

Cooperatives in the Socio-Economic Development of the Philippines

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I.0 INTRODUCTION

The Philippines had recently celebrated the centennial of cooperatives (1915-2015). The celebration highlighted the progress cooperatives had achieved in the last 100 years and the direction it shall go through in the next millennium.

This paper presents, in brief the portion of the progress of cooperatives, in particular a) the role cooperatives play in the Philippine socio-economic system, b) the contribution of cooperatives in achieving sustainable development goals, and c) the partnership between the government and cooperative stakeholders in the promotion of cooperatives.

2.0 THE ROLE OF COOPERATIVES

The cooperative has been the policy instrument of the government in promoting social justice and economic development. The policy is well spelled out in the Philippine Constitution of 1987 and in the enabling laws passed by Philippine legislature at the turn of the century.

2.1 Constitutional Provision (1987). The Constitution provides, among others, a mandate to the legislature to create an agency that will use cooperatives as instruments of social justice and economic development (Article XII Section 15). Thus, the basic law of the land envisions the promotion of cooperatives in various sectors of the economy, the expansion of economic base and the mobilization of the less privilege members of the society to actively participate in nation-building.

2.2. Enabling Laws. In response to the Constitutional mandate, Congress of the Philippines (legislature) passed the Cooperative Code (Republic Act 6938) and Cooperative Development Authority (CDA) Charter (RA 6939) on March 10, 1990. The Cooperative Code provides for the general concepts and principles; organization and registration; membership; administration;

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dissolution; capital; recovery and funds; audit, inquiry and members right to examine; allocation and distribution of net surplus; and special provisions relating to agrarian reform cooperatives, public cooperatives, cooperative banks, credit cooperative and cooperative insurance societies, among others.

The RA 6939 created the CDA, the agency that promotes the viability and growth of cooperatives as instruments of equity, social justice and economic development. The law provides its powers, functions, and responsibilities; the governing body; budget and funds; and rule making power, among others.

In 2008, RA 6938 was amended by RA 9520, with the inclusion of provision on representative assembly, subsidiary cooperative, financial service cooperative, to cite a few amendments, while keeping the provisions of RA 6938 basically intact.

The policy of the state, as far as cooperative is concerned, is well-amplified in the Cooperative Code which states, “ to foster the creation and growth of cooperatives as practical vehicle for promoting self-reliance and harnessing people power towards the attainment of economic development and social justice. The State shall encourage the private sector to undertake the actual formation and organization of cooperatives and shall create an atmosphere that is conducive to the growth and development of these cooperatives.”

To operationalize the policy, the government including all its branches, subdivisions, instrumentalities, and agencies are all called to “ensure the provision of technical guidance, financial assistance and other services to enable said cooperatives to develop into viable movement that is free from any conditions that may infringe upon the autonomy or organizational integrity of cooperatives.”

2.3 Particular Roles of Cooperatives. Under Philippine Development Plan (2011-2016), Cooperatives are expected to provide a significant contribution in the objectives of creating a) rapid, inclusive and sustained economic growth, b) financial inclusion, and c) reduction of poverty.

As a help-help organization, with proper monitoring and support of the government, cooperatives can contribute to rapid economic growth because of the power of cooperatives to mobilize savings and capital which can serve as inputs in the production of goods and services of the less privileged members of the society.

Cooperatives which are engaged in deposit mobilization and capital formation have been proven potent grassroots organizations in providing micro entrepreneurs, who are most often denied by formal financial institutions, access to capital. The development of micro and small entrepreneurs which accessed financial services from cooperatives create a

rapid, inclusive and sustained economic growth, particularly in rural and agricultural areas.

The strength of the Philippine financial sector as mentioned in the Philippine Development Plan (2011-2016) showed a steady improvement on the balance sheet of the banking industry, the issuance and listing of corporate bonds, and the active participation of the medium and large cooperatives which comprise 9% of the total registered cooperatives in the country in the strengthening of the financial sector.

