



## **The Long Climb towards Achieving the Promises Of the Tree OF Life: A Review of the Philippine Coconut Levy Fund Policies <sup>1</sup>**

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### **1. Introduction**

True to its title as the tree of life, coconut is considered as the lifeblood of Philippine agriculture. Next to rice, it is the country's most important agricultural crop as evidenced by its significant contribution to gross domestic product (GDP) posted at 1.14%. It has played pertinent role in global competitiveness as the country's primary agricultural export (Jadina, 2014). At 4% share to gross value added in agriculture (GVA), coconut ranked fourth next to major staple foods and banana. Despite its significant role in spurring growth in the economy, it is still regarded as an "orphan child" of Philippine agriculture (Quieta 2012) due to the dismal investment to the sector as compared to other crops.

Purportedly, the coconut industry should have been a well-funded sector, if not for the controversies and legal litigations surrounding the coconut levy fund<sup>3</sup> which was collected from the farmers through the enactment of various laws. The fund, estimated to be worth P74 billion (B) at the current market value (House Committee Meeting, 2015) was generated primarily to support the development of the coconut industry.

In the Supreme Court (SC)<sup>4</sup> ruling in January 24, 2012, the court upheld the decision of the Sandigangbayan<sup>5</sup> in 2004 to award 24% of the block shares of San Miguel Corporation (SMC), acquired through the

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<sup>3</sup> Coconut levy funds is also referred as coco levy in this paper.

<sup>4</sup> The Supreme Court of the Philippines (Filipino: Kataas-taasang Hukuman ng Pilipinas) is the highest court in the Philippines. The Philippine Constitution vests judicial power in one Supreme Court and such lower courts as may be established by law. (Section 1, Article VIII, 1987 Constitution). It is composed of one (1) Chief Justice and fourteen (14) Associate Justices.

coconut levy, in favor of the government for the benefit of the coconut farmers and the industry as a whole. While the said amount is only a portion of the contested total coconut levy funds, it served as the beginning to reap the benefits due to the coconut industry. It also brings to fore the importance of creating an enabling policy environment that would safeguard and establish a mechanism for the judicious utilization of the coconut levy funds.

This paper, divided into three parts, served as a review of the various policies enacted to establish the coconut levy funds administered from 1971-1982, a period under the Marcos regime. The first section provides a simple explanation of the economic implications of imposing levies or taxes in the coconut sector. The second part provides an overview of the status of the coconut industry in the country while the last section discusses the evolution of the coconut levy funds and the current plans and initiatives of the government to achieve the goals originally set in establishing the funds.

## **2. The Effects of Taxation or Levy Policies**

This section provides a simple explanation of the implication of tax or levy policies in the coconut industry. The important role of the government in providing foundation for the environment where tax or levy policies operate is also highlighted. It serves as basis in the analysis of how the coconut levy in the Philippines was established.

Tax or levy system is primarily established to provide revenue for the government to finance essential expenditures on goods and services (Myles, 2009). For developing countries like the Philippines, tax provides the means to boost public expenditures on productivity-enhancing services such as infrastructure, research and development, public education and health care.

Levies, enacted through policies and regulations, are temporary taxes collected and state-enforced non-voluntary contributions which are purposively allocated to a sector. Unlike income taxes, levies are not reverted to the government to form part of the national funds for redistribution to the entire economy (Taylor, 2012 and Ramos, 2013). In this sense, levies are considered funds that is sectoral in nature.

However, while taxation and the related policies on it are viewed important in developing the coconut industry, a central concern on public finance is the inefficiency due to distortions created by taxation or levies imposed. Tax or levy imposed a two-pronged effect on coconut prices and quantity produced and demanded. Tax increases the price of commodity or good paid by the consumers while it reduces the amount received by the producers. At the same time because of taxes or levies, quantity produced and demanded is reduced.

Welfare loss is inevitable due to the innate inefficiencies caused by the imposition of the coconut levies. It has become disincentive to farmers since it adversely affected farm profitability (Aquino, 1993). As emphasized by Habito and Intal (1988), taxes on coconut products collected at any point along the marketing chain were borne by the farmers.

## **3. The Philippine Coconut Industry: Status, Issues and Challenges**

Coconut is considered one of the Philippines' most valuable agricultural commodity. In fact, it is regarded as the "tree of life" because of the numerous uses and services it can provide. It has significantly spurred the country's economic growth with contribution of 4% to GVA in agriculture (BAS, 2013).

As an export winner, about 70% of the country's coconut production is exported. The industry has been consistently in the top five major net foreign exchange earners which was estimated to have reached an annual average of PHP 32 B (PCA 2008 as cited by Quieta, 2012). In 2009-2011, the coconut industry contributed 30%

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<sup>5</sup> Sandiganbayan is a special court in the Philippines established through Presidential Decree No. 1606. It has jurisdiction over criminal and civil cases that involves graft and corrupt practices and such other offenses committed by public officers and employees, government-owned or controlled corporations (GOCCs), in relation to their office as may be determined by law. (Article XIII), 1973 Constitution.

(USD 1,290 million) of the total export earnings from agricultural products. Among the major coconut products exported include coconut oil (CNO), desiccated coconut (DCN), copra meal, and oleochemicals (Endaya and Noreno, 2006). The Philippines lead all other major CNO producing countries with an annual average production of 1.01 million mt in 2008-2010. During the same period, the country also dominated the export of DCN with an average annual export volume of 0.13 million mt (PCA, 2013).

The coconut industry has long been one of the largest users of agricultural land and labor. It is planted in 3.55 million ha of land representing 26% of the total agricultural area in the country. The industry caters for about 2.60 million farms located in 68 provinces across the country (PCA, 2014). The vast area of coconut lands produces an annual average of 15 B nuts which places the country second in rank, next to Indonesia, among the top coconut producing countries in the world. However, in the last 15 years (1998-2013), growth in the sector was at dismal rate of 1.32% and 0.88% in terms of production and area, respectively (Figure 1). This has resulted to poor annual average yield of only 46 nuts/tree.

