

## **Community Participation through Cooperatives in Addressing Basic Services: The Philippine Experience\***

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*Abstract:*

*The purpose of this paper is to examine the role of cooperatives in helping the poor to access services at the community level. In the formation of strong cooperatives, there are critical cultural factors that predicate key relationships between social capital, the building of a critical mass and the role of women.*

*To understand why cooperatives matter, it is instructive to review the bottom-up approach embedded in cooperatives in the delivery of financial services, education, health, housing, water, electric power, transport and insurance, among others.*

*This paper highlights a number of best practices of cooperatives in providing social services in different sectors.*

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## Overview

### *Why do we talk about cooperatives?*

Development is about the transformation of society and that society-state relations is a powerful influence on what policies are adopted, whose interests are represented and how effective public action will be. In the Philippine financial system, cooperatives account for billions of pesos in total deposits. Essentially, they represent the people's struggle against the tyranny of widespread debt bondage and usury in the absence of effective financial institutions. There are 4.7 million cooperative members nationwide consisting mostly of small depositors, small farmers, fisherfolks, market vendors and the micro, small and medium entrepreneurs (MSMEs). They operate on the notion of self-help, mutual responsibility and solidarity on various platforms wherein people have to learn to solve their own problems. There are 21,000 operational cooperatives engaged in various economic and social activities (CDA, 2009, p. 9).

Cooperatives have become an integral part of policy process and there is constant access to ventilate their ideas both at the local and national levels. After 19 years, the Cooperative Code has been amended while the much needed amendments to the 1974 Labor Code still wait for the next Congress. The Cooperative Code of 2008 (Republic Act 9520) was co-authored by the late Coop-National Confederation of Cooperatives (NATCCO) Partylist Rep. Guillermo Cua. NATCCO is the biggest federation of cooperatives and has 1.2 million individual members. It is the country's representative to the International Cooperative Alliance (ICA).

Cooperativism is not new, even the country's national hero Jose Rizal initiated a water service cooperative in Dapitan. But given a large measure of autonomy, the collective leadership from below has shown its capacity to be motivated by longer term concerns for the community and social responsibility to mediate the challenge of basic needs and markets. Cooperatives have also learned to expect that its partnership with the state must be justified by results. The advocacy of the movement in relation to electric cooperatives will ensure that the latter will be registered with the Cooperative Development Authority (CDA) and this means an additional 8 million household members. It has been predicted that in ten years the financial centers in the provinces will no longer be banks but cooperatives (Land Bank of the Philippines, 2008, p. 27). The combined economies of scale and synergies across related

services, have increased the movement's visibility, promoted interaction and partnership, nurtured an enabling environment and encouraged the citizens' power to act. The movement is about the protection of human rights and the celebration of the common good (Prudente Sta. Maria, 2008, v).

#### *Putting Poor People at the Center of Service Provisions*

It is critical to understand the conditions under which the poor are able to bond together to address the source of their deprivation. Poverty diminishes the quality of life and erodes the legitimacy of democratic institutions. There are problems of delivery in anti-poverty programs and serious flaws have been enumerated: low level of participation of the poor; programs have tended to rely on grants and subsidies; inability to address the complexity of poverty and in particular, the needs and priorities of the poor. The World Bank has declared that services are failing poor people both in quality and in quantity.

Access to productive assets such as land and water, credit and education, extension and public health services is central to public services. The debate around universality and access indicates major difficulties for service provisions. Many such services are mediated through a bureaucracy which, in practice, becomes inevitably different from the original program objectives. The less organized are the poor, the more numerous are their difficulties of access.

Given their moral strength, cooperatives have become the voice in meeting the needs of poor people more effectively. This has essentially enabled the poor people to exercise more influence over the decisions and behaviour of service providers. Their collective action has been recognized by the state to lead to better coordination, responsibility and performance.

#### *The Value of Social Capital in Market Systems*

Social capital, the ability of people to trust, observe norms and cooperate, defines the cooperative movement. In a national survey of cooperative members, 49 per cent of respondents feel that people in their neighborhood generally trust each other in matters of lending and borrowing; but 84 per cent feel that they need to be very careful of people

in general (Teodosio et al., 2008, p. 11). This shows that people tend to trust those they know or those who live around their community, which is exactly why cooperatives remain strong. Sustainable development is ultimately a local activity and fosters a sense of trust and community. It lays down the general principle for the realization of people's rights to have the kinds of lives they value. With control over socioeconomic resources, the participatory capabilities used effectively through cooperatives are essential in confronting issues of wider structures of power and marginalization. In a global world, the secret of success lies in cooperation, universalism, simplicity and education (Fernandez, 2002, p. 4).