For the year 2013, the reporting cooperatives posted an aggregate ending balance of PhP97 Billion time/savings deposits, paid-up capital of PhP71 Billion, and net surplus of PhP13 Billion, all of which contributed to the inclusion of the marginalized sector in the financial market.

The Philippines missed by almost 50% the reduction of extreme poverty by 2015 the MDG targets and commitments. The extreme poverty reduction was only from 33% (1991) to 16% (2015). The target of eliminating extreme poverty by 2015 was missed. However, the provision of technical, financial, and institutional development assistances to micro and small cooperative, on which a large portion is composed of agriculture and agrarian reform cooperatives, are projected to contribute to the creation of rural and agricultural enterprises that will reduce extreme poverty in the rural and far flung areas.

2.4 Performance of Cooperatives. As of December 2015, 9,826 cooperatives complied with the reportorial requirements of CDA, including the submission of audited financial statements. Out of this figure, 54% were micro, 27% small, 15% medium, and 4% large cooperatives.

In terms of assets holdings, the micro cooperatives comprised 2%; small, 7%; medium, 19%, and large, 72% (Table 1) of the total assets of the cooperative movement.

There is an inverse relationship between size of cooperatives and assets holding. The micro cooperatives which composed 54% of the reporting cooperatives had only 2% of the total assets while the large cooperatives which composed only 4% of the reporting cooperatives, control 72% of the total assets.

The figures indicate, among others, that improving the lot of micro and small cooperative would have enormous effect in improving the social and economic development of the rural and agricultural economy, in particular and the national economy, in general.

The dominance of agriculture cooperatives, which are composed of agriculture, multi-purpose, agrarian reform cooperatives, and dairy cooperatives, are shown in Table 2. Their combine numbers constitute 68% of the total number of reporting cooperatives.

The total volume of business generated by all cooperatives, as of December 2015, was PhP322,697.5 Million and engaging direct employment of 463,789 persons.

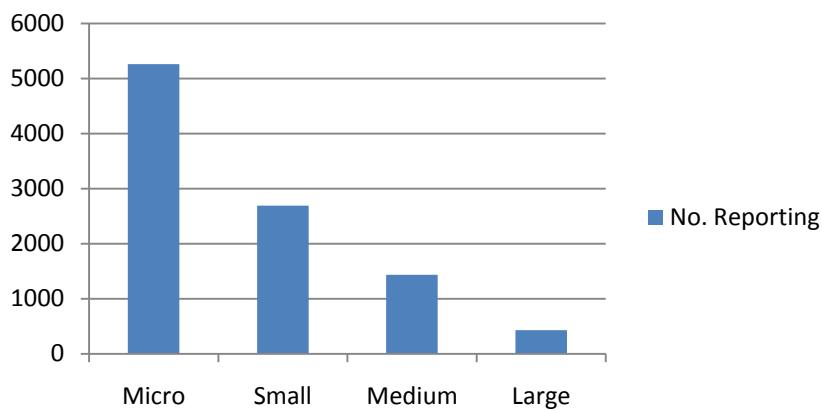
Table 1. Status of cooperatives, by size of cooperatives as of December 2015, Philippines

| Size of Coop | Number Reporting | % | Assets (Million PhP) | % |
|--------------|------------------|-----|----------------------|-----|
| Micro | 5,264 | 54 | 5,118.4 | 2 |
| Small | 2,694 | 27 | 19,220.7 | 7 |
| Medium | 1,437 | 15 | 54,527.1 | 19 |
| Large | 431 | 4 | 206,482.2 | 72 |
| All | 9,826 | 100 | 285,348.4 | 100 |