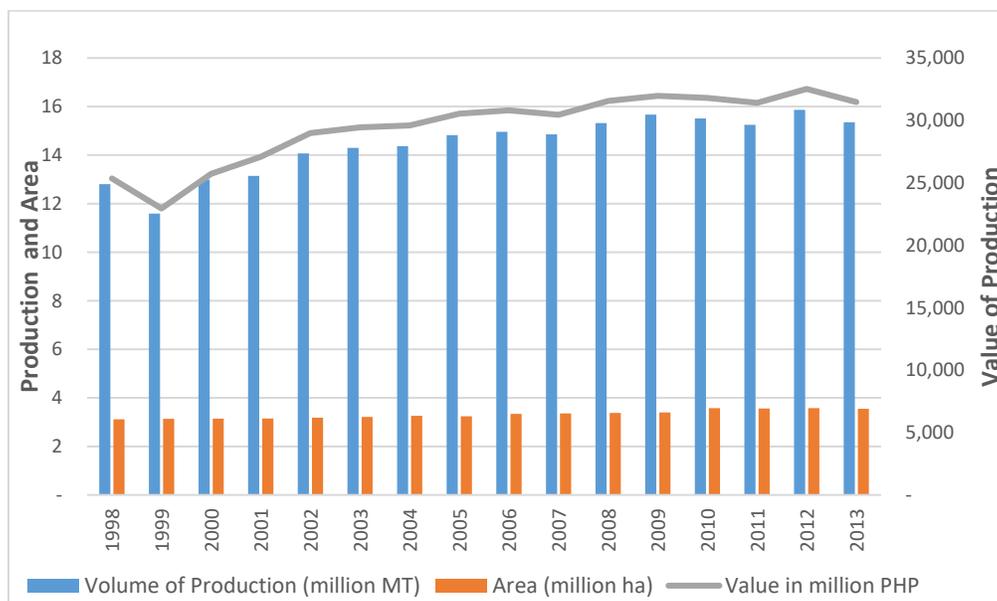


Fig. 1. The Philippine coconut production, area and value of production, 1998-2013

While coconut provides endless possibilities, the 25 million farmers engaged in various coconut-based enterprises do not seem to fully realize its benefits and therefore remained poverty stricken. The latest NSCB (2014) survey on the average monthly poverty threshold indicated that a family of five requires a monthly income of PHP 8,778 to live above poverty. However, coconut farmers only earn PHP 50.00 a day or a dismal income of PHP 1,500.00 per month. It is no surprise that they are considered among the most impoverished. The Family Income and Expenditure Survey (FIES) in 2009 indicated that coconut farmers ranked second in terms of poverty incidence and ranked third in terms of subsistence poverty, a measure of extreme poverty or those who do not even have enough income to meet basic food needs. The food threshold indicated that an average monthly income of PHP 6,125.00 is needed for a family of five to eat and address basic nutritional requirements. Sadly, with the meager income, coconut farmers cannot even provide for basic food needs. Hence, hunger abounds among coconut families. In fact, the coconut regions are home to majority of the extremely poor Filipinos: Caraga (25.3%), Zamboanga Peninsula (23.5%), Eastern Visayas (19%) and Bicol (17.8%) (Reyes *et al.*, 2012).

The dismal performance of the industry and the high poverty incidence among the coconut farmers is rooted in the myriad of issues. One of these is the low farm productivity (Aragon, 2000) of only 46 nuts/tree, a level way below the potential yield of more than 100 nuts/tree using science interventions and proper agricultural

technologies (Industry Strategic S&T Plan (ISP) on Coconut of the Philippine Council for Agriculture, Aquatic and Natural Resources Research and Development (PCAARRD), 2014).

Aragon (2000) further emphasized on the following productivity-related problems. About 25% of the coconut trees are senile having been planted for over 60 years, a level beyond the productive age of coconut. Farmers are still planting low-yielding coconut varieties and adopt poor agronomic management practices. The neglect of good agronomic practices is manifested by the poor soil nutrition and low fertility of coconut fields. In addition, occurrence of pests and diseases as well as natural calamities (e.g. typhoons, drought) have greatly affected the yield performance of coconut. Further, other pressing issues that threatens productivity are land conversion and unregulated and illegal cutting of coconut trees.

While various initiatives have developed high yielding coconut varieties, R&D has yet to establish technology for the fast and efficient mass propagation (e.g. coconut somatic embryogenesis technology) of these improved varieties (Interview PCAARRD-ISP Manager on Coconut, 2015). Quieta (2012) emphasized that aggressive R&D initiatives to diversify coconut products stayed at the backseat, hence a major challenge to the industry. Majority of the exported coconut products have remained in raw form such as crude coconut oil, copra meal, copra, DCN and young coconuts.

Inadequate infrastructure support, especially on postharvest facilities, is also considered a major issue. Another pertinent problem is the vulnerability of coconut to world price fluctuations. Most often, farmgate prices are very low due to low international market value. Supply chain related problems such as high transportation and handling cost as well as the presence of numerous middlemen along the chain are also notable in the coconut industry.

An important and an overarching cause of the coconut industry's poor growth is the low allocation on research and development (R&D) which is an important source of technological innovation for the industry. Considering the sector's contribution to the economy and its services to the majority of the poor Filipinos, it is ironic that it has been appropriated with limited funds from the government. In 2008-2012, the average yearly allocation for coconut, through the Philippine Coconut Authority (PCA) was PHP 0.58 B. This is an indication of the low priority given to the poor coconut farmers. In comparison, rice received an average budgetary support of PHP 22.10 B.

