

EIGHTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
First Regular Session )

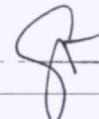
Office of the Secretary  
Senate of the Philippines

SENATE

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S. No. 266

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Introduced by Senator Ralph G. Recto

**AN ACT  
CREATING THE COCONUT FARMERS AND INDUSTRY TRUST FUND, PROVIDING FOR  
ITS MANAGEMENT AND UTILIZATION, RECONSTITUTING FOR THE PURPOSE THE  
PHILIPPINE COCONUT AUTHORITY (PCA) AND FOR OTHER PURPOSES**

**Explanatory Note**

Various laws were enacted imposing a levy on coconut products. Republic Act No. 6260 imposed the first levy on coconut farmers in 1971. The levies collected from the coconut farmers, for which they were issued receipts to be converted into shares of stock, were primarily used to establish the Coconut Investment Fund (CIF). The CIF sought to provide adequate medium and capital investment in the coconut industry. Presidential Decree (P.D.) No. 232 created the Philippine Coconut Authority (PCA), which took over the collection of the coco levy.

By 1973, abnormal global market fluctuations for fats and oils prompted the issuance of P.D. No. 276, which established a Coconut Consumers Stabilization Fund (CCSF). The CCSF which was funded by imposing an initial levy of P15.00 per 100 kilos of *copra resicada* or its equivalent on every first sale, was utilized to subsidize the sale of coconut-based products. By April of 1974, P.D. No. 414 granted the PCA additional powers such as the authority to adjust the levy imposed. It also expanded the use of the CCSF for investment, research and development, and extension of services to the coconut industry.

A few months after, P.D. No. 582 created the Coconut Industry Development Fund (CIDF). The CIDF, unlike the CCSF, is a permanent fund, thereby making the collection of the coco levy permanent as well. The CIDF shall serve to finance the establishment, operation and maintenance of a hybrid coconut seed nut farm.

By July of 1975, P.D. No. 755 empowered PCA to acquire the United Coconut Planters Bank (UCPB) as a permanent solution to the perennial credit problems of the coconut industry. The said issuance also mandated that all CCSF collections deposited to the UCPB shall be interest free.

P. D. No. 961, which codified all laws pertaining to the coconut industry, provided a number of amendments to prior laws and issuances. The CCSF levy, for instance, was passed on to the end users (i.e. copra exporters and oil millers) from the coconut farmers. It also declared that both CCSF and CIDF shall be owned by coconut farmers in their own private capacities. By virtue of the said legislation, UCPB was granted full authority to make investments using the CIDF and CCSF surplus. P.D. No. 1468 also gave UCPB the sole right to administer the coco levy funds. Such mandate led to the creation of the Coconut Industry Investment Fund (CIIF).

The levy, primarily intended to insulate the local coconut industry and its consumers from global market fluctuations for fats and oils, further expanded over time by virtue of succeeding presidential decrees to provide funding for a comprehensive development program to enable the industry to compete in the international market. Such funds were then transferred to the CIDF and the CIIF. The CIIF was

used to acquire the oil mills which now comprise the CIIF – Oil Mills Group (CIIF-OMG). The CCSF, along with the CIDF and the CIIF, constitute what is now known as the Coco Levy Funds.

Substantial collections have been accumulated from the imposition of the coco levy. By 1986, the Coco Levy Funds have amounted to as much as P9.7 Billion.

After forty-five years since its establishment, the Coco Levy Funds is now estimated to be worth P100 Billion in aggregate market value, comprising various assets and entities such as the CIIF-OMG, including its 14 holding companies, as well as the UCPB, United Coconut Chemicals (Cocochem), United Coconut Planters International (UCPI), United Coconut Planters Assurance Corporation (Cocolife), and the shares of stocks in San Miguel Corporation (SMC) that are owned by the CIIF-OMG Companies.

To date, most if not all of the objectives for the creation of these funds have yet to be realized. Under sequestration by the Presidential Commission on Good Government (PCGG), the ownership of the assets acquired through the use of Coco Levy Funds remains in question. As a result, neither the coconut industry nor the public benefited from the Coco Levy Funds.