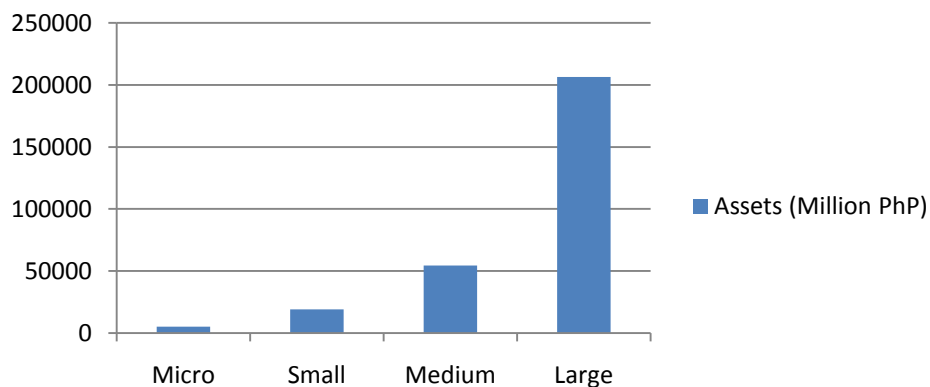
Source of basic data: CDA, 2017

GRAPH

No. Reporting



Assets (Million PhP)



Legend: Micro cooperative asset is PhP3 Million or less; Small, asset is more than PhP3 Million but less than PhP15 Million; Medium, asset is more than PhP15 Million but less than PhP100 Million; Large, asset is PhP100 Million or more.

Table 2. Performance of Cooperatives, by type of coop, as of December 2015.

| Type | Number | % | Total Assets PhP Million | % |
|----------------------|---------------|------------|-------------------------------------|------------|
| Advocacy | 88 | 1 | 2,575.30 | 1 |
| Agrarian Reform | 119 | 1 | 1,379.40 | 0 |
| Agriculture | 5 | 0 | 13.90 | 0 |
| Consumers | 411 | 4 | 1,401.10 | 0 |
| Cooperative Bank | 17 | 0 | 11,062.70 | 4 |
| Credit | 1,258 | 13 | 68,124.40 | 24 |
| Dairy | 12 | 0 | 10.50 | 0 |
| Education | 3 | 0 | 77.70 | 0 |
| Electric | 5 | 0 | 5,449.40 | 2 |
| Federation-Secondary | 116 | 1 | 5,435.40 | 2 |
| Federation-Tertiary | 3 | 0 | 2,752.40 | 1 |
| Fishermen | 7 | 0 | 323.80 | 0 |
| Health Service | 4 | 0 | 281.40 | 0 |
| Housing | 16 | 0 | 114.20 | 0 |
| Insurance-Secondary | 3 | 0 | 1,709.90 | 1 |
| Labor Service | 19 | 0 | 369.20 | 0 |
| Marketing | 261 | 3 | 1,587.40 | 1 |
| Multipurpose | 6,557 | 67 | 174,668.70 | 61 |
| Producers | 336 | 3 | 997.10 | 0 |
| Service | 459 | 5 | 6,831.80 | 2 |
| Transport | 66 | 1 | 255.80 | 0 |
| Union-Secondary | 33 | 0 | 55.60 | 0 |
| Water Service | 14 | 0 | 88.03 | 0 |
| Workers | 14 | 0 | 107.8 | 0 |
| Grand Total | 9,826 | 100 | 285672.93 | 100 |

Legend: 0 = less than 1%

3.0 CONTRIBUTION TO THE ATTAINMENT OF SDGS

The Sustainable Development Goals (SDGs) are the post-Millennium Development Goals (MDG) and are composed of 17 development goals, namely:

- a) No poverty;
- b) Zero hunger;
- c) Good health and well-being;
- d) Quality education;
- e) Gender equality;
- f) Clean water and sanitation;
- g) Affordable and clean energy;

- h) Decent work and economic growth;
- i) Industry, innovation, and infrastructure;
- j) Reduced inequalities;
- k) Sustained cities and communities;
- l) Responsible consumption and production;
- m) Climate action;
- n) Life below water;
- o) Peace, justice and strong institutions;
- p) Partnership for the goals

The cooperative movement in the Philippines is clearly manifesting its capacity to participate in the achievement of the SDGs in seven areas, namely: eradication of poverty and hunger, decent work and economic growth, responsive production and consumption, reduced inequalities, climate action; peace, justice and strong institutions, and gender equality.