Table 1. National expenditure program of DA, NFA and PCA, in billion PHP, 2008-2012

AGENCY	2008	2009	2010	2011	2012
Department of Agriculture (DA)	44.05	27.11	42.05	3.38	7.67
National Food Authority (NFA)	41.10	24.52	38.39	2.50	4.00
Philippine Coconut Authority (PCA)	0.43	0.59	0.59	0.55	0.69

#### 4. The Evolution and Controversies of the Coconut Levy Policies in the Philippines

Since the early 1900, the government has created legal bases that provided an environment for the various policies affecting the coconut industry (Appendix Table 1). Among these policies, the major coconut levies enacted and implemented during the period 1970s up to early 1980s which was the period under the Marcos administration, were perhaps considered the most popular due to the controversies surrounding them.

The succeeding section provides discussion of the development and the evolution of the four major coconut levies in the Philippines: (1) Coconut Investment Fund (CIF); (2) Coconut Consumer Stabilization Fund (CCSF); (3) Coconut Industry Development Fund (CIDF); and (4) Coconut Industry Stabilization Fund (CISF) imposed during the Marcos regime and the policies that paved the way for their implementation.

Table 2 shows the Commission on Audit's (COA)<sup>6</sup> estimate of the total amount of levies collected during the Marcos administration. About PHP 9.68 B was generated from the coco levy funds, excluding those collection under CIF. Majority (69%) of the coco levies came from the imposition of the CCSF. Ramos (2013) reported that only about 33% of the P9.68 B was allocated to programs directly benefiting the farmers. The remaining 67% of the levies was used to invest in various enterprises, debt servicing, subsidies for coconut-based consumers and exporters, and as government donations.

Table 2. Coconut levies collected during the Marcos regime

LEVY	COLLECTION (in Billion PHP)	Percent Share (%)
Coconut Consumer Stabilization Fund (CCSF)	6.67	68.90
Coconut Industry Development Fund (CIDF)	2.37	24.48
Coconut Industry Stabilization Fund (CISF)	0.62	6.40
Others	0.02	0.21
<b>TOTAL</b>	<b>9.68</b>	<b>100.00</b>

Source: Commission on Audit (1997) as cited by Ramos (2013)

#### 4.1 Coconut Investment Fund (CIF)

In pursuit of vertical integration<sup>7</sup> in the coconut industry, Republic Act (RA) 6260 otherwise known as “An Act Instituting a Coconut Investment Fund and Creating a Coconut Investment for the Administration Thereof” was enacted into law on June 19, 1971. RA 6260 that created the Coconut Investment Fund (CIF) is the only statute on coconut levy enacted by Congress.

Primarily, CIF was created to allow farmers to invest in the processing and trading of their products. It provided a medium- and long-term financing for capital investments in the coconut industry (Sadian, 2012). It instituted the collection of tax amounting to PHP 5.50 per mt of copra or any equivalent coconut products from coconut producers for a period of 10 years. CIF was used to underwrite the Coconut Investment Company (CIC) with capital requirement of PHP 100 million.

The levy under CIF was directly collected from copra users who, in turn, deducted this from the buying price of copra. This means that the prices received by farmers was the market price of copra at the farm less the levy. To establish ownership in the company, the farmers were issued COCOFUND receipts during the first sale of their products. The levy receipts served as proof for the shares of stock in the CIC (Clarete and Roumasset, 1983). As such, it should be pointed out that the government's initial subscription to the CIC is “for and on behalf of the coconut farmers”.

<sup>6</sup> The Commission on Audit (COA) is the Philippines' Supreme State Audit Institution. It is a constitutional office tasks to audit all accounts pertaining to all government revenues and expenditures/uses of government resources and to prescribe accounting and auditing rules. It has exclusive authority to define the scope and techniques for its audits, and prohibits the legislation of any law which would limit its audit coverage (<http://www.lawphil.net/administ/coa/coa.html>, 2015).

<sup>7</sup> Vertical integration refers to the merging of businesses or enterprises that are engage at the different stages of production. Upstream producers usually integrate with the downstream distributors to secure market for their outputs or products (The Economist, 2015). It can reduce costs and improve efficiencies of companies/enterprises due to the associated decrease in transportation expenses and turnaround time (Investopedia, 2015). For the case of the coconut industry, the farmers who served as the primary suppliers of inputs (upstream) were involved in the processing, trading and distributing coconut products (downstream).

## **4.2 Coconut Consumer Stabilization Fund (CCSF)**

The most important production levy in the entire history of the coconut industry was the Coconut Consumer Stabilization Fund (CCSF), the first coconut-levy enacted during the Martial Law period. This fund turned out to be the source of the contested stream of rents acquired from the coconut levies. As indicated in the Commission on Audit (COA) report in 1997, CCSF comprised about 69% of the total coco levies accounted.

The legal background that supported the implementation of CCSF is presented in Appendix Table 2. Established on August 20, 1973 through the enactment of PD 276, CCSF was created to subsidize the sale of essential coconut-based products and promote for socialized prices of such products. CCSF was initiated to mitigate the effects of the dramatic increase of oil-based products due to the cooking oil crisis in 1973. A Stabilization Fund Levy of PHP 150 per mt of copra or its equivalent products was imposed but throughout its implementation, it peaked to PHP 1,000 per mt of copra or its equivalent products. For the period of CCSF implementation, levy rates varied with an annual average weighted rate between PHP 300-800 (Clarete and Roumasset, 1983 as cited by Ramos, 2013).

Originally proposed to be implemented for one year or after the cooking oil crisis is over, the collection of the CCSF levy was continued through the issuance of PD 414. Two additional uses of CCSF were included in the amendments: (1) to pay for about 90% of the premium duty collected from coconut exporters and (2) to provide funds for the Philippine Coconut Authority (PCA) to invest in processing plants, R&D and extension services.

CCSF was also crucial for the acquisition of the First Union Bank (FUB), now the United Coconut Planters Bank (UCPB). The possession of UCPB was legally based from the enactment of PD 755 in July 1975 which allowed for the approval of credit policy for the coconut industry. Under PD 755 a readily available credit facilities at preferential rates were granted to farmers through the implementation of the “Agreement for the Acquisition of a Commercial Bank for the benefits of the coconut farmers.” The UCPB was the principal instrument by which farmers could invest in processing and trading of their products. To emphasize, in view of achieving the objectives of vertical integration stipulated under RA 6260, PD 755 to acquire the UCPB, a commercial bank, was materialized.

