

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

NINETEENTH CONGRESS
First Regular Session

House Bill No. 7781



Introduced by Representative
LEODY F. TARRIELA

EXPLANATORY NOTE

Food security has become a major global concern, aggravated by climate change and natural and man-made disasters, like the war in Ukraine.

In the Philippines, the food security issue is compounded by poor productivity arising from inadequate irrigation, antiquated farming and fishing methods, high cost of farm inputs, and lack of access to credit and marketing network.

Consequently, the Philippines has become one of the world's largest importers of rice, vegetables, poultry and even fish despite having one of the longest coastlines in the world. Ironically, the farmers and fishers constitute the poorest of the poor Filipinos. Their average age was estimated by the National Statistics Office in 2020 at 57 years. With no incentives for the young to replace the aging farmers and fishers, the biggest threat to food crisis looms in the horizon: lack of producers in agriculture and fishery industries.

Meanwhile, the chasm between the rich and the poor continues to widen. Oxfam International reported recently that the richest nine (9) families in the Philippines have as much wealth as 50% of the total population or 55 million Filipinos. The richest one percent (1 %) have as much wealth as the 99 % of all Filipinos. These despite the Philippines registering relatively higher GDP growth rate than many other countries (7.9%) in 2022.

President Ferdinand Marcos, Jr said during the recent oath-taking of newly appointed government officials in Malacañang, *"help me uplift our people's economic condition... Efforts to grow our economy would only go to waste if the fruits of growth are not enjoyed by the people. Only a few would get rich."*

There is nothing wrong with the rich getting richer; but the poor must have a fighting chance to improve his or her quality of life. The first necessary measure to make this happen, is for the poor who presently rely mainly on usurious informal lenders for capital, to be provided practical access to institutional credit.

In response to the President's call, and to help address the problems of food security and widespread poverty, especially among farmers and fishers, this draft measure seeks to establish the Maharlika Cooperative Apex Bank of the Philippines, herein referred to as "MCABP". The MCABP shall take over from Land Bank of the Philippines (LBP), the mandate to provide credit and financial support facilities to small farmers, fishers as well as to micro, small and medium scale entrepreneurs engaged in agribusiness enterprises.

LBP which was created with the passage of RA 3844, otherwise known as Agrarian Land Reform Code on August 8, 1963, may now focus on its vital role as one of the largest universal and commercial banks in the Philippines. But it will retain its principal responsibility of land evaluation, compensation to owners of private agricultural lands and collection of amortization from Comprehensive Agrarian Reform Program (CARP) farmer beneficiaries.

The MCABP shall have the following major functions:

- a. Serve as Apex Bank for cooperatives and cooperative banks;
- b. Be the depository bank for surplus funds of cooperatives and cooperative banks;
- c. Institutional development and capacity building of cooperatives and cooperative banks in coordination with Cooperative Development Authority and Local Government Units;
- d. Provide fresh funds to client cooperatives and coop banks when needed;
- e. Grant loans to farmers, fishers and agribusiness MSMEs;
- f. Link the cooperative system with the general money market and the Bangko Sentral ng Pilipinas;

These MCABP functions are similar to those being undertaken by such pillars of cooperative movement and equitable progress in their respective countries, like the DG Bank of Germany, Rabobank of the Netherlands, NACF/Nonghyup Bank of South Korea, Credit Agricole of France, Norinchukin Bank of Japan and NABARD of India.

With access to institutional credit, the farmers and fishers of good standing, will be able to benefit from economies of scale in purchasing inputs and equipment for farming and fishing, avail themselves of modern technology, and access marketing networks for their produce. These will result in higher productivity and income for farmers and fishers, and lower prices for consumers.

In view of the foregoing, the immediate consideration and passage of this bill is earnestly requested.



HON. LEODY "ODIE" F. TARRIELA
Representative

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INTRODUCED BY REPRESENTATIVE
LEODY F. TARRIELA

AN ACT
CREATING THE MAHARLIKA COOPERATIVE APEX BANK OF THE
PHILIPPINES, PROVIDING FUNDS THEREFOR, AND FOR OTHER
PURPOSES

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

Section 1. Short Title.- This Act shall be known as the “Maharlika Cooperative Apex Bank of the Philippines Act of 2023”.

Section 2. Declaration of Policy. – It is hereby declared the policy of the State to achieve food security, promote equitable national development, increase and sustain agricultural productivity, and advance the welfare of farmers and fisherfolks by granting them access to credit, farm and fishing inputs and equipment, modern technologies, and marketing network. To this end, an Apex Bank which seeks to strengthen Philippine cooperatives and cooperative banks, and cater to the credit and financial needs of farmers and fisherfolks as well as micro, small and medium entrepreneurs engaged in agribusiness, shall be created.

