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COOPERATIVES IN THE PHILIPPINES:
A Study Of Past Performance,
Current Status And Future Trends

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LIST OF ACRONYMS

ACA	- Agricultural Credit Administration
ACCFA	- Agricultural Credit and Cooperatives Financing Administration
ACCI	- Agricultural Credit and Cooperatives Institute
ACDI	- Agricultural Cooperative Development International (U.S.)
AMC	- Area Marketing Cooperative
APC	- Agricultural Productivity Commission
BANGKOOP	- Cooperative Rural Banks Federation of the Philippines
BCOD	- Bureau of Cooperatives Development
CAO	- Cooperatives Administration Office
CCCC	- Cooperative Consultative and Coordinating Committee
CCE	- Central Cooperative Exchange
CCEB	- Central Cooperative Education Board
CETF	- Cooperative Education and Training Fund
CFPI	- Cooperative Foundation of the Philippines
CISF	- Cooperative Insurance System of the Philippines
CLIMBS	- Cooperative Life Mutual Benefit Society
CMP	- Cooperative Marketing Project
CMSI	- Cooperative Management System, Inc.
CMSP	- Cooperative Marketing System of the Philippines
CRB	- Cooperative Rural Bank
CTB	- Cooperative Travel Bureau, Inc.
CUNA	- Cooperative Union National Association (U.S.)
CUP	- Cooperative Union of the Philippines
DAR	- Department of Agrarian Reform
DLGCD	- Department of Local Government and Community Development
FACOMA	- Farmers Cooperative Marketing Association
FBC	- Farmer Barrio Cooperatives
FECOPHIL	- Federation of Electric Cooperatives of the Philippines
FFCI	- Federation of Free Farmers Cooperatives, Inc.
GRAMACOP	- Grains Marketing Cooperative, Inc.
KB	- Kilusang Bayan (Full-Fledged Cooperative)
MASS	- Mindanao Alliance of Self-Help Societies, Inc.
MMCC	- Metro Manila Consumers Cooperative
MTAP	- Management Training and Assistance Program
NAMVESCO	- National Market Vendors Cooperative Service Federation, Inc.
NATCCO	- National Association of Training Centers for Cooperatives, Inc.
NCA	- National Cooperatives Administration
NCSBC	- National Cooperatives and Small Business Corporation
NEA	- National Electrification Administration
NELRIDP	- Nueva Ecija Land Reform Integrated Development Program
NFAC	- National Food and Agriculture Council
NPCI	- National Publishing Cooperative, Inc.
NRECA	- National Rural Electric Cooperative Association (U.S.)
NTC	- National Trading Corporation
PACD	- Presidential Arm on Community Development
PCA	- Philippine Coconut Administration
PCWS	- Philippine Cooperative Wholesale Society
PFCC	- Philippine Federation of Consumers Cooperatives
PFCCI	- Philippine Federation of Credit Cooperatives, Inc.
PHILCUL	- Philippine Credit Union League
PKSN	- Pambansang Katipunan ng mga Samahang Nayon (National Federation of SN)

PNCB - Philippine National Cooperative Bank
PRATRA - Philippine Relief and Trade Rehabilitation Administration
PRRM - Philippine Rural Reconstruction Movement
RCCA - Rural Credit Cooperatives Association
RCPCC - Rice and Corn Production Coordinating Council
SCDIP - Sugar Cooperative Development Institute of the Philippines
SEC - Securities and Exchange Commission
SN - Samahang Nayon (Farmers Association)
SNDP - Samahang Nayon Development Project
SNSP - Samahang Nayon Support Project
SPECC - Southern Philippines Educational Cooperative Center
VICTO - Visayas Cooperative Training Center
VOCA - Volunteers in Overseas Cooperative Assistance (U.S.)

I. INTRODUCTION

The Cooperative Experience in the Philippines shares a common heritage with that of the American presence. Indeed, the American influence upon eight decades of Philippine cooperative development has been substantial. American-supplied missionaries, Peace Corps workers, technical advisers, training, private sector financing and foreign aid have helped to shape private sector and government-supported cooperative program directions and legislation. Yet the Cooperative Experience in the Philippines remains uniquely Filipino in character and in content. The spirit of cooperativism in Philippine society predates the American period and is closely related to traditional cultural values which stress group consciousness, community service and self-help.

During the past eighty years cooperatives have formed an important part of the private sector which has contributed to social and economic development within the country. As voluntary organizations they have captured economies of scale in providing business and other services to their members. Additionally, they have helped to create employment, improve income distribution, and establish fair market practices through private sector competition. Historically, the government has recognized the value of cooperatives in this context and has sought to accelerate the expansion of cooperativism. These efforts have often proved counter-productive and, at times, have served only political interests. Despite these realities, the cooperative movement in the Philippines has shown tremendous resiliency and has managed to firmly establish its presence as an important democratic institution capable of contributing to the task of national development.

II. PAST ACTIVITIES AND PERFORMANCE OF COOPERATIVES IN THE PHILIPPINES

A. EARLY COOPERATIVE EFFORTS (1906-1941)

The legal basis for cooperatives in the Philippines was first established with the passing of Public Act No. 1459, known as the

Corporation Law, on April 1, 1906. This law, administered by the Bureau of Commerce and Industry, set forth the legal framework for all types of private organizations, including cooperatives. There is evidence that even prior to this act a number of agricultural credit cooperatives were already operating within the country. While records of these early cooperative activities are limited, it appears that most had their beginning as a result of church-related initiatives.

In an attempt to promote credit cooperatives, the government, in 1915, enacted the Rural Credit Cooperatives Associations Act (P.A. 2508). The following year, an amending act transferred the responsibility for promoting and organizing rural credit cooperative associations to the Bureau of Agriculture. Credit cooperatives established under this law were required to register under the Corporation Law and were allowed to accumulate cooperative savings to be used exclusively for extending credit to their members for agricultural purposes. By 1939, a total of 570 rural credit cooperative associations had been established with a combined membership of 105,000 individuals and assets amounting to ₱3.4 million. These early credit cooperatives faltered, however, due to poor supervision and training which contributed to both mismanagement and a lack of understanding on the part of the cooperatives and their membership of basic cooperative principles and practices.

In 1927, the Philippine Commission (legislative) enacted into law the Cooperative Marketing Law (P.A. 3425, later amended by P.A. 3872) which related specifically to agricultural-type cooperatives. This law provided for the incorporation of Farmers Cooperative Marketing Associations (FACOMAs) which were to "be operated primarily for the mutual benefit of the members thereof, as producers, and should aim to promote, foster and encourage the intelligent and orderly marketing of agricultural products through cooperation, to make the distribution of agricultural products between producers and consumers as direct as can efficiently be done; and stabilize the marketing of agricultural products." The Cooperative Marketing Law was a substantial piece of legislation, containing some fifty sections, and closely related to the model cooperative marketing act of the United States. Under the law, the Bureau of Commerce and Industry was the

government authority responsible for promoting, assisting and supervising FACOMAs. The law provided that each cooperative member was to be limited to only one vote during the first year of the cooperative's operation. After that time, the law stipulated that bylaws may provide that "the number of votes each (member) is entitled to shall be in proportion to the volume or quantity of agricultural products he shall have delivered to the association" (sec. 17).

During the initial years of the Cooperative Marketing Law some 160 FACOMAs were established throughout the country. Most of these cooperatives later failed due to insufficient working capital, inadequate marketing facilities, member disloyalty and poor supervision.

Following the establishment of the Commonwealth Government of the Philippines, the National Assembly passed Commonwealth Act No. 116, creating the Rice and Corn Fund on November 3, 1936. This legislation was designed to provide supplemental financing to strengthen the Rural Credit Cooperative Associations and FACOMAs. The financing was, however, too late to rehabilitate the already weakened cooperative structure.

While the government was in the midst of its efforts to develop Rural Credit Cooperative Associations and FACOMAs, a new type of cooperative, the Credit Union, was introduced to the Philippines by Rev. Fr. Allen Huber, a protestant missionary. The credit union was organized as a non-stock cooperative association to encourage thrift and savings and to provide loans to its members for productive and provident purposes at minimal rates of interest. The first credit union, the Vigan Community Credit Union, Inc., was organized in August 1938. Due to the simplicity of its structure and operations, the credit union soon gained popularity in the Philippines. As the organization of credit unions was not provided for under existing law, they were registered under the Corporation Law of 1906, which granted them juridical personality but failed to legitimize the character of their structure and services.

Also in 1938, the then Bureau of Commerce began promoting the organization of Consumers Cooperatives within the country. During the same

year, the Consumers' Cooperative League of the Philippines was organized. On June 3, 1938, the National Assembly passed Commonwealth Act No. 287 which transferred the registration of FACOMAs to the Securities and Exchange Commission (SEC).

During the late 1930s a number of other types of cooperatives were being organized. Cooperatives were emerging as a rapidly growing special type of corporate organization within the country. Yet the Corporation Law, Rural Credit Cooperatives Association Act and Cooperative Marketing Law failed to address adequately the particular needs and legal identity of cooperatives of various types.

The cooperative movement gained considerable impetus in June, 1940, when the National Assembly enacted the General Basic Cooperative Law (C.A. 565). This law provided for the organization of all types of cooperatives, authorized the creation of a government agency to promote and regulate cooperatives, and established a National Cooperative Fund. Executive Order No. 297, series of 1940, designated the National Trading Corporation (NTC) as responsible for cooperative promotion and organization. In August, 1941, the government issued Executive Order No. 359, creating the National Cooperative Administration (NCA), which assumed the functions of the NTC.

With the enactment of the General Basic Cooperative Law and the creation of the National Cooperative Administration cooperatives had for the first time a sound legal basis for growth and expansion within the country. However, the outbreak of World War II in December 1941 disrupted opportunities for cooperative growth and development. During the ensuing war years, most of the records on the status of cooperatives during this early development period were destroyed.

B. WAR YEARS (1941-1945)

World War II, and particularly the Japanese occupation, brought about severe disruptions to the cooperative development process in the

Philippines. Although the Japanese allowed civil authority to continue within the country, new cooperative growth was limited. The Japanese Military Administrative used cooperatives primarily as outlets for consumer goods and as mechanisms to encourage local food production. Virtually all of the estimated 5,000 cooperatives established during this period were destroyed during the ensuing liberation.

C. RECONSTRUCTION PERIOD (1945-1950)

Following World War II, cooperatives began to re-emerge in the Philippines. After liberation the Government of the Commonwealth of the Philippines was re-established. During the early reconstruction period the Emergency Control Administration helped organize over 1,500 consumers' cooperatives to help with the relief effort. These "cooperatives" later collapsed once the relief goods distribution program ended.

On November 1, 1945 the National Assembly re-enacted (C.A. 713) the National Cooperatives Administration (NCA). Following Philippine independence in 1946 the government structure was again reorganized. U.S. citizens were no longer allowed membership in Philippine cooperatives and tax-exempt status for all cooperatives was withdrawn. In September 1947, cooperative merchandising functions under the NCA were transferred to the Philippine Relief and Trade Rehabilitation Administration (PRATRA). In October of the same year Republic Act No. 51 resulted in the conversion of the NCA into the National Cooperatives and Small Business Corporation (NCSBC). Three years later, in November 1950, the NCSBC was abolished and replaced by the Cooperatives Administration Office (CAO), which operated under the Department of Commerce and Industry (Executive Order No. 354, Series of 1950). The CAO was given direct responsibility for implementing the three existing cooperative laws; the Rural Credit Cooperative Associations Act (1915, as amended), the Cooperative Marketing Law (1927, as amended), and the General Basic Cooperative Law (1940). The creation of the CAO coincided with the end of the reconstruction period.

D. EXPANSION OF COOPERATIVISM IN THE PHILIPPINES (1950-1969)

The 1950s marked the beginning of a new era of rapid growth for cooperatives in the Philippines. Legislation issued during this period clearly divided the development thrust of the cooperative movement into two parts, agricultural and nonagricultural.

1. Agricultural Cooperatives

The Rural Banking Act (R.A. 720), passed in June of 1952, empowered registered cooperatives to organize rural banks as stock corporations. In August of that year Congress passed Republic Act No. 821, known as the Agricultural Credit and Cooperative Financing Act. This law provided for the creation of an agricultural credit and cooperative financing system to assist small farmers with their production credit needs. The law, which was designed to strengthen the agricultural sector, encouraged the formation of cooperatives to improve farm supply and marketing services, particularly for small producers. Republic Act 821 also established the Agricultural Credit and Cooperative Financing Administration (ACCFA), and transferred to it, from the CAO, responsibility for the promotion, organization and supervision of FACOMAs. Under this historic piece of cooperative legislation the ACCFA was provided a revolving fund of ₱100 million (\$50 million equivalent) which was held in a special account, known as the National Cooperative Fund.

Under the leadership of ACCFA, FACOMAs were organized, beginning in 1953, in the six priority provinces of Nueva Ecija, Pampanga, Bulacan, Tarlac, Pangasinan and Cotabato. U.S. technical assistance was provided in these early years (1952-1956) along with substantial commodity assistance in the form of construction materials and equipment. Records show that FACOMAs had robust business activity during this early period. Later, rapid expansion of FACOMAs proved to undermine these early successes. Following the sudden death of President Magsaysay in 1957 anomalies in business dealings of FACOMAs began to surface. Massive government importations of rice prior to elections at about this time, when FACOMA warehouses were fully stocked, depressed rice prices severely nearly

causing a collapse of more than 250 FACOMAs. Later attempts by the government in the early 1960s to inject additional funds to assist the credit and marketing operations of the FACOMAs had limited impact.