## **4.3 Coconut Industry Development Fund (CIDF)**

To achieve productivity in the sector, PD 582 creating the Coconut Industry Development Fund was passed into law in November 1974. CIDF was instrumental in launching the national coconut replanting program. The fund was created to establish, operate and maintain a hybrid coconut seednut farm to serve as the main source of planting materials for distribution, free of charge, to coconut farmers. It was through CIDF that the Agricultural Investors Incorporated (AII) became the sole supplier of seednuts to implement the national coconut replanting program.

Under CIDF, an initial capital requirement of PHP 100 million was generated from CCSF. A permanent levy of PHP 200 per mt of copra or its equivalent products was imposed.

## **4.4 Coconut Industry Stabilization Fund (CISF)**

Upon resumption from suspension in May 27, 1980, the CCSF was renamed Coconut Development Project Fund (CDPF). CDPF provided for an export tax equivalent to PHP 1,000, a sum total of levy amounting to PHP 600 and additional PHP 400 for export clearance. In 1981, CCSF was again renamed to the Coconut Industry Stabilization Fund (CISF) through the enactment of PD 1841.

PD No. 1841 or the law “Prescribing a System of Financing the Socio-Economic and Developmental Program for the Benefit of the Coconut Farmers and Accordingly Amending the Laws Thereon” created the CISF. More than the technological intervention, CISF specifically addressed socio-economic and development programs that included scholarship programs, life and accident insurance and the coconut industry rationalization program for five years. CISF also supported the Coconut Reserve Fund (CRF) used to fund critical socio-economic and development programs.

## **5. Current Policy Initiatives Towards Achieving the Goals of the Coco Levy**

Through the Presidential Commission on Good Governance (PCGG), created under former President Corazon C. Aquino, initiatives to recover the various assets and properties acquired using the coconut levies were conducted. A total of eight cases were filed in the Sandiganbayan which included among others the sequestration of the shares of stock in UCPB, in various Coconut Industry Investment Fund (CIIF) companies and in San Miguel Corporation.

To date, the coconut levy funds ballooned upto PHP 74 B, but various estimates on the total levy funds ranges from PHP 100 to PHP 150 B. While the initiatives have recovered significant amount of the coco levies, this remain unutilized by the sector it was created for. In view of this, the current government through the creation of a law aims to establish a mechanism for the expeditious release and judicious utilization of the coco levy funds.

Both the Senate and the House of Representatives crafted a number of bills to provide an enabling policy environment for the development of a mechanism to tap the huge resource pool offered by the coconut levy funds. The current Aquino Administration has also provided its pronouncement to support the just and prudent use of the funds through the approval of two Executive Orders (EO) on March 18, 2015. Committee meetings in the Congress as well as various consultation activities have been conducted to provide holistic view of all stakeholders' concerns.

### **5.1 President Aquino's Executive Orders**

The current Aquino administration's support to the judicious utilization of the coco levy fund is stipulated in the following pronouncements: (1) EO No. 179 or the EO "Providing the Administrative Guidelines for the Inventory and Privatization of Coco Levy Assets"; and (2) EO 180 or the EO "Providing the Administrative Guidelines for the Reconveyance and Utilization of Coco Levy Assets for the Benefit of the Coconut Farmers and the Development of the Coconut Industry, and for other Purposes."

The orders indicate that the disposition and utilization of the recovered coconut levies shall be for the improvement of coconut farm productivity, developing coconut-based enterprises and increasing the income of coconut farmers. The funds shall also be used to strengthen farmers' organizations and to achieve a balance, equitable, integrated and sustainable growth in the coconut sector. Specifically, EO 179 directs the PCGG to identify and account all known coconut levy assets within 60 days from the effectivity of the order. The inventory shall include specific assets sequestered by PCGG, ownership and share of stocks in all corporations or companies acquired through the coco levies, money, assets and investments of CIIF companies. Moreover, EO 179 allows for the privatization of the coco levy upon the recommendation of the PCGG after consultation and evaluation with the Department of Finance (DOF), the Office of the Presidential Assistant for Food Security and Agricultural Modernization (OPAFSAM) and the PCA.

The EO 180, on the other hand, provides for the preservation, protection and recovery of all coco levy assets to prevent dissipation or reduction in their value. The order recognizes the importance of establishing a roadmap that lay-out the plans to achieve development of the coconut industry.

### **5.2 Legislative Initiatives for the Utilization of the Coconut Levies**

Support to the judicious and sustainable utilization of the collected coconut levy funds is manifested in the legislative policies proposed both in the Philippine Senate and House of Representatives. The bills aim to consolidate the benefits due to the coconut farmers, especially the poor and marginalized, and to expedite the delivery and attainment of a balanced, equitable, integrated and sustainable growth and development of the coconut industry. The salient provisions of the bills are presented in Appendix Table 3.

The coconut levy fund management mechanism provided under the various bills has four main features: (1) creation of a trust fund; (2) conduct of audit and inventory of all coconut levy funds and assets; (3) creation of the coconut farmers and industry fund committee or council; and (4) establishment of coconut industry plan or framework. The trust fund shall be established to help the coconut farmers and develop the coconut industry. Its initial capitalization shall be generated from all the current recovered coconut levy funds and shall thereafter be augmented with all the proceeds, income, interests, earnings and monetary benefits from the potential privatization

or disposition of other coconut levy assets and investments. The trust fund shall be perpetual in character to ensure its sustainability.

The fund management mechanism also provides for the conduct of complete accounting and inventory of all the funds generated, assets and properties acquired, and all investments, disbursements and expenditures arising from the coconut levies. COA shall be the lead agency in the audit in coordination with the PCA and PCGG.

