

H. No. 10787

S. No. 485

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Republic of the Philippines
Congress of the Philippines
Metro Manila

Third Regular Session

Begun and held in Metro Manila, on Monday, the twenty-fourth day of July, nineteen hundred and eighty-nine.

[REPUBLIC ACT NO. 6939]

AN ACT CREATING THE COOPERATIVE DEVELOPMENT AUTHORITY TO PROMOTE THE VIABILITY AND GROWTH OF COOPERATIVES AS INSTRUMENTS OF EQUITY, SOCIAL JUSTICE AND ECONOMIC DEVELOPMENT, DEFINING ITS POWERS, FUNCTIONS AND RESPONSIBILITIES, RATIONALIZING GOVERNMENT POLICIES AND AGENCIES WITH COOPERATIVE FUNCTIONS, SUPPORTING COOPERATIVE DEVELOPMENT, TRANSFERRING THE REGISTRATION AND REGULATION FUNCTIONS OF EXISTING GOVERNMENT AGENCIES ON COOPERATIVES AS SUCH AND CONSOLIDATING THE SAME WITH THE AUTHORITY, APPROPRIATING FUNDS THEREFOR, AND FOR OTHER PURPOSES

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

SECTION 1. *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 shall 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.

SEC. 2. *Creation of the Cooperative Development Authority.* — The Cooperative Development Authority is hereby created under the Office of the President to carry out the provisions of this Act.

SEC. 3. *Powers, Functions and Responsibilities.* — The Authority shall have the following powers, functions and responsibilities:

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(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) 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;

(c) 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;

(d) Coordinate the efforts of the local government units and the private sector in the promotion, organization, and development of cooperatives;

(e) 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 Authority;

(f) Require all cooperatives, their federations and unions to submit their annual financial statements, duly audited by certified public accountants, and general information sheets;

(g) 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;

(h) 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;

(i) Establish extension offices as may be necessary and financially viable to implement this Act. Initially, there shall be extension offices in the Cities of Dagupan, Manila, Naga, Iloilo, Cebu, Cagayan de Oro and Davao;

(j) Impose and collect reasonable fees and charges in connection with the registration of cooperatives;

(k) 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;

(l) Formulate and adopt continuing policy initiatives consultation with the cooperative sector through public hearing;

(m) Adopt rules and regulations for the conduct of its internal operations;

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

(o) Exercise such other functions as may be necessary to implement the provisions of cooperative laws and, in the performance thereof, the Authority may summarily punish for direct contempt any person guilty of misconduct in the presence of the Authority which seriously interrupts any hearing or inquiry with a fine of not more than Five hundred pesos (P500.00) 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.

SEC. 4. *Governing Body.* — The Authority shall be governed by a Board of Administrators consisting of a Chairman and six (6) members to be appointed by the President, all of whom shall be chosen from among the nominees of the cooperative sector with two (2) representatives each from Luzon, Visayas and Mindanao. They shall serve for a term of six (6) years without reappointment: *Provided*, That among those first appointed, the Chairman shall serve for a term of six (6) years, three (3) members to serve for a term of four (4) years, and three (3) members to serve for a term of two (2) years: *Provided, further*, That there shall be four (4) *ex officio* members, one (1) each from the: (a) Department of Agriculture, (b) Department of Transportation and Communications, (c) National Electrification Administration, and (d) Sugar Regulatory Administration. Said representation status for the agencies is on a nonvoting basis and terminates one (1) year from the operation of the Authority, but said *ex officio* members shall not be holding any other board position in any government entity. The Chairman and members shall serve on a full-time basis. Any vacancy in the Board shall be filled by appointment by the President in accordance with the membership allocation set forth in this section: *Provided*, That a member so appointed shall serve only for the unexpired term.



SEC. 5. *Qualifications of Members of the Governing Board.* — No person shall be appointed Chairman or member of the Board of Administrators unless he possesses the following qualifications:

- (a) A natural-born Filipino citizen of legal age;
- (b) A Bachelor's Degree in Cooperatives, Economics, Finance, Agriculture, Fisheries, Veterinary Medicine, Business, Social Science, Law, Management, or in similar fields of study and five (5) years of experience as an official

or officer of a cooperative, government agency, or non-government organization engaged in cooperative development or, in the absence of a Bachelor's Degree, at least ten (10) years of experience in cooperatives either as an officer of a cooperative or a government agency or non-government organization engaged in cooperative development; and

(c) Must be a resident of the region he represents for at least five (5) years.

