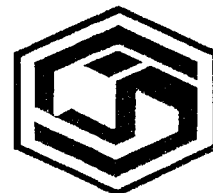


# SYMPOSIUM REPORT

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## "Cooperative-Government Collaborative Strategies Towards Cooperative Competitiveness"

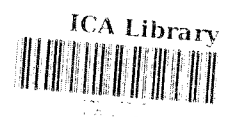
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*Sponsored by: International Co-operative Alliance (ICA), together with  
Canadian Co-operative Association (CCA) and Développement international Desjardins (DID)*

March 6-7, 1995  
Robinson Galleria Suites, Ortigas Center  
Pasig, Metro Manila

Prepared by: Canadian Co-operative Association (CCA)-Manila



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## ACRONYMS

ADB	- Asian Development Bank
ACDI	- Agricultural Cooperative Development International
ACCU	- Association of Asian Confederation of Credit Unions
AFTA	- Asean Free Trade Area
ALTERPLAN	- Alternative Planning Initiatives, Inc.
BANGKOOP	- Cooperative Rural Bank Federation of the Philippines
BARBD-DAR	- Bureau of Agrarian Reform Beneficiaries Development - Department of Agrarian Reform
BSMBD-DTI	- Bureau of Small-Medium Business Department - Department of Trade And Industry
CCA	- Canadian Co-operative Association
CDA	- Cooperative Development Authority
CDC	- Cooperative Development Council
CDF	- Cooperative Development Fund
CEC	- Cooperative Education Center
CETF	- Cooperative Education Training Fund
CFPI	- Cooperative Foundation of the Philippines, Inc.
CIDA	- Canadian International Development Agency
CISP	- Coop Insurance System of the Philippines
CLIMBS	- Coop-Life Mutual Benefit Services Association
CUP	- Cooperative Union of the Philippines
DID	- Developpement international Desjardins
FES	- Friedrich-Ebert-Stiftung
FFFCI	- Federation of Free Farmers Cooperatives, Inc.
GATT	- General Agreement on Tariff and Trade
GDP	- Gross Domestic Product
GNP	- Gross National Product
GO	- Government Office
GOP	- Government Policy Pre-requisites
HRD	- Human Resource Development
ICA	- International Cooperative Alliance
ICA-ROAP	- International Cooperative Alliance - Regional Office of Asia Pacific
INCODAP	- Indonesia Cooperative Development Assistance Program
LBP	- Land Bank of the Philippines
LGU	- Local Government Unit
LURFEHCO	- Luzon Regional Federation of Housing Cooperatives
MIS	- Management Information System
NAFC-DA	- National Agricultural and Fishery Council - Department of Agriculture
NAFTA	- North American Free Trade Agreement
NATCCO	- National Confederation of Cooperatives
NCC	- National Coordinating Committee
NEDA	- National Economic Development Authority
NFL	- National Federation of Labor
NGO	- Non Government Organizations
ODA	- Official Development Assistance
P-CODAP	- Philippine Cooperative Development Assistance Program
PFCCO	- Philippine Federation of Credit Cooperatives Organizations
PIDS	- Philippine Institute of Development Studies
SHG	- Self-Help Group
IPPDBAF	- Institute for People Power and Development - Benigno S. Aquino Foundation
VOCA	- Volunteers Overseas Cooperative Association
WTO	- World Trade Organization

## **A. EXECUTIVE SUMMARY**

### **I. INTRODUCTION**

#### **A. Participants**

There were 48 representatives from different national apex cooperative organizations and government agencies as follows: ICA, CCA, DID, CDA, CIDA, CEC, LURFEHCO, ALTERPLAN, BANGKOOP, (BSMBD-DTI), CFPI, FES, CUP, CISP, ACDI, VOCA, IPPD-BAF, NATCCO, CLIMBS, (NAFC-DA), (BARBD-DAR), PIDS, LFCB, ACCU, PFCCO, FFFCI, NFL, and LBP. (See Appendix 1)

#### **B. Background**

A series of regional consultations from the 14th to 27th of February 1995, culminating in this national symposium, produced the conceptual framework that Philippine cooperatives draw their competitiveness from the following key factors :

1. member commitment
2. leadership and management
3. finance
4. business networks
5. innovation

Moreover, cooperatives must address the following issues to enhance their competitiveness

1. supportive government policy and a consistent regulatory environment
2. vertical integration of "forward" and "backward" linkages
3. horizontal integration across cooperative sectors
4. external influences on competitiveness

#### **C. Process**

The participants determined specific strategies on how the five key factors can be applied to each of the four issues. One workshop group was assigned for each issue.