One of the important features of the policy initiatives is the recognition and inclusion of coconut farmers as one of the key decision-makers on the appropriate use and allocation of the coco levy funds. They will form part of the committee or council that will be established to manage and administer the coco levy funds including the disposition and utilization of its earnings. As the rightful owners of the coconut levy funds, farmers' participation in the appropriation and utility of funds would ensure that they are part of and benefit from the growth in the sector.

Lastly, the bills provide for the crafting of the coconut industry plan or framework that will outline the national program to develop the industry. The development plan include among others program on enhancing productivity, rehabilitating and replanting activities since majority of the coconut trees are senile, R&D initiatives to develop science-based solutions to technological problems impeding the sector, improvement and integration of processing and marketing, and provision of infrastructures. The plan shall also include programs and activities that will directly benefit the coconut farmers such as but not limited to medical/health and life insurance services and educational plans or scholarships for students coming from families of coconut farmers.

## **6. Summary and Conclusion**

The coconut industry is an important sector in the Philippine agriculture. It supports millions of Filipino farmers and workers and has been a significant contributor to the country's economic growth. Efforts, through policies and laws, have been initiated to develop the coconut industry. These policies provided legal environment for the collection of tax or levies to serve as funds to be used for the growth of the sector. However, while the purpose of collecting the coconut levies is noble, issues on the utilization and management of the funds hindered the long-term objective of developing the coconut industry.

Currently, the coconut levy funds collected since the Marcos regime has been legally awarded to the government on behalf of the coconut farmers. Years of legal dispute to claim these funds have been settled. With the resolution of some coconut levy fund cases, a mechanism of fund management and utilization that is viable, transparent and inclusive can effect sustainable development interventions for the sector. However, the decision on how the coconut levy funds will be used should be combined with a clear and implementable roadmap for the sector. This would ensure that investments on programs and projects will indeed achieve its goal of providing the necessary development of the coconut sector, thereby growth can be inclusive and felt by all stakeholders of the sector especially the farmers.

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Appendix Table 1. Laws to develop the Philippine coconut industry, 1940-1987

EFFECTIVITY DATE	LAW AND REGULATIONS	TITLE/OBJECTIVES
7 May 1940	Commonwealth Act (CA) 518	Established the National Coconut Corporation (NACOCO) and a special fund known as "Coconut Industry Promotion Fund"
1 August 1946	RA 5	Amendments to CA 518
12 Feb 1948	Commerce AO 2	rules and regulations on the standardization and inspection of copra
9 June 1950	RA 471	An Act providing that 50% of fees collected from the copra Standardization and Inspection Service be paid to NACOCO for the rehabilitation of the coconut industry
17 June 1954	RA 1145	An Act creating the Philippine Coconut Administration (PHILCOA); levy a fee of 10 centavos per 100 kg of desiccated coconut and/or copra
8 June 1955	RA 1365	An Act requiring all copra buyers to use moisture meters
18 June 1955	RA 1369	An Act appropriating PHP 30 million for financing the manufacturers of coco products and by-products and the component parts of coconut trees
19 June 1959	RA 2282	An Act providing for an adequate financing of coconut cooperatives and coconut producers equivalent to PHP 30 million
18 June 1964	RA 4059 surrender to the Central Bank at par value	An Act establishing the Philippine Coconut Research Institute (PHILCORIN). The sum of PHP 1.6 and PHP 1 million are appropriated yearly for the first five years and every year thereafter
19 June 1965	RA 4403	An Act encouraging the organization of agro industrial coconut cooperatives
6 Sept 1965	Exe Order 169	Creating the Coconut Development Committee
19 May 1969	Senate Resolution 59	Concurring in the ratification by the Phil president of the agreement establishing the Asian Coconut Community
21 Feb 1970	CB Circular 289	80% of all receipts from leading exports shall be
17 June 1971	RA 6260	Instituting a coconut investments fund and creating a coconut investment company with a capital of 100 million pesos for the administration thereof
30 August 1971	EO 334	Creating the Coconut Coordinating Council

Appendix Table 1. Continued ...		
EFFECTIVITY DATE	LAW AND REGULATIONS	TITLE/OBJECTIVES
19 Feb 1973	LOI 57	Setting prices in Manila at PHP 0.40/kg copra meal and 1.7 MT domestic quota on copra meal/mo for feed purposes
28 June 1973	PD 230	Export tariff set at: 6% for copra, 4% for coco oil, 4% for copra meal/cake and 4% for desiccated coconut
10 August 1973	AO 1 Series of 1973	Establishing a Stabilization Scheme for Coconut-based Domestic Consumer goods and creating the Coconut Consumers Stabilization Fund on every first sale at PHP 15/100kgs copra resecada or nut equivalent
17 Feb 1974	EO 245	Imposing premium duty on certain export products, e.g. for coconuts – copra, 30%, dessicated coco 20%; copra meal/cake, 20%; coconut oil 20%
18 April 1974	PD 414	Further amending PD 232 so as the management of funds be unified and systematized to meet short term crisis and long terms industrialization, research, production, expansion extension, services and similar programs
25 April 1974	PD 441	Setting wharfage dues of PHP 8 per gross MT on all imported items, PHP 4 for exported items and PHP 1 for domestic item transported on national ports.
2 August 1974	NEDA Resolution No. 4 Series of 1974	Setting floor prices at which domestic procurement of copra and coconut oil for export may be purchased from local producers and floor export prices i.e. copra – USD 590/MT FOB, Phil port; coconut oil USD 0.45/lb. CIF
14 Nov 1974	PD 582	Appropriating Coconut Stabilization levy of PHP 0.20 per kg of copra resecada or its nut equivalent.
29 July 1975	PD 755	Agreement or the acquisition of a commercial bank for the benefit of the coconut farmers as executed by PCA
13 May 1976	PD 930	Simplifying export procedure and documentation
11 June 1978	PD 1464	Decree to consolidate and codify all tariffs and customs laws in the Philippines