Any person appointed as Chairman or regular member of the Board of Administrators shall divest himself of any direct or indirect pecuniary interest in or dealings with cooperatives upon his appointment.

SEC. 6. Board of Administrators Meeting. — The Board of Administrators shall meet at least once a month for the transaction of its regular business. Special meetings may be called by the Chairman or majority of the members to consider specific matters. A majority vote by the entire Board shall be required for a decision. All meetings of the Board shall be held at the head office in Metro Manila or at any other place as may be determined by the Board.

The Board of Administrators shall appoint an Executive Director who shall be the chief operating officer of the Authority whose compensation shall be fixed by the Board of Administrators.

SEC. 7. Organization of the Authority. — The Authority shall be organized within one hundred twenty (120) days from the effectivity of this Act.

SEC. 8. Mediation and Conciliation. — Upon request of either or both parties, the Authority 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.

SEC. 9. Power to Register Cooperatives. — The power to register cooperatives shall be vested solely on the Authority. The functions of the following departments and agencies relating to the registration of cooperatives as such are hereby transferred to the Authority:

- (a) The Department of Agriculture;
- (b) The Bureau of Agricultural Cooperatives Development;
- (c) The Department of Transportation and Communications;
- (d) The Sugar Regulatory Administration;
- (e) The National Electrification Administration; and
- (f) Any other pertinent government agency.

The Bureau of Agricultural Cooperatives Development created under Executive Order No. 116, Series of 1987, is hereby abolished and its qualified employees are hereby absorbed by the Cooperative Development Authority, in accordance with its staffing pattern, subject to Civil Service rules and regulations and rules of the Office of Compensation and Position Classification: *Provided*, That the Regional Cooperative Development Assistance Offices of Regions IX and XII, created under Executive Order No. 634, are also hereby abolished and their employees shall be given preference for employment with the Cooperative Development Authority in accordance with its staffing pattern, subject to Civil Service rules and regulations: *Provided, finally*, That those who are not absorbed shall be given separation pay computed at one and one fourth (1 1/4) months salary for every year of service. Service of six (6) months or more shall be considered as one (1) year in computing the years of service for severance pay and, whenever applicable, other retirement benefits under existing laws.

SEC. 10. *Transfer of Funds and Programs.* — The Cooperative Development Loan Fund created under Presidential Decree No. 175, as amended, is hereby transferred from the Department of Agriculture to the Authority.

The function of the Fund for Management Training and Assistance Program granted to the Department of Agriculture by Presidential Decree No. 175, as amended, is likewise hereby transferred to the Authority.

The fund provided for the Management Training and Assistance Program under Presidential Decree No. 175, as amended, is hereby converted into a fund for the development of cooperatives and may be used for such purpose upon the request of the cooperatives concerned: *Provided*, That duly registered cooperatives shall have the right to establish their own private training centers or federations for purposes of cooperative development.

In addition, the Cooperative Marketing Project as created under loan agreements which are now managed by the Department of Agriculture is likewise hereby transferred to the Authority.

SEC. 11. *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 Authority 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.

SEC. 12. *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 Authority which shall undertake the necessary program towards this end in collaboration with the Central Bank of the Philippines and the cooperative sector concerned.

SEC. 13. *Rule-Making Authority.* — The Authority is hereby authorized to promulgate, after due public hearing and upon approval of the President, such rules and regulations as may be necessary to implement the provisions of this Act. Such implementing rules and regulations shall take effect within fifteen (15) days after publication thereof in the *Official Gazette* or in two (2) newspapers of general circulation. All subsequent amendments to the implementing rules and regulations shall undergo the same process.

SEC. 14. *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 three (3) years within which to qualify and to register with the Authority. If at the end of the three-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.

SEC. 15. *Information Campaign.* — The Cooperative Development Authority is mandated to conduct a six (6) months information campaign on the provisions of this Act, beginning three (3) months from the effectivity of this Act.

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SEC. 16. *Appropriations.* — The funds needed to carry out the provisions of this Act shall be charged to the appropriations of the Bureau of Agricultural Cooperatives Development and the Regional Cooperative Development Assistance Offices of Regions IX and XII under the current General Appropriations Act in addition to the appropriations of other departments/agencies/funds whose functions/programs are transferred to the Authority: *Provided*, That in its initial year of operations, an additional amount of not exceeding Sixty million pesos (P60,000,000.00) may be requested and drawn by the Authority from the Contingent Fund of the President. Thereafter, such sums as may be necessary for its continued implementation shall be included in the annual General Appropriations Act.

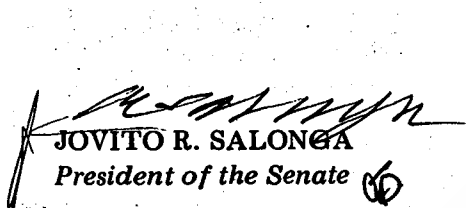
SEC. 17. *Transitory Provisions.* — All cooperatives registered under Presidential Decree Nos. 175 and 775, and Executive Order No. 898 shall be deemed registered with the Cooperative Development Authority: *Provided, however*, That they shall submit to the nearest Cooperative Development Authority office their certificates of registration, copies of their articles of incorporation and bylaws, and their latest duly audited financial statements within one (1) year from effectivity of this Act, otherwise, their registration shall be cancelled: *Provided, further*, That cooperatives created under Presidential Decree No. 269, as amended by Presidential Decree No. 1645, shall be given three (3) years within which to qualify and register with the Authority: *Provided, finally*, That after these cooperatives shall have qualified and registered, the provisions of Sections 3 and 5 of Presidential Decree No. 1645 shall no longer be applicable to the said cooperatives.

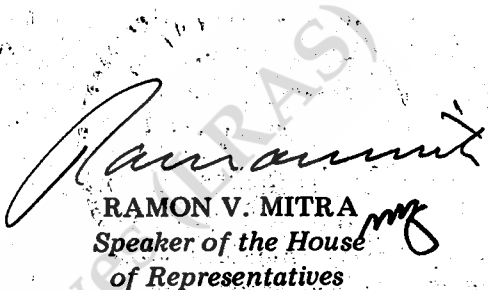
SEC. 18. *Repeals.* — All acts, general orders, executive orders, letters of implementation, letters of instruction, regulations or circulars, or parts thereof, inconsistent with any of the provisions of this Act are hereby repealed or modified accordingly. In case of doubt, the same shall be resolved in favor of the cooperatives.

SEC. 19. *Separability.* — If for any cause any part of this Act is declared unconstitutional, the rest of the provisions shall remain in force and effect.

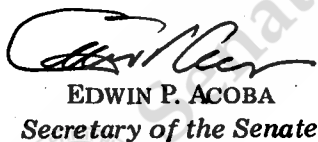
SEC. 20. *Effectivity.* — This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation.

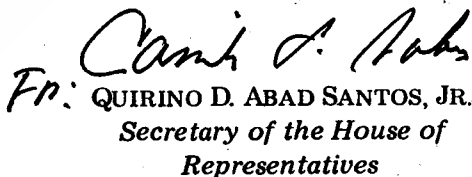
Approved,


JOVITO R. SALONGA
President of the Senate


RAMON V. MITRA
Speaker of the House
of Representatives

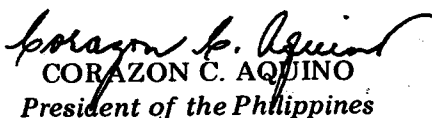
This Act which is a consolidation of House Bill No. 10787 and Senate Bill No. 485 was finally passed by the House of Representatives and the Senate on February 22, 1990 and March 2, 1990, respectively.


EDWIN P. ACOBA
Secretary of the Senate


FR. QUIRINO D. ABAD SANTOS, JR.
Secretary of the House of
Representatives



Approved: March 10, 1990


CORAZON C. AQUINO
President of the Philippines