Other legislation during the 1950s sought to strengthen the cooperative movement. The Philippine Tobacco Administration Act of 1954 (R.A. 1135) created the Philippine Tobacco Administration and charged it with responsibility for promoting cooperatives among tobacco planters. Also in 1954 the Philippine Coconut Administration was created (R.A. 1145) and given promotional responsibility for helping to organize cooperatives among coconut planters.

In 1955, the Central Cooperative Exchange (CCE) was created under the Provisions of the Cooperative Marketing Law to serve as the national marketing and supply federation of agricultural cooperatives. The CCE was responsible for the procurement and marketing of grains, providing warehousing for tobacco and fertilizer and redrying tobacco. The CCE, which was affiliated with ACCFA, had, by 1966, a membership of 429 FACOMAs representing 250,000 farmers.

The First Asian Agricultural Credit and Cooperative Conference held in Baguio City in June 1956 called for the establishment of an institution to provide training, education and extension, and to conduct scientific research in areas related to agricultural credit and cooperative development. In April 1960, with funding assistance from the ICA/NEC (now USAID), the Agricultural Credit and Cooperatives Institute (ACCI) was established under the U.P. College of Agriculture in Los Banos, Laguna.

In 1963, the Revised Barrio Charter Act allowed for the promotion of cooperatives at the barrio-level. The Presidential Arm on Community Development (PACD) assisted in helping to develop these barrio cooperatives. Other private organizations, such as the Philippine Rural Reconstruction Movement (PRRM), were also helping to establish cooperatives at the barrio-level during the early 1960s.

Also in 1963, the enactment of the Agricultural Land Reform Code (R.A.

3844) led to the creation of the Land Authority, Land Bank, Agricultural Productivity Commission, and reorganized the ACCFA into the Agricultural Credit Administration (ACA). Under the Code, the Land Authority was empowered to allow farmer land reform beneficiaries "to organize cooperatives for purposes of more efficient management, adoption of modern farm methods and techniques and spreading risks either through diversification of farm projects or mutual assumption of risks, with the advice and assistance of the Agricultural Productivity Commission" (APC). The APC was granted the responsibility for promoting and organizing farmers' cooperatives through its cooperative division. The Code also gave the Agricultural Credit Administration (ACA) responsibility for financing and supervising farmers' cooperatives (mostly FACOMAs).

In 1965, Congress amended the charter of the Philippine Coconut Administration (PCA) providing the exemption status and other incentives to coconut cooperatives. The PCA had its own cooperative division and cooperatives which it helped to organize were registered under the Corporation Law. Of the 12 agro-industrial coconut cooperatives which the PCA helped to establish only one was operating by 1968. The failure of the coconut cooperatives was due in part to weak management and poor member education.

The Grains Marketing Cooperative of the Philippines (GRAMACOP) was formally organized in September 1966 with nine FACOMAs serving as initial members. GRAMACOP took over the functions of the Central Cooperative Exchange relative to the procurement and marketing of grains, principally palay (unmilled rice) and corn. By 1968, GRAMACOP was serving 1/3 of the rice and corn marketing cooperatives in the country, effectively marketing 9.5 percent of their collective produce. This was made possible, in part, by a ₱4 million marketing loan, through ACA, extended by USAID. By June 1970, GRAMACOP had a total membership of 55 FACOMAs with capitalization of ₱152,000, total assets of ₱2.5 million, sales of ₱5.4 million and a net income of ₱190,000.

The growth of agricultural cooperatives reached its peak in 1968. In addition to the FACOMAs, more than 100 other types of agricultural

cooperatives were active as of July that year. Among these were a number of irrigation societies which were established as a result of indigenous as well as government supported efforts. While many of these cooperatives were never formally registered, 5 active irrigation cooperatives were recorded at this time. 652 FACOMAs, with a paid-up capitalization of ₱ 11 million, had been organized by 1968, representing 362,000 farmer members. Of these, the two largest categories of agricultural cooperatives were rice and corn cooperatives (369) and tobacco cooperatives (123). FACOMAs were also engaged in handling other agricultural produce, including copra, poultry and livestock, sugar, fruits and vegetables, fish, coffee, fiber, onions, and garlic. In addition to their supply and marketing functions, FACOMAs were also used as a principal conduit by the Agricultural Credit Administration (ACA) for the extension of production loans to farmers.

Despite massive capital infusions by the government during the mid- to late-1960s, including substantial marketing and facility loans and technical assistance provided by USAID*, the FACOMAs were unable to prosper. Of the 652 FACOMAs listed in 1968, only 263 were considered active. Of these, only 109 were submitting regular reports on their business activity. Active membership stood at a mere 89,000. Factors contributing to the failure of the FACOMAs included: inadequate membership support and education, weak and/or corrupt management, poor loan supervision, political interference, absence of cooperative structure at village level, insufficient capitalization, and an inability to achieve economies of scale in business operations.

* USAID long-term technical assistance to the FACOMA program began in 1965 when Agricultural Cooperative Development International (formerly ICDA) was contracted by USAID to assist in developing a national agricultural cooperative marketing system. In 1966, USAID provided ₱400,000 through ACA and ACCI for specialized training of FACOMA staff. In 1969 and 1970, USAID and NEC provided ₱15 million through ACA to finance the Wholesale Loan Program. This program extended production loans to farmers through selected FACOMAs.

The weakened performance of the FACOMAs had a negative affect on the government's goal of increasing grains production. In a futile attempt to stem the cooperative failures, the President, in October 1968, issued Administrative Order No. 141 creating the Agriculture Cooperative Development Office in the Rice and Corn Production Coordinating Council (RCPCC). The following year, the RCPCC was renamed the National Food and Agricultural Council (E.O. 183, series of 1969). Also in 1969, the Philippine Virginia Tobacco Administration was created to develop Virginia tobacco and promote cooperatives among Virginia tobacco planters.

2. Non-Agricultural Cooperatives

In addition to the promotional efforts of the government to organize agricultural cooperatives during the 1950s and 1960s, parallel efforts were directed toward strengthening the nonagricultural cooperative sector primarily through the Cooperative Administration Office (CAO) under the Department of Commerce and Industry. During the early 1950s, the Bureau of Public Schools promoted cooperative education in the public school system with limited success due to inadequate funding.

In June 1957, Congress enacted a major piece of cooperative legislation, known as Philippine Non-Agricultural Cooperatives Act (R.A. 2023). This fundamental law governed all types of nonagricultural cooperatives, including credit unions, consumers' cooperatives, industrial cooperatives, service cooperatives (electric, housing, transport, etc.), cooperative wholesale societies and cooperative banks. The act declared that the Corporation Law did not apply to nonagricultural cooperatives. It provided for a cooperative banking system, the creation of a national cooperative union, the establishment of a cooperative wholesale society system and the provision of tax-exemption and other privileges. Furthermore, it created a ₱50 million Non-Agricultural Cooperative Fund and established a Central Cooperative Educational Fund, drawn from 5% of cooperative savings, and a Central Cooperative Audit Fund, drawn from audit fees charged by the CAO to nonagricultural cooperatives for audit services which it rendered.

Under the authority of the Philippine Non-Agricultural Cooperatives Act, the Philippine National Cooperative Bank (PNCB) was organized in 1960 to financially assist the development of cooperatives. PNCB membership was open to cooperatives as well as individual members. The bank provided three types of loans, namely production, providential and loans to retailers. The latter category dominated lending activity. The PNCB was given authority in 1960 to administer the ₱20 million Filipino Retailers Fund (R.A. 1292). During the period 1960-1967 the bank extended a total of ₱89.1 million to Filipino retailers. Other source funds of the bank were raised through deposits and through special emergency loans granted by the Central Bank (₱2.7 million by 1967).

The Electrification Administration Act (R.A. 2717) was passed into law in June 1960. The law provided for the supply of cheap and dependable electric power to encourage agricultural and industrial development. It also empowered the Electrification Administration (created by the law) to promote electric consumers' cooperatives and provided for funding to assist these cooperatives under certain conditions.

The Philippine Credit Union League (PHILCUL) was organized in October 1960 by 44 credit unions. In December of the same year PHILCUL was affiliated with the Credit Union National Association (CUNA), the then international association of credit union leagues, based in Madison, Wisconsin, U.S.A.* By 1965, PHILCUL represented approximately 1/3 of the operating credit unions within the country.

In 1962 Congress passed Republic Act No. 3470, known as the National Cottage Industry Development Act. This Law encouraged the development of producers' marketing cooperatives within the country.

In 1966 Congress adopted special legislation creating an industrial estate and a cooperative which assisted relocated urban squatters. The

* Today, CUNA serves as the U.S. Chapter of the more recently organized World Council of Credit Unions (WOCCU), also based in Madison, Wisconsin.

program which was located in San Jose Del Monte, Bulacan, resulted in the development of a highly successful rural electric cooperative.

Responding to a request from the government, USAID initiated its support to the Philippine rural electrification program in 1967. In 1968, USAID committed a \$3.1 million loan to assist the facilities development of two electric cooperatives in Negros Occidental and Misamis Oriental. The U.S. National Rural Electric Cooperative Association (NRECA) was contracted by USAID to provide technical assistance to support the loan. In July 1969, Republic Act No. 6038 created the National Electrification Administration, charging it with the responsibility for developing rural electrification throughout the country utilizing rural electric cooperatives, which in turn it was responsible for organizing, registering and supervising. The rural electrification model was patterned closely after the U.S. experience.

By the beginning of 1969, nonagricultural cooperatives in the Philippines, in general, reached a peak in their development. Their status at that time is briefly summarized below.

2.1 Credit Unions

The number of credit unions registered was 1,981. Only 981 of these were considered active and, of these, 616 were preparing regular business reports. For those credit unions reporting, membership stood at 164,000, with assets of ₱35.7 million, a combined business volume of ₱53.1 million, income of ₱5.0 million, and net savings amounting to ₱2.3 million.

2.2 Consumers' Cooperatives

There were 1,921 registered consumers' cooperatives. Of these, 200 were considered active and 100 prepared regular business reports. Reporting cooperatives showed a membership of 21,000 with assets of ₱7.8 million, a trade volume of ₱17 million, income of ₱2.0 million and net savings of ₱1.1 million.

2.3 Industrial Cooperatives

Of the 81 registered industrial cooperatives, 51 were still operating but only 11 were reporting. Reporting cooperatives showed a membership of 1,918, resources of ₱13.9 million, a business volume of ₱4.9 million and net savings of ₱120,000.

2.4 Service Cooperatives

78 service cooperatives were registered, of which 25 were active and only 3 were reporting. Reporting cooperatives claimed a membership of 513, assets of ₱561,500, a business volume of ₱126,000, income of ₱63,000 and net savings amounting to ₱7,700.

2.5 Federations of Non-Agricultural Cooperatives

2.5.1 Philippine Cooperative Wholesale Society (PCWS)

In 1963 the Philippine Federation of Consumers Cooperatives (PFCC) was organized with an initial membership of 71 consumer societies and an initial capitalization of ₱21,900. By 1967, membership stood at 155, with paid-up capital amounting to ₱111,700. In 1968 the PFCC changed its name to the Philippine Cooperative Wholesale Society (PCWS). By the end of the year, the PCWS had 164 member cooperatives, resources of ₱274,000, a business volume amounting to ₱545,000, income of ₱104,000 and savings amounting to ₱40,500.

2.5.2 Philippine Cooperative Credit Union League (PHILCUL)

PHILCUL membership was estimated at 300 credit unions with resources of ₱11,300 and a business volume of ₱29,400.

2.5.3 Philippine National Cooperative Bank (PNCB)

By June 1968, the PNCB showed a membership of 648 cooperatives of various types and 5,140 individuals. The bank had total assets amounting to ₱27.6 million, deposits of ₱4.0 million, total liabilities of ₱23.8 million and capital accounts amounting to ₱3.8 million. Current loans outstanding amounted to ₱18.0 million (cooperative borrowings only accounted for ₱1.8 million) and current losses amounted to ₱164,000. Cumulative losses stood at ₱671,000. The PNCB had managed to stay solvent largely due to foreign deposit earnings, but nonrecoverable past due loans and mismanagement were threatening the banks survival by early 1969.

2.6 Cooperative Education and Training

2.6.1 Central Cooperative Education Board (CCEB)

The CCEB, created under the Philippine Non-Agricultural Cooperatives Act of 1957 to manage the Central Cooperative Education Fund and Central Cooperative Audit Fund, showed resources of ₱257,000, a business volume of ₱175,000 and a net saving of only ₱9,000.

2.6.2 Cooperative Training Centers

The Agricultural Credit and Cooperatives Institute (ACCI) provided continuous education and training for the nonagricultural cooperative sector between 1963-1969. Most of this training was conducted at ACCI's facilities in Los Baños, however a number of field seminars were also conducted. The emphasis of this training, which was closely coordinated with the CAO and CCEB, was on cooperative management and leadership development. While the government was devoting considerable energies to the training of cooperative leaders in the agriculture sector, several nonagricultural cooperatives

(principally credit and consumers' cooperatives) organized, on their own, two regional training centers to serve their needs. These were the Southern Philippines Educational Cooperative Center (SPECC), located in Cagayan de Oro, and the Visayas Cooperative Training Center (VICTO), based in Cebu.