- a) Eradication of poverty and hunger. The CDA is on its track to provide technical, financial and institutional development assistances to micro and small cooperatives to transform them into medium and large cooperatives, thus making them profitable, sustainable and competitive in the market. The transformation of these cooperatives into viable and sustainable status is projected to have an impact on creating a broad productive agricultural and rural enterprises, thus, contributing to the eradication of poverty and hunger.
- b) Quality education. The Philippines has recently started the K-12 education program which has essentially added two (2) years of academic training in the secondary education to further improve the quality of education in the Philippines. The CDA, in response to improving the quality of education and training program in the country, expands its traditional accreditation of training service providers as partners in the conduct of mandatory and optional training program for cooperatives by recognizing the state and private colleges and universities to conduct the training of trainers, to participate in developing research agenda, and to conduct research as a strategy for expanding the capacity of the CDA to extend academic services to the cooperative sector. The CDA is also looking forward to instituting a Cooperative College in partnership with the state colleges and universities that will provide formal and non-formal education for cooperatives, conduct research, and assist in developing a system of data warehousing, retrieval, processing and dissemination that will provide readily available information useful for policy-making, program implementation, academic studies and advocacy on cooperatives.
- c) Decent work and economic growth. The institution of the labor service and workers cooperatives and government policy of ending contractualization of labor are projected to develop a vigorous

workers cooperative that will provide alternative employment to members of workers cooperatives better than contractual arrangement under the present set-up. The workers cooperative is projected to create better employment opportunities, wage, and income than the present set-up and consequently will provide a decent work for members of workers cooperatives and economic growth by creating an environment for workers not only to sell labor but also to create goods/products.

- d) Reduced inequalities. The promotion of cooperatives in various areas of business interest is a direction towards promoting the social and economic status of the less privileged members of the society and to enjoin them to participate in national social and economic activities. The continuous education program for cooperatives is a strategy to build the technical expertise and entrepreneurial capacities of cooperative members, thus improving their capacities to participate in enterprise and business development. The continuous capital build-up and savings mobilization programs for cooperative members facilitate the financial capacity of cooperatives and their members to finance enterprises that will generate income and uplift their economic status. The build-up of their human resource capacities and financial resources are strategies that can immensely contribute to uplifting the social and economic status of the poor and close the social and economic gaps between the rich and the poor.
- e) Responsive production and consumption. The promotion of organic farming which primarily promotes the avoidance of the use of harmful pesticide and inorganic fertilizer encourages the production and consumption of healthy food, thus promoting a healthy life for cooperative members as well as the general consumer. The production and consumption of healthy food is envisioned to create healthy consumers, reduce the cost of health maintenance, and increase the allocation of financial resources to productive activities.
- f) Climate action. Cooperative members are already much aware of the change in weather and climate and their impact on production, food consumption and human habitat. Cooperatives as community organizations are potent institutions for inducing communities to adopt to climate change by introducing production system and community ecology in harmony with climate change.
- g) Peace, justice and strong institutions. The Muslim Mindanao of Southern Philippines has been an area of strife and conflict. The search for solutions for lasting peace has been costly in terms of

resources, human lives and lost opportunities for better living. The idea of using cooperatives as a solution to the conflicts and promotion of peace is being discussed and explored. The diversion of energies and resources from arms to enterprise development of each and every member of the community could be the solution for having lasting peace and promoting the socio-economic well-being of community members.