Section 3. *Creation of the MCABP.* – There is hereby established a body corporate to be known as the Maharlika Cooperative Apex Bank of the Philippines, which hereinafter referred to as “MCABP” or “Bank”, which shall have its principal place of business in Metro Manila. The legal and corporate existence of the shall be perpetual unless its articles of incorporation provides otherwise. The MCABP shall be subject to such rules and regulations as the Bangko Sentral ng Pilipinas may from time to time promulgate.

Section 4. *Principal Functions of the MCABP.*– The MCABP shall have the following principal functions:

- a. Serve as the Apex Bank for cooperatives, keep accounts, maintain primary cash reserves, supervise and ensure compliance of agriculture and fishery cooperatives and cooperative banks;
- b. Be the depository bank for surplus funds of cooperatives and cooperative banks;
- c. Provide loans and other financial services to members of agriculture and fishery cooperatives;
- d. Link the cooperative system with the general money market and the Bangko Sentral ng Pilipinas;
- e. Link the producers farmers and fishers with the technology providers, business community and consumers.

MCABP shall extend agriculture, fisheries and rural development financing as used under "Sec. 4 of Republic Act No. 11901, otherwise known as the “Agriculture, Fisheries and Rural Development Financing Act of 2022”; however, such financing shall be exclusively extended for: (a) Agrarian reform beneficiaries under Presidential

Decree No. 27, the Comprehensive Agrarian Reform Law and Republic Act No. 9700 or the "Comprehensive Agrarian Reform Extension with Reforms"; (b) Small farmers who own five (5) hectares of agricultural lands or less, or farmers, fisherfolks, farmworkers, fishworkers, as ; (c) Agricultural Lessee as defined under Section 3(e) of R.A. No. 11901; (d) agriculture and fishery cooperatives and cooperative banks; (e) agricultural workers who earn Two Hundred Fifty Thousand Pesos (Php250,000.00) or less, annually, which amount may be subject to change as may be determined by the Board of Directors of MCABP.

The Department of Agriculture, Department of Agrarian Reform, and Cooperative Development Authority shall verify the qualified borrowers and depositors of the Bank through its existing identification systems and database.

Section 5. *Loan Interest Rates.* – The loans to be extended under the preceding Section shall be subject to interest rates that will not be higher than prevailing prime market rates and/or under more favorable terms and conditions. The Board of Directors shall set the loan interest rates, with reference and guidance from the Bangko Sentral ng Pilipinas (BSP).

Section 6. *Capital* - The authorized capital stock of the MCABP shall be Ten Billion Pesos (Php10,000,000,000.00) divided into One Billion (1,000,000,000) shares with a par value of Ten Pesos (Php10.00) each, which shall be fully subscribed and paid by the Land Bank of the Philippines (LBP) and other sources of government funds. Of the total capital subscribed by the LBP and the Government, Three Billion Pesos (Php3,000,000,000.00) shall be paid by the LBP, and Two Billion Pesos (Php2,000,000,000.00) shall be paid by the Government within one year from the

approval of this Code. One Billion Two Hundred Fifty Million Pesos (Php1,250,000,000.00) shall be paid by the LBP and the Government every year thereafter for two years. For which purpose the amount of Two Billion Pesos (Php2,000,000,000.00) is hereby appropriated upon the effectivity of this Code, and One Billion Two Hundred Fifty Million Pesos (Php1,250,000,000.00), out of the funds from the National Treasury, not otherwise appropriated for the purpose for the next two years: Provided, That if there are not enough funds in the National Treasury for the appropriation herein made, the Secretary of Finance, with the approval of the President of the Philippines, may source funds from other available government sources.

Section 7. *Education and Training; Cooperation Among Cooperatives*-- The MCABP, in coordination with the Cooperative Development Authority and Local Government Officials, will ensure compliance by officers and members of cooperatives and cooperative banks with the provisions of Article 4 of R A 9520, the Cooperative Code on Cooperative Principles, particularly on:

- a. Education, Training and Information, by regularly conducting capability training and seminars with emphasis on credit worthiness and good governance. Best practices in cooperatives both here and abroad must be documented and shared; and
- b. Cooperation among cooperatives, service to members is enhanced and the cooperative movement is strengthened by working together through local, regional, national and international Cooperative Federations or Unions.