Next, drawing on the results of the first workshop and the comments and reactions thereto, the participants worked on a national business plan under the two main themes of Government Policies and Competitiveness. One workshop group was assigned for each theme.

## II. STRATEGIES

### A. Member Commitment

1. availability of government people to respond to the needs of the cooperative sector
2. encourage coops in one locality to collaborate functionally
3. encourage common facilities for coops in one locality (e.g. warehouse)

### B. Leadership and Management

1. coordinate efforts of government agencies to avoid duplication of efforts
2. establish standards to ensure safety and soundness of coops in coordination with national coop federations
3. initiate team-building activities among coop leaders and sharing of expertise among coop leaders (big/small brother and on-the-job-training concepts)
4. strengthen continuing education on coop values
5. provide regular access to degree programs
6. standardize coop training programs

### C. Finance

1. gear federations to act as holding companies for business ventures of primary coops
2. develop suitable financial instruments for funds mobilization and for coop funds management

### D. Business Networks

1. establish a process for grassroots planning leading to a national cooperative plan
2. disseminate information regularly through a national coop journal
3. develop intercoop trading toward a national wholesale society
4. develop common pricing strategies
5. deal with inter-federation problems and government concerns

### E. Innovation

1. lobby with government for favored status such as in fertilizer trade

## III. NATIONAL BUSINESS PLAN

### A. Government Policies

#### Goal :

Establish government policies conducive to the development of globally and locally competitive coop sector.

#### Objectives :

1. Establish a unified cooperative sector agenda.

2. Establish appropriate coordinating mechanisms with regard to the formation of policies of all government agencies dealing with the coop sector.
3. Institutionalize consultation with the coop sector in all levels in the formation of government policies.

**Strategies :**

1. Strengthen and institutionalize the existing cooperative mechanism and structure in all levels.
2. Intensify and strengthen the mechanism of the National Coordinating Committee
3. Establish a regular forum that will ensure the continued dialogue between the government and coop sector.

**B. Competitiveness**

**Goal :**

Bring cooperatives into the mainstream of the national economy.

**Objectives :**

1. Increase the participation of coops in industry, agriculture, and services by 20% on average by the year 2000.
2. Improve the access of coops to land, capital, skilled labor and markets.

**Strategies :**

1. Develop coops' capacity to become processors and distributors rather than mere producers.
2. Establish strategic alliances (area based, sectoral, cross-sectoral, etc.) through joint ventures.
3. Employ state of the art but appropriate technology.
4. Strengthen policy analysis and advocacy group for cooperatives.
5. Develop a coop financial marketing (sources & uses) advantageous to the sector.

## B. SUMMARY OF THE PROCEEDINGS

### 1.0 OPENING CEREMONIES

The two-day symposium started on March 6, 1995, 9:45 A. M., at Robinson Galleria Suites, Ortigas Center, Pasig, Metro Manila, Philippines. It was formally started with an opening prayer led by Sister Leontina Castillo, Executive Director, Cooperatives Education Center.

#### 1.1 Welcome Address by Prof. Edna Aberilla (See Appendix 2.0)

Prof. Edna Aberilla, Chairperson, Cooperative Development Authority (CDA), welcomed the cooperative leaders to the workshop and mentioned that this was the first symposium to be carried out in the Asia Pacific Region by ICA-ROAP, in collaboration with CCA and DID, as practical follow-up to the Third Asia Pacific Coop Ministers Conference organized by ICA-ROAP in Sri Lanka in July, 1994.