In addition to the agricultural cooperatives, the government also promoted urban-based cooperatives during this period among laborers, workers and employees. These urban cooperatives outperformed those in the agriculture sector but also showed signs of weakness by the close of this period.

By the end of the Expansion Period, congressional records showed a total of 5,463 cooperatives of all types registered within the country. Statistics further showed that, of these, only 1,530 cooperatives were considered to be operating by the beginning of 1969. For the 856 cooperatives which were reporting at that time, combined membership stood at 555,000 and net worth totaled ₱30.5 million.

E. SOCIAL AND ECONOMIC MALAISE (1969-1973)

By 1969, stagnated economic growth had resulted in severe economic dislocation and social unrest throughout the country. Unemployment was rising in the face of rapid population growth. Inflation was rapidly increasing the cost of production and eroding the purchasing power of the consumer. Per capita income was shrinking and income distribution was increasingly becoming disproportionate. Student and agrarian unrest was rising.

In an attempt to arrest this malaise the government, in August 1969, adopted a "Magna Carta of Social Justice and Economic Freedom." The Magna Carta called for the acceleration of agrarian reform and the strengthening of cooperatives as strategic vehicles for national development. President Marcos declared, "we shall need to elevate cooperatives into an ideology an ideology of change and development; an ideology of social

reform and human reformation."

The government set out to implement the Magna Carta through a broad series of legislative measures which started first by amending the Agricultural Land Reform Code, creating the Code of Agrarian Reform in the Philippines (R.A. 6389). The Code, in addition to introducing sweeping reforms in land tenure, gave cooperatives new importance as instruments for creating "a truly viable social and economic structure in agriculture conducive to greater productivity and higher farm incomes." It increased their role as primary conduits for providing credit, supply and marketing services to agrarian reform beneficiaries. The law abolished former land reform bodies and replaced them with the Department of Land Reform (DAR). The Agricultural Credit Administration (ACA) was attached to the DAR as the supplier of credit to small farmers and cooperatives, and as the registrar and supervisor of agricultural cooperatives under the Code. The Code also retained the Agricultural Productivity Commission (APC) to "provide extension services and organize farmers cooperatives."

Pursuant to the provisions of the Magna Carta concerning cooperatives, a new draft law was filed in the legislative in 1970 (H.B. 886 and S.B. 434). This proposed measure provided for a unified state policy on cooperatives, was to serve as an organic law, and sought to develop comprehensive cooperative banking, insurance and wholesale society systems. It proposed the creation of a cooperative development authority to guide the development of the entire cooperative movement; a commission to promote, organize, register and supervise cooperatives; a cooperative financing commission; a cooperative education foundation; and the conversion of ACCI into a cooperative college.

The draft cooperative legislation was not to become law, however, as worsening economic and social conditions were fast plunging the country toward crisis. Following the Constitutional Convention of 1971, the House of Representatives passed the proposed cooperative bill in mid-1972. On September 20, 1972 the companion Senate Bill No. 434 entered final reading where it remained following the declaration of Martial Law by the President the following day.

During this period the cooperative movement like the country continued to stagnate. By 1972, less than 100 FACOMAs were considered to be active. GRAMACOP, while sustaining an increase in membership and sales volumes between 1968-1971, was beginning to develop serious problems in inventory control and capital turnover with respect to its single commodity line of rice. Even as early as 1969, 79 percent of GRAMACOP's rice procurements were concentrated in only 6 FACOMAs. The nonagricultural cooperative sector continued to contract as well. The Philippine National Cooperative Bank had collapsed, and while reliable data for the period immediately preceding Martial Law is unavailable, it appears that only credit unions suffered the least losses during this crisis period.

In the midst of this time of economic and social upheaval, events in Nueva Ecija Province were taking shape which were to have significant impact upon the future course of cooperative development in the country. Indeed, these events would not only shape the direction of the national credit and cooperative programs but would serve as the very model for the agrarian reform mandate which was to serve as the cornerstone of the social transformation during the coming martial law years.

In an attempt to concentrate limited resources in one geographic area to better study the alternatives for accelerating agrarian reform, the government initiated a pilot project with USAID in 1970 known as the Nueva Ecija Land Reform Integrated Development Program (NELRIDP). This special project achieved a high degree of success in land tenure reform by converting several thousand Nueva Ecija share tenants into leaseholders. The project also experimented on a pilot scale with converting leaseholders to amortizing landowners.

In addition to its focus on land reform, NELRIDP also sought to rehabilitate the FACOMAs in order that they might provide needed credit, supply and marketing services to new land reform beneficiaries. USAID provided ₱18.5 million under the PL 480 program for this purpose in 1971. During the first crop year, ₱9.0 million of this assistance was extended through FACOMAs in Nueva Ecija to finance the production and marketing needs of land reform beneficiaries. Only 27 percent of these loans were

recovered. The poor loan performance led to the conclusion that an entirely new cooperative system would have to be developed. In February 1972 USAID asked Agricultural Cooperative Development International (ACDI) to again provide technical assistance. A special cooperative task force was constituted under the NELRIDP office. This task force devised a new cooperative model which deviated from the FACOMA structure in two important ways. First, the task force proposed organizing farmers at the local level into village-level cooperatives, to be known as Farmer Barrio Cooperatives (FBC), in order to provide for local cohesion and discipline. FACOMAs, which were organized at the municipal-level, had no local structure through which to communicate with or provide services to their respective individual farmer members. Second, the task force proposed separating the cooperative management functions of credit from supply and marketing. FACOMAs had often demonstrated a weakness in their ability to effectively manage credit as well as cooperative business functions. In order to eliminate this problem, it was proposed that provincial level Cooperative Rural Banks (CRB) be established to finance production, supply and marketing needs of farmers while supply and marketing functions would be managed by separate primary cooperatives. The task force proposed that Area Marketing Cooperatives (AMC) be established on a multi-municipal area of coverage to serve the supply and marketing needs of the FBCs. The FACOMA experience had shown that operating a primary cooperative on a municipal scale did not allow for sufficient business volume to sustain profitability. Furthermore, unlike the FACOMA, the AMC was to be organized by farmer groups (FBCs) rather than by individual farmers. Similarly, the CRB membership was also to be comprised of FBCs, AMCs and other duly registered cooperatives.

The FBC/AMC/CRB cooperative model proposed by the NELRIDP task force was first introduced in Nueva Ecija beginning in early 1972. 11 FBCs were initially organized. Following the first two cropping seasons, these barrio cooperatives had an aggregate loan repayment performance exceeding 90 percent. By 1973 a total of 31 FBCs had been organized. In 1973, the first two Area Marketing Cooperatives were established in Nueva Ecija. A third AMC followed in 1975. Opposition from the private rural banks and the Monetary Board slowed plans for establishing Cooperative Rural Banks.

During 1972 and 1973 ACA served as the financing arm of the new FBCs and AMCs. Later, in 1974, the first CRB was organized in Cabanatuan City.

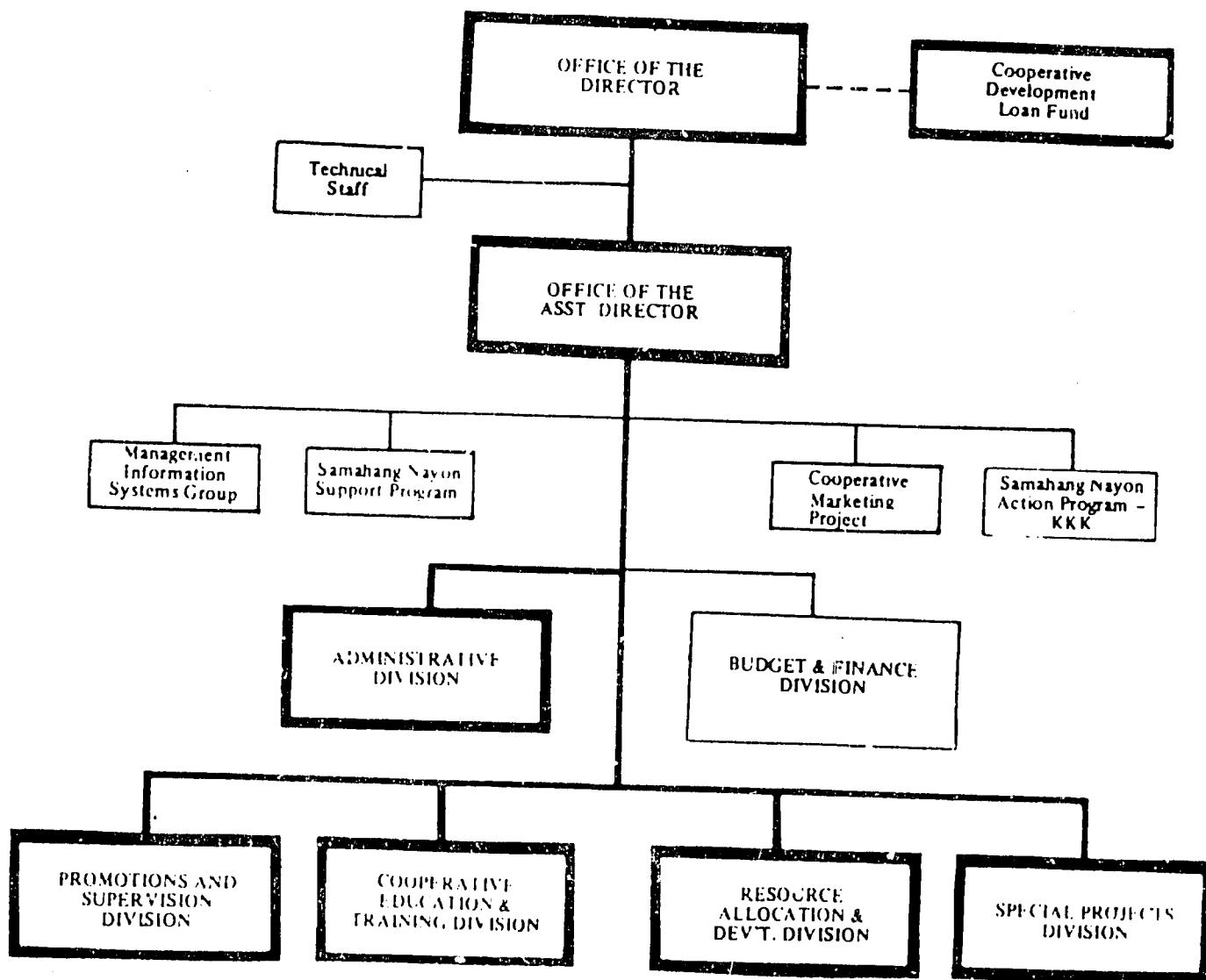
The declaration of Martial Law in September 1972 interrupted the pilot efforts of the NELRIDP. Presidential Decree No. 27 was issued in October 1972 declaring land reform in rice and corn areas and requiring farmer beneficiaries to join barrio cooperatives which were to be established and were to serve as guarantors for land payments under the reform.

F. COOPERATIVES UNDER THE 1973 CONSTITUTION (1973-1986)

Following the declaration of Martial Law, the pilot cooperative development model in Nueva Ecija was soon to be adopted for nationwide implementation as cooperative development and agrarian reform became major interrelated components of the government's new development strategy. Presidential Decree No. 1 provided for the Integrated Reorganization Plan of the Government, creating the Department of Local Government and Community Development (DLGCD); the Bureau of Cooperatives Development (BCOD); and abolishing the CAO and cooperative division of the APC, transferring their functions, responsibilities, personnel and funds to the new BCOD. On April 14, 1973 the President issued a decree on "Strengthening the Cooperative Movement" (P.D. 175). Presidential Decree No. 175 declared it to be the "policy of the state to foster the creation and growth of cooperatives as a means of increasing income and purchasing power of the low-income sector of the population in order to attain a more equitable distribution of income and wealth." The decree defined cooperatives as "organizations composed primarily of small producers and of consumers who voluntarily join together to form business enterprises which they themselves own, control and patronize." The decree stipulated the basic principles governing cooperatives to be: open membership, democratic control, limited interest to capital, and patronage refund. The decree also set forth the powers and privileges of cooperatives, allowing them to form rural banks and granting tax-exempt status to nonagricultural cooperatives for five years and ten years for agricultural cooperatives. Furthermore, the decree created a Cooperative Development Loan Fund (CDLF)

CHART 1

Republic of the Philippines
Ministry of Agriculture and Food
BUREAU OF COOPERATIVES DEVELOPMENT
ORGANIZATIONAL CHART



* Source: BCOD

and a Management and Training Assistance Program (MTAP) to provide necessary financial, management and training support to qualified cooperatives. In addition to vesting the BCOD, under the DLGCD, with authority for promulgating rules and regulations governing the formation and supervision of all types of cooperatives, the decree further repealed all prior cooperative laws.

On June 30, 1973, Presidential Decree No. 235 abolished the Philippine Coconut Administration, replacing it with the Philippine Coconut Authority. Under this legislation no provision was made for the development of coconut cooperatives.

On July 9, 1973, Letter of Implementation No. 23 was issued by the President which set forth the regulations for implementing the decree on Strengthening the Cooperative Movement. In all, 65 separate regulations were contained in this instruction, including provisions for establishing barrio associations or Samahang Nayon (SN), cooperative rural banks, and full-fledged cooperatives or Kilusang Bayan (KB). Five types of KBs were authorized: producers; marketing; credit; consumers; and service. The regulations also provided for the formation of cooperative federations and unions at the regional and national level.

In May 1980, the BCOD was transferred to the Ministry of Agriculture by Executive Order No. 595. In December 1985, Presidential decree No. 2008 restored and extended tax-exempt status to cooperatives through December 31, 1991.

1. Agricultural Cooperatives Under P.D. No. 175

Under agrarian reform, cooperatives were to provide newly emancipated tenants with social and economic services previously given by landlords. As such, they had an important role to play in teaching farmers how to be better producers, in enforcing land amortization payments, in encouraging rural savings, in demonstrating to farmers the benefits of working together, and in developing effective credit, supply and marketing services.

In order to achieve its cooperative development objectives, the government embarked on a four-step development plan which included: first, establishing barrio associations (Samahang Nayon) throughout the country; second, organizing full-fledged cooperatives (Kilusang Bayan); third, organizing nonagricultural, including consumers', cooperatives; and fourth, integration of the entire cooperative movement.

Samahang Nayon were organized as farmers associations at the local-level in lieu of the earlier FBC model in Nueva Ecija as political expediency brought about as a result of the land reform decree (P.D. 27) dictated that such organizations were needed "throughout the country" and, as such, there was insufficient time to organize and register formal cooperatives at the barrio-level on a nationwide scale. In virtually every other aspect, however, the Samahang Nayon resembled the FBC. Newly organized Samahang Nayon were subjected to a vigorous one-year program of training, savings and discipline development. Barrio school teachers assisted government field officers in helping to organize and develop the farmers associations. Once Samahang Nayon had completed their initial development phase, they were then allowed to federate and utilizing a portion of their savings to form Area Marketing Cooperatives and Cooperative Rural Banks.

While, initially, Samahang Nayon business activity was restricted to the distribution of farm inputs and assembling produce for market, the AMC was to be responsible for providing primary cooperative business functions to SN relating to supply and marketing. The CRB was responsible for financing the production needs of SN members as well as the business functions of the AMC. Thus the SN/AMC/CRB structure became the model for agricultural cooperative development in the country.

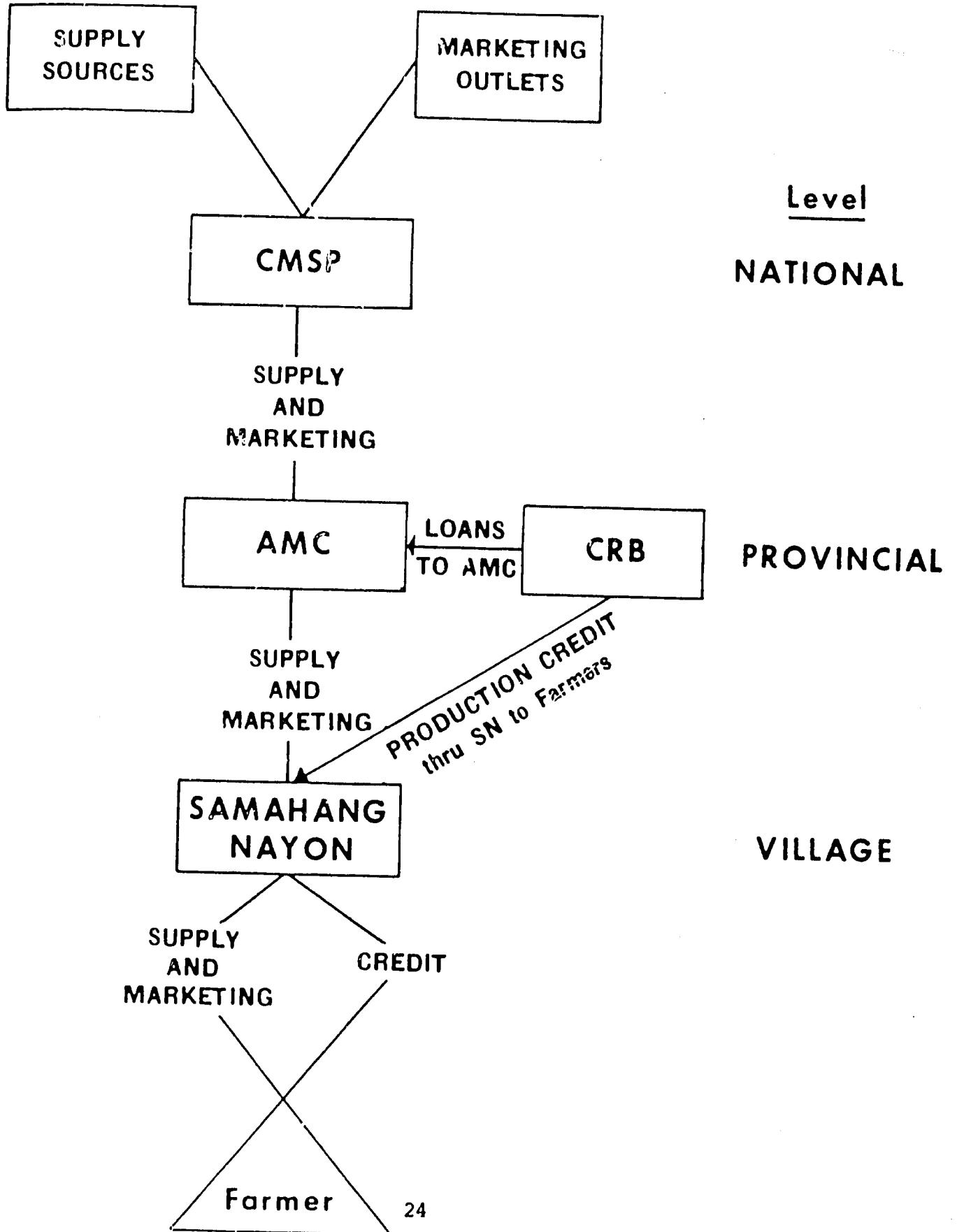
By 1975, 17,193 Samahang Nayon had been organized and registered throughout the country with a registered membership of 640,000 farmers and combined savings of ₱32 million. At that time, 10 AMCs and 2 CRBs were registered with the BCOD, with paid-up capital amounting to ₱1.2 million and ₱0.7 million respectively. Three national cooperatives had also been

organized, the Cooperative Insurance of the Philippines (CISP), in April 1974, which offered low-cost life insurance to Samahang Nayon members; the Cooperative Marketing System of the Philippines (CMSP), in January 1975, which replaced GRAMACOP as the national marketing cooperative for AMCs; and the Cooperative Management System, Inc. (CMSI), in March 1975, which provided management services to AMCs and CRBs.

Beginning in 1975, growth within the SN/AMC/CRB structure began to slow down for lack of trained management and financial resources, particularly in the area of marketing activities. While SN, AMCs and CRBs were 100 percent capitalized by farmers, their dependence on outside funding to finance their business operations subjected them to vulnerability. Part of this financial problem can be attributed to the lack of government source funds at the time for expanded CRB lending due to an unanticipated shortfall in foreign exchange earnings and the impact of the higher cost of fuel importations. The situation was compounded further in the absence of a well-defined program to administer cooperative finance within the country. The Cooperative Development Loan Fund (CDLF) managed by the BCOO was, at best, a soft loan program without rigid criteria for borrower selection and loan supervision.

In an attempt to overcome financial, management and technical development constraints within the SN/AMC/CRB structure, the government initiated two special national-level development projects, with USAID assistance, beginning in 1976. The first of these projects, known initially as the Samahang Nayon Development Project (SNDP), sought to introduce economic as well as social activity at the Samahang Nayon level. Beginning in 1977 this project began working with 6 pilot SN to test their effectiveness in leadership development, record keeping, communal management of farm mechanization and construction and maintenance of barrio-level multi-purpose storage facilities. The project provided medium term development loans to participating SN to finance cooperative-managed economic projects. The project was expanded under the Samahang Nayon Support Project (SNSP) the following year to include a wider range of economic activities which SN members would be responsible for managing on their own. In all, 161 SN in 17 provinces, with a total membership of

AGRICULTURAL COOPERATIVE STRUCTURE



10,500 farm families, participated in the project during the years 1977-1984. During this time a total of 350 development loans were made to finance SN economic projects with a collective repayment performance exceeding 80 percent. The success of this project resulted in a change of policy by government to encourage economic activities at the SN level. Financial and manpower constraints, however, restricted BCOD's capability of replicating the SNSP success story on a nationwide basis.

The second special project which was initiated to address the constraints of the agricultural cooperatives was the Cooperative Marketing Project (CMP) which began in May 1978 with a \$6 million loan from USAID and \$6.7 million equivalent counterpart funding from government. The CMP was designed to strengthen the managerial, financial and technical capabilities of a select group of AMCs and CRBs. The project provided a combination of technical and financial assistance toward meeting this goal. Under the CMP, a cooperative finance system was developed along conventional lending standards which provided short, medium and term financing for AMC working capital, seasonal commodity and facilities needs. By 1983, the year of the project's completion, ₱20.2 million (\$3 million) in loans had been extended to 16 cooperatives including 14 AMC*. Repayment performance at that time was running at 90 percent. In addition to developing a system of finance for cooperatives, the CMP also stressed internal financial growth among participating AMCs. This resulted in a ₱5.3 million (\$.8 million) increase in the capital structure of AMCs which borrowed under the program. In addition to its financial component, the CMP also helped to create the first regional federation of AMCs in the country and introduced a marketing information system which provided a communication network between AMCs and linked their marketing activities with that of the national Cooperative Marketing System of the Philippines. The project also provided a wide range of domestic and international training. 33 government and cooperative officers studied cooperative management, marketing and finance

* By July 1986 the cooperative finance program developed under the Cooperative Marketing Project had extended 31 loans, valued at ₱50.0 million, to qualifying agricultural cooperatives.

in Korea, Taiwan and the U.S.A. In all, some 2,450 persons benefited from specialized training under the project.

Other foreign assisted projects of significance during this period included the Regional Cooperative Development Project for the Cagayan Valley. This project, initiated in 1977, focussed on the development of a regional marketing cooperative, known as the Cagayan Valley Development Cooperative (CAVADECO), supported by 4 AMCs and 4 CRBs. The project was funded by a \$6.8 million loan from CIDA with a government counterpart of ₱54 million. A final project, the UNDP/FAO Project Assistance to Cooperative Marketing, began in 1977 as a continuation of UNDP/FAO assistance to cooperatives dating back to 1972.* This project supported the development of an effective marketing system for perishable agricultural products and emphasized the market linkage between the Samahang Nayon and the AMC/CMSP. A Samahang Nayon Sales Center was established and 5 AMCs were identified for development. Total project funding included \$953,000 from UNDP/FAO and ₱2.6 million from government.

By 1977, a total of 20,675 Samahang Nayon with 995,110 members had been organized in 49 percent of the countries barangays (villages). Of these, 17,555 SN had completed registration, representing 896,708 farmer members. Total savings generated by Samahang Nayon at that time was ₱84.2 million (\$12 million). Despite the successful efforts of the Samahang Nayon Support Project which was beginning at that time, the SN movement was in deep trouble due to lack of economic activity, immobilized assets which were frozen in savings accounts of private rural banks, and limited access to primary cooperative services due to the slow expansion of AMCs and CRBs. By the end of 1977, 29 AMCs were operating with a paid-up capitalization of ₱4.1 million. Only 4 CRBs had been registered by the BCOD and licensed by the Central Bank. Combined CRB capitalization at that time was ₱4.7 million.

* Up until 1977, UNDP/FAO cooperative support had been limited primarily to technical assistance and training.

As of January 1986, the BCOD listed 17,115 registered Samahang Nayon with combined savings of ₱98.4 million. Less than 7,200 SN were reported to be active. By March 1986, the number of AMCs had expanded to 84 with a combined capital base of ₱24.6 million, representing a membership of 3,047 Samahang Nayon and 38 other cooperatives. Of these, 51 AMCs were considered active.* AMCs had assets of ₱58.9 million, liabilities of ₱41.3 million, current sales of ₱52.1 million and a net income of ₱145,000. As of June 1986, 29 CRBs with a membership of 4,946 SN and 171 other types of cooperatives serving 240 individuals (mostly small farmers), were operational. CRBs had ₱296.6 million in assets, outstanding loans of ₱254.2 million, and paid-up capital amounting to ₱75.9 million.** 3 CRBs were reported to be experiencing severe financial difficulties.

Total direct development loans extended by government to agricultural cooperatives during the period 1973-1986 equaled ₱166 million.***

2. Electric Cooperatives Under P.D. 269

Presidential Decree No. 269 was issued in August 1973 creating the National Electrification Administration (NEA), giving it responsibility for administering a nationwide program of rural electrification through nonstock cooperatives, and granting to it the power to "organize, register, supervise and finance electric cooperatives." Cooperatives were given significant responsibility under the rural electric program and were granted tax-exemptions and other privileges. President Marcos declared

* Virtually all AMCs which participated in the USAID-assisted Cooperative Marketing Project were considered active.

** During the period June 1984 - June 1986, capital growth within the CRB finance system averaged 17.5 percent per year.

*** Includes loan funds sourced from foreign-assisted projects.

"just as we are initiating cooperatives in farming, in tenancy, cooperatives in consuming areas, cooperatives in the small industries area, we are now proceeding into cooperatives in electricity. This is going to be a key, opening various areas of activity."

By 1971, only 20% of Philippine households had access to electric power. This was soon to change, however. The success of the country's first two electric cooperatives (MORESCO and VRESCO), organized in 1968, served as a model for expansion of the program.

In 1974, P.D. 175 was amended exempting electric cooperatives from the regulatory power of the BCOD and placing them under the regulation of NEA (P.D. 501). In 1975, USAID added a significant boost to the rural electrification program when it provided continued technical assistance (through NRECA) and an initial \$20 million loan.* By 1979, 116 electric cooperatives had been established throughout the country. 43 percent of the population had access to electricity. At this time government investment in the program amounted to ₱1.7 million. Presidential Decree No. 1645 amended P.D. 269 by granting the NEA "additional authority to take measures that will better safeguard government inputs in electric cooperatives," thus broadening the regulatory powers of the NEA over electric cooperatives. PD 1645 also declared the total electrification of all municipalities by the year 1987.** By 1980, electric cooperatives had assets of ₱2.9 billion, revenues of ₱815 million, gross profits of ₱75.8 million and net profits amounting to ₱0.4 million. Following the organization of 12 regional cooperatives, the electric cooperatives on July 1, 1981 established a national federation known as the Federation of Electric Cooperatives of the Philippines, Inc. (FECOPHIL). By the end of 1982, 60 percent of all Philippine households had access to electricity.

* USAID provided a total of \$ 92.2 million in loans and grants to the Philippine Government in support of the Rural Electrification program during the years 1968 to 1980.

** As of 1986, 91percent of the country's municipalities were electrified.

124 rural electric cooperatives were providing electricity to 1.5 million households representing 25 percent of the total population.

By the end of 1986, FECOPHIL membership included 125 electric cooperatives. Of these, 120 were considered to be operational. Their service area included 1,222 municipalities (towns) and 18,218 barangays (villages). A total of 2.6 million households were served by the cooperatives (35 percent of the total population). Government investment in the system stood at ₱5.1 billion for an average public sector investment of ₱40.8 million per cooperative. Four years of a severely depressed economy had adversely affected the financial viability of many of the electric cooperatives. Also, charges of irregularities in management and handling of funds by some cooperatives began to surface by mid-year and the Commission on Audit called for a public audit of the entire system. As of June 1986, the electric cooperatives were reported to be ₱400 million behind in loan amortization payments to NEA.

3. Sugar Cooperatives Under P.D. No. 775

As a means of consolidating control of the sugar industry under the Philippine Sugar Commission, Presidential Decree No. 775 on August 24, 1975 decreed that sugar planters and/or producers' cooperatives shall be developed by the Philippine Sugar Commission. The law provided for tax incentives to encourage this type of cooperative development. The Sugar Cooperative Development Institute of the Philippines (SCDIP) was subsequently established to assist in the development of sugar cooperatives through the provision of management assistance, training and research. The SCDIP was funded through the Cooperative Education and Training Fund from 5 percent of the net income of sugar cooperatives. By the end of 1977, 43 sugar planter/producers' cooperative marketing associations were operating in the country. By 1981, the number of such cooperatives had decreased to 31. Sugar cooperatives in Luzon had established the Luzon Federation of Sugar Cooperatives, Inc. As of 1986, SCDIP listed 31 active sugar cooperatives in the country, representing 20,000 individual members, with a combined capital structure of ₱50.3 million.

4. Transport Cooperatives Under Executive Order No. 898

On October 19, 1973, a Committee on Transport Cooperatives was created to promote and supervise the development of transport cooperatives to serve drivers of public vehicles. Under Executive Order No. 898 the Office of Transport Cooperatives was established under the Ministry of Transportation and Communications. By the end of 1977, 22 transport cooperatives had been organized, having 3,013 vehicles, a membership of 7,197 drivers, and paid-up capital amounting to ₱288,000.

By 1981, the number of transport cooperatives had expanded to 59, with 14,535 members. They had 4,707 buses and 1,139 tricycles, with assets valued at ₱110.7 million and paid-up capital of ₱823,000. A Federation of Transport Cooperatives in the Philippines had also been organized.

5. Other Private-Sector-Led Cooperative Initiatives

In addition to government-led initiatives to develop cooperatives during the period 1973-1986, the number of agricultural and nonagricultural cooperatives outside the direct influence of government-assisted programs continued to grow. The following table presents the status of these primaries cooperatives, re-registered and registered under P.D. 175, as of December 1977.

	Type of <u>Cooperative</u>	Number <u>of Coops</u>	Membership <u>(000)</u>	Capitalization <u>(₱Million)</u>
1.	Credit	1,095	292	100.5
2.	Consumers	437	97	12.7
3.	Marketing	173	48	7.7
4.	Service	142	19	7.4
5.	Producers	50	4	0.8
		-----	-----	-----
	TOTAL	1,897	460	129.1

Highlights of regional and national cooperative development during the period are summarized below.

5.1 Cooperative Consultative and Coordinating Committee (CCCC)

Organized by cooperative leaders in May 1976, the CCCC served as a liaison body between the cooperative movement, government and international sectors. The body, which had a provisional status pending the creation of a national cooperative union, conducted policy initiatives with government designed to promote a cooperative program for primary cooperatives not covered under government support programs. This led to plans for the unification of all types of cooperatives registered under P.D. No. 175 through federations and unions.

5.2 Cooperative Union of the Philippines (CUP)

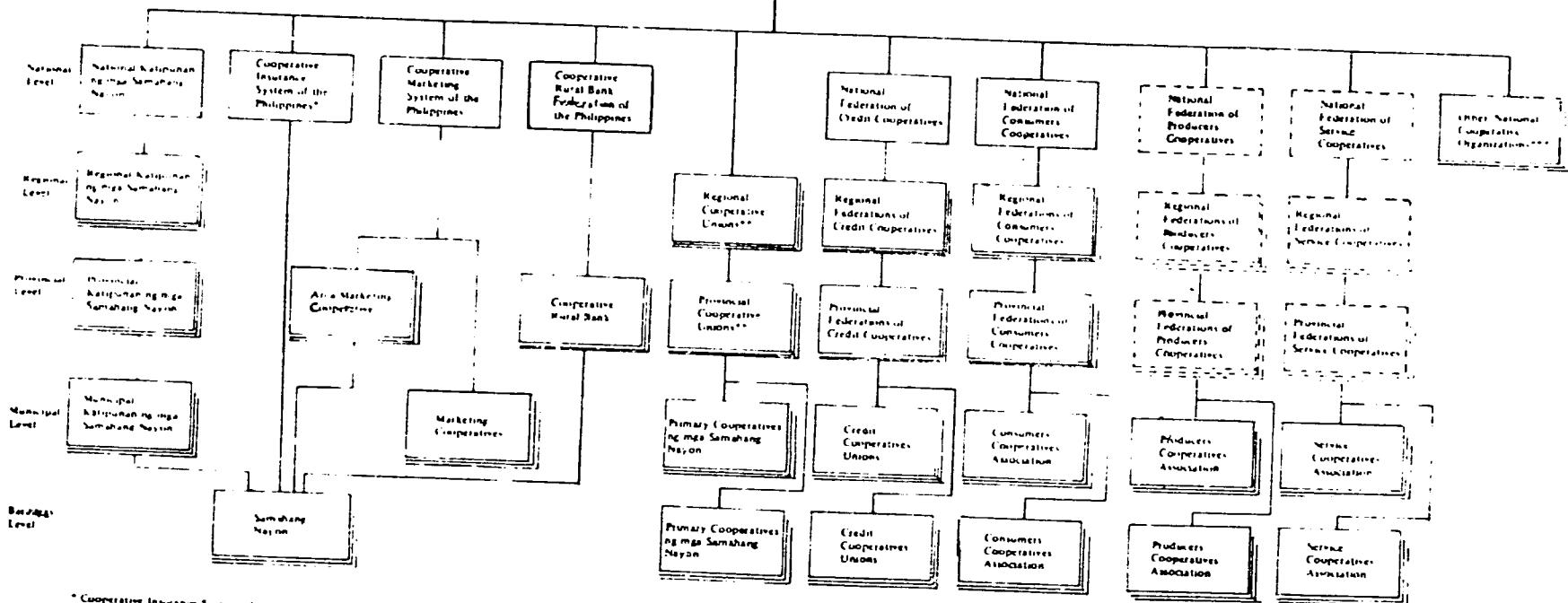
By 1979, 13 regional cooperative unions and 14 national cooperative federations had been established within the country. Under the leadership of the CCCC and BCOD the Cooperative Union of the Philippines was organized in December 1979 and registered in February 1980, representing all of the regional unions and the majority of the national cooperative federations.* Upon the registration of the CUP, the CCCC ceased its existence and its functions were transferred to the new union. The CUP commenced formal operations in August 1980. Its stated general objective was "to institutionalize the Cooperative Movement in the Philippines as a cohesive and dynamic vehicle for the economic, social, moral and spiritual advancement of the people." In order to accomplish this the CUP proposed a wide range of corporate services, including policy initiatives, coordination of plans and programs, monitoring and evaluation, research and development, legal and audit, and cooperatives education and training. The program of

* CUP only represents those cooperatives, unions and federations registered under P.D. No. 175. As such it does not include in its membership electric, sugar or transport cooperatives.

CHART 3

PHILIPPINE COOPERATIVES MOVEMENT
UNDER THE

COOPERATIVE UNION
OF THE PHILIPPINES



* Cooperative Insurance System of the Philippines
 Any Samahang Nayon or Ritwong Bayan (Primary or Federations) may become members
 ** Federations of each type of cooperatives also join the cooperative unions at the same level
 *** CNS, CFI, FICMS, PHILCUL, NPC

* Source: BCOD

the CUP is financed by membership fees and contributions, local and foreign assistance, grants and donations, and the Cooperative Education and Training Fund (CETF) which has been managed by CUP since 1982.

5.3 Cooperative Foundation of the Philippines, Inc. (CFPI)

The CFPI was organized and registered in May 1977 as a non-profit, non-stock and non-political service organization dedicated to providing development assistance to Philippine cooperatives in order to "foster the development and growth of cooperatives as effective change agents in uplifting the socio-economic conditions of the poor and the underprivileged sectors of the population." The foundation was created by a memorandum of agreement between USAID, the National Economic Development Authority and the Ministry of Agriculture (which included a USAID/GOP grant of ₱2 million) to provide management development, technical assistance, research and training services to cooperatives of all types. In 1980, CFPI's trust fund was increased to ₱4 million. During the years of the USAID-supported Cooperative Marketing Project, CFPI served as one of the lead agencies in project implementation. CFPI also served as the host agency for a multi-year U.S. Peace Corps program which assigned more than 30 volunteers to work with agricultural cooperatives throughout the country. As of December 31, 1984 CFPI showed assets of ₱4.6 million, liabilities of ₱0.2 million, revenues of ₱1.1 million and a program fund balance of ₱0.3 million.

5.4 National Publishing Cooperative, Inc. (NPCI)

The NPCI was organized in 1973 by private and government-sponsored cooperatives to design and produce materials to meet cooperative media requirements for information and education. It produces a wide-range of media materials, including print, radio, video and film, for government and private sector clients.

5.5 National Market Vendors Cooperative Service Federation, Inc.
(NAMVESCO)

NAMVESCO, a national federation of public market vendors credit cooperatives was organized in August 1979 by 12 vendors cooperatives. As of June 1986 NAMVESCO had 34 market vendors cooperatives in its membership, 27 of which were located in Metro Manila. As of December 31, 1985 NAMVESCO had a capital structure of ₱1.4 million, assets of ₱76.2 million, deposits of ₱46.1 million, an annual loan volume of ₱201.5 million and net savings of ₱6.1 million.

5.6 Cooperative Rural Banks Federation of the Philippines
(BANGKOOP)

In December 1979 the Cooperative Rural Bankers Association of the Philippines was organized and registered with the BCOD as a non-stock cooperative. An amendment to its charter in March 1985 changed the name to Cooperative Rural Bankers Federation of the Philippines (BANGKOOP) and the nature of the organization from a non-stock to stock corporation. As of December 31, 1985 BANGKOOP had assets of ₱42.3 million, liabilities of ₱38.6 million (including a ₱12 million loan from the CDLF and ₱25 million credit line from the Ministry of Agriculture and Food), and capital accounts of ₱3.7 million. Net income for 1985 was reported at ₱3.4 million. As of June 1986, BANGKOOP membership consisted of all 29 CRBs operating within the country. BANGKOOP provides member CRBs with national legislative representation, planning, development, technical assistance and training services.