Appendix Table 1. Continued ...		
EFFECTIVITY DATE	LAW AND REGULATIONS	TITLE/OBJECTIVES
11 June 1978	PD 1476	Amending PD 230 by increasing the export duty on copra from 6% of gross FOB value to 7.5% for the period 1 January 1979- Dec 1980, 9% for Jan 1, 1981-31 Dec 1982; and 10% effective Jan 1, 1983.
7 September 1978	PCA Memo Circular	Duties shall be paid directly by the exporters concerned to the Bureau of Customs.
3 Sept 1978	LOI 926	PCA to rationalize the Coconut Milling Industry
4 Oct 1979	PD 1644	Granting PCA full power to regulate the marketing and export of coconut products
28 Feb 1980	AO 1 Series of 1980	Amending AO 2 Series of 1979 by fixing the subsidized price of cochin oil at PHP 5,043 per MT
15 Mar 1980	AO 2 Series of 1980	Amending AO 2 by providing subsidy pm edible oil packed in five-gallon containers
17 May 1980	EO 593	Removing copra, coconut oil, copra meal or cake and desiccated coconut from the list of export products subject to duties as provided for by PD 1464
27 May 1980	PD 1699	Suspending the collection of the Coconut Consumers Stabilization Fund levy and similar levies
24 Jun 1980	LOI 1040	Administrative measure to further strengthen export trade through a registered Export Trading Company
11 Feb 1981	PCA Memo Circular 1-002-81 Series of 1981	Addressed to all end-users of copra or its equivalent in other coconut products imposing the Coconut Consumers Stabilization Fund levy every 100 kgs copra resecada or its equivalent in other coconut products
28 Feb 1981	AO 1 Series of 1981	Authorizing PCA to impose PHP 10 fee for every 400 kgs of desiccated coconut, coconut oil and copra for operating expenses
16 Sept 1981	PCA Memo Circular 1-CCSF/CDPF Series	Suspending coconut levies
2 Oct 1981	PD 1841	Prescribing a system the socio-economic and developmental programs for the benefit of the coconut farmers

Appendix Table 1. Continued ...

EFFECTIVITY DATE	LAW AND REGULATIONS	TITLE/OBJECTIVES
7 Oct 1981	PCA Memo Circular 1-1841 CISF Series	Coconut Investment Stabilization Fund assessed at PHP 50/kg copra resecada and PHP 117.50/ MT of husked nuts delivered or purchased
8 Jan 1982	PD 761	Lifting the suspension of export duty on copra and reducing the duty to 7%
16 Jan 1982	PD 1842	Creating the Coconut Reserve Fund
25 Jan 1982	PCA Memo Circular 1-1842 CISF Series 1982	Reducing rates of CISF assessment of PHP 32/ 100 kgs copra and P75.2/MT husked nut
28 Aug 1982	EO 826	Providing measures for the protection of the desiccated coconut industry
31 Aug 1982	PCA Memo Circular 3 CISF Series 1982	Guidelines on the lifting of CISF assessment and collection
1 Sep 1982	EO 827	The use of indigenous motor fuel substitutes from coconut
11 Sep 1982	EO 828	Temporarily suspending the exportation of copra
18 Oct 1982	PCA Memo Circular 4 CISF Series 1982	Acceleration of levy remittance and clearance of their assessment/accounts on purchase and/or deliveries acquired before the lifting of levy
21 Oct 1982	AO 2	Rules and regulations implementing PD on coco-diesel program and provisions of PD 1644 authorizing PCA to regulate the marketing and exportation of copra, coconut oil and their by-products
28 Jan 1983	PCA Memo Circular 001	Increase in the PCA fee of PHP 0.30/kg of copra/husked nuts or their equivalents in other coconut products
18 May 1983	PD 1863	Promoting and expanding the utilization of chemicals derived from coconut oil and other purposes
17 Jun 1983	AO 2 Series of 1983	PCA shall not issue any permit, license, clearance for export of coconut oil except for authorized organizations
3 Nov 1983	EO 920	Levying an export duty on certain export products and an export duty in addition to the export duties provided for under PD 1464. For coconuts: copra, 3%; coconut oil, 5%; copra meal/cake, 4%; desiccated coconut, 4%

Appendix Table 1. Continued ...

EFFECTIVITY DATE	LAW AND REGULATIONS	TITLE/OBJECTIVES
10 Nov 1983	Customs Tariff Circular 32-83	Products subject to rates of export duty: copra, 10%; coconut oil, 9%; copra meal/cake, 8%; desiccated coconut, 8%
14 Nov 1983	EO 920-A	Amending EO 920, the duties on certain export products – for coconuts: copra, 3%; coconut oil, 2%; desiccated coconut, 2%
6 Jun 1984	PD 1929	Imposing an economic stabilization tax at the rate of the difference between PHP 14 and the guiding rate at the time of shipment, assessed, collected, paid on the gross FOB value of all merchandise exports
6 Jun 1984 – 6 Dec 1985	Ministry Order 18-84	Prescribing rules and regulations to implement the provisions of PD 1929
22 Sep 1984	LOI 1429	Suspending the implementation of PD 1929
10 Oct 1984	PD 1954	Repealing PD 1929
10 Oct 1984	PD 1955	Withdrawing the duty and tax privileges granted to private business enterprise and/or persons engaged in any economic activity.
11 Jan 1985	PD 1960	Providing measures for the deregulation of the coconut industry and encouraging and authorizing the formation of cooperatives to achieve economies of scale
8 April 1985	PD 1972	Financing the coconut replanting program
4 Oct 1985	EO 1056	Modifying the rates on additional export duty as provided for in EO 920-A Series of 1983. For coconuts: copra, 7.5%; coconut oil, 1%; copra meal/cake, 0%; desiccated coconut, 0%
7 Nov 1985	PD 1997	Grant of additional incentives to accelerate the Coconut Productivity Program by appropriating funds from the revenue of the national
13 Nov 1985	EO 1064	Implementing the Coconut Productivity Program
26 Dec 1985	EO 1074	Approving the project of the Coconut Oil Refiners Association of approximately 60,000 ha of oil palm plantations in Agusan del Sur
26 Dec 1985	EO 1075	Further amending EO 827 dated September 1982 to ensure energy self-reliance by displacing imported fuel oil by coconut oil