- h) Gender equality. The Philippines has a Gender and Development Program which mandates, among others, every government agency to allocate 5% of its budget for Gender and Development or GAD. The CDA has an issuance called “Guidelines on Mainstreaming GAD in Cooperatives” that seeks to disseminate to the cooperative sector the GAD mandate of government and to ensure the promotion of gender equality (GE), the institutionalization of GAD policies, programs and activities in each and every cooperative, and to monitor the progress of GAD programs and activities towards achieving GE.

4.0 PARTNERSHIP BETWEEN GOVERNMENT AND COOPERATIVE STAKEHOLDERS

The partnership between government and cooperative stakeholders is engrained in the democratic process in crafting rules on implementing programs affecting the cooperative sector. The mechanism of consultation with the cooperative sector by the government is provided for in the Cooperative Code and specified in particular, under Executive Order 95 Series of 1993 (EO 95).

EO 95, among others, creates the National Coordinating Committee (NCC) composed of all government agencies with programs on cooperative to coordinate with CDA for harmonious and effective delivery of government services to cooperatives. It also calls for the formation of consultative mechanism the cooperative sector at various levels of bureaucracy from municipality, provincial, regional and national levels.

The harmonious and effective delivery of government services to cooperative by government agencies under the coordination of CDA is executed through memorandum of agreements (MOAs) or Memorandum of Understandings (MOUs) between and by concerned government agencies and CDA (Appendix 1). Basically, the MOAs/MOUs, spell out the obligations of parties in the delivery of services to cooperatives.

The MOAs/MOUs of CDA with relevant government agencies include the Department of Agriculture, Department of Agrarian Reform, Insurance

Commission, Securities and Exchange Commission, Bangko Sentral ng Pilipinas, National Housing Authority, Office of Transport Cooperatives and Department of Trade and Industry.

5.0 CONCLUDING REMARKS

The role and importance of cooperatives in promoting equity, social justice and economic development is well-articulated in the Philippine Constitution of 1987, and in the enabling laws on cooperatives such as Cooperative Code (RA 6938 as amended by RA 9520) and the Charter of CDA (RA 6939).

So much is expected of cooperative to contribute to the socio-economic development of the country and in nation-building. Cooperatives after 100 years of nurturing are flourishing in the fields of banking, insurance, credit and savings, agriculture, agrarian reform, labor, housing, transport, energy (electricity), water (potable) service, to mention a few. But much is still to be desired regarding the progress of cooperatives. As of December 2015, 54% of the reporting cooperatives are micro cooperatives (with assets of PhP3 Million and below) while the large cooperatives with assets of PhP100 million and above comprised 4% of the total reporting cooperatives controls 72% of the total assets of whole cooperatives movement. The combine volume of business of cooperatives has reached PhP322,697.5 Million and directly employing 463,789 employees as of December, 2015.

The transformation of micro and small cooperatives into medium and large cooperatives is the biggest hope to create significant contribution of cooperatives in promoting a just society and in building a nation with a broad economic base.

The cooperatives are envisioned to contribute in the achievement of SDGs in the areas of eradication of poverty and hunger, quality education, decent work and economic growth, reduced inequities, responsive production and consumption, climate action; peace, justice and strong institution; and gender equality.

The coordination between the government and the cooperative sector in cooperative development is clearly stipulated in the enabling laws on cooperatives and are operationalized through the issuance of EO 95. It is the objective of the government to harmoniously and effectively deliver available government services to cooperative through the creation of NCC composed of all government agencies with programs on cooperatives under the coordination of CDA, and the creation of consultative mechanism in the cooperative sector that will interact with the government in the delivery of services.

