

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

Seventeenth Congress  
First Regular Session

HOUSE BILL NO. **4174**



Introduced by Honorable Representatives:

**MARIA VALENTINA G. PLAZA**  
**MANUEL F. ZUBIRI**  
**PROSPERO A. PICHAY, JR.**

**EVELYN PLAZA-MELLANA**  
**SABINIANO S. CANAMA**  
**RICO B. GERON**

EXPLANATORY NOTE

According to the 1987 Constitution:

*"Congress shall create an agency to promote the viability and growth of cooperatives as instrument of social justice and economic development" (Sec. 15, Art. XII)*

On March 10, 1990, Republic Act No. 6939 was passed into law creating the Cooperative Development Authority or CDA pursuant to the above-quoted constitutional provision.

At present, pursuant to *Executive Order No. 1* of His Excellency The President Rodrigo Roa Duterte, the CDA is now under the supervision of the Cabinet Secretary within the Office of the President with the aim to develop specific programs and projects that seek to reduce poverty, improve the lives of the most vulnerable sectors of society; promote social education of the people to allow them to participate in effecting real change by keeping watch of the affairs of the government; and listen to people's feedback.

Based on the above premises, it is clear that the promotion of the viability and growth of cooperatives is ultimately aimed at poverty reduction.

Poverty, from all appearances, is the number one problem confronting the nation as nearly a fifth of the population live under the poverty line.

Poverty is the direct result of the lack - and/or absence - of income-generating livelihood and gainful employment opportunities, including unemployment and underemployment.

In sum, poverty is now the dreaded dragon that is stalking the Filipino nation.

It must be slain.

As of latest count, there are 25,610 cooperatives in the country registered with the CDA.

After twenty six (26) years of the existence of the CDA, there has been a steady growth in the number of cooperatives.

There have been so many successful cooperatives in the Philippines. In fact, several of them have grown from small cooperatives into "billion-peso" cooperatives.

The undersigned also recognizes that one of the indicators of success in the cooperatives sector is the fact that the said sector is represented in the Philippine Congress through party-list representatives to champion the causes of the cooperative sector.


After twenty six (26) years of the CDA's existence and with the growing number of cooperatives in the country, this representation believes that it is now the right time to strengthen the government support for cooperative development by creating a Line Department exclusively for this sector.


The herein proposed creation of Department of Cooperatives or DepCo will directly address the problem of poverty, including its social by-products of hunger, unemployment, underemployment, mendicancy, criminality, indolence and hopelessness. Creating the Department of Cooperatives becomes even more imperative than ever.

As a Line Department, the DepCo will be endowed with appropriate legal teeth and muscle as the creation of bureaus and offices in the regional centers will greatly energize the DepCo's administrative reach and efficiency vis-a-vis the implementation and application of rules and regulations in the industry. Pursuant to the provisions of this measure, it is the goal to strengthen the current powers of the CDA as this Department of Cooperatives, through its Secretary, has the power to: (1) provide executive direction and supervision over the entire operations of the Department and its attached bureaus and agencies; (2) establish policies and standards for the effective, efficient and economical operation of the Department, in accordance with the programs of government; (3) review and approve requests for financial and manpower resources of all operating units, agencies and offices of the Department; (4) designate and appoint officers and employees of the Department, excluding the undersecretaries, assistant secretaries, and regional and assistant regional directors, in accordance with the civil service laws, rules and regulations; (5) exercise disciplinary powers over officers and employees of the department in accordance with law, including their investigation and the designation of a committee/panel or officer to conduct such investigation; (6) coordinate with LGUs, other agencies and public and private interest groups, including non-government organizations (NGOs), people's organizations (POs) on Department policies, programs and initiatives;

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

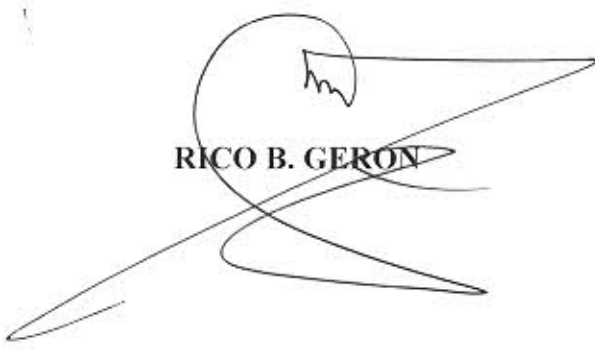
  
MARIA VALENTINA G. PLAZA

  
EVELYN PLAZA-MELLANA

  
PROSPERO A. PICHAY, JR.

  
SABINIANO S. CANAMA

  
MANUEL F. ZUBIRI



**RICO B. GERON**

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

Seventeenth Congress  
First Regular Session

HOUSE BILL NO. **4174**

---

Introduced by Honorable Representatives:

**MARIA VALENTINA G. PLAZA**

**EVELYN PLAZA-MELLANA**

**MANUEL F. ZUBIRI**

**SABINIANO S. CANAMA**

**PROSPERO A. PICHAY, JR.**

**RICO B. GERON**

---

**AN ACT AMENDING REPUBLIC ACT NO. 9520, REPEALING REPUBLIC ACT NO. 6939 AND CREATING THE DEPARTMENT OF COOPERATIVES, TRANSFERRING THE REGISTRATION AND REGULATION FUNCTIONS ON COOPERATIVES TO THE DEPARTMENT, APPROPRIATING FUNDS THEREFOR, AND FOR OTHER PURPOSES**

**SECTION 1.** Article 1. Short Title. - This Act shall be known as the "Department of Cooperatives Act of 2016."

**SECTION 2.** Declaration of Policy. - It is hereby declared the policy of the State to promote the viability and growth of cooperatives as instruments of equity, social justice and economic development and to create an agency, in fulfillment of the mandate in Section 15, Article XII of the Constitution. Toward this end, the State shall recognize cooperatives as associations organized for the economic and social betterment of their members, operating business enterprises based on mutual aid, and founded upon internationally accepted cooperative principles and practices.

In furtherance of this policy, the appropriate national economic planning agency and include the promotion of growth and expansion of cooperatives as a major and indispensable component of national development plans. All departments, branches, subdivisions and instrumentalities of the Government shall promote the formation of cooperatives under their respective programs by providing them with appropriate and suitable incentives.

The State recognizes the cooperative sector as primarily responsible for the institutional development of cooperatives. Accordingly, the State recognizes the rights of the cooperative sector to initiate and foster within its own ranks cooperative promotion, organization, training, information gathering, audit and support services, with government assistance where necessary.

Government assistance to cooperatives shall be free from any restriction and conditionality that may in any manner infringe upon the objectives and character of cooperatives as provided in this Act. The State shall, except as provided in this Act, maintain the policy of noninterference in the management and operation of cooperatives.

**SECTION 3.** Republic Act No. 9520 shall be amended as follows:

“xxx

*Art. 5. Definition of Terms*

xxx

(8) Department of Cooperatives refers to the government agency in charge with the registration and regulation of cooperatives as such hereinafter referred to as the “Department”

All portions of Republic Act No. 9520 which states the word “Authority” shall be amended to “Department”.

**SECTION 4.** Creation of the Department of Cooperatives. - There is hereby created the Department of Cooperatives.

**SECTION 5.** Mandate. - The Department shall be the primary policy, planning, coordinating, implementing and administrative entity of the Executive Branch of the government that will plan, develop, execute and promote the national agenda on cooperative development.

**SECTION 6.** Powers, Functions and Responsibilities. - The Department shall exercise the following powers, functions and responsibilities:

- (a) Formulate, adopt and implement integrated and comprehensive plans and programs on cooperative development consistent with the national policy on cooperatives and the overall socioeconomic development plans of the Government;
- (b) Formulate, recommend and implement national policies, plans, programs and guidelines that will promote, sustain and advance the development of all forms of cooperatives including, but not limited to, the use of available and emerging technology and financial mechanisms and inputs;
- (c) Formulate policies and initiatives to establish effective networking and coordination with different government agencies that will help achieve the national development goals of the cooperative movement;
- (d) Develop and conduct management and training programs upon request of cooperatives that will provide members of cooperatives with the entrepreneurial capabilities, managerial expertise, and technical skills required for the efficient operation of their cooperatives and inculcate in them the true spirit of cooperativism and provide, when necessary, technical and professional assistance to ensure the viability and growth of cooperatives with special concern for agrarian reform, fishery and economically depressed sectors;
- (e) Support the voluntary organization and consensual development of activities that promote cooperative movements and provide assistance towards upgrading managerial and technical expertise upon request of the cooperatives concerned;
- (f) Coordinate the efforts of the local government units and the private sector in promotion, organization, and development of cooperatives;
- (g) Register all cooperatives and their federations and unions, including their division, merger, consolidation, dissolution or liquidation. It shall also register the transfer of all or substantially all of their assets and liabilities and such other matters as may be required by the Department;
- (h) Require all cooperatives, their federations and unions to submit their annual financial statements, duly audited by certified public accountants, and general information sheets;
- (i) Order the cancellation after due notice and hearing of the cooperative's certificate of registration for non-compliance with administrative requirements and in cases of voluntary dissolution;



- (j) Assist cooperatives in arranging for financial and other forms of assistance under such terms and conditions as are calculated to strengthen their viability and autonomy;
- (k) Impose and collect reasonable fees and charges in connection with the registration of cooperatives;
- (l) Administer all grants and donations coursed through the Government for cooperative development, without prejudice to the right of cooperatives to directly receive and administer such grants and donations upon agreement with the grantors and donors thereof;
- (m) Formulate and adopt continuing policy initiatives consultation with the cooperative sector through public hearing;
- (n) Adopt rules and regulations for the conduct of its internal operations;
- (o) Submit an annual report to the President and Congress on the state of the cooperative movement;
- (p) Assess, review and prescribe qualification standards essential to the identification and development of efficient, capable and competent personnel necessary to the effective operation, development and management of all cooperatives;
- (q) Ensure that the goals and objectives of the cooperative movement will inspire and spread the Filipinos' core values of industry, volunteerism, self-reliance, honesty and perseverance to the next generation of Filipinos and beyond;
- (r) Establish linkages and exchange management and executive leadership programs with foreign institutional counterparts on academic cooperative education that will enhance the management competence and capability of local officials of various cooperatives in the country;
- (s) Exercise such other functions as may be necessary to implement the provisions of cooperative laws and, in the performance thereof, the Department may summarily punish for direct contempt any person guilty of misconduct in the presence of the Department which seriously interrupts any hearing or inquiry with a fine of not more than Five thousand pesos (P5000.00) or imprisonment of not more than ten (10) days, or both. Acts constituting indirect contempt as defined under Rule 71 of the Rules of Court shall be punished in accordance with the said Rule.

**SECTION 7. Composition.** - The Department shall be headed by a Secretary. The Department proper shall be composed of the Office of the Secretary, the Offices of the Undersecretaries and the Assistant Secretaries.

**SECTION 8. - Secretary.** - The Secretary shall be appointed by the President subject to confirmation by the Commission on Appointments. The Secretary shall have the following functions:

- (a) Provide executive direction and supervision over the entire operations of the Department and its attached bureaus and agencies;
- (b) Establish policies and standards for the effective, efficient and economical operation of the Department, in accordance with the programs of government;
- (c) Review and approve requests for financial and manpower resources of all operating units, agencies and offices of the Department;
- (d) Designate and appoint officers and employees of the Department, excluding the undersecretaries, assistant secretaries, and regional and assistant regional directors, in accordance with the civil service laws, rules and regulations;

- (e) Exercise disciplinary powers over officers and employees of the department in accordance with law, including their investigation and the designation of a committee/panel or officer to conduct such investigation;
- (f) Coordinate with LGUs, other agencies and public and private interest groups, including non-government organizations (NGOs), people's organizations (POs) on Department policies, programs and initiatives;
- (g) Prepare and submit to the President through the Department of Budget and Management (DBM) an estimate of the necessary expenditures of the Department during the next fiscal year, based on the reports and estimates submitted by bureaus and agencies under him/her;
- (h) Advise the President on the promulgation of executive and administrative orders and circulars and the formulation of regulatory and legislative proposals affecting cooperative development;
- (i) Formulate such rules and regulations and exercise such other powers as may be required to implement the objectives of this Act; and
- (j) Perform such other tasks as may be provided by law or assigned by the President.

**SECTION 9. Undersecretaries.** - The Secretary shall be assisted by three (3) undersecretaries, who shall be appointed by the President upon the recommendations of the Secretary who will work with men/women of his/her confidence and choice.

There will be an Undersecretary for Finance and Administration; Undersecretary for Field Operations and Monitoring; and Undersecretary for Arbitration/Mediation and Legal Affairs.

**SECTION 10. Assistant Secretaries.** - The Secretary shall be assisted by four (4) assistant secretaries who shall be appointed by the President upon the recommendation of the Secretary: Provided, That two (2) of the Assistant Secretaries shall be career officers.

**SECTION 11. Qualifications.** - No person shall be appointed Secretary, Undersecretary or Assistant Secretary of the Department unless he or she is a citizen or resident of the Philippines, of good moral character, of proven integrity and with appropriate length of work experience and competence either in governance and policy, public administration, corporate communications, media and public relations, human resource management, financial accounting and banking and others.

**SECTION 12. Regional Offices.** - The Department shall establish, operate and maintain a regional office in all the existing administrative regions of the country. Each regional office shall be headed by a Regional Director, who shall be assisted by one (1) Assistant Regional Director. The Regional Director and the Assistant Regional Director shall be appointed by the President. The regional offices shall have, within their respective administrative regions, the following functions:

- (a) Implement laws, policies, plans, programs, projects, rules and regulations of the Department;
- (b) Provide and deliver efficient and effective service to the people;
- (c) Coordinate and establish harmonious linkages with other regional offices and departments;
- (d) Coordinate effectively with Local Government Units (LGUs); and
- (e) Perform such other functions as may be provided by law or assigned by the Secretary from time to time.

**SECTION 13. Bureaus.** - There shall be created three (3) attached bureaus. The Bureau of Monitoring and Field Operations, the Bureau of Arbitration, Mediation and Legal Affairs and the Bureau of Systems Planning and Human Resource Development.

(a) Each of the Bureaus will be headed by a Director with the rank of Assistant Secretary.

(b) The Bureau Director will be assisted by one (1) Assistant Bureau Director. Both the Bureau Director and the Assistant Bureau Director, upon recommendation of the Secretary, will be appointed by the President.

**SECTION 14. Mediation and Conciliation.** - Upon request of either or both parties, the Department shall mediate and conciliate disputes within a cooperative or between cooperatives: Provided, That if no mediation or conciliation succeeds within three (3) months from request thereof, a certificate of non-resolution shall be issued by the commission prior to the filing of appropriate action before the proper courts.

**SECTION 15. Power to Register Cooperatives.** - The power to register cooperatives shall be vested solely on the Department.

**SECTION 16. Transfer of Bureaus, Offices, Divisions, Units and Personnel.** -

All attached bureaus, extension offices, divisions and units under the previous Authority covered by this Act are hereby abolished and their powers and functions, applicable funds and appropriations, records, equipment, property and personnel transferred to the Department.

**SECTION 17. Separation and Retirement from Service.** - Employees who are separated from service within six (6) months from the effectivity of this Act as a result of the consolidation and/or reorganization under the provisions of this Act shall receive separation benefits to which they may be entitled under the law; Provided, That those who are qualified to retire under existing retirement laws shall be allowed to retire and receive retirement benefits to which they may be entitled under applicable laws and issuances.

The laws and rules on government reorganization as provided for in Republic Act No. 6656, otherwise known as the Reorganization Law, shall govern the reorganization process of the Department.

**SECTION 18. Structure and Staffing Patterns.** - Subject to the approval of the Department of Budget and Management (DBM), the Department shall determine its organizational structure and create new divisions or units as it deems necessary, and shall appoint officers and employees of the Department in accordance with the civil service law, rules and regulations.

**SECTION 19. Transition Period.** - The transfer of functions, assets, funds, equipment, properties, transactions and personnel of the affected bureaus, divisions and units and the formulation of the internal organic structure, staffing pattern, operating system and revised budget of the Department, shall be completed within six (6) months from the effectivity of this Act, during which period, the existing personnel shall continue to assume their posts in holdover capacities until new appointments are issued: Provided, That after the abolition of the bureaus, offices, divisions, units and personnel as specified in Section 17 of this Act, the Department, in coordination with the DBM, shall determine and create new



positions, the funding requirements of which shall not exceed the equivalent cost of positions abolished.

**SECTION 20. Cooperatives in the Education System.** - The history, philosophy, principles and practices of cooperatives and their role as a factor in the national economy shall be disseminated both in formal and non-formal education.

The role of nongovernment organizations, not registered as cooperatives but duly registered under Philippine laws and engaged in cooperative promotion, organization, research and education, shall be recognized. The Department may accredit such nongovernment organizations as non-academic training organizations. The training courses offered by them may be eligible as credits for the purposes of academic, professional and career advancements of their trainees. Existing training centers for cooperatives may qualify as nongovernment organizations under this Act.

State colleges and universities shall provide technical assistance and guidance to cooperatives in the communities wherein they operate, upon request.

**SECTION 21. Cooperatives in the Banking System.** - The promotion and development of cooperative banks as part of the Philippine banking system shall be a major concern of the Department which shall undertake the necessary program towards this end in collaboration with the Central Bank of the Philippines and the cooperative sector concerned.

**SECTION 22. Credit Information System.** - The Department shall establish a comprehensive and centralized credit information system for the collection and dissemination of fair and accurate information relevant to, or arising from, credit and credit-related activities of all cooperatives engaged in lending activities.

This Section will expressly exclude the cooperatives engaged in lending activities within the purview of Republic Act No. 9510 otherwise known as the "Credit Information System Act".

**SECTION 23. Prohibition.** - No organization shall be allowed to use the title "cooperative" in its name unless it follows all generally accepted cooperative principles, applicable cooperative laws, and is duly registered under this Act: Provided, That organizations which have used the word "cooperative" as part of their nomenclature but which do not qualify as cooperatives under the provisions of this Act shall have one (1) year within which to qualify and to register with the Department. If at the end of the one-year period provided herein, the said organizations still do not qualify, it shall be unlawful for the organizations to continue using the word "cooperative" in their names.

**SECTION 24. Information Campaign.** - The Department of Cooperatives is mandated to conduct a nationwide and extensive information campaign for a period of one (1) year on the provisions of this Act, beginning three (3) months from the effectivity of this Act.

**SECTION 25. Appropriations.** - The amount needed for the initial implementation of this Act shall be taken from the current fiscal year's appropriation of the Cooperative Development Authority. Thereafter, the amount needed for the operation and maintenance of the Department shall be included in the General Appropriations Act.

**SECTION 26. Transitory Provisions.** - All cooperatives registered under Republic Act No. 6938 shall be deemed registered with the Department of Cooperatives: Provided, however, That they shall submit their certificates of registration, copies of their articles of incorporation and bylaws, and their latest duly audited financial statements to the existing CDA Extension Office nearest to the office of the registered cooperative within one (1) year from effectivity of this Act, otherwise, their registration shall be cancelled: Provided, further, That after these cooperatives shall have qualified and registered pursuant to this Act, the provisions of Republic No. 6939 shall no longer be applicable to the said cooperatives.

**SECTION 27. Implementing Rules and Regulations.** - The Department, the DBM, the CSC and other government agencies concerned shall issue within sixty (60) days from the effectivity of this Act, the necessary rules and regulations for the effective implementation of this Act. Such implementing rules and regulations shall take effect within fifteen (15) days after publication thereof in at least two (2) newspapers of general circulation. All subsequent amendments to the implementing rules and regulations shall undergo the same process.

**SECTION 28. Separability Clause.** - If any provision of this Act shall be declared unconstitutional or invalid, the other provisions not otherwise affected shall remain in full force and effect.

**SECTION 29. Repealing Clause.** - Republic Act No. 6939 shall be repealed. All laws, decrees, executive orders, rules and regulations and other issuances or parts thereof which are inconsistent with this Act are hereby repealed, amended or modified accordingly. In case of doubt, the same shall be resolved in favor of the cooperatives.

**SECTION 29. Effectivity.** - This Act shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation.

Approved.