Appendix Table 1. Continued ...		
EFFECTIVITY DATE	LAW AND REGULATIONS	TITLE/OBJECTIVES
19 Mar 1986	EO 9	Lifting the ban on the exportation of copra and reducing the additional export duty thereon
1 July 1986	EO 26	Abolishing the export duties on all export products including coconut products
15 Oct 1986	EO 49	Restructuring the rates of import duties with the rates for coconut products constant
30 Jan 1987	EO 116	PCA now attached to MAF
11 Mar 1987	PCA Memo	Increase of Analysis Fees for aflatoxin and referential samples: aflatoxin analysis, export – PHP 400, referential – PHP 500; copra and other coconut by-products/products, export – PHP 100, referential – PHP 150
17 July 1987	PCA memo	Addressed to exporters of fresh coconut setting the floor price of buko (young coconut) at USD 0.35-0.37/piece FOB Manila
22 July 1987	Proclamation	Instituting the Comprehensive Agrarian Reform Program

Source: Aquino (1993)

Appendix Table 2. The legal background of the Coconut Consumer Stabilization Fund (CCSF), 1973-1982

DECREE/LETTER OF INSTRUCTION (LOI)/ IMPLEMENTING ORDERS	DATE ISSUED	TITLE	IMPORTANT PROVISIONS
PD 276	August 20, 1973	Establishing the Coconut Consumer Stabilization Fund	It started the CCSF levy to effect a price stabilization scheme for coconut consumer products. Supervised by the Philippine Coconut Consumer Stabilization Committee (PCCSC).
PD 414	April 18, 1974	Further Amending PD 232 As Amended	PCCSC abolished the function given to PCA. CCSF levy collections partly used for the vertical integration program and to absorb the premium duty.
PD 582	November 17, 1974	Further Amending PD 232 As Amended	Established the CIDF for the replanting program. A permanent levy of PHP 0.20 per kilogram of copra or its equivalent product from CCSF levy rate plus initial CCSF contribution of PHP 100 million.
PD 755	July 29, 1975	Approving the Credit Policy of the Coconut Industry as Recommended by PCA	Approved the purchase of the First Union Bank to become the United Coconut Planters Bank (UCPB) out of CCSF.
PD 1233	November 8, 1977	Instituting a Procedure for the Management of Special and Fiduciary Funds	CCSF levy used for implementing vertical integration program and price stabilization scheme. Declared CCSF as special and inducing fund.
PCA Administrative Order No. Series of 1979	April 19, 1979		Implements PD 1468. Established New Subsidy Scheme.
LOI No. 857	May 4, 1979		Established the CPSF. Allocates the Surplus of the Subsidy Funds to CIIF, Social Amelioration Fund and CPSF at 24%, 40% and 25%, respectively.
LOI No. 926	September 3, 1979	Rationalization of the Coconut Oil Milling Industry	Established and gave full government support to UNICOM

Appendix Table 2. Continued ...			
DECREE/LETTER OF INSTRUCTION (LOI)/ IMPLEMENTING ORDERS	DATE ISSUED	TITLE	IMPORTANT PROVISIONS
PD 1699	May 27, 1980	An Act Suspending the Collection of the CCSF Levy and Similar Levies and Providing the Connection Therewith Appropriate Measures to Cushion the Adverse Effects Thereof on the Coconut Farmers	Suspended the levy for 45 days. Established the CDPF
	September 9, 1981		The CCSF levy was suspended by Pres. Marcos, only to reimposed one month later

Source: Clarete and Roussamet (1983) as cited by Aquino (1993)

Appendix Table 3. Legislative bills and resolutions establishing the mechanism for the utilization and disposition of the coconut levy funds

SENATE BILL (SB)/ HOUSE BILL (HB)/RESOLUTION NO.	AUTHOR	TITLE	KEY POLICIES ON COCONUT LEVY
SB 455	Senator Ralph G. Recto	An Act Providing for the Disposition of the Coconut Levy Assets by the Privatization and Management Office, Creating the Coconut Industry Fund Committee, and Providing for the Management, Investment and Use of Proceeds of such Assets for and in Behalf of the Coconut Farmers and for Other Purposes otherwise known as the "Coconut Levy Assets Disposition Act of 2013".	<ol style="list-style-type: none"> <li>1- COA, PCA and PCGG to conduct audit and inventory of coconut levy assets.</li> <li>2- Create the Coconut Industry Fund (CIF) to serve as "Trust Fund" for the benefit of the coconut farmers and for the development of the coconut industry.</li> <li>3- The CIF shall be used to implement the Coconut Industry Rationalization Plan.</li> <li>4- Create the Coconut Industry Fund Committee attached to the Office of the President to serve as a central advisory, monitoring and oversight body to formulate, implement and coordinate policies.</li> </ol>
SB 2467	Sen. Paolo Benigno A. Aquino IV	An Act to Spur Rural Development in the Coconut Sector by Establishing the Coconut Farmers' Trust Fund, Providing for the Management Thereof, and for Other Purposes otherwise known as the "Coconut Farmers' Trust Fund Act".	<ol style="list-style-type: none"> <li>1- Establish a Coconut Levy Trust Fund, perpetual in nature, for the development of the coconut industry and the benefit of the small coconut farmers.</li> <li>2- Create the Coconut Farmers Trust Fund Committee to manage and administer the use of the funds.</li> </ol>
SB 2126.	Sen. Cynthia A. Villar	An Act Declaring the Coconut Levy Funds as Public Funds, Authorizing the Privatization and Management Office to	<ol style="list-style-type: none"> <li>1- All coconut levy funds collected including the proceeds of privatization/disposition of its assets as public funds.</li> </ol>

		Dispose the Coconut Levy Assets, Establishing the Coconut Farmers and	2- COA, PCA and PCGG to conduct audit and
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Appendix Table 3. Continued ...