The lack of access to credit financing both from the government and commercial banks especially for farmers, fishermen and small entrepreneurs has mobilized the people to assert the traditional moral way of improving their communities' well-being. The apparent success of an expanding cooperative movement and its increasing specialization have prompted both national and local governments to cooperate through appropriate means in the adoption of legislative measures and the use of available resources. In a 2001 national conference on building prosperity for the poor, there was agreement to push for the cooperative model to fund MSMEs (Macaranas, 2001, p. 5). Social capital provides an instructive case for exploring rural finance and capital formation.

## **The Broad Environment**

### *Building a Critical Mass*

The considerations of equity and justice are primary determinants of development and the whole structure of development is shaped by them (Sengupta, 2000, p. 568). At the heart of growth, there should be an understanding of the capabilities and substantive freedoms that people should enjoy. The yearly general assemblies and the freedom to communicate and exchange ideas have given much influence in allowing scope for the development of strong cooperatives. What is arguably most significant about the cooperative movement are the ways in which the *labbay aral* (study tours) for the past 14 years not only reshaped and strengthened the delivery of services to the members but also further increased solidarity and cooperation. The continuing education of leaders and management is characterized by the ability to associate and

participate both in the life of the community and of the nation. This has contributed to the citizenry and authority facilitating empowerment. This has resulted in state institutions being more accountable and responsive to poor people. Building a critical mass took a generation of leaders. The first Philippine multi-millionaire credit cooperative, Fatima Vigan, is 53 years. Another multi-millionaire cooperative, the Baguio-Benguet Community Credit Cooperative (BBCCC) was established 47 years ago. Cooperative members rate highly the commitment of their cooperative leadership and are quite satisfied with the decisions their leaders have made. Nationwide, three-fourths (76%) say they have actively helped in making a decision at a cooperative meeting (Teodosio et al., 2008, p. 131).

The first national summit of cooperatives was convened in November 1995 with 600 in attendance. The 9th national summit in 2008 was held in Camarines Sur with 2,500 participants. With the province co-hosting the summit, a “Governor’s Night” was held where delegates witnessed different cultural presentations. In 1993, Executive Order (EO) 95 and 96 were promulgated to enhance the coordination framework for cooperative development. EO 95 provides for the establishment of cooperative councils at the national, regional, provincial and city levels as well as for a national coordinating council chaired by CDA. EO 96 defines the powers and functions of the local governments relative to cooperative development. Since then, councils have been set in motion wherein from mayors to governors, there has been a dynamic cooperation with cooperatives at the local level.

The Philippine Cooperative Center (PCC) serves as the lead convenor of a national summit which is held every two years. Until 2002, the Cooperative Development Authority (CDA) facilitated such meetings. The PCC is a center for policy and technical cooperation whose mission is to serve as a unifying center for an empowered citizenry of cooperators (PCC, 2004, p. 5). Established in 1997, PCC is the largest aggrupation of cooperatives that includes 14 national organizations, 8 regional and 12 leading primary cooperatives. In between the national summits, regional networks continue to converge. In the 4th Mindanao Cooperative Summit in March 2008 held in Cagayan de Oro City with 4,000 delegates, the then President Gloria Macapagal-Arroyo directed the CDA to work with the Department of Agriculture (DA), the Department of Trade and Industry (DTI) and the Department of Transportation and Communication (DOTC) to encourage Mindanao cooperatives to focus on bulk buying of inputs, transport and marketing.

### *Women in Cooperatives*

Women in cooperatives have played a central part in the development strategies of many cooperatives. There is a common appreciation for women to help deliver development gains more effectively and equitably. In the 1997 regional conference on women in decision-making in cooperatives, a key strategy was for the establishment of a leadership fund. To date, while such fund has not been formally set up, women in management and board membership already lead in large number their respective cooperatives. The first National Summit of Women in Cooperatives took place in June 2003 at Banaue, Ifugao with the theme “Gender Equality in Cooperative Governance”. Some 300 women leaders from all parts of the country participated. Consequently, regional meetings were held which covered topics such as livelihood, women in politics, transformational leadership, reproductive health, recycling and waste management, cultural awareness, capacity building of women in advocacy, collaboration with different sectors and sustainable economic development. From general discussions about the nature of empowerment and business development services for women, the leaders have taken up the issue of mainstreaming gender and development such as integrating gender perspective in pre-membership seminars and other cooperative training modules. In March 2009, a co-sponsor of Region XI’s Congress to discuss the salient features of the amendments to the Cooperative Code was the Women in Cooperatives (WinC X1). The long involvement in economic and social life of women as leaders has led to the formation of the Palawan Women’s Multi-purpose Cooperative, Ilocos Sur’s Tagudin Women Cooperative, Tarlac’s Moncada Women’s Credit Cooperative, Leyte’s Pamplona Women Cooperative and the Bohol Association of Women in Government Service, to name a few.