Section 8. *Powers in General* - To carry out this main purpose, the MCABP shall have the following powers:

- a. To prescribe, repeal, and alter its own by-laws, to determine its operating policies, and to issue such rules and regulations as may be necessary to achieve the main purpose for the creation of the MCABP;
- b. To adopt, alter and use a corporate seal;
- c. To acquire and own real and personal property, and to sell, mortgage or otherwise dispose of the same;
- d. To sue and be sued, make contracts, and borrow money from both local and foreign sources. Such loans shall be subject to approval by the President of the Philippines and shall be fully guaranteed by the Government of the Philippines;
- e. To hold, own, purchase, acquire, sell or otherwise invest, or reinvest in stocks, bonds or other securities capable of giving the MCABP a reasonably assured income sufficient to support its financing activities; and
- f. To provide, free of charge, investment counseling and technical services to small farmers and fisherfolks; and
- g. To act as an official government depository with full authority to maintain deposits of the government, its branches, subdivisions and instrumentalities, and of government-owned or controlled corporations which deposits shall be subject to liquidity floor and/or reserve requirements as may be imposed by the Monetary Board upon other commercial banks.

All capital stocks originally subscribed by the Government LBP under Sec. 6 of this Act shall not be entitled to earn dividends, whether in the form of cash or stock dividends or otherwise.

Section 9. *Issuance of Bonds* - The MCABP shall, upon recommendation by the Board of Directors and approval of the Monetary Board of the Bangko Sentral ng Pilipinas, issue bonds, debentures and other evidences of indebtedness at such terms, rates and conditions as the MCABP may determine up to an aggregate amount not exceeding, at any one time, five times its unimpaired capital and surplus. These bonds and other obligations shall be fully negotiable and unconditionally guaranteed by the Government of the Philippines and shall be redeemable at the option of the MCABP at or prior to maturity, which in no case shall exceed twenty-five years. These negotiable instruments of indebtedness shall be mortgageable in accordance with established banking procedures and practices to government institutions not to exceed sixty per centum of their face value to enable the holders of such bonds to make use of them in investments in productive enterprises. They shall also be accepted as payments for reparation equipment and materials.

The Board of Directors shall have the power to prescribe rules and regulations for the registration of the bonds issued by the MCABP.

Section 10. *The Board of Directors; Membership; Per Diem*. – The affairs and business of the MCABP shall be directed and its property managed and preserved by a Board of Directors consisting of nine (9) members to be composed of the (a) Secretary of Finance, as Chairman; (b) the President of the Bank who shall also serve as Vice-Chairman; (c) the Secretary of Agrarian Reform; (d) the Secretary of Agriculture, (e) and the Chairperson of the Cooperative Development Authority as ex officio members. The President of the Philippines shall also appoint (a) one (1) member of the Board who shall represent the Cooperative Banks, (b) one (1) member who will represent the

Credit Cooperatives, (c) one (1) member to represent farmers' cooperatives, and (d) one (1) member who shall represent the fisherfolks' cooperatives.

The appointive members of the Board shall hold a term of office for one (1) year and shall continue to hold office until their successor shall have been appointed and qualified. The Board shall convene as often as necessary to discharge its responsibilities properly, but shall meet at least once every two (2) weeks. The Board may be convoked either by the Chairman or in his absence, the Vice-Chairman.

The Chairman and the members of the Board shall receive per diem pursuant to and in accordance with the rules and regulations governing government-owned and controlled corporations.

Section 11. Executive Officers: Compensation. The President of the Bank shall be appointed by the President of the Philippines. His salary shall be fixed by the Board of Directors in accordance with the rules and guidelines of the Governance Commission for GOCCs (GCG). The President shall be assisted by Vice-Presidents as may be required, whose appointments shall be approved and whose salaries shall be fixed by the Board of Directors in accordance with Section 14 of this Act.

Section 12. *Qualifications of Members* – No person shall be elected or appointed director of the Bank unless he is natural born citizen of the Philippines, not less than thirty-five (35) years of age, of good moral character, and has attained proficiency, expertise and recognized competence in one or more of the following areas: banking, finance, economics, law, agriculture, agrarian reform, business management:

Provided, further, that no current director, shareholder or employee of any other bank or financial institution shall be eligible for election or appointment as member of the Board of Directors of the Bank.

Section 13. *Committee on Investments* - There shall be a Committee on Investments composed of three members. The Committee on Investments shall be headed by the Secretary of Finance as Committee Chairman, while the two (2) other members shall come from the other ex-officio members, to be elected by the Board of Directors. The Committee on Investments shall recommend to the Board of Directors the corporations or entities from which the MCABP shall invest its assets and purchase shares of stock.

The MCABP shall not invest in any corporation, partnership or company wherein any member of the Board of Directors or of the Committee on Investments or his spouse, direct descendant or ascendant has substantial pecuniary interest or has participation in the management or control of the enterprise except with the unanimous vote of the members of the Board of Directors, excluding the member interested, in a joint meeting held for that purpose where full and fair information of the extent of such interest or participation has been adequately disclosed in writing and recorded in the minutes of the meeting: Provided, That such interested member shall not in any manner participate in the deliberations and shall refrain from exerting any pressure or influence whatever on any official or member of the MCABP whose functions bear on or relate to the investment of the funds of the MCABP in the enterprise: Provided, further, That the total investment in any single corporation, partnership, company, or association shall not exceed five per centum of the total investible funds.

