation to its
48 performance indicators shall be subject to the oversight functions of the Joint
49 Congressional Oversight Committee on Public Enterprises.
50

1 Section 28. **Separability Clause.** If any provision of this Act is declared invalid or
2 unconstitutional, the other provisions not affected by such declaration shall remain in
3 full force and effect.
4

5 Section 29. **Repealing Clause.** All laws, executive and administrative orders, rules
6 and regulations inconsistent with this Act are hereby repealed or amended
7 accordingly.
8

9 Section 30. **Effectivity.** This Act shall take effect fifteen (15) days after its publication
10 in the Official Gazette or in a newspaper of general circulation.