With regard to the ownership issue of the Coco Levy Funds, a partial summary judgment of the Sandiganbayan on the *Republic v. COCOFED, et. al.* (Civil Case No. 0033-F) dated May 7, 2004, stated that:

“WHEREFORE, in view of the foregoing, we hold that:

“The Motion for Partial Summary Judgment (Re: Defendants CIIF Companies, 14 Holding Companies and Cocofed, et al.) filed by Plaintiff is hereby GRANTED. ACCORDINGLY, THE CIIF, NAMELY:

1. Southern Coconut Oil Mills (SOLCOM);
2. Cagayan de Oro Oil Co., Inc. (CAGOIL);
3. Iligan Coconut Industries, Inc. (ILICOCO);
4. San Pablo Manufacturing Corp. (SPMC);
5. Granexport Manufacturing Corp. (GRANEX); and
6. Legaspi Oil Co., Inc. (LEGOIL),

“AS WELL AS THE 14 HOLDING COMPANIES, NAMELY:

1. Soriano Shares, Inc.;
2. ACS Investors, Inc.;
3. Roxas Shares, Inc.;
4. Arc Investors, Inc.;
5. Toda Holdings, Inc.;
6. AP Holdings, Inc.;
7. Fernandez Holdings, Inc.;
8. SMC Officers Corps, Inc.;
9. Te Deum Resources, Inc.;
10. Anglo Ventures, Inc.;
11. Randy Allied Ventures, Inc.;
12. Rock Steel Resources, Inc.;
13. Valhalla Properties Ltd., Inc.; and
14. First Meridian Development, Inc.

“AND THE CIIF BLOCK OF SAN MIGUEL CORPORATION (SMC) SHARES OF STOCK TOTALING 33,133,266 SHARES AS OF 1983 TOGETHER WITH ALL DIVIDENDS DECLARED, PAID AND ISSUED THEREON AS WELL AS ANY INCREMENTS THERETO ARISING FROM, BUT NOT LIMITED TO, EXERCISE OF PRE-EMPTIVE RIGHTS ARE DECLARED OWNED BY THE GOVERNMENT IN TRUST FOR ALL THE COCONUT FARMERS AND ORDERED RECONVEYED TO THE GOVERNMENT.

"The aforementioned Partial Summary Judgment is now deemed a separate appealable judgment which finally disposes of the ownership of the CIIF Block of SMC Shares, without prejudice to the continuation of proceedings with respect to the remaining claims particularly those pertaining to the Cojuangco, et al. block of SMC shares." (Underscoring supplied)

Furthermore, a Supreme Court decision on *Republic v. COCOFED et. al.* provides that:

xxx"

The Supreme Court, in its decision dated January 24, 2012, upheld the aforementioned partial summary judgment of the *Sandiganbayan*, declaring that the six (6) CIIF-OMG companies, their 14 holding firms, and the CIIF-OMG block of SMC shares as "owned by the Government to be used only for the benefit of all coconut farmers and for the development of the coconut industry". Hence, putting finality on the legal battles as to the ownership and nature of the Coco Levy Funds. The P57 Billion SMC shares were turned over to the National Treasury in the same year.

In March 18, 2015, Executive Order Nos. 179 and 180 were issued by then President Aquino to provide administrative guidelines for the inventory and privatization of coco levy assets and the use of the recovered funds from SMC shares. The implementation of these executive issuances however, was put on hold due to a Temporary Restraining Order (TRO) issued by the Supreme Court in the same year. Hence, the disposition of Coco Levy Funds remains unsettled. Therefore, a legislative action on the disposition of the Coco Levy Funds is warranted.

This measure mandates the Privatization and Management Office (PMO) to privatize all assets acquired through the use of the Coco Levy Funds. Upon privatization, the funds generated shall then be transferred to a Trust Fund to be known as the Coconut Farmers and Industry Fund, to be created under this proposed legislation.

This bill shall also reconstitute the Philippine Coconut Authority (PCA) with the majority of the Board members coming from the coconut farmers and industry sectors. The reconstituted PCA shall craft the Coconut Farmers and Industry Development Plan, manage the Trust Fund; including its investment to government securities and implement the Plan through the implementing agencies. A menu of programs to be funded by the Trust Fund are also listed in the bill.

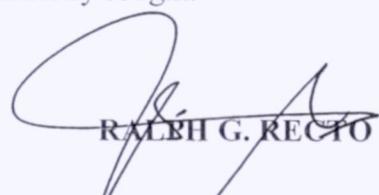
In order to expedite the rehabilitation and development of the coconut industry, the Trust Fund shall be maintained for a period of twenty-five (25) years from the effectivity of this proposed measure.

This bill also guarantees an annual appropriation of Ten Billion Pesos (P10,000,000.00) for the PCA to augment the Trust Fund and support other programs that will increase the income of farmers.

During the 17th Congress, the same measure has been approved by both Houses of Congress with the majority of substantive amendments of this representation adopted. The same bill was used as the working draft for this proposal. Additional substantive amendments to further guarantee the effective implementation of the bill were introduced in this version.

In legislating this proposed measure, we should be reminded that most of the coconut farmers during the time the levies were exacted are already approaching their twilight years and, thus, there is an urgent need for the government to fulfill its promise that they be recognized as the ultimate beneficiaries of such funds.