Section 14. Personnel. - The Board of Directors shall provide for an organization and staff of officers and employees of the Bank and upon recommendation of the President of the Bank, appoint and fix their remunerations and other emoluments, and remove such officers and employees: Provided, That the Board shall have exclusive and final authority to promote, transfer, assign or reassign personnel of the Bank, any provisions of existing law to the contrary notwithstanding.

All positions in the Bank shall be governed by a compensation, position classification system and qualification standards approved by the Bank's Board of Directors based on a comprehensive job analysis and audit of actual duties and responsibilities. The compensation plan shall be comparable with the prevailing compensation plans in the private sector and shall be subject to periodic review by the Board no more than once every two (2) years without prejudice to yearly merit reviews or increases based on productivity and profitability; provided that such system, standards, and compensation plan are also consistent with the rules and regulations of the GCG. It shall endeavor to make its system conform as closely as possible with the principles under Republic Act No. 6758, or the Compensation and Position Classification Act of 1989.

The Bank officers and employees, including all members of the Board, shall not engage directly or indirectly in partisan activities or take part in any election except to vote.

No officer or employee of the Bank subject to the Civil Service Law and Regulations shall be removed or suspended except for cause as provided by law.

The Chairman of the Commission of Audit (COA) shall be the ex-officio auditor of the MCABP and shall appoint a representative, who shall be the auditor in charge of the auditing office of the MCABP. The Auditor General shall, upon the

recommendation of the auditor of the MCABP appoint or remove the personnel of the auditing office. The compensation, budget and operating expenses of the auditing office and the salaries and traveling expenses of the officers and employees thereof shall be fixed by the Board of Directors and paid by the MCABP notwithstanding any provision of law to the contrary.

Section 15. Reportorial Requirements- The representative of the COA shall make a quarterly report on the condition of the MCABP to the President of the Philippines, to the Senate through its President, to the House of Representatives through its Speaker, to the Secretary of Finance, to the Auditor General and to the Board of Directors of the MCABP. The report shall contain, among other things, a statement of the resources and liabilities including earnings and expenses, investments, the amount of capital stock, surplus, reserve and profits, as well as losses, bad debts, and suspended and overdue paper carried in the books as assets of the MCABP, and personnel and workforce of the MCABP.

Section 16. Auditing Rules and Regulations - The COA shall, with respect to the Bank, formulate improved and progressive auditing rules and regulations designed to expedite the operations of the MCABP and prevent the occurrence of delays and bottlenecks in its work.

Section 17. Removal of Members- The President of the Philippines may, at any time, remove the Chairman or any member of the Board appointed by him if the interest of the MCABP so requires, for any of the following causes:

- (1) Mismanagement, grave abuse of discretion, infidelity in the conduct of fiduciary relations, or gross neglect in the performance of duties;
- (2) Dishonesty, corruption, or any act involving moral turpitude; and
- (3) Any act or performance tending to prejudice or impair the substantial rights of the government or any of the stakeholders of the Bank.

Conviction of the Chairman or a member for a crime involving moral turpitude or carrying with it a penalty greater than *arresto mayor* shall cause the removal of such Chairman or member without the necessity of Presidential action.

The Chairman or member may, in any of the above cases, be civilly liable for any damage that may have been suffered by the government or any of the stakeholders of the Bank.

Section 18. *Organization of the MCABP* - The Bank shall be organized within one (1) year from the date of effectivity of this Act.

Section 19. *Penalty for Violation of the Provisions of this Act* - Any director, officer, employee or agent of the MCABP who violates or permits the violation of any of the provisions of this Act, or any person aiding or abetting the violations of any of the provisions of this Act, shall be punished by a fine not to exceed forty thousand pesos and/or by imprisonment of not more than five (5) years, at the discretion of the Court.

Section 20. *Implementing Rules and Regulations*. - The Department of Finance with the assistance of the Department of Agriculture and *Bangko Sentral ng Pilipinas* shall, within thirty (30) days from the effectivity of this Act, promulgate the rules and regulations necessary for the effective implementation of this Act.

Section 21. *Separability Clause.* - If any provision or part hereof, is held invalid or unconstitutional, the remainder of the law or the provision not otherwise affected shall remain valid and subsisting.

Section 22. *Repealing Clause.* - All laws, decrees, orders, rules and regulations, or parts thereof inconsistent with the provisions of this Act are hereby deemed repealed or modified accordingly.

Section 23. *Effectivity.* - This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation.

APPROVED.