5.7 Cooperative Insurance System of the Philippines (CISP)

CISP was organized in 1974 by some 10,000 Samahang Nayon and 150 cooperatives to provide low cost life insurance to members of cooperatives. Originally capitalized at ₱2 million, CISP started operations in October 1974. By 1977, it was insuring 95,000 individuals (mostly small farmers). By 1981, CISP reported a paid-up

capital of ₱5 million and assets of ₱11.4 million. Between 1974 and 1980, CISP showed accumulated premium earnings of ₱9.6 million as against paid claims of ₱6.2 million.

5.8 Cooperative Management System, Inc. (CMSI)

CMSI, registered as a non-stock cooperative in 1975, was contracted under the Management Training and Assistance Program to provide managers to agricultural cooperatives organized under P.D. No. 175. By 1979, CMSI had supplied 45 managers to 3 national cooperatives, 2 regional cooperatives, 18 AMCs and 10 CRBs at a cost of ₱1.5 million. CMSI also helped organize regional cooperative unions and the national Cooperative Union of the Philippines. Although CMSI recruited professional talents, many of its managers were not experienced in the cooperative form of business and were from urban areas thereby limiting their effectiveness to manage rural-based agricultural cooperatives.

5.9 Cooperative Marketing System of the Philippines, Inc. (CMSP)

CMSP, organized by AMCs in 1975 as a national cooperative to procure farm inputs for Samahang Nayon and market their produce had an authorized capital structure of ₱25 million, with initial paid-up capital of ₱1.2 million, and assets of ₱44 million. During the period 1975-1980, CMSP had accumulated marketing sales of ₱92 million and ₱15 million in sales of farm inputs. CMSP, which had received a ₱27.5 million line of credit from CDLF, ran into financial difficulties when it tried to subsidize the viability of the Metro Manila Consumers Cooperative (MMCC),* which later failed, at the expense of its AMC

* MMCC, popularly known as Super Palengke (Market), was a small network of cooperative supermarkets, first established in September 1975, one half owned by producers (AMCs through CMSP) and one half owned by consumers. MMCC collapsed after five years following major public sector and cooperative investments.

members. Many of the AMCs rejected the management policies of CMSP, which they felt were biased toward consumer interests. As such their failure to support CMSP led to its effective collapse in the early 1980s.

5.10 Cooperative Travel Bureau, Inc. (CTB)

CTB was organized in 1975 as a joint venture of the CISP and the NPCI with a capitalization of ₱300,000. The cooperative was to have served as a travel service for Filipino workers seeking employment abroad. Stiff opposition from the travel and tour industry resulted in the cooperative's failure to obtain a license as a travel agency thereby causing its collapse.

5.11 Katipunan ng mga Samahang Nayon (KSN) (Federation of Samahang Nayon)

Samahang Nayon throughout the country organized a strong network of federations. By 1981 this network consisted of 1,467 municipal federation, 74 provincial federation, 12 regional federations and 1 national federation, known as the Pambansang Katipunan ng mga Samahang Nayon (PKSN).

5.12 Federation of Free Farmers' Cooperatives, Inc. (FFCI)

The FFCI was organized in 1969 as the economic arm of the Federation of Free Farmers (FFF), a national farmers' union. FFCI, closely tied to agrarian reform, expanded its program during the early 1970s. By 1977 the federation had affiliates in four provinces representing 17,000 free farmers, with assets totaling ₱21.6 million.

5.13 Cooperative Training Centers

During the period 1973-1986, government development policy toward cooperatives focussed on strengthening agricultural and rural electric cooperatives. Nonagricultural cooperatives (credit unions, consumers'

cooperatives, industrial and service cooperatives) were left with little support from government. A network of regional cooperative training centers helped to sustain the development of the nonagricultural cooperatives during these years. In addition to the Southern Philippines Educational Cooperative (SPECC) and the Visayas Cooperative Training Center (VICTO), both of which were established during the 1960s, three new training centers were organized during the 1970s. These included: the Northern Luzon Cooperative Education and Development Center (NORLUCEDEC), 1975; the Tagalog Cooperative Training and Education Center (TAGCOTE), 1976; and the Bicol Cooperative Training Center (BCTC). These five training centers, in June 1977, organized the National Association of Training Centers for Cooperatives, Inc. (NATCCO).

Two other cooperative initiatives started before Martial Law continued to provide education, training and audit services during the period. These were the Mindanao Alliance of Self-Help Societies, Inc. (MASS) and the Cooperative Life Mutual Benefit Society (CLIMBS).

5.14 Supreme Cooperative Council of the Philippines (SCCP)

In June 1986, the First National Cooperative Congress was held in Manila under the theme "Cooperatives and National Development." The Congress was attended by senior leaders from all cooperative sectors. This meeting resulted in a resolution calling for the establishment of a Supreme Cooperative Council of the Philippines (SCCP). The SCCP was to be the highest body of cooperative authority in the country, representing the four cooperative sectors covered by separate legislation under the 1973 Constitution.* Charter membership in SCCP included CUP, FECOPHIL, SCDIP, transport cooperatives and CFPI.

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- * 1) P.D. No. 175 - credit, consumer, service, marketing, producer, AMC, CRB, SN and other cooperatives
2) P.D. No. 269 - electric cooperatives
3) P.D. no. 775 - sugar cooperatives
4) Executive Order No. 898 - transport cooperatives

6. Summary Performance

Substantial public and private sector investment in cooperatives occurred during the period 1973-1986. While government led in this investment, the impact of its assistance produced marginal results in terms of sustained cooperative growth and development. This was particularly true for agricultural cooperatives, where government investment, including foreign borrowings, slightly exceeded that of the private sector. By contrast, nonagricultural cooperatives registered significant numerical and financial growth during the period, largely on their own effort. Within this group credit unions led all other cooperative sectors, clearly establishing themselves as the most viable type of cooperative within the country. Consumers' cooperatives also showed dramatic growth during these years. For agricultural cooperatives, the greatest success was seen in the expansion of CRBs. AMCs, while outperforming their predecessor FACOMAs, still suffered from insufficient financing, weak management and flat profits (due primarily to government price controls on rice and corn).

As a whole, the cooperative movement's most dramatic accomplishment during the period was in the area of establishing a strong federated structure at the regional and national levels. Enhanced coordination between cooperative federations and unions had, by the early 1980s, effectively transferred leadership responsibility for the development of the cooperative movement away from government to the private sector. Despite these achievements, the cooperative movement still suffered from a range of development constraints which included: a) a weak institutional structure for providing sustained cooperative education; b) the absence of a formalized vertical system of cooperative finance to meet the financial growth needs of the movement; c) a lack of qualified cooperative managers and a system to help recruit and train such individuals; d) the absence of a long-term capital build-up program; e) inadequate government incentives to encourage cooperative expansion; and f) negative impact of government intervention in such areas as farm credit and price policy.

As of December 31, 1985 the number of cooperatives registered with the Bureau of Cooperatives Development and other agencies with cooperative

responsibility was as follows:

<u>Type of Cooperative</u>	<u>No. Registered/Re-Registered</u>
Credit	1,591
Consumers	853
Marketing	294
Producers	218
Service	194
Electric *	125
AMCs	84
Multi-Purpose	83
Transport *	59
Federations	56
Unions	48
Sugar *	31
CRBs	29
Samahang Nayon	<u>17,115</u>
TOTAL COOPERATIVES	20,780

* Not registered with BCOD

III. CURRENT STATUS AND FUTURE DIRECTIONS OF COOPERATIVES IN THE PHILIPPINES

A. CURRENT STATUS OF PHILIPPINE COOPERATIVES

1. Legal Framework For Cooperatives Under The 1987 Constitution

With the adoption of the new Constitution in February 1987, cooperatives entered a new era of expanded prominence in Philippine society. For the first time in the history of the Republic, cooperatives were given special mention in a constitution. Six times the word "cooperatives" appear under the new Charter. The first reference under Article XII, Section 1., is in the context of the goals of the national economy wherein "private enterprises, including corporations, cooperatives, and similar collective organizations, shall be encouraged to broaden the base of their ownership." Section 2. grants the right of the small-scale utilization of natural resources, and particularly fish farming, by cooperatives. Section 6. of the Constitution relating to the use of property for economic purposes states that "individuals and private groups, including corporations, cooperatives, and similar collective organizations, shall have the right to own, establish, and operate economic enterprises." Again, in Section 15., the Constitution states "the Congress shall create an agency to promote the viability and growth of cooperatives as instruments for social justice and economic development." Under Article XIII, Section 5., the Charter stipulates that "the State shall recognize the right of farmers, farmworkers, and landowners, as well as cooperatives, and other independent farmers' organizations to participate in the planning, organization, and management of the (agrarian and natural resources reform) program." Finally, under the general provisions of Article XVI, Section 11., ownership and management of mass media is limited to a number of groups including cooperatives.

The 1987 Constitution also empowers Congress with legislative powers. Until such time as the new Congress convenes and passes specific legislation concerning cooperatives, cooperatives continue to be governed by the four major laws adopted under the 1973 Constitution (cited in the

preceding section of this report), namely, Presidential Decree Nos. 175, 269, 775 and Executive Order No. 898.

2. Cooperatives as a Social and Economic Force Within Filipino Society

As a careful review of the past activities and performance of Philippine cooperatives indicates, cooperatives have historically played a strong social and economic role in Philippine society. The 1987 Constitution recognizes this role and as such has sought to "institutionalize" cooperativism as a legitimate, democratic private sector force within society to contribute to the furtherance of "social justice and economic development" objectives. As has been earlier cited, the cooperative movement in recent years has shown increased social cohesion as evidenced by the emergence of strong regional and national unions and federations. These structures representing diverse sectoral interests have shown a new commitment of cooperation with one another and have begun to voice, in a concerted manner, concerns over a number of social and economic issues which they perceive as important to the preservation of democratic principles within society. As such, the cooperative movement is also beginning to emerge as a strong nonpartisan political voice within the country.

To date, it is clear that cooperatives in the Philippines have shown themselves to be a stronger social force than economic. This is partially attributable to the fact that while the principles and practices of cooperativism are closely linked to certain traditional social and cultural values,* other competing socio-political forces have sought to undermine economic opportunities for cooperative, thereby limiting their ability to gain strength and influence within society. An equally important deterrent to cooperative economic growth has been the restrictive intervention of government on the one hand and the absence of sound public policy to encourage economic expansion on the other. While this has particularly

* Including such social traits as Bayanihan (mutual help spirit) and Pakikisama (spirit of belonging).

limited economic growth within the agricultural cooperative sector, the cooperative movement as a whole has nevertheless shown increasing economic influence within recent years. In addition to the present assets base, estimated at over P 6 billion, Philippine cooperatives have had a significant impact on employment generation and have influenced through competition the adoption of fair-market prices in a number of commodities and services.

3. Measuring Success and Failure

It is a common perception that cooperative efforts in the Philippines have consistently resulted in failure. This is a gross assumption which is simply not true. A cooperative like any other form of private business is subject to the economic realities of the marketplace. Once its economic reason for being ceases or at such time that it no longer is able to effectively compete in the market with its goods and services, for reasons within or outside of its control, it is finished. The failure rate of cooperatives in the Philippines has been higher than what might have been expected had cooperatives been exposed to less government intervention and had they had equal access along with other private sector interests to financing and markets. In spite of this truism, it is nevertheless a fact that a far higher percentage of business partnerships and corporations in the country have failed than have cooperatives. What has, in fact, failed is the ability of government to "legislate" success of cooperative efforts.

The cooperative movement has continued on its own to grow over the years. At the beginning of 1969 records showed a total of 5,463 cooperatives registered within the country. Of these, only 1,530 were considered "active" with membership of 550,000 and capitalization of P 30.5 million. Today, over 20,000 cooperatives and farmers organizations are registered within the country. Of these, about 9,500 are considered to be operating with a combined membership of more than 3 million and capitalization of over to P 350 million. This rapid increase in less than twenty years points to success rather than the failure of cooperative activity.

To be sure, the cooperative movement has had its failures. But, as has been pointed out, many of these failures can be directly linked to the negative impact of government intervention and the absence of adequate incentives to encourage cooperative expansion. Conversely, cooperatives can be criticized for their over-reliance upon government and for their slowness to assume leadership and responsibility for their own development. Recent accomplishments in developing and strengthening regional and national federated cooperative structures have helped greatly to unify the cooperative movement and solidify private sector leadership over cooperative development efforts. Furthermore, this newly emerging regional and national level structure is helping to redefine the cooperative sector relationship with government and other elements of the private sector. It is also helping to establish on-going collaborative relationships with many international cooperatives and organizations which support cooperative development activities.*

4. Development Constraints

A number of development constraints are presently facing the Philippine cooperative movement. These include the following areas:

4.1 Fragmentation of Existing Legislation

As earlier cited, existing legislation governing cooperatives is covered under three separate Presidential Decrees and one Executive

* Such organizations include the International Cooperative Alliance (ICA), ILO, FAO, the Rabobank Foundation, bi-lateral AID programs and such American cooperative development organizations as the Volunteers in Overseas Cooperative Assistance (VOCA), the Cooperative Housing Foundation (CHF), the World Council of Credit Unions (WOCCU), the National Rural Electric Cooperative Association (NRECA), Agricultural Cooperative Development International (ACDI) and the National Cooperative Business Association (NCBA).

Order representing four separate regulatory agencies of government.* This diverse legislation has contributed to the confusion, fragmentation and general uneven development of various sectors of the cooperative movement. Such subjects as taxation for example are addressed differently by each piece of legislation. Furthermore, all existing legislation was adopted under the 1973 Constitution which now has been superseded by the 1987 Constitution. While prior legislation remains in force until such time as new legislation is passed under the new Charter, the cooperative movement presently suffers from the current state of legislative limbo and the need to rationalize cooperative legislation in a manner which addresses each cooperative sub-sector in a consistent and uniform manner.

4.2 Fragmentation of Governmental Regulatory Authority

Closely related to the above constraint is the problem of fragmented governmental regulatory authority over cooperatives. This problem has been compounded with the issuance of Executive Order No. 116, in January 1987, which converts the Bureau of Cooperatives Development into the Bureau of Agricultural Cooperative Development, leaving nonagricultural credit, consumers, marketing, producers, service and multi-purpose cooperatives without a regulatory home. There is therefore the need to rationalize governmental regulatory authority over cooperatives. The 1987 Constitution make provision for creating an agency to promote cooperatives but is silent as to regulatory responsibilities.

* Department of Agriculture (P.D. 175); National Electrification Administration (P.D. 269); Sugar Regulatory Authority (P.D. 775); and Department of Transportation and Communication (E.O. 898). Additionally, Cooperative Rural Banks are also regulated by the Central Bank of the Philippines under the provisions of the Rural Banking Act.

4.3 Restrictive Government Policy Towards Cooperatives

This constraint is highlighted in two areas. First, is the inadequacy of government incentives to encourage cooperative expansion. Cumbersome registration procedures, the lack of tax incentives and absence of clear and uniform legislation covering the treatment of cooperatives are examples of government-supported disincentives for cooperative growth and development. The second area is manifested in the form of negative impact upon cooperative expansion due to excessive government intervention. Policies affecting the pricing of and access to farm credit and commodities and their markets are examples of negative governmental intervention.

4.4 Absence of Formalized Cooperative Finance System

The absence of a formalized vertical system of cooperative finance to meet the financial growth needs of the cooperatives remains a key development constraint of the movement. Pilot cooperative finance efforts supported in prior years by USAID demonstrated the viability of a conventionally-managed finance program for cooperatives and established the framework for a system of finance which recognizes the specialized financial needs of cooperatives. These pilot efforts have focused largely on the agricultural sector, however, and although financing is channeled through existing rural cooperative banks, central control and authority still rests with the Central Bank of the Philippines. There is a need to develop comprehensive loan and savings policies and procedures which apply to types of cooperatives other than agricultural and to complete the privatization of the program through an appropriate and perhaps cooperatively-owned, vertically integrated system for cooperative financing.

4.5 Weak Structure for Providing Cooperative Education

The cooperative movement continues to suffer from a weak institutional structure for providing sustained cooperative education to members, boards of directors, staff and management. While such

auxiliary support organizations as ACCI and CFPI have helped to institutionalize human resource development capacity, they have been limited in their effectiveness due to curricula limitations, scarcity of trained staff and financial constraints. The five regional cooperative training centers operating under the umbrella of NATCCO have done a remarkable job in the area of cooperative education but are limited in their ability to provide training for many of the cooperative sub-sectors and also lack adequate financial resources to sustain and expand cooperative education efforts. The gradual withdrawal of government subsidization of cooperative training efforts has further compounded the human and financial resource constraints of the cooperative sector's ability to meet its own educational needs.

4.6 Lack of Qualified Cooperative Managers

Another constraint which has impeded the growth and development of cooperatives is the lack of qualified cooperative managers and a system to help recruit and train such individuals. In part, CFPI was created to help address this need following the collapse in the late 1970s of the government-initiated Cooperative Management System, Inc. (CMSI). While providing management services and limited management training to cooperatives, CFPI has not been able as yet to develop a formalized management recruitment system and in-service training program. Nor has it been successful (perhaps due to limited resources) in helping to institutionalize these capabilities within the respective existing national cooperative federations.

4.7 Slow Capital Build-Up

Although Philippine cooperatives have achieved substantial capital build-up over time, the pace of this growth has been slow. The cooperative movement continues for the most part to suffer from the absence of a long-term capital build-up program. This has limited operating capital and restricted the borrowing capacity of many cooperatives thereby contributing to substandard business performance. Cooperative Rural Banks and credit cooperatives have shown the best

TABLE I
STATUS OF PHILIPPINE COOPERATIVE MOVEMENT AS OF DECEMBER 31, 1986

<u>TYPE OF COOPERATIVE</u>	<u>NO. REGISTERED</u>	<u>ACTIVE MEMBERSHIP Group/Individual</u>	<u>PAID-UP CAPITAL (₱ Million)</u>	<u>TOTAL ASSETS (₱ Million)</u>
Credit	1469	167,844 (I)*	161.1 *	206.1 *
Consumers	804	42,344 (I)*	21.0 *	42.6 *
Marketing	296	5,990 (I)*	5.1 *	19.5 *
Producers	201	5,470 (I)*	0.3 *	1.2 *
Service	174	2,033 (I)*	6.4 *	10.7 *
Multi-Purpose	126	?	?	?
Electric ****	125	2.6 million	NA	5,100.0
Federations	66	?	?	?
AMCs	65	3,085 (G)	24.6	58.9
Transport ****	59	14,535 (I)**	0.8 **	110.7 **
Unions	38	?	?	?
Sugar ****	31	20,900 (I)	50.3	?
CRBs	29	5,117 (G)	75.9	296.6
Samahang Nayon	16,921	300,000 (I)***	NA	98.4
TOTAL	20,404		345.5	5,944.7

* As of Dec 31, 1980
 ** As of Dec 31, 1981
 *** Estimated
 **** Not registered with BCOD

progress in capital expansion, but virtually all sectors of the cooperative movement have been weak in this area.

4.8 Limited Support Services

While the capacity of the cooperative sector to provide supporting services to aid its own development has been increasing in recent years, most regional and national cooperative unions, federations and support organizations still exhibit human and capital resource constraints which limit their respective abilities to expand the range and quality of educational (as earlier referred to) and business-related services which they are able to extend to the cooperative community

5. Present Status

End of 1986 figures show the total number of cooperatives registered with the Bureau of Cooperatives Development and other agencies with cooperative responsibility equalled 20,404. Of these, 9,500 were considered to be active.* The combined capital structure of the cooperative movement approximated ₱0.5 billion, while total assets were estimated at ₱6.0 billion. Table 1 summarizes the status of the cooperative movement as of December 31, 1986.

B. FUTURE DIRECTIONS OF THE COOPERATIVE MOVEMENT

1. Objectives and Future Plans of Major Cooperative Organizations

The following pages examine the organizational objectives and future plans of leading organizations responsible for supporting cooperative development in the Philippines.

* This includes some 7,000 Samahang Nayon considered to be active.

ORGANIZATIONAL OBJECTIVES

FUTURE PLANS

A) SUPREME COOPERATIVE COUNCIL OF THE PHILIPPINES (SCCP)

1. To serve as the highest body of cooperative authority in the Philippines;
2. To develop and support a national alliance of cooperatives, representing all cooperative sectors; and
3. To promote coordination among all sectors of the Philippine cooperative movement.

1. Socio-Economic:

- Promote countryside development
- Support land reform
- Encourage employment and income generation, capital formation, investment and business opportunities
- Expand cooperatives role in export and trade
- Support favorable tax legislation for cooperatives
- Promote cooperatives as vehicle for maintaining peace and order in the countryside
- Identify financial resources to support coop growth

2. Intercooperative relations:

- Maximize lateral coordination among coops
- Establish cooperative data bank and International trading office
- Provide technical services to membership
- Formulate international cooperative relations

3. Law and government:

- Conduct assessment of existing cooperative laws
- Support rationalization of cooperative legal system
- Support rationalization of government agencies and policies dealing with cooperatives
- Support tax reform toward cooperatives
- Support legislation to create national coop bank

4. General:

- Help to define role of private & public in encouraging cooperative development

ORGANIZATIONAL OBJECTIVES

B) COOPERATIVE UNION OF THE PHILIPPINES (CUP)

1. To further institutionalize the Cooperative Movement in the Philippines as a cohesive and dynamic vehicle for the economic and social advancement of the people by strengthening the various institutional linkages now developed within the Movement and in the International Community in order to further accelerate the growth and development of cooperatives on a balanced and self-sustaining basis in coordination and collaboration with public and private agencies as well as domestic and foreign organizations. Toward this end, the principal thrust of CUP shall be the development of the business capabilities of cooperatives.

- Policy initiatives
- Institutionalization of an education and training center
- Maintenance and preservation of the integrity of the financial operation of cooperatives
- Development of cooperative business
- Development of institutional relations
- Public information
- Expansion of development activities
- Development of financial base

FUTURE PLANS

- Assist in improving public image of cooperatives
- Promote sectoral economic linkages through domestic & international coop joint ventures

1. Policy initiatives:

- Legislative proposals - press for enactment into law of coop legislations, and
- Administrative proposals - pursue promulgation of proposed MAF circulars.

2. Education and training:

- Regional coop union development assistance
- National federation development assistance
- Setting up of cooperative training policies and standards
- Development of consumers cooperatives
- Women and youth involvement in cooperatives
- Fishery cooperative development
- Cooperative university (conversion of CEU into a university through the assistance of ICA)
- Search for indigenous approaches to cooperative development (a joint project with Coady Philippines Foundation, Inc.)
- Training of teachers
- Library and documentation (with the assistance of ICA)
- Materials production (initially with ILO/MATCOM)

3. Preservation and maintenance of the financial integrity of cooperatives:

- Development of accounting and bookkeeping system
- Development of integrated auditing system

ORGANIZATIONAL OBJECTIVES

FUTURE PLANS

4. Development of cooperative business:
 - Technical research, meetings, and conference
 - Promotion of inter-cooperative business activities
 - Promotion of international trade relations and technology transfer
5. Development of institutional domestic and foreign relations.
6. Public information thru CUP Gazette and radio-TV press coverage.
7. Special projects.
8. Monitoring and evaluation through:
 - installation of data banks
 - Continuous evaluation of CUP programs

C) FEDERATION OF ELECTRIC COOPERATIVES OF THE PHILIPPINES (FECOPHIL)

1. To promote the goals of the country's rural electrification program;
 2. To foster nationwide interest and involvement in the activities of the rural electrification program; and
 3. To encourage and support the growth of electric cooperatives in rural areas.
1. Strengthen electric cooperatives through:
 - training programs
 - legislative representation
 - policy formulation and coordination
 - technical services
 - research
 - public, member & government relations
 - communication
 - maintenance of data bank

ORGANIZATIONAL OBJECTIVES

FUTURE PLANS

D) PHILIPPINE FEDERATION OF CREDIT COOPERATIVES, INC. (PFCCI)

1. To unify the national credit union movement in coordination with the worldwide credit union system.
2. To institutionalize the national credit union movement with its own one-stop services, namely:
 - Central Finance Facility (interlending)
 - Mutual Benefit Association for loans and deposits
 - Blanket Fidelity Bonding
 - Supply and publication
 - Skilled training
 - INCAS or PFCCI audit
 - Deposit guarantee fund
 - Credit union technology and facilities

1. Expansion of its social and economic base.
2. Credit union integration.
3. Institutional development of integrated credit union system.
4. Provision of financial services to other cooperative sectors.
5. Adoption of realistic financial policies for members.
6. Establishment of different types of complementary financial services.
7. Supervision of credit unions.
8. Establishment of representation within the federation.
9. Technology transfer.
10. Establishment of a Credit Union Federation.

E) FEDERATION OF CONSUMERS COOP, INC. (FCCI-Metro Manila)

1. To organize the business of the federation through self-generating capitalization (since the consumer coop members do not want to invest capital due to their traumatic experience with the Filipino Cooperative Wholesale Society and the "Super Palengke").

1. Expand its business to cover canned goods and other manufactured products on a term basis.
2. Start transaction with the First AMC Western Visayas Federation on the rice business.
3. Seek assistance from the BCOD, other federations and coops to help strengthen the consumers coop federation.

ORGANIZATIONAL OBJECTIVES

FUTURE PLANS

F) NATIONAL MARKET VENDORS COOPERATIVES SERVICE FEDERATION, INC. (NAMVESCO)

1. To unify different cooperatives among market vendors into a national federation.

1. Organizational work
 - Organize more market vendors cooperatives
2. Education and training
 - Conduct trainors training and financial management seminars.
3. Bulk-buying of prime commodities with the assistance of MAF and MTI.
4. Management and operation of public markets
5. Continue interlending program among affiliates

G) COOPERATIVES RURAL BANKS FEDERATION OF THE PHILIPPINES (BANGKOOP)

1. To institutionalize the cooperative banking system as a means of promoting interest and welfare of the rural people through the following:

- Policy initiatives
- Promotion, organization and development of CRB's to achieve target of one CRB/province
- Provision of management, advisory service and financial assistance to CRB's
- Fostering of linkages among various coops

1. To spearhead a special project, together with CFPI, on strengthening the cooperative financial system and the establishment of an apex bank for cooperatives.
2. Continue special financing programs to assist CRBs.
3. Continue management assistance:
 - CRB rehabilitation
 - Technical assistance to CRB's in preparation of feasibility studies
 - Conduct periodic seminars/workshops for CRB management and staff

ORGANIZATIONAL OBJECTIVES

H) PAMBANSANG KATIPUNAN NG SAMAHANG NAYON (PKSN)

1. To assist in the promotion, organization and development of cooperatives;
2. To conduct continuous education for all of its SN affiliates;
3. To serve as a conduit in the transfer and utilization of modern farm technology;
4. To assist its SN affiliate in the marketing of farmers' produce;
5. To initiate the organization of AMC's and CRB's in the provinces; and
6. To serve as a voice for SN's in airing their needs and grievances.

FUTURE PLANS

1. To provide for proper relationship to the SN-organization by generating cooperation in the entire organization with good organizational planning and frequent inter-departmental meetings.
2. To maintain a systematic program of overall communication between SN, among the SN, and nonagricultural cooperatives.
3. To determine what remedial action is necessary to overcome recurring problems in such areas as agrarian reform, the price of agricultural inputs and marketable products, and problems arising from financing production and marketing.
4. To provide the SN members with proper technical information in order to improve their capability to conduct independent farm planning.
5. To predict trends and forecast the effect or results of the economic, political and social programs of the government as they impact agriculture.

I) COOPERATIVE INSURANCE SYSTEM OF THE PHILIPPINES (CISP)

1. To provide low-cost insurance for cooperative members;
2. To offer low-cost insurance as an incentive for accelerating cooperative development;
3. To accelerate capital base expansion for cooperatives;

1. Raise additional capital.
2. Review voting structure to make it more attractive to members.
3. Present an aggressive marketing posture.
4. Maintain international cooperative liaison.

ORGANIZATIONAL OBJECTIVES

4. To give meaning to the social context of cooperatives; and
5. To disseminate the cooperative form of business.

FUTURE PLANS

J) CREDIT LIFE MUTUAL BENEFIT SERVICES ASSOCIATION (CLIMBS)

(CLIMBS is a mutual self-help society. It is not registered as a cooperative but functions as one.)

1. Fulfill the needs of the cooperatives in Mindanao by offering them the following services:

- Life-savings program
- Loan protection plan
- Employees pension plan
- Board of directors disability/accident plan

1. Cover coops with mortuary plans - an expansion of the life-savings program.
2. Merge with CISP.

K) NATIONAL PUBLISHING COOPERATIVE, INC. (NPCI)

1. Production of media materials through print, radio, TV and film.

1. NPCI will continue to provide quality production of materials, efficient service and its capability to deliver contracted goods and services in the following areas:

- Production of printed materials, radio dramas, jingles, and TV plugs.
- Production of training and information materials on cooperatives.
- Production of films for the government and private sectors.

ORGANIZATIONAL OBJECTIVES

FUTURE PLANS

L) NATIONAL ASSOCIATION OF TRAINING CENTERS FOR COOPERATIVES (NATCCO)

1. To serve as a vehicle, operating on a self-reliant basis for the promotion, development and strengthening of the cooperative movement in the Philippines through:

- Coop promotion and membership development
- Human resource development
- Financial capability development
- Research and information
- Linkages with coop/self-help organizations
- Representation of affiliates' interest on social, economic and political issues affecting them.

1. Expand inter-coop trade into a cooperative wholesale society.
2. Subscribe to savings and loan protection coverage with CLIMBS.
3. Continue to provide training for coop staff, membership and volunteer leaders of the regional centers.
4. Continue to provide coop audit and consulting services.
5. Continue to support Central Fund System which mobilizes surplus funds of member coops for lending to other coops.

M) COOPERATIVE FOUNDATION OF THE PHILIPPINES, INC. (CFPI)

1. To foster the development and growth of cooperatives as effective change agents in uplifting the socio-economic conditions of the poor and the underprivileged sectors of our population.

1. Organization of new cooperatives at the grassroots level.
2. Promotion of cooperatives.
3. Establishment of a Data Bank for cooperatives.
4. Provision of management and consultancy services to cooperatives.
5. Establishment of a National Cooperative Training Center for specialist courses in management, finance and policy analysis.
6. Establishment of a Center for Cooperative Research for specialized economic studies.

ORGANIZATIONAL OBJECTIVES

FUTURE PLANS

N) AGRICULTURAL CREDIT AND COOPERATIVE INSTITUTE (ACCI)

1. Training of government and private sector of personnel involved in agricultural credit and cooperatives.
2. Holding of seminars and workshops to discuss operations, management and problems of agricultural credit and cooperative institutions.
3. Conduct of scientific research directed toward solving current problems of credit and cooperative agencies and organizations.
4. Providing extension services, including advisory and consultative services to cooperatives and credit organizations in the rural areas.
5. Offering of degree courses on cooperatives and rural finance for UPLB.

1. To reinstate the basic and specialized training courses on coops and rural finance; to initiate new training courses on agri-business concepts, food processing for SN member's housewives and farming systems for farmers.
2. To offer academic programs in professional management of cooperatives such as Associate in Coops, BS in Coops and MS in Coops.
3. Upgrading of training facilities.
4. Building a coop hostel in place of the ACCI Dorm (razed by fire in 1983)
5. Publishing a new technical journal for cooperatives, the "Philippine Cooperative Review."

O) BUREAU OF COOPERATIVES DEVELOPMENT (BCOD)

1. To promote, organize, register, supervise and develop cooperatives. These functions are being implemented by the Bureau through four divisions, namely, Special Projects Division, Education and Training Division, Resource Allocation and Evaluation Division and Promotions and Supervision Division.

1. Strengthening of cooperatives through its network of MAF field operating units in regional, provincial and municipal levels.
2. Initiation of a continuous dialogue among the government, cooperative and private sectors at all levels:
 - to ensure the integration of all cooperatives into a unified system.

ORGANIZATIONAL OBJECTIVES

FUTURE PLANS

- to establish the necessary linkages among the different types of cooperatives from the primaries to the apex organization and, geographically, from the barangay to the national level in order to facilitate joint planning, implementation and evaluation.
- 3. Rationalize, prioritize and operationalize a common program for the development of cooperatives which advocates privatization, decentralization and a multi-sectoral development approach.
- 4. Gradual phasing out of government initiatives and assistance with respect to cooperative promotion, organization, and development (to be taken over by the cooperative sector as it acquires the capabilities for such functions).

2. Private Sector Leadership

Increasingly since 1980, the private sector has taken greater initiative for leading the development of the Philippine cooperative movement. There is clear evidence to suggest that this trend will continue as government pursues a policy of "abiding partner" and national cooperative organizations grow stronger. During the past year the cooperative sector has successfully lobbied government for important concessions in the area of taxation and other legislation, including the drafting of cooperative language in the new Constitution. They have taken the lead in helping government to define its current policies and programs in support of cooperative development efforts. With the organization of the Supreme Cooperative Council of the Philippines (SCCP), in June 1986, the cooperative movement has unified its leadership in this area. Past months have seen a number of national and regional workshops and policy dialogues aimed at strengthening the cooperative movement, all led by the private sector.

Future private sector leadership for cooperative development efforts will concentrate, in the short-term, on five specific objectives, namely: a) completing a comprehensive national survey on the status and development needs of cooperatives; b) lobbying for fair and equitable tax treatment toward all cooperatives; c) drafting of and lobbying for the adoption of a uniform cooperative code which rationalizes past legislation under one new cooperative law; d) assisting government to define the parameters and responsibilities of a singular new government agency responsible for administering and implementing a new cooperative code; and e) establishing a national bank for cooperatives which recognizes the unique character of cooperatives and their financial needs.

In the long-term, cooperative sector leadership will work toward strengthening the social and economic objectives of cooperatives by institutionalizing education and training capacity and supporting improved business-related services to the cooperative movement. In this regard, national cooperative organizations can be expected to increase their coordination with one another, particularly on matters relating to policy,

planning, research and training. In addition, they can be expected to expand their international contacts with cooperatives and organizations which support the development of cooperatives.

3. The Role of Government

Government's role will continue to be defined as that of an "abiding partner" in the continued growth and development of the cooperative movement. In general terms, the government will in the future support efforts to strengthen the capacity of cooperatives to perform nonbusiness functions such as: a) promotion and organization; b) education and training; c) audit and supervision; d) research, development, monitoring and evaluation; and e) linkages, extension, and other services. Future government efforts will also seek to offer support to strengthening the economic performance of the following types of cooperatives: a) credit cooperatives and cooperative banks; b) agricultural marketing cooperatives; c) industrial producers cooperatives; c) consumers cooperatives; d) electric cooperatives; and d) service cooperatives (such as insurance, publishing, housing, labor, schools, dental/medical, water services and transportation).

Future government assistance to cooperative development should also recognize the need for clear policy and a rationalized legal framework to support and encourage cooperative growth. Restrictive policies which limit economic incentives should, where possible, be eliminated. New policies should be adopted which create opportunities for cooperatives to participate more directly in programs aimed at supporting rural and national development (i.e., agrarian reform, rural investment and savings, light industry development, banking reform, service sector expansion and trade). Additionally, government should in the future seek to reform its existing and often times fragmented regulatory and administrative authority over cooperatives. Finally, it should insure that appropriate channels of communication are established with the cooperative sector in order to serve, through dialogue, the common interests of both the public and private sector on matters pertaining to cooperatives.

4. Opportunities for Future External Assistance

A number of opportunities exist for external assistance to help supplement existing private and public sector efforts to strengthen Philippine cooperatives. Among these are the following.

4.1 Assistance to Government

International cooperative organizations such as the Volunteers in Overseas Cooperative Assistance (VOCA), under USAID funding, have in recent months worked with the cooperative sector to help to draft cooperative language for the new Constitution and proposed cooperative code. Additional external technical assistance is needed to help rationalize existing legislation, governmental structure and policy affecting cooperatives. Additionally, external funding to support domestic and international training for key government officials charged with responsibility for supervision, education and training, and management information and reporting is needed. Furthermore, the effectiveness of government cooperative field officers is severely hampered due to limited and aging mobility, suggesting the need for vehicular support.

4.2 Prospects for Establishing A Viable Cooperative Finance System

Funding is needed to conduct an in-depth study examining the prospects for establishing a viable national cooperative financing system in the Philippines. While a number of preliminary studies have been conducted on this subject, a detailed and comprehensive assessment of the legal, social, technical, financial and managerial issues involved is still required. Efforts to develop a national cooperative finance system would, presumably, require substantial institutional development and capital support. In addition to what resources might be made available for this effort by the cooperative sector and possibly government, external assistance would probably be required to supplement such a program.

4.3 Funding Support to Complete Comprehensive National Cooperative Survey

Information concerning the status of Philippine cooperatives, their number, membership, capitalization, business activity and perceived problems, is outdated. Much of the available data on this subject is either incomplete or unreliable. Government's ability to "track" this information on a current basis began to falter during the late 1970s. While a number of surveys have been undertaken on the status of cooperatives in recent years, these surveys often times were limited to representative samplings (due to resource constraints) within specific sub-sectors of the cooperative movement. The two principal support institutions to the cooperative sector, CFPI and ACCI, have jointly undertaken the responsibility for conducting a one-year comprehensive survey of the cooperative movement. While the first phase of this work (funded by private sector resources) is scheduled to be completed in May 1987, succeeding phases, involving field data gathering and data compilation, are presently in question due to lack of necessary funding.

4.4 In-Depth Assessment of Specific Cooperative Sub-Sectors

In addition to the need for conducting a comprehensive national survey of the cooperative movement is the need for conducting a thorough assessment of certain cooperative sub-sectors viewed as particularly important to the country's national recovery program. Three types of cooperatives are particularly important in this regard, agricultural cooperatives, electric cooperatives and credit unions. Additionally, there is a need to assess new sectors, such as housing, wherein cooperatives might play an important role. Such assessments will require an in-depth review of the role which these various types of cooperatives have played over time as well as a review of their performance, present conditions, development constraints and future prospects for contributing to national growth and development. These assessments would serve as a basis for determining the extent to which these respective types of cooperatives can contribute to national

development objectives and, as such, help to establish a foundation upon which a program to strengthen current capacity might be built. It is anticipated that external technical and financial assistance would be needed to support these types of assessments.

4.5 Institutional Development Support for Organizations Serving the Cooperative Sector

The Cooperative Foundation of the Philippines (CFPI), a private sector foundation, and the Agricultural Credit and Cooperative Institute (ACCI), a public institute, constitute the two major noncooperative support institutions assisting the cooperative movement. USAID financing helped to create each of these organizations to serve the development needs of the cooperative sector. While each organization has broad cooperative experience and competent existing staff, the ability of each to serve the cooperative sector has been limited due to the need to expand the range of their respective services and recruit and train additional staff. As such, additional institutional development within these support organizations is needed in such areas as cooperative education and training, research, monitoring and evaluation, and the expansion of technical services.

4.6 Support to National Cooperative Organizations

National cooperative organizations in the future will require external assistance to help expand their capabilities to provide needed technical and support services to their respective memberships. Multi-lateral, bi-lateral and other international cooperative-to-cooperative collaborative funding will be required in the form of technical assistance, training and limited commodities to address this wide-range of development need. Opportunities for international training through external funding or cooperative exchange programs for key cooperative leadership will help to accelerate skills development and services capability.

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