### *Participation and Effective Governance*

Cooperatives have made a significant contribution to development, in general, and financial architecture, in particular. The Philippine Cooperative Code of 2008 is a comprehensive document that seeks to contain the people’s view on every issue of importance, for it represents the short and long term aspirations of the movement. As early as 1998, efforts were made to amend the 1990 Cooperative Code. Given the significant challenges that have been directed at cooperatives

on a variety of platforms, the new Code encourages specialization by increasing the types of cooperatives from 6 to 14, classifying them into advocacy, agrarian reform, cooperative bank, dairy, education, electric, financial service, fishermen, health service, housing, insurance, transport, water service and worker cooperatives. The old Cooperative Code enumerates only credit, consumers, producers, marketing service and multi-purpose cooperatives. With the success of the cooperatives, they are to perform multiple roles of conducting a social audit to be constantly reminded of their basic responsibilities to their members, to the community and to form representative assemblies and subsidiaries to focus on particular business operations. The big cooperatives have to rent gymnasiums for their yearly general assembly with at least ten thousand members in attendance. The election process of cooperative officials has been computerized long before that of the country's national elections. The growing popularity of cooperatives also demand that they become responsive to the public, hence, they must provide education and training for their members, elected and appointed representatives, managers and employees. This should move forward more commitment among the members.

In 1994, the National Credit Council (NCC) was created to rationalize directed credit programs with the state providing a supportive and appropriate policy environment towards a viable and sustainable financial market. Directed credit programs refer to those funds taken from budgetary allocation, special funds, loans or grants from donor agencies and are lent out at subsidized interest rates. Unfortunately, such subsidies have not reached the targeted clientele and were instead diverted by large scale borrowers in their favor. Furthermore, there was non-repayment because of the perception that state funds need not be repaid.

In 1998, the NCC facilitated the start of a regulatory environment for credit cooperatives in response to the advocacy of big federations of cooperatives engaged in savings and credit operations. A technical working group was created to work on the standards and the accompanying manual. It is chaired by the NCC and representatives from the CDA, Bangko Sentral ng Pilipinas (BSP), Land Bank of the Philippines (LBP), major cooperative federations and a number of key primary cooperatives. In the same year, EO 138 was passed which called for: non-participation of government non-financial agencies in the implementation of credit programs; government financial institutions to be the main vehicle in the implementation of credit programs; adoption of market-based financial

and credit policies; and increased participation of the private sector in the delivery of financial services.

In 2001, a public hearing was held on the Standard Chart of Accounts for Credit Cooperatives and Other Types of Cooperatives with Credit Services. In 2003, the proposed framework for the regulation and supervision of cooperatives was presented to CDA before a series of consultations with cooperative sector nationwide. In 2004, the standards were approved and technical trainings were provided to the CDA personnel. The CDA has issued Memorandum Circular Number 02-04 for the adoption and implementation of the Standard Chart of Accounts for Credit and other Types of Cooperatives with Credit Services. The basic purpose of prescribing the standard chart of accounts is to provide quantitative financial information that ensures uniformity and common understanding of accounts, enhance transparency and set the standards and discipline.

In 2008, the Cavite Cooperative Surety Fund Program that will enable MSMEs to access bank loans without collateral was initiated by the BSP in cooperation with the local government. The US\$ 293,000 credit surety fund (CSF) came from the contributions of the association of cooperatives in Cavite, the provincial government and the national government's Industrial Guaranty and Loan Fund (IGLF) that will serve as security for the loans approved by the CSF Oversight Committee. Banks that will extend loans secured by the CSF can give additional discount up to 80 percent of such loans with the BSP. As designed, CSF is to be managed and administered at the provincial level to make it more responsive to the credit needs of MSMEs in each province. The program brings together well managed and well capitalized cooperatives with local government units and other donors to provide surety cover in place of collateral to guarantee MSMEs bank loans. In 2009, more provinces have signified interest in joining the CSF program. Moreover, the creation of the credit information bureau should result in the strengthening of discipline leading to over all lowering of default rates.

## **Delivery of Financial Services**

### *Savings and Credit*

In 1999, the first Century Co-ops Conference was held with the PCC as the coordinator. Each cooperative had assets worth at least



US\$ 2 million and were classified into community credit cooperatives, institutional based credit, community non-agricultural multipurpose and agri-based multipurpose cooperatives. The cooperatives are members of federations and unions which formed the PCC. Products and services offered by cooperatives evolved out of the needs of their members. They provide windows for productive, providential and emergency loans. Supplementary services include mortuary, drugstores, groceries, minimarts, restaurants, rice stores, dry goods canteen, and even funeral services. They run schools, hospitals and develop housing projects. Actively engaged in youth savings, cooperatives have scholarship programs for the poor who are enrolled in public schools.

The Philippines was the first Asian country to adopt a cooperative branding strategy, FOCCUS, which means Finance Organizations Achieving Certified Credit Union Standards. Central to the branding is a systemwide wide logo and common print visuals. The World Council of Credit Unions (WOCCU), the apex organization of the international credit union system supported the Mindanao based cooperatives model with a Credit Union Empowerment and Strengthening Model (CUES) in 1997. Launched in 1997 in Mindanao, the approach called for an integrated financial and education delivery system, access to financial services targeting poor rural women and savings mobilization, absence of dependency on international and government loans, adequate institutional capital, competitive market pricing and capable and well-trained employees. The project covered 32 cooperatives.

### *Cooperative Banks*

The regulatory framework enables cooperative banks to be established with modest capital requirements of a minimum share capital of US\$ 418,000. They are required to submit a weekly report to BSP on their reserve holdings and capital position. In addition, they are to present a consolidated balance sheet on a monthly basis and a quarterly report on income and expenses. Articles of incorporation and by laws as well as reports covering matters such as shareholder meetings, the board of directors and similar matters should be reported to BSP as well. The World Bank has identified cooperative rural banks as capable of providing savings and credit services to the poor on a sustainable basis.

Of the initial 52 registered cooperative rural banks, 40 are operational. The banks that failed suffered from severe liquidity and

managerial problems as a result of weak internal control, inadequate capital and weak membership base. The Manila based Metro South Cooperative Bank represents various sectors in its 896 cooperative membership: military police, hotels, schools, federations, overseas Filipino workers, community based cooperatives including market vendors, church based, and government agencies.

### *Microfinance*

In 1997, former President Fidel V. Ramos introduced the National Strategy for Microfinance to provide the poor greater access to credit in terms of greater role of the private microfinance institutions in the provision of financial services and non-participation of government line agencies in the implementation of credit and guarantee programs. The poor need sustained access to financial services and products and the state should focus on enabling factors such as national strategy, regulatory framework and the creation of performance standards. In 1998, Republic Act 8425 established the People's Credit and Finance Corporation (PCFC), to serve as the lead agency tasked to provide financial services for the exclusive use of the poor. Its loan size ranges from US\$ 62 to US\$ 3,138. It is a major source of wholesale loans and has also initiated partnership with the cooperative movement. In 2000, the General Banking Act was enacted and mandated BSP to recognize the unique nature of microfinance as it formulates banking policies and guidelines.

In 2004, EO 362 directed the consolidation and merger of the National Livelihood Support Fund and the People's Credit and Finance Corporation since both were for the delivery of microfinance services for the poor such as credit delivery, capital investment in microfinance institutions and capacity building. At the start, it was the developed NGOs that lobbied donors to seriously take microfinance as a poverty reduction strategy in the context of the prominence of the Grameen approach. It was only recently that credit cooperatives and cooperative rural banks begin to engage in microfinance. In October 2005, BSP completed the Performance Standards for all Types of Microfinance Institutions and a memorandum of agreement was signed among regulators, government financial institutions and relevant industry associations to adopt the performance standards.

## **Access to Education**

### *Escuela de San Dionisio*

From an original 28 members and a start up capital of US\$ 8 in 1961, the San Dionisio Credit Cooperative has more than 5,000 active members and assets of over US\$ 21 million. It provides savings and time deposits, credit, funeral services, land and housing assistance, medical laboratory examination and mailing services. In 2003, the cooperative fought a legal battle by refusing to incorporate its proposed academy with the Securities and Exchange Commission (SEC) and insisting that a cooperative or group of cooperatives may own and operate schools subject to compliance with pertinent laws, rules and regulations. The cooperative prevailed. In 2006, it was a recipient of the most outstanding award in cooperative-local government partnership for having helped improve the quality of life and empowerment of the community. The Escuela de San Dionisio offers pre-school, elementary and high school diplomas. The cooperative and local government partnership award was initiated in 2002 to honor and recognize cooperatives that made local governments their partner or vice-versa to overcome poverty.

### *Lyceum of Cebu*

The Cebu Court of First Instance Community Cooperative (Cebu CFI) has 32,000 members from an initial founding membership of 29 and a capitalization of US\$ 4 in 1970. In 2007, its branches are all over Eastern Visayas and its services include savings and credit; various loan programs which include: education, salary, housing, car, and provident; canteen; grocery; healthcare and schools operation. In 2007, its total assets amounted to US\$ 28 million. It also serves 80 percent of wet market vendors in the city of Cebu. Among the services are educational loans which amounted to US\$ 12 million in 2006 and US\$ 21 million in 2007. Earlier, in 1998, the Lyceum of Cebu was established to offer educational programs specifically elementary and high school diplomas as well as Bachelor of Science in Education both to members and non-members. In 2002, it helped form the Cooperative Bank of Cebu as a majority shareholder. Cebu CFI will soon complete its US\$ 1.9 million six-story office building. In 2008, Cebu CFI donated four classrooms worth US\$ 25,000 in celebration of its 38th anniversary to the city of Cebu.

*Distance Education and the Cooperative of Coconut Development Farmers and Expansion Workers (COCODEW)*

The country's comprehensive agrarian reform program endeavors to put farmers who make up the vast majority of the rural population right at the center of development. The program has made poor farmers more optimistic and confident about their future and that of their children (Sumogba, 2006, p. 19). COCODEW is present in 53 provinces with 100,000 farmer members who are mostly agrarian reform beneficiaries and have tenurial arrangements on land suitable for high value commercial crops. Recently, COCODEW signed a series of contract growing agreements with an initial 2,000 hectares in ten provinces with Agri Nurture (ANI). The latter is a supplier of fresh fruits and vegetables to hotels and restaurants as well as a wholesale trader to major public wet markets for local high value crops. ANI is the biggest produce supplier in various chain of supermarkets and hypermarts. Its Best Choice brand undertakes venture farming and contract growing. ANI's assets stood at US\$ 63 million in 2007. COCODEW has approached the Development Bank of the Philippines to avail of its high value commercial crops financing program of US\$ 3,138 per hectare per farmer. There will be five farmers per hectare working together thus creating 10,000 jobs in the rural areas within the next few months. The rest of its members are preparing their land for more joint venture agreements with ANI. A key perspective in the project is the establishment of farmer schools in each site. The farmers plan to use distance education and seek the support of schools and universities offering cooperative-related courses, degrees and research studies nearest the plantation sites. The leaders of COCODEW have been appointed farmer representatives to the National Anti-Poverty Commission under the Office of the President.

**Health as a Basic Service**

*Novaliches Development Cooperative (NOVADECI)*

Founded in 1976, 60 percent of NOVADECI members are market vendors and the rest are microentrepreneurs (15%), professionals (10%), self employed workers (10%) and students (5%). It has 38,000 members and 73 per cent of the members are women. NOVADECI is located in its own six-story building in Novaliches proper and apart

from its main office, it has a medical clinic, pharmacy, a cooperative store and a number of training centers that house its satellite offices. The NOVADECI Health Care Program (NHCP) founded in 1993 is a micro insurance scheme operated by the cooperative itself. It was designed for a more meaningful health care coverage for its members and their families. To qualify, an applicant must be a member of NOVADECI and have a fixed deposit of US\$ 26 with the cooperative. The member must be able to pay a one time membership fee of US\$ 4 plus an annual contribution of US\$ 125. Those who become members of the NHCP are provided with free annual medical check ups, free medical consultations, free maternity care, more affordable medicines at the members' pharmacy, and discounted laboratory examinations, dental and optical services. Members are also provided hospitalization benefits of up to US\$ 209 while for immediate family members hospitalization benefits are up to US\$ 105. The NHCP encountered challenges at the start with low enrollment and high rates of benefit utilization. Almost half of the total budget of the cooperative is allotted to members' benefits which include health care, microfinance, death claims and others.

In January 2009, the Philippine Health Insurance Corporation signed a memorandum of agreement with NATCCO, of which NOVADECI is a member, for a pilot project that covers five cooperatives with 5,000 members.