She also stated that it was so timely that cooperatives were getting together since it supports the new perspective of opening-up trade when we need to look beyond Philippine shores to a global market. The global market is changing. She encouraged the participants to start thinking globally, strategizing regionally and acting locally.

She also urged the cooperators to join hands, enhance unity, solidarity and teamwork to build a strong and unified cooperative movement that will lead to the attainment of a global coop society.

#### 1.2 Speeches

##### 1.2.1 Mr. Rob Beadle (See Appendix 3.0)

Mr. Beadle, Head of Aid, Canadian International Development Agency (CIDA), spoke about looking at the changing environment beyond our shores. He spoke of the hard reality the cooperative sector is now facing. This is why the Canadians have been strong friends of the Philippine cooperatives, which were one of the first recipients of programs under the Cdn\$ 100 million commitment made by Minister of External Affairs Joe Clark in 1986.

In recent weeks there have been significant cut backs in CIDA's worldwide budget. The impact in the Philippines is not yet clear, but, definitely there will be a change in Canadian aid to the Philippines.

He pointed out that **NETWORKING** is important for competitiveness and he also surfaced the thought that a lot of discussion has been done on where the cooperative movement stands. *IS IT IN SOCIAL DEVELOPMENT OR IS IT PRIVATE SECTOR?* But clearly, to be sustainable, Mr. Beadle pointed out that we need to have a strong cooperative movement.

### 1.2.2 Mr. G. K. Sharma (See Appendix 3.1)

Mr. Sharma, Regional Director, International Co-operative Alliance (ICA) emphasized that unity continues to be the main focus of ICA as the movement moves into a new global market place. He pointed out the reality that in many countries, there is a lot of misunderstanding between the government and the cooperative sector that really helps no one. There is a need to work together and find solutions.

Mr. Sharma pointed out that while government policy is important it is not everything. We need to work together professionally. Success in the market economy can be ensured when it begins within cooperative systems.

## 2..0 PRESENTORS

### 2.1 Mr. Robby Tulus, CCA/ICA Resident Representative & Sr. Policy Advisor

Title: *The ICA ROAP Agenda: Building Co-operative Competitive Strength in the Market-Oriented Economy.* (See Appendix 4.0)

The Asia Pacific region is experiencing broad and widespread shifts. Policies provide more independence and autonomy to cooperatives. At the same time, the region is experiencing high economic growth.

In the midst of these changes, cooperatives must address both a growing middle class with high expectations as well as a high incidence of poverty. This calls for organizational renewal that is characterized by :

1. rigorous building of horizontal networks;
2. continuous growth using flexible organizations without losing basic values and principles;
3. alliances with other cooperatives here and abroad;
4. recognition of new talents and encouragement of new ideas;
5. recognition of networks as a natural course of how ideas flow and how rapid changes can be accomodated;
6. ensuring quality not only in terms of products and services, but also in terms of adherence to values while striving to remain competitive.

### 2.2 Mr. R.B. Rajaguru, ICA Consultant

Title: POLICY & REGULATORY ISSUES IN THE PHILIPPINES (See Appendix 4.1)

In general there is tremendous enthusiasm and continuing faith in cooperatives. At the same time, the regional consultations also produced a list of problems or constraints, and expectations. Summarizing these concerns, the picture appears somewhat confused



because of many authorities/agencies/NGOs in the field, and because of the absence of clear guidelines which will lead to coordinated activity. There appears to be a felt need for rationalization and structural adjustments to enable the strengthening of cooperatives at various levels, and to provide opportunities for inter-cooperative action, which may even include joint cooperative ventures.

The discussion on Mr. Rajaguru's paper brought up the following concerns :

1. the proliferation of coops organized to access government funds;
2. the desire for fair access to grants for cooperative development;
3. the perspective among government agencies that coops are tools for government programs and thus a desire to clarify the role of government;
4. the desire of the Cooperative Development Authority for more staff in order to reach more coops;
5. the intervention of politicians in coop affairs;
6. the desire for more amendments to the coop code.