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



RALPH G. RECTOR

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*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 "Coconut Farmers and Industry  
2        Development Act".

3        **SEC. 2.** *Declaration of Policy.* - It is hereby declared the policy of the State to consolidate the  
4        benefits due to coconut farmers, especially the poor and marginalized, under various statutes and to  
5        expedite the delivery thereof in order to attain increased farm productivity and income of coconut farmers  
6        through the rehabilitation and modernization of the coconut industry.

7                      I

8                      **Definition of Terms**

9        **SEC. 3.** *Definition of Terms.* - The following terms shall mean:

10       (a) "CIIF" shall refer to the Coconut Industry Investment Fund created by virtue of Presidential  
11 Decree 1468;

12       (b) "CIIF - Oil Mills Group" shall refer to the CIIF companies, namely, Southern Luzon Coconut Oil  
13 Mills; Cagayan de Oro Oil Co. Inc.; Iligan Coconut Industries, Inc.; San Pablo Manufacturing Corp.;  
14 Granexport Manufacturing Corp.; and Legaspi Oil Co, Inc.;

15       (c) "CIIF Holding Companies" shall refer to the fourteen (14) holding companies; namely: Anglo  
16 Ventures Corporation; ASC Investors, Inc.; A.R.C. Investors, Inc.; AP Holdings, Inc.; Fernandez  
17 Holdings, Inc.; First Meridian Development, Inc.; Randy Allied Ventures, Inc.; Rock Steel Resources,  
18 Inc.; Roxas Shares, Inc.; San Miguel Officers Corps., Inc.; Soriano Shares, Inc.; Te Deum Resources,  
19 Inc.; Toda Holdings, Inc.; and Valhalla Properties Limited, Inc.;

20       (d) "Converted SMC Series 1 Preferred Shares" shall refer to the 753,848,312 preferred shares of  
21 stock in SMC declared owned by the government, together with all the dividends declared, paid or issued

1 thereon, as well as any increments thereto arising from, but not limited to, the exercise of pre-emptive  
2 rights;

3 (e) "Coconut Farmer" shall refer to:

4 1) An owner of a coconut farm, that is not more than five (5) hectares, who:

5 i) tills the land (owner-cultivator), or

6 ii) does not till the land, but has control and supervision over the cultivation of the  
7 coconut farm;

8 2) A leaseholder or tenant who tills or supervises the cultivation of the farm; or

9 3) A farm worker or laborer, whether seasonal or itinerant, engaged in the harvesting of  
10 the nuts and processing of copra as a major means of livelihood;

11 (f) "Coconut Levy Assets" shall refer to any and all kinds of property, whether real or personal,  
12 tangible or intangible, wherever situated, which have been acquired through the Coconut Levy Funds as  
13 defined in this Section, including those assets that may be recovered in favor of the government, as well  
14 as the fruits, or income therefrom, including those acquired in exchange or substitution thereof.

15 These shall include, among others, the following:

16 i. The shares of stock in United Coconut Planters Bank (UCPB) that were determined  
17 to be owned by the government;

18 ii. The CIIF - Oil Mills Group;

19 iii. The CIIF Holding Companies; and

20 iv. The Converted SMC Series 1 Preferred Shares;

21 (g) "Coconut Levy Funds" shall refer to various funds generated from levies, taxes, charges, and  
22 other fees exacted or imposed pursuant to or in connection with the sale of *copra rececada* or its  
23 equivalent in other coconut products, and collected for the most part from coconut farmers, planters,  
24 millers, refiners, processors, exporters, desiccators and other end-users of *copra rececada* or its equivalent  
25 in other coconut products.

26 Specifically, the term shall refer to any or all of the following:

27 i. The Coconut Investment Fund created under Republic Act No. 6260;

28 ii. The Coconut Consumers Stabilization Fund, later renamed as the Coconut Industry  
29 Stabilization Fund, created under Presidential Decree No. 276;

30 iii. The Coconut Industry Development Fund created under Presidential Decree No.  
31 582;

1                          iv. The Coconut Industry Investment Fund created under Presidential Decree No.  
2                            1468; and

3                          v. The Coconut Reserve Fund under Presidential Decree No. 1468 and Presidential  
4                            Decree No. 1842.

5                          (h) "*PCA*" shall refer to the Philippine Coconut Authority, created under Presidential Decree  
6                            232 (S. 1973), as amended by Presidential Decree 1468 (S. 1978);

7                          (i) "*PCGG*" shall refer to the Presidential Commission on Good Government, created under  
8                            Executive Order No.1 (S. 1986);

9                          (j) "*PMO*" shall refer to the Privatization and Management Office organized under Article III  
10                           of Executive Order No. 323 (S. 2000);

11                         (k) "*Plan*" shall refer to the Coconut Farmers and Industry Development Plan, to be prepared  
12                           under Section 11 of this Act;

13                         (l) "*President*" shall refer to the President of the Republic of the Philippines.

14                         (m) "*Trust Fund*" shall refer to the Coconut Farmers and Industry Trust Fund created under  
15                           Section 6 of this Act;

16                         (n) "*Trust Fund Income*" shall refer to the income, interest earnings, and other monetary  
17                           benefits, realized by and accruing to the Trust Fund or any portion thereof; and

18                         (o) "*Trust Fund Principal*" shall refer to:

19                         (i) The initial Trust Principal which shall be composed of the proceeds from the  
20                           redemption of the Converted SMC Series 1 Preferred Shares, dividends declared,  
21                           paid, or issued on the Converted SMC Series 1 Preferred Shares, and all income or  
22                           interest derived therefrom as of the effectivity of this Act, and any other cash  
23                           Coconut Levy Asset, that are held by the Bureau of Treasury (BTr) as a special  
24                           account in the general fund and as an escrow account, and cash held by UCPB as  
25                           administrator of the CIIF;

26                         (ii) Any and all proceeds of privatization of the Coconut Levy Assets remitted thereto  
27                           by the Privatization and Management Office, and

28                         (iii) Proceeds of privatization of any or all properties or assets conveyed by any person,  
29                           group or entity to the PCA, from time to time, as provided in Section 7 hereof.

## 30                           II

### 31                           Audit and Reconveyance of Coconut Levy Assets

32                         SEC. 4. Accounting, Inventory and Audit of Coconut Levy Assets. – Within thirty (30) days from

33                           the effectivity of this Act, the PCGG shall conduct a complete accounting and inventory of the Coconut

1 Levy Assets, including the amount, value, description and nature of such funds, properties, assets,  
2 records, choses in action, and other rights, claims, or causes of action pertaining thereto, as well as the  
3 investments, disbursements and expenditures relating to the Coconut Levy Funds and submit a report to  
4 the Office of the President, the PCA, and the Commission on Audit (COA).

5 The COA shall audit the accounting and inventory of the Coconut Levy Assets prepared by the  
6 PCGG, for the purpose of, among others, determining the completeness of the said inventory, establishing  
7 the reasonableness of the asset valuation, and tracing the flow of the Coconut Levy Funds.

8 Within sixty (60) days from the submission of the accounting and inventory of the Coconut Levy  
9 Assets, the COA shall submit to the PCA its audit report, together with a complete list of Coconut Levy  
10 Assets and their valuation, and the empirical basis and the methodologies employed for the said valuation.

11 The PCA shall, within fifteen (15) days from its receipt of the audit report, publish the same in at  
12 least two (2) newspapers of national circulation.

13 Nothing herein shall be construed as preventing the PMO from procuring a third-party appraisal of  
14 any of the Coconut Levy Assets prior to or in the course of preparing the privatization or disposition plans  
15 for the said assets.

16 **SEC. 5. Reconveyance of Coconut Levy Assets.** – Immediately upon the effectivity of this Act, the  
17 PCGG, the government representatives to the boards of sequestered/surrendered corporations, and any  
18 government agency or person having any Coconut Levy Asset in its administration, authority, custody or  
19 control which have been finally declared by the Supreme Court as belonging to the government, shall  
20 perform or cause the performance of the following:

- 21 (1) Reconvey title over the Coconut Levy Assets to the Republic of the Philippines;
- 22 (2) Deliver for safekeeping all stock certificates and other evidence of ownership to the BTr; and
- 23 (3) Transfer all cash Coconut Levy Assets to the Trust Fund.

24 *Provided*, That no temporary restraining order (TRO) or any injunction order can be issued except  
25 by the Supreme Court.

26 The COA shall conduct an audit to determine compliance with pertinent laws, rules and  
27 regulations on reconveyance of the Coconut Levy Assets to the Republic of the Philippines.

### 28 III

#### 29 **Creation of the Coconut Industry Fund, its Purposes, and Utilization**

30 **SEC. 6. The Coconut Farmers and Industry Trust Fund.** – There is hereby created a trust fund to  
31 be known as the “Coconut Farmers and Industry Trust Fund,” herein referred to as the “Trust Fund,”

1 which shall be capitalized, managed, invested, utilized and accounted for in the manner provided in this  
2 Act.

3 The Trust Fund shall be maintained for a period not exceeding twenty-five (25) years from the  
4 effectiveness of this Act and shall be used exclusively for the benefit of the coconut farmers and for the  
5 development of the coconut industry.

6 **SEC. 7. Capitalization of the Trust Fund.** – The proceeds from the redemption of the Converted  
7 SMC Series 1 Preferred Shares, dividends declared, paid, or issued on the Converted SMC Series 1  
8 Preferred Shares, and all income or interest derived therefrom as of the effectiveness of this Act, and any  
9 other cash Coconut Levy Asset, that are held by the BTr as a special account in the general fund and as an  
10 escrow account, and cash held by UCPB as administrator of the CIIF, shall form part of the initial Trust  
11 Principal of the Trust Fund. For this purpose, any provision of law to the contrary notwithstanding, the  
12 BTr and UCPB shall transfer any and all monies to the Trust Fund.

13 The Trust Fund shall thereafter be augmented with all proceeds from privatization/disposition of  
14 the Coconut Levy Assets remitted directly thereto by the PMO in accordance with this Act, any and all  
15 forms of income, interests, earnings, yields, or any monetary benefit derived prior to the privatization or  
16 disposition of any of the Coconut Levy Assets, and any and all forms of income, interests, earnings,  
17 yields, or any monetary benefit derived from retained Coconut Levy Assets.

18 Nothing in this Act shall be understood to prevent or prohibit any person, group or entity from  
19 conveying to the PCA other properties and/or additional assets either for the use of the coconut industry,  
20 or for purposes of privatization, in which case, the proceeds of such privatization shall form part of the  
21 Trust Fund.

22 **SEC. 8. Management and Investment of the Trust Fund.** – The PCA shall manage and invest the  
23 Trust Fund Principal with the skill, care, prudence and extraordinary diligence necessary under the  
24 circumstances that a prudent person acting in like capacity and familiar with such matters would exercise  
25 in the conduct of an enterprise of a like character and with similar aims: *Provided*, That the PCA shall  
26 assume such responsibility of managing and investing the Trust Fund only after its current Board have  
27 been reconstituted under Section 11 of this Act. For this purpose, it shall adhere to the basic principles of  
28 safety, capital preservation, growth, and liquidity.

1 To ensure the safety of the funds and for assured returns, all of the Trust Fund shall be placed only  
2 in Philippine government securities.

3 Immediately upon the effectivity of this Act, the BTr shall invest all cash Coconut Levy Assets  
4 under its administration in government securities that will provide the best possible return for the Trust  
5 Fund.

6 For the purpose of the management and investment of the Trust Fund, the PCA shall have the  
7 following powers and functions:

8 (a) Approve disbursements from the Trust Fund, including the funding for (i) the formulation of  
9 the Coconut Farmers and Industry Development Plan, and (ii) the conduct of the inventory and  
10 audit of the Coconut Levy Assets, which shall be charged against the initial Trust Fund  
11 principal or the Trust Fund Income when available;

12 (b) Exercise on behalf of the national government all rights and incidents of ownership to the  
13 coconut levy assets, including the right to vote, whether directly or through duly authorized  
14 nominees, shares of stock held in the name of the national government;

15 (c) Approve or disapprove, on behalf of the national government and without need of any further  
16 approval by, or other action from any other government institution or agency, the sale,  
17 disposition or dissolution of such assets, which sale or disposition shall be conducted by the  
18 PMO: *Provided*, That the PCA itself or any of its members, are prohibited from undertaking  
19 the marketing of any such assets, participating in the negotiation for their sale, or making the  
20 sale itself, or bring about any situation which may give rise to a conflict of interest;

21 (d) Approve the financial requirements of the PMO in relation to its functions set forth in this Act,  
22 including its annual budget for operations, conservation, rehabilitation, management and  
23 privatization/disposition of the Coconut Levy Assets transferred and entrusted under its care;

24 (e) Issue policies, rules, and guidelines as may be necessary to implement the provisions of this  
25 Act;

26 (f) Maintain records and accounts of all investments, receipts, disbursements and other  
27 transactions relating to the management, administration and utilization of the Trust Fund;

1                   *Provided*, That these records and accounts shall be maintained in accordance with existing  
2                   accounting and auditing laws, rules and regulations, and shall be audited by the COA; and  
3                   (g) Exercise such other incidental powers and functions as may be necessary to attain the  
4                   objectives of this Act.

5                   **SEC. 9. Utilization of the Trust Fund.** – All dispositions or utilization of the Trust Fund or any  
6                   portion thereof shall be in accordance with the Coconut Farmers and Industry Development Plan as  
7                   provided for in Section 12 of this Act: *Provided*, That for purposes of the implementation of the Plan, the  
8                   execution of programs and projects identified in the Plan that are allowed to be funded out of the Trust  
9                   Fund, and pending the accrual or availability of the Trust Fund Income, the entire amount of the Trust  
10                  Fund shall be disbursed by the PCA commencing from the approval of the Plan by the President at an  
11                  annual allocation of Five Billion Pesos (P5,000,000,000.00), subject to annual government audit, and  
12                  shall proceed until such time that the fund is fully utilized: *Provided, further*, That any unused portion of  
13                  the annual allocation of Five Billion Pesos (P5,000,000,000.00) shall revert to and form part of the Trust  
14                  Fund.

15                  The Coco Levy Trust Fund shall be utilized as follows:

- 16                  (a) Shared facilities program, thirty percent (30%);  
17                  (b) Scholarship program, fifteen percent (15%);  
18                  (c) Empowerment of coconut farmer organization and their cooperatives, fifteen percent (15%);  
19                  (d) Farm improvement to encourage self-sufficiency, thirty percent (30%); and  
20                  (e) Health and medical program, ten percent (10%).

21                  **SEC. 10. Designation of the Bureau of Treasury as Depository of the Trust Fund.** – Any law to the  
22                  contrary notwithstanding, the Bureau of Treasury is hereby designated as the depository of the Trust  
23                  Fund, which shall: (a) hold and account the Trust Fund in the manner set forth by the PCA; and (b)  
24                  release funds directly to the implementing agencies upon the instruction of the PCA.

25                   **IV**

26                   **The Philippine Coconut Authority**

27                  **SEC. 11. The Philippine Coconut Authority (PCA).** - The PCA, an independent public corporation  
28                  created under Presidential Decree No. 1468, shall be reconstituted and strengthened to ensure the  
29                  participation of coconut farmers in the crafting and implementation of the Coconut Farmers and Industry

1 Development Plan. The composition of the PCA Board is hereby amended and the same shall now be  
2 composed of the following:

3 (a) Five representatives from the Government, the DA Secretary as Chairperson; DOF Secretary as  
4 Vice Chairperson; and as members, the DBM Secretary, PCA Administrator, and one official with  
5 a Cabinet rank to be appointed by the President; and

6 (b) Six (6) representatives from the coconut farmers sector, divided into two (2) representatives each  
7 for the island groupings of Luzon, Visayas and Mindanao, as members: *Provided*, That the six (6)  
8 representatives from the coconut farmers sector must be Filipino citizens, registered with the  
9 coconut farmers registry, have considerable experience and reputable track record in promoting  
10 coconut farmers interests and welfare, and nominated by coconut farmers organizations or  
11 cooperatives that are active for the past three (3) years in farmer organization and development or  
12 community enterprise development. They shall be appointed by the President from a list of four  
13 (4) nominees for each island grouping. . They shall each hold a term of three (3) years, and may be  
14 reappointed once. Any appointment to fill the vacancy arising from death, removal, retirement or  
15 resignation of the representative of the coconut farmer sector shall only be for the unexpired term.

16 Within thirty (30) days following the effectivity of this act, the Board shall promulgate a nomination  
17 and screening process of nominees as representatives of the coconut farmers sector in the board, in  
18 consultation with coconut farmers organizations.

19                      V

20                      **Coconut Farmers and Industry Development Plan**

21                      **SEC. 12. Preparation of the Coconut Farmers and Industry Development Plan.** – The PCA shall

22 prepare the Coconut Farmers and Industry Development Plan.

23 In the performance of its functions, the PCA shall consult coconut farmers and their organizations,  
24 industry associations, civil society organizations, academe, government agencies concerned and other  
25 stakeholders in the coconut industry.

26 The Plan shall set the directions and policies for the development and rehabilitation of the coconut  
27 industry. It shall define the roles and contribution of Coconut Levy Assets to support said rehabilitation  
28 and development, which shall serve as basis in the retention or privatization/disposition of any or all of  
29 the Coconut Levy Assets.

30 In the formulation of the Plan, the PCA shall be guided by the following objectives:

31 (a) Increased farm productivity and incomes of coconut farmers;

32 (b) Intensive effort on intercropping and livestock raising;

33 (c) Establishment of coconut-based enterprises;

34 (d) Rehabilitation and modernization of the coconut industry towards global competitiveness; and

1                         (e) Poverty alleviation and social equity.

2                         The Plan shall include a national program for (a) coconut crop productivity, intercropping and  
3                         livestock raising; (b) community-based coconut enterprises, including integrated processing of coconut  
4                         products and downstream products; (c) coconut farmers organization and development; and (d) social  
5                         protection that directly benefit coconut farmers, farm workers, and their families, taking into  
6                         consideration existing social protection programs of the government: *Provided*, That the Plan shall take  
7                         into account the feedstock demand for biofuels and other existing policies on the use of coconuts:  
8                         *Provided, further*, That the PCA shall, within three (3) months from the effectivity of this Act, complete  
9                         the Coconut Farmers Registry.

10                  The Plan shall provide the criteria for targeting beneficiaries, the indicators in determining the  
11                  attainment of the abovementioned objectives, and the mechanisms for monitoring and evaluating the  
12                  impact of the different components of the program.

13                  The Plan shall also include strategic and inclusive training programs dedicated for our coconut  
14                  farmers based from a comprehensive review of existing training programs.

15                  Programs relating to planting, replanting, fertilization, research and development, market  
16                  promotion, farm-to-market roads, and direct lending, shall be funded through regular appropriations.

17                  The Plan shall provide an indicative funding requirement or allocation for the implementation of  
18                  any and all of the programs and projects to be funded by the Trust Fund Principal and the Trust Fund  
19                  Income, which funding or allocation shall be itemized or broken down on a project-to-project basis:  
20                 *Provided*, That, (i) for projects which are recurring, or to be implemented on a regular basis, the allocation  
21                  shall indicate the annual amount that may be required to implement said project; (ii) for projects that are  
22                  to be implemented or concluded within a period of time, the allocation shall indicate the total fund that  
23                  may be required for the implementation of the whole project, itemized according to the phases or stages of  
24                  said project; and (iii) that all projects shall be evaluated on the basis of financial returns and increased  
25                  farmers income.

26                  Within one hundred eighty (180) days from the effectivity of this Act, the Plan shall be submitted  
27                  to the President, as endorsed by the PCA, for approval.

28                  Any amendment or revision to the Plan shall require the approval of the President

1 VI  
2

3                   **Privatization of the Coconut Levy Assets**

4                   **SEC. 13. Privatization of the Coconut Levy Assets.** – Pursuant to the direction and policies set in  
5 the Plan, the PCA through the PMO shall privatize all Coco Levy Assets as identified under Section 4  
hereof.

6                   For this purpose, the PCA shall be guided by any of the following standards:

- 7                   (a) The functions or purposes for which the entity was created are no longer relevant to the State  
8                   or no longer consistent with the national development policy of the State;
- 9                   (b) The functions or purposes of the entity duplicate or unnecessarily overlap with functions,  
10                  programs, activities or projects already provided by another agency;
- 11                  (c) The entity is not producing the desired outcomes, or is no longer achieving the objectives for  
12                  which it was originally designed and implemented;
- 13                  (d) The entity is dormant or non-operational; and
- 14                  (e) The function, purpose, or nature or operations of any group of entities requires consolidation  
15                  under a holding company.

16                  The PCA shall arrange the transfer of Coconut Levy Assets to be privatized to the PMO.

17                  **SEC. 14. Additional Mandate of the Privatization and Management Office (PMO).** – In addition to  
18 its powers, duties and functions under Executive Order No. 323 (S. 2000), the PMO, shall, for and in  
19 behalf of the National Government, take title to and possession of, conserve, provisionally manage, and  
20 dispose of the Coconut Levy Assets which have been identified for privatization and disposition.

21                  In the discharge of its mandate, the PMO is hereby empowered to: (i) implement the marketing  
22 and disposition program of the Coconut Levy Assets; (ii) execute and deliver, on behalf of the National  
23 Government, deeds of sale, contracts, trust instruments, and other legally operative documents as may be  
24 necessary or appropriate to convey title to, take possession of, and conserve, such assets; (iii) engage  
25 external expertise as may be necessary in the fulfillment of its tasks under this Act; and (iv) to adopt  
26 internal rules and regulations in relation to the marketing and disposition of the Coconut Levy Assets.

27                  Any and all sales and other modes of privatization or disposition shall not be considered final  
28 unless approved or ratified by the PCA.

29                  **SEC. 15. Powers of the Privatization and Management Office.** - The PMO is hereby accorded  
30 discretionary powers with regard to the preparation of the privatization plans and policies of the Coconut

1 Levy Assets transferred to it. The PMO is empowered to enter into sales through public bidding,  
2 negotiated sale, lease, or any form of divestment or transmission of rights over the Coconut Levy Assets,  
3 including a partnership with the private sector in the management or operation of these Coconut Levy  
4 Assets prior to actual sale or disposition.

5 Prior to the implementation of any privatization plan, the PMO shall have the following powers:

- 6 (i) Require any one or more of the subject corporations to adopt and implement cost-reduction  
7 measures to enhance the viability, and therefore the disposability of such corporations, to  
8 potential buyers, including measures requiring personnel retrenchment plans or other forms  
9 of corporate downsizing;
- 10 (ii) Direct any one or all of the subject corporations to submit to the PMO, within fixed time-  
11 tables, such reports and information as the PMO may require in the exercise of its  
12 ownership, administrative, and disposition over such corporations or their assets; and
- 13 (iii) Cause the subject corporations to undergo rehabilitation, merger, consolidation, spin-off,  
14 or other corporate acts of reformatory nature as it may deem necessary or desirable to  
15 expedite the disposition and privatization under this Act.

16 In all such cases, no corporate measure shall be implemented without the approval of the PCA.

17 **SEC. 16. Determination Transfer Value.** - The PCA is hereby vested with full and complete powers  
18 and prerogatives to determine transfer values and related valuations at which the Coconut Levy Assets  
19 shall be transferred and conveyed to the PMO pursuant to the mandate of this Act and upon reasonable  
20 consultation with the COA or a third-party appraiser: *Provided*, That any valuation approved by the PCA  
21 for purposes of the transfer to the PMO shall not be deemed a condonation, waiver, or extinguishment of  
22 any obligation by any third party whose vested rights may be impaired by such transfer.

23 **SEC. 17. Remittance of Proceeds of Privatization.** - Any provision of law to the contrary  
24 notwithstanding, all proceeds or receipts from the sale of Coconut Levy Assets, except portions thereof  
25 for reimbursable custodianship and operational expenses, or such amount approved by the PCA to be  
26 retained by the PMO, shall be remitted to the Trust Fund.

27 **SEC. 18. Reporting Requirements.** - The PCA shall, on a semi-annual basis, submit to the President  
28 and to Congress a report on the status of disposition of the Coconut Levy Assets, which shall include,  
29 among others, a description of the individual assets as disposed of, their purchasers prospective and past,  
30 the consideration received, and the terms of payment as agreed upon.

31 The PMO shall, within three (3) months following the closure of books at the end of each fiscal year,  
32 submit a comprehensive annual report duly approved or endorsed by the PCA, to the President and  
33 Congress on the status of its privatization efforts and its disposition program for the Coconut Levy Assets,  
34 which shall include the items described in the immediately preceding paragraph.

## 37 VII

### 38 Farm Schools for the Coconut Industry

1           **SEC. 19. Farm Schools and Human Resource Development for the Coconut Industry.** – The PCA,  
2 in coordination with the Technical Education and Skills Development Authority (TESDA) shall endeavor  
3 to establish coconut industry farm schools in every coconut producing province to support and enlarge the  
4 trained human resource pool of coconut farmers and help them become more productive, more  
5 competitive and adept to intercropping with such alternative farm crops as cacao, coffee, banana and other  
6 suitable activities as livestock raising.

7

## 8           **VIII**

### **Appropriations**

9           **SEC. 20. Appropriations for the PCA.** – The amount of not less than Ten Billion Pesos  
10 (P10,000,000,000.00) shall be included in the Annual Appropriations of the PCA to augment the Coconut  
11 Farmers and Industry Development Fund; increase the income of coconut farmers; and support the  
12 developmental activities of the PCA: *Provided*, That the allocation and use of such annual appropriation  
13 shall be reviewed by Congress after six (6) years from the approval of this Act. The said appropriation  
14 shall be allocated as follows:

- 15           (a) Infrastructure program, twenty percent (20%);  
16           (b) Planting and replanting, twenty percent (20%);  
17           (c) Intercropping, ten percent (10%);  
18           (d) Shared facilities, twenty percent (20%);  
19           (e) Research and development, ten percent (10%);  
20           (f) Fertilization, five percent (5%);  
21           (g) New products and all derivatives of coconut oil and marketing, five percent (5%); and  
22           (h) Credit through Land Bank of the Philippines (LBP) and Development Bank of the Philippines  
23           (DBP), ten percent (10%);

24           For a total of one hundred percent (100%): *Provided*, That the administrative expenses to  
25 implement the programs or projects shall not exceed ten percent (10%) of the program or project costs.

26

## IX

### **Final Provisions**

27           **SEC. 21. Suppletory Application of Republic Act No. 10149.** – The provisions of Republic Act No.  
28 10149, otherwise known as the “GOCC Governance Act of 2011”, insofar as they are not inconsistent  
29 with the provisions of this Act, shall apply suppletorily.

30           **SEC. 22. Congressional Oversight.** – The Congressional Oversight Committee on Agricultural  
31 and Fisheries Modernization (COCAFAM) shall exercise oversight on the implementation of this Act.

1           **SEC. 23.** *Separability Clause.* – If any provision of this Act is declared invalid or unconstitutional,

2       the other provisions not affected by such declaration shall remain in full force and effect.

3           **SEC. 24.** *Repealing Clause.* – All laws, executive orders, administrative orders, and rules and

4       regulations inconsistent with this Act are hereby repealed or amended accordingly.

5           **SEC. 25.** *Effectivity Clause.* – This Act shall take effect fifteen (15) days after its complete

6       publication in the *Official Gazette* or in two (2) newspapers of general circulation.

*Approved,*