#### *St. Jude Community Credit Cooperative*

The St. Jude Community Credit Cooperative was established in 1967 with 14 members and share capital of US\$ 14. From savings, lending, and medical clinic, the cooperative ventured into health insurance, free medical consultation, mortuary and death assistance. Its prominent rise is largely due to its one-stop shop service. It caters to the needs of the deceased members and their bereaved family members in Quezon province. The pre-need memorial insurance services are in cooperation with a number of cooperatives not only in Quezon but also those in other nearby island provinces. The memorial service of the cooperative was started in 1998.

*Ilocos Sur Cooperative Medical Mission Group and Hospital*

The Ilocos Sur Cooperative Medical Mission Group and Hospital started as an outpatient clinic at the Vigan Public Market in 1997. A year later, the cooperative transferred to the Vigan bus terminal because of the renovation of the public market. In the terminal, it begun its lying-in clinic and pharmacy. At present, its operation includes an outpatient clinic, diagnostics, medicine and hospitalization. It acquired a mobile clinic to serve members and non-members in far flung areas. The cooperative's funds come from the continued capital build-up, savings and borrowings of members. The share capital of a member is US\$ 41. A regular member enters phase two after paying a total share capital of US\$ 83 and is entitled to a maximum of US\$ 523 worth of hospitalization expenses per year while an associate member is entitled to a maximum of US\$ 251. Members also pay US\$ 41 for the Cooperative Health Trust Fund which pays for the expenses of hospitalized members. The benefits of the regular members include five free consultations for a family of five for the first year and discounts in laboratory fees and medicine. Succeeding consultations shall be charged US\$ 2 of which US\$ 1.46 go to the doctor and the rest to the cooperative.

**The Advocacy on Housing Cooperative**

*University of the Philippines Employees Housing Cooperative (UPEHCO)*

Founded in 1990, the UPEHCO serves as a concrete example of a viable partnership between the government providing housing finance and a cooperative. The PAGIBIG Group Land and Acquisition and Development (GLAD) provided the financial assistance to the fund members in the acquisition and development of raw land as well as for housing requirements. GLAD supports the idea of empowering a community to plan, design and take the initiative on how to embark on a housing project and community building. Members provided their equity which enabled UPEHCO to be able to afford the down payment for land acquisition.

UPEHCO has two sites, San Luis, Antipolo (8 hectares) and Dasmariñas, Cavite (6 hectares). Both projects were 30 percent cheaper and of more quality when compared with conventional housing. UPEHCO Dasmariñas shared its water supply to the surrounding communities

by donating its multi-million infrastructure to the local water district to manage. An additional area with a standby water supply has also been set aside should the need for expansion arise. On the other hand, UPEHCO Antipolo built a box culvert to connect roads and opened its main road to the public with the local government in charge of maintenance. This approach opened hundreds of housing in the area. UPEHCO has been asked for joint ventures with other cooperatives on residential farm lots. Its membership stands at 1,000.

*St. Louie University-St. Vincent Parish Cooperative (SLU-SVP and the Baguio Benguet Community Credit Cooperative [BBCCC])*

Founded in 1972 with 15 original members, the SLU-SVP focused on land banking and to date has 36 hectares. The cooperative has 1,227 members and 300 of its members have secured their house and lots at cost with the cooperative charging only 3 percent for its operations. The members' contribution provided the budget for raw land acquisition and development.

On the other hand, the BBCCC was started in 1958 by a group of teachers. In 2003, it bought a four hectare lot and asked SLU-SVP to be a partner with both having common members to form the Northern Philippines Savings and Development Housing Cooperative which will provide technical and financial support for medium rise units. The BBCCC has 22,000 members and is worth US\$ 211 million in assets. Its training and lodging center was funded by their members who contributed a total of US\$ 146,000.

## **Water Cooperatives and Sustainability**

### *Manila Water and Community Cooperatives*

There are two aspects worth emphasizing on water cooperatives. First, the complementarity of a big company and cooperatives in water provision. Manila Water<sup>1</sup> forged an alliance with cooperatives in the poor districts of Manila. Since most of the households are illegal settlers, Manila Water constructed water pipelines only up to the community perimeter where it installed mother meters. The community cooperative then organized individual pipelines into the households and collected the tariffs. Manila Water has implemented 600 other projects that have

reached one million poor people which provided them 24-hour water supply. It also established livelihood programs for the cooperatives by asking them to provide services and products for the company. For example, the Alitaptap Multipurpose Cooperative made pipeline parts for Manila Water's distribution business.