Mr. Rajaguru offered his opinion about the role of government in coop affairs. He considered the question a delicate issue. First, he recognized that government has a right to be concerned with coop development. But looking back to the history of how the coop movement came to Asia from Britain, he observed how the British registrar first acted as friend, philosopher, and guide. However, through time and more laws, the registrar became creator, preserver, and destroyer. But in the environment of liberalization, coops will find themselves pitted against Olympic runners. In this regard, he saw a positive role for government. But the proper approach is for government to find the needs of people and then to do something to improve the situation.

### **2.3 Mr. Eric Bellows, CCA Program Director**

Title : *Co-operative Competitiveness In The Philippines* (See Appendix 4.2)

The paper is the result of eight regional consultations held between February 14 and 27, involving the participation of 58 primary cooperative organizations, 36 federations or unions, and 33 representatives of government agencies. The consultations were also augmented by interviews with key institutions (CDA, LBP, ADB) which have a strong influence on cooperatives.

The paper presents a draft definition of cooperative competitiveness, and key areas of concern to make cooperatives more competitive. The analytical framework presented became the basis for the workshops that will follow.

The discussion on Mr. Bellows' paper brought up the following concerns :

1. that all sectors and types of coops may not have been sufficiently represented in the regional consultations
2. that representatives of local government units could participate in future consultations
3. that the process of unifying coop federations be left to the federations
4. whether there are benchmarks to measure coop competitiveness
5. that there are areas of misunderstanding among coop federations
6. that coop competitiveness must also be based on values, not just finances and technology
7. that there are other ways of defining coop competitiveness

Out of these discussions, the participants agreed to accept the definition of competitiveness with the addition of innovation, the fifth key factor. Moreover, the findings of Mr. Bellows were generally found to be acceptable.

#### **2.4 Mr. Donato C. Endencia, Vice Pres./Group Head, Land Bank of the Philippines**

Title : *Towards World-class, Competitive Philippine Cooperatives : Agenda For Action* (See Appendix 4.3)

The paper presents three areas of concern to promote coop competitiveness. One is the enhancement of institutional competencies and potentials. The other is the promotion of an environment that is conducive to sustainable business. The third is the development of a coop support system that maximizes complementation, assistance, and impact of government organizations, nongovernment organizations, financial institutions, educational institutions, and the church.

### **3.0 STRATEGIC POLICY WORKSHOP**

**(addressing key issues on coop competitiveness)**

#### **Conceptual Framework :**

Cooperatives are competitive when they possess five key factors :

1. member commitment
2. leadership and management
3. finance
4. business networks
5. innovation

Regional coop consultations held between February 14 and 27, indicate that cooperatives must address the following issues to enhance their competitiveness :

1. supportive government policy and a consistent regulatory environment
2. vertical integration of "forward" and "backward" linkages

3. horizontal integration across cooperative sectors
4. external influences on competitiveness

### **GROUP 1 : Strategies On Government Policy**

#### **1. MEMBER COMMITMENT**

- Availability of time of government people to respond to the needs of the cooperative sector.

#### **2. LEADERSHIP**

- Coordinated efforts of government agencies in spite of various/varied mandates of agencies to avoid duplication of efforts between agencies or with cooperative service organizations.

#### **3. BUSINESS NETWORK**

- Development of a national cooperative plan that will carry the mandate and needs of the coop sector following the "bottom-up" approach.
- Set up "COOP WATCH"
- Regular dissemination of information (national/global) - COOP JOURNAL
- Equal representation of coop sector at the municipal level through fora and appropriation of funds at LGU's for such fora.
- Define mechanisms of responsibility, accountability of Mayors at LGU's.
- CDA to facilitate information dissemination, promotion, integration and collaboration among government line agencies to attain unified coop information and efforts.
- Enhance government ability to govern and increase government accountability; policy makers should translate programs into "coop language".
- CDA to accept new coops for registration endorsed by recognized federations and unions.
- Full cooperation of all sectors to enforce tax incentives and come-up with research, documentation and manifesto.

#### **4. MANAGEMENT/ FINANCE**

- Set-up, standards to ensure safety and soundness of coops at all levels according to business/industry.
- