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# THE ROLE OF GOVERNMENT IN THE DEVELOPMENT OF COOPERATIVES IN THE PHILIPPINES

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## Summary

Cooperatives are good examples of community-based organizations. However, due to inadequate resources and other problems, the cooperators encountered difficulties in making their cooperatives succeed. This paper presents the role of government in the development of cooperatives in the Philippines. In a developing country like the Philippines, the government tends to assume a more aggressive role in the developmental programs of the country. According to some critics, cooperatives in the Philippines are suffering from an image problem. The reason behind this problem is that the existing cooperatives in the Philippines today are organized and managed by two sectors : the government and the private sector. Thus, the members are confused as to who is the real owner of the cooperative.

## 1. Introduction

It has been said that cooperatives are good examples of community-based organizations. However, due to inadequate resources and other problems, the cooperators encountered difficulties in making their cooperatives succeed. This paper presents the role of government in the development of cooperatives in the Philippines. It will enumerate and discuss important laws issued by the government for the betterment of cooperatives starting from the Marcos Administration (1972) up to the Ramos Administration. The rights and privileges of cooperatives as written in the Cooperative Code of the Philippines will also be discussed.

Both the government and the cooperative sector have their respective roles in the development of cooperatives in the Philippines. In a developing country like the Philippines, the government tends to assume a more aggressive role in the developmental programs of the country. In the Philippines, the government utilizes cooperatives as implementing agencies of their special programs. They also organize coops for the sole purpose of carrying out a certain government project. According to some critics, cooperatives in the Philippines are suffering from an image problem. The reason behind this problem is that the existing cooperatives in the Philippines today is organized and managed by two sectors : the government and the private sector. Thus, the members are confused as to who is the real owner of the cooperative.

## 2. Functions of the Government

One of the most controversial issue in the development of cooperative movement is the specific role the government should play. What the cooperators have in mind regarding the issue may be categorized into three, namely no government intervention whatsoever ; restricted government involvement ; and unrestricted government participation[1].

The first authoritative common frame of reference in the involvement of the government in cooperative development was provided by the International Cooperative Alliance (ICA) in the form of declaration at the international meeting in Luckwood in 1949 :

"The role of government in relation

to cooperative societies should be one of active helpfulness, intended to stimulate co-operative enterprise. To guide it and keep it on sound lines without either attempting to compel or to replace the local initiative or self-help. Government should in addition promote conditions under which cooperatives will trive and develop[2]."

and according to Article 2 of the Cooperative Code of the Philippines :

"It is the declared policy of the State to foster the creation and growth of cooperatives as a practical vehicle for promoting self-reliance and harnessing people power towards the attainment of economic development and social justice. The state shall encourage the private sector to undertake the actual formation and organization of cooperatives and shall create an atmosphere that is conducive to their growth and development.

Toward this end, the Government and all its branches... shall ensure, the provision of technical guidance, financial assistance and their services to enable the said cooperatives to evolve into viable and responsive economic enterprises and thereby bring about a strong cooperative movement that is free from any conditions that might infringe upon the autonomy or organizational integrity of cooperatives. Further, the state recognizes the principle of subsidiarity under which the cooperative sector will initiate and regulate within its own ranks the promotion and organization, training and research, audit and support services relating to cooperatives with government assistance, where necessary[3]."

The declaration affirms that it is the role of the government to assist, encourage and extend aid but they are cautioned against managing and controlling the cooperatives, which may lead to crushing cooperative democracy. To make everything clear, the government should only act as coordinator and catalyst to help the cooperatives achieve the objectives they have set for themselves.

In a developing country like the Philippines, the government tends to assume a more aggressive role in the developmental programs of the country. It lays the foundation of development and other social investments. These integrated components of investments usher in an atmosphere that is conducive not only for the growth of trade and commerce but also the programs of the government, as agricultural production, cottage industries, agrarian reform and cooperatives[4]. During the past years, the government had a great role in the development of cooperatives for a large number of cooperatives was organized by the government and not by the people in the community.

Complacent and confident in their beliefs that they know the needs and problems of the cooperatives better than the members of the cooperatives. Most government planners usually go on with their task without consulting any members of the cooperative sector. It has been observed that government initiated programs are grandiose and optimistic. They normally provide a package of financial and technical support. I really believe that it is just fair and logical that before any program be implemented, the members or the persons concerned should first be consulted and made to participate in the planning and implementation of the program.

The government utilizes cooperatives as implementing agencies of their special programs in the nature of price support, subsidies, technology transfer and others. They even organize coopera-

tives for the sole purpose of carrying out such government project. Due to this strategy a lot of problems arises like the trust of the organization changed from service-oriented to profit oriented cooperative, this is to take advantage of the tremendous income potentialities of the program. Since some of the cooperatives were organized solely for the purpose of the project, it was then organized not because of the need of the members but the need of the government.

Based on Table1, all of the primary cooperatives reported to have availed of the different assistance of the different agencies and institutions in the region. More than half (68%) reported to have received educational and training assistance from the universities within the region. Almost all (40 coops or 80%) of the primary coops reported to have received assistance from government agencies like the Municipal Government Office, Cooperative Development Agency, Bukidnon Union of Cooperative, Department of Agriculture, Department of Agrarian Reform and the Land Bank of the Philippines. It is interesting to know that the community where they belong also helped them in some way through the different organizations and committees they have in the community.

## 3. Relevant Laws and Policies on Cooperatives

This section enumerates and discusses the different laws and policies issued by the government related to cooperatives.

### 3.1. The Laws Issued by the Government

Specific laws of the state govern the development of cooperatives in almost all countries but its statutory provisions vary from one country to another. This is because each cooperative law should be adapted to the history, laws, customs and traditions of the country. Though it is true that cooperatives, by their very nature properly belong to the non-government sector; it is also true that the government has a share of responsibility in the development of cooperatives.

a.) In 1972, the Philippines was declared as a Land Reform Area. With this P. D. (Presidential Decree) 27 was issued. This decree refers to the freedom of tenant farmers from the bondage of the land, the ownership of the land they are tilling were transferred to them on conditions. These conditions were for the farmers to pay the land in 15 annual payments; they have to be a member of a cooperative and the coops guarantee to pay land amortization.

b.) In 1973, PD 175 entitled "Strengthening of the Coop Movement" was issued. This decree states that the government fosters the creation of coops to increase income and have a more equitable distribution of wealth. Thus, a lot of Samahang Nayonsl was formed. The samahang nayons were organized to prepare the farmers to become own-

Table 1 Agencies who Assisted the Cooperatives

| Agency | Area | | | | |
|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | Total (%) |
| Community | 6 | 8 | 7 | 4 | 25( 50) |
| Government Agency | 10 | 16 | 5 | 9 | 40( 80) |
| Private Institution | 5 | 5 | 7 | 5 | 22( 44) |
| University | 9 | 10 | 6 | 9 | 34( 68) |
| Total | 17** | 16** | 8** | 9** | 50(100) |

Source: Field Survey, 1996

Note: ** indicates that the respondents gave more than one answer

area 1 = Municiality of Maramag

area 2 = Municipality of Valencia

area 3 = Municipality of Lantapan

area 4 = Municipality of Malaybalay

ers of the land they till.

c.) It was only in 1987 when a law on creating an agency to promote the growth of cooperatives was issued (Article XII, Sec. 15 of the 1987 New Philippine Constitution).

d.) In 1990, R. A. (Republic Act) 6938 (Cooperative Code of the Philippines) and R. A. 6939 (Cooperative Development Authority) was signed into law.

e.) In 1996, President Ramos issued R. A. 8242, this republic act amended the Expanded Value Added Tax which adversely affected the cooperatives. This act states that all credit coops and consumers coops whose members have less than 15,000 pesos share are exempted from tax.

3.2. Cooperatives Rights and Privileges Based on the Cooperative Code of the Philippines.

According to chapter 5 of the Cooperative Code of the Philippines, the following are the rights and privileges of cooperatives.

a.) Article 61 states that registered cooperatives that do not transact business with non-members are free from any government tax. Since almost all cooperatives transact business with non-members, they will fall under article 62.

b.) Article 62 states that for cooperatives doing business with both members and non-members, their transaction with members will not be subject to tax. However, their dealings with the non members will be subject to the condition that cooperatives with accumulated reserves and undivided net savings of less than ten million pesos will be exempted from all national, provincial and municipal taxes. They are also exempted from custom tax on their importation of machines or equipments. However, this tax-free importation should not be transferred to any person until 5 years.

c.) All cooperatives are exempted from payment of local taxes on transactions with banks and insurance companies. They can also avail the following services free of charge : a judge, register of deeds, all court and sheriff's fee.

d.) Article 63 explains the privileges of cooperatives. According to this article, cooperatives have the preferential right to supply government institutions their produce and manage public markets. They are also entitled to loans, credit lines, rediscounting of their loan notes and other eligible papers with government banks (Development Bank of the Philippines, Philippine National Bank and land bank of the Philippines) and other financial institutions except Central Bank of the Philippines.

The article also states that they have the preferential treatment in the allocation of fertilizers and rice distribution by appropriate agencies. They are also entitled for equal treatment on shipping vessels in connection with shipments of their products.

## 4. An Evaluation on the Efficiency and Applicability of Government Policies.

This section presents how efficient are the laws and policies enumerated and discussed in the previous section. A lot of critics believed that cooperatives in the Philippines are suffering from an image problem. Image problem in the sense that in the recent years, some cooperatives are managed by the private sector and some are managed by the government indirectly. Another reason is that Filipinos have a negative perception on cooperatives. This is due to the fact that thousands of cooperatives were organized not because of the people's choice but the government's or politicians'. Some uses the cooperative for vote getting come election time. The promise of money or capital gets the group running to the nearest office of the Cooperative Development Authority (CDA) for accreditation. Some do make good and become self-reliant entrepreneurs but most just die down after the last cent has been spent and some people ran away with the money. Another reason behind the image problem is the issues on ownership, the members are confused as to who the owner of the cooperatives is due to too much intervention from the government.

Instead of intervening in the management proc-

edures of coops, the first author believed that the government should instead focus on how they could provide cheaper inputs and cheaper credit to the farmers. They should also concentrate on how they could improve infrastructures especially in rural areas and how they could provide marketing assistance to the farmers.

Based on previous researches, the government has some conflicting policies. There are some agencies, though mandated to assist cooperatives do not spare some of their time in doing so. The main concern of some of these agencies is to earn higher profit for the survival of their agency so they opt to sell their goods to individual buyers instead of selling it to the cooperatives. They also opt to buy goods from individual sellers than the cooperatives due to price bargaining. It is easier for the agencies to bargain with individual sellers than with cooperatives. Hence, in terms of the applicability of the cooperative code and other laws on cooperatives, these laws are not being followed by some of the concerned agencies.

Likewise, due to lack of funds and appropriate trainings to run a cooperative, many cooperatives also do not follow the rules set on them and they are not doing their responsibilities and functions. These responsibilities and functions refer to the documents and annual reports these cooperatives should submit to the nearest Cooperative Development Authority office. It was also agreed that all members should buy their inputs and sell their produce to their cooperatives. However, otherwise happens due to some personal reasons like, most of these members live in a day to day basis so they have to sell their produce to somebody who can automatically pay them with cash. Some also have to sell their produce to traders due to indebtedness. All these problems encountered by cooperatives can be traced from the very beginning when the cooperatives are organized. Many cooperatives was organized without the availability of funds, many cooperatives was also organized not because of the people's needs but the needs of the organizers. The main objective of the organizers was not to help the people but to get the people's sympathy and votes during election. All these implies that the cooperatives itself and the people running the cooperatives have some faults.

Since the applications of the laws are very poor, then it will also follow that its efficiency is very poor. How can it be efficient when both parties (government and cooperatives) are not doing their responsibilities. The researcher believed that reason behind all these inefficiencies is the lack of funds and appropriate trainings, which would allow the management of both parties to work in its maximum.

## 5. Conclusion

Though the people behind the cooperative movement may have the best intentions and believed that their efforts holds the promise of success, but the strategies they employ in organizing the coops have serious flaws. It is then suggested that the government should leave the organization, management and operation of cooperatives to the cooperators themselves. They should only limit their part in supervising the cooperatives to ensure that they operate in accordance with their articles of incorporation and laws. According to Mendoza, the government and the cooperative sector can and should work hand in hand on the following aspects, financing, cooperative education and information, training of officials and employees and provisions for technical and management services. Each sector will work in varying degrees of responsibility depending on the workload.

### Definition of Terms

1. Samahang Nayons - a pre-cooperative organizations which will prepare farmers to be effective and responsible cooperators.
2. R. A. – refers to Republic Act
3. P. D. – refers to Presidential decree

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