#### *Investments in Capacity and Institution Building*

In a major study on the performance and sustainability of rural water supply, the highest access scores to water supply were for the water cooperative managed systems because they demonstrated good financial management, tariffs were in line with costs for operation and have substantial capital build-up. In general, an estimated US\$ 139 million in funding are still needed and government has begun to look at small water utilities to help bridge the gap in water service provision. The CDA is an active member of various committees that promote the development of the water supply and sanitation sector in the country.

In January 2009, the CDA and the National Water Resources Board (NWRB) increased the scope potential of water cooperatives while providing them technical, financial and legal compliance support. The NWRB is a government instrumentality mandated to regulate and monitor water utilities. In the agreement, the NWRB is committed to provide capacity building activities for CDA personnel in business plan development, tariff proposals, benchmarking and performance monitoring. Numerous cooperatives have also ventured into water refilling businesses.

#### *The Institute of Popular Democracy (IPD) and Local Governance*

The IPD, an NGO, is a member of the multi-stakeholder Water Sector Roadmap and whose proposals on water financing and regulation have been included in the sector's workplan. It works with local governments and cooperatives to address problem in rural and urban domestic water supply. It has also helped develop a manual of operations for associative water systems, transformed water associations into cooperatives, and advocated for model municipal ordinances on the local regulation and financing support for associative water services.



## **The Changing Dynamics of Electric Cooperatives**

### *The Supreme Court and the Electric Cooperatives*

In October 2003, the Energy Regulatory Commission has issued guidelines writing off the electric cooperatives' US\$ 377 million worth of debt. This was in support of the Electric Power Reform Act which aims to provide debt relief for the electric cooperatives to help them compete with the deregulation of the power distribution centers. The new guidelines required electric cooperatives to present certifications from the National Electrification Administration (NEA) and other agencies indicating the total amount approved for condonation. Earlier in June 2003, the Supreme Court ruled that for electric cooperatives to be tax exempt, they have to be registered with the CDA. The Court also advised the proper authorities of government to re-examine the guidelines on the conversion of electric cooperatives and assistance be provided in order to encourage the growth and viability of cooperatives as instruments of social justice and development. However, only NEA was mandated to come up with the guidelines wherein member consumers of electric cooperatives can claim to be the rightful owners of their respective cooperatives. NEA did not issue the referendum guidelines. Despite this, 17 have registered out of 116 operational electric cooperatives.

### *Community Participation and the Scale of the Task*

The Cooperative Code of 2008 did not require the favourable endorsement of the NEA for an electric cooperative to register with the CDA. The only requirement is for the approval of the members in a general assembly and that the board of directors may initially approve the idea but are required to seek conformation through a special general assembly called for the purpose. The electric cooperatives may also go into power generation, transmission and distribution. NEA shall be a source of technical and financial assistance and support for electric cooperatives registered with the authority upon request of the electric cooperative concerned. With NEA no longer having supervisory powers, it shall return the mortgage documents covering loans to electric cooperatives which have been condoned. The Philippine Federation of Electric Cooperatives has scheduled a series of consumer-member consultation fora starting in April 2009 (Vigare Jr., 2009).

## **Transport Cooperatives and New Competencies**

### *Fertile Ground for Industry Development*

The transport program was launched in 1974 creating a committee on transportation which was tasked with organizing cooperatives for jeepney drivers in Metro Manila. The program soon expanded to include the provinces and opened its membership to vehicle owners and operators and allied workers. The aim was to rationalize public transit and transport system for efficiency in the movement of passengers and goods. The cooperatives also went into savings and credit, marketing vehicles and insurance policies for drivers. In the new Code, transport cooperatives are encouraged to engage in the importation, distribution and marketing of petroleum products, spare parts of vehicles and supplies. They can also operate gasoline service stations and transport service centers which they have already started to do.

## **Clean Energy and the Moringa Initiative**

### *The Biofuels Act of 1996*

In 2006, Republic Act 9367 directed the use of biofuels to develop and utilize indigenous renewable clean energy to reduce dependence on imported fuels, mitigate toxic and greenhouse gas emissions, increase rural employment and income and ensure the availability of alternative clean energy without any detriment to the natural ecosystem, biodiversity and food reserves of the country. The Federation of Moringa Farmers Association whose properties are mostly in Mindanao has decided to convert themselves into cooperatives. The members have control over 500,000 hectares. Its leaders have also been appointed farmer representatives to the National Anti-Poverty Commission and work closely with the Department of Agriculture, the Department of Agrarian Reform and the Department of Natural Resources and Environment. The Philippine Agriculture Development and Commercial Corporation has identified crop energy sites. The agrarian reform beneficiary and community based forest management cooperatives have started to independently study the potential of joint ventures.

## **Organizing for Jobs**

### *Realizing the Right to Work*

Worker-owned-and-managed business provides unique opportunities for enterprise and employment creation and a democratic management structure. The growth of the global services outsourcing industry involves the transfer of management and day to day execution of a part or an entire business function to an external service provider. The client organization and the supplier enter into a contractual agreement that defines the services. The phenomenal growth of worker cooperatives as service provider can be seen in both urban and rural areas. Manpower cooperatives are partners of the San Miguel Group of Companies, Coca-Cola Philippines and plantation based cooperatives mostly in Mindanao. There are 255 worker cooperatives registered in 2006 whose services cover both manpower services and mutual benefits. Also, in four out of six provinces in the Bicol region for example, labor has organized into ports and arrastre coops including forklift, trucking, hauling, stevedoring and cargo handling. In 2006, Calapan Labor Service Development Cooperative (CALSEDECO) in Mindoro Oriental was recognized as the most outstanding service coop in the country because of its diversified services from stevedoring to consumer stores, socialized housing and mortuary. One worker cooperative is worth US\$ 25 million in volume of business with 22,000 members.

## **Cooperative Insurance: The Need for Integrated Solutions**

### *The Cooperative Insurance of the Philippines*

The fragmentation of the cooperative movement is an obstacle to develop cooperative insurance. The cooperatives belonging to the Cooperative Union of the Philippines, support the Cooperative Insurance System of the Philippines (CISP), cooperatives belonging to NATCCO are with the Cooperative Life Mutual Benefit Services Association (CLIMBS) and those belonging to the Philippine Federation of Credit Cooperative Organizations (PFCCO) favors a private insurance company. The schemes of mortuary funds earlier mentioned whereby cooperatives provide benefits to their members in case of death continue to multiply.

The oldest of the formation is the Cooperative Insurance System of the Philippines, Inc. (CISP) which was organized in 1974. Their

registration was confirmed in 1991 by the CDA and it operates like all other insurance companies. Membership is open to all types of cooperatives, farmers or workers organizations, trade unions and other cooperative-oriented groups. In 2008, CISP made a surplus of US\$ 230,000. It intends to become a Social Security System (SSS) accredited agent to collect premium of members as well as serve as outlets of pensioners. It is also into a campaign to venture into non-life insurance through tie-ups. The Department of Finance requires CISP to increase its minimum capital requirement to US\$ 3.7 million in 2010.

### **Conclusions and Recommendations**

Eradicating poverty in all its forms, is the greatest challenge for the international community. The Asian region has made a lot of progress but it has been uneven. In the Philippines much still needs to be done and an important dimension of inclusive development involves the participation of poor people. Through cooperatives, individuals and groups participate actively in decisions that affect their lives and interests. Savings and credit cooperatives have driven to a large extent the country's remarkable network of cooperatives. Various types of cooperatives have taken up effective partnership with the national and local governments to share risks and costs in addressing basic needs of the people. However, several factors constrain the effective contribution of the cooperative movement consistent with its pro-poor agenda. With the increasing spread of social development agenda from below, there should be a comprehensive flagship program on the role of cooperatives in the UN's Millennium Development Goals. There should be an understanding of social capital on issues of ownership and empowerment at the community level. Cooperative leaders bring unique strengths and skills and they can be mobilized in the management of the environment and in natural resources. There is a need for a long term focus on cooperatives and to likewise develop performance benchmarks to monitor and evaluate cooperatives systematically. Gender equity in cooperative governance should be recognized and promoted in the cooperative's strategic operating principles. There should be strengthening of CDA's data processing and its library improved so that it can serve as an information base and clearing house. Essentially, how can research into cooperatives be more carefully and systematically undertaken? Are cooperatives effective in narrowing the gap between the wealthy and the poor? Knowledge management

competencies through research policy studies will help government officials and cooperative leaders sustain efforts towards consolidation through the sharing of experiences and plans. Cooperation has already been written into the legislation. The task of the next 25 years is to build on this and update research in theory and practice.

### **Endnote**

<sup>1</sup> Manila Water, is a private water distribution company is a joint venture between Ayala Corporation, two US Companies, and the Japanese Mitsubishi Corporation.

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