APPENDIX 1. Memorandum of Agreement by and between CDA and various government agencies in the delivery of services to cooperatives

1. CDA-Department of Agriculture (DA) Partnership

The Memorandum of Understanding (MOU) was signed on January 11, 2017. It Provides for an arrangement to identify areas of collaboration that would promote and enhance the capability of farmers, fisherfolks and rural women through coops to facilitate access to resources, information, knowledge and extension services, markets and productive assets and policy and decision-making in the agriculture and fishery sector;

2. CDA-Department of Agrarian Reform (DAR) Partnership II: Ensuring sustainable Operations of Registered Agrarian Reform (AR) Cooperatives

The Memorandum of Agreement (MOA) was signed in 2017. The MOA seeks to:

To develop functional AR cooperatives managing profitable and sustainable enterprises in order to better serve its members and contribute in improving the quality of life of ARBs, their households and rural women.

The program shall be implemented in the agrarian reform areas in all Regions of the Philippines

The DAR and CDA agree to adopt a cost sharing scheme in financing the project. The total financial contribution of DAR in the project is PhP5 Million.

3. CDA-Insurance Commission (IC)-Securities and Exchange Commission (SEC) and Bangko Sentral ng Pilipinas (BSP)

The MOU is still for signature of the concerned parties. It involves:

The gathering of information on formalization of insurance and insurance-like activities among the sectors under the supervision of involved agencies;

The collaboration through providing data of organizations under their supervision that have already formalized through partnering with commercial companies or organized into a Mutual Benefit Association (MBA). The data shall be used in monitoring the effectiveness of all circulars concerning the formalization of all informal insurance and insurance-like activities;

4. CDA-National Housing Authority (NHA) Partnership

The Proposed MOA

Is primarily intended for duly registered and stable cooperatives to expand their undertakings and ventures into the production of housing units for their members, and

To encourage the organization and registration of new housing cooperatives;

Article 62, of Republic Act 9520, otherwise known as the Philippine Cooperative Code of 2008, states that

“The Authority, in consultation with appropriate government agencies and concerned cooperative sector, shall issue rules and regulations on all matters concerning housing cooperatives.”

Section 13, Rule I, Part II of the Revised Rules and Regulations Implementing Certain and Special Provisions of the Philippine Cooperative Code of 2008, states that:

“A Joint Monitoring and Evaluation Committee shall be composed of CDA, as the lead agency, NHA, HLURB, HDMF, HUDCC, SSS, LBP, DBP, SHFC, NHMFC, HGC, DILG, DENR, concerned cooperative sector and other appropriate government agencies and financial institutions”.

5. CDA-Office of Transportation Cooperatives (OTC) Partnership

The Proposed MOA seeks to

Pool both organizations expertise and resources for the promotion and development of transportation cooperatives;

Conduct fora, roadshows and other similar activities to promote the National Transportation Service Cooperative Development Program in coordination with OTC, DILG, DOTC, MARINA and other stakeholders; and

Share database with OTC to come up with the updated list of transportation and those MPC engaged in transportation service

6. CDA-Department of Trade and Industry (DTI) Partnership

The MOU is still up for signature of parties concerned.
The MOU stipulates that:

The DTI, through the Negosyo Centers, shall implement programs which will improve the competitiveness, competencies, and foster innovation and entrepreneurship for MSMEs including micro and medium cooperatives;

The CDA will continue to provide assistance that will help improve the business operations of micro and small cooperatives;

Pursuant to Go Negosyo Act, the functions of Negosyo Centers include

- a) promoting ease of doing business and access to services for MSMEs;
- b) coordinate government processes related to the set-up and management of MSMEs;
- c) providing information and services and training, financing and marketing; and
- d) conduct of other programs or projects for entrepreneurial development as aligned with a development plan for MSMEs;

The Negosyo Center's vision is to nurture the growth of MSMEs and create an attractive framework to MSMEs in dealing with the difficulties in the process of doing business and to alleviate the disadvantages that they encounter by providing numerous technical services that are useful in fostering innovation and entrepreneurship;

The DTI has a Shared Service Facility (SSF) program which aims to improve the quality and productivity of microenterprises by addressing gaps and bottlenecks in the value chain of priority industry clusters through the provision of processing machines and equipment or the common use of MSMEs in the said industry cluster.

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