SENATE BILL (SB)/ HOUSE BILL (HB)/RESOLUTION NO.	AUTHOR	TITLE	KEY POLICIES ON COCONUT LEVY
		Industry Fund, Providing for its Management and Utilization and for Other Purposes otherwise known as the "Coconut Farmers and Industry Development Act of 2012".	<ul style="list-style-type: none"> <li>3- inventory of coconut levy assets. Create an irrevocable trust fund to be known as the Coconut Farmers and Industry Fund and a committee to manage the trust fund.</li> <li>4- Prepare the Coconut Farmers and Industry Development Plan.</li> </ul>
HB 1327	Rep. Fernando L. Hicap	An Act Creating the Genuine Small Coconut Farmers' Fund and for Other Purposes otherwise known as the "Genuine Small Coconut Farmers' Fund Act of 2013".	<ul style="list-style-type: none"> <li>1- Declare all coconut levies and assets are public funds.</li> <li>2- Create the Genuine Small Coconut Farmers' Fund (GSCFF) which will not be part of the general funds of the government and shall be used exclusively for the benefit of the small coconut farmers.</li> <li>3- Requires audit and inventory of all assets as well as expenditure made from the coconut levy collections.</li> <li>4- Creation of the Small Coconut Farmers' Council to manage and administer the GSCFF.</li> </ul>
HB 4900	Rep. Sharon S. Garin	An Act Providing an Adequate Financial Protection to the Coconut Industry and its Workers, Providing for the Management Thereof, and for Other Purposes otherwise known as the	<ul style="list-style-type: none"> <li>1- Create the Farmers' Trust Fund for the development of the coconut industry and benefit of the small coconut farmers and farm workers.</li> <li>2- Create a Council to administer the trust fund and its disposition and</li> </ul>

		"Coconut Farmers' Trust Fund Act".	utilization. 3- Formulate the Philippine Coconut Farmers Framework for Development.
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Appendix Table 3. Continued ...

SENATE BILL (SB)/ HOUSE BILL (HB)/RESOLUTION NO.	AUTHOR	TITLE	KEY POLICIES ON COCONUT LEVY
HB 5208	Rep. Angelina D.L. Tan	An Act Providing for the Disposition of the Coconut Levy Assets by the Privatization and Management Office, Establishing the Coconut Farmers and Industry Fund, and Providing for the Management, Investment, and Use of Proceeds of such Assets for and in Behalf of the Coconut Farmers otherwise known as the "Coconut Levy Assets Disposition and Utilization Act".	<ol style="list-style-type: none"> <li>1- Conduct an audit and inventory of all coconut levy assets.</li> <li>2- Establish the Coconut Farmers and Industry Fund.</li> <li>3- Establish the Coconut Farmers and Industry Fund Committee.</li> <li>4- Craft and prepare the Coconut Farmers and Industry Development Plan.</li> <li>5- Privatization of coconut levy assets.</li> </ol>
HB 5250	Rep. Delphine Gan Lee	An Act to Develop the Coconut Industry by Creating the Coconut Farmers Trust Fund otherwise known as the "Coconut Farmers' Trust Fund Act of 2014".	<ol style="list-style-type: none"> <li>1- Create the Coconut Farmers Trust Fund which will be perpetual in nature.</li> <li>2- Create the Coconut Farmers Trust Fund Committee to manage and administer the use of the trust fund.</li> </ol>
House Resolution No. 1518	Rep. Sharon S. Garin	Resolution Calling on the House Committee on Good Government and Public Accountability to Investigate, in Aid of Legislation, The Exact Accounting of Coco Levy Funds Including the Amount Hel in Escrow, Acquired Assets, Dividends and Interests Earned Over the Years in Light of the Nature of the Funds as Public, and Ensure that these Funds will be Used	<p>Indicated the following:</p> <ol style="list-style-type: none"> <li>1- The Supreme Court ruled in 2013 that the coconut levy funds were public in nature and that they are awarded to the government.</li> <li>2- The coconut levy funds is estimated to be between PHP 150 to 200 B.</li> <li>3- There is still no cohesive measure regarding the utilization of the coconut levy funds, despite the many initiatives.</li> <li>4- Farmers' group are calling for alternative modes to manage the funds.</li> </ol>

		for the Benefit of Poor Coconut Farmers	5- To resolve the issues, the Committee on Good
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Appendix Table 3. Continued ...			
SENATE BILL (SB)/ HOUSE BILL (HB)/RESOLUTION NO.	AUTHOR	TITLE	KEY POLICIES ON COCONUT LEVY
			Government and Accountability shall determine the amount of all the coco levy funds and assets as well as to establish the next courses of actions to release and use the funds.
Senate Resolution No. 30	Sen. Ralph G. Recto	A Resolution Directing the Appropriate Senate Committee to Conduct an Inquiry, in Aid of Legislation, on the Status of the Coconut Levy Assets, with the End in View of Ensuring that it will be Used Primarily for the Benefit of All Coconut Farmers and for the Development of the Coconut Industry	Indicated the following: 1- By 1986 the total amount collected from the various coconut levies amounted to PHP 9.7 B. 2- PCGG sequestered the coco levy funds from the ill-gotten wealth during the Marcos regime. 3- Various stakeholders of the coconut industry sought for the relief and ownership of the coco levy funds. 4- The Supreme Court ruling declared that the six CIIF-OMG companies, their 14 holding firms and the CIIF-OMG block of SMC shares are owed by the government. 5- The SMC shares amounting to PHP 57 B was remitted to the National Treasury. 6- The coconut industry provides a huge contribution to the Philippine economy. However, productivity is declining and poverty is high among coconut farmers. 7- There is a need for capital injection to develop the industry. Hence, the need for an inquiry in aid for legislation to ensure the use of the coconut levy funds for the benefit of all coconut farmers and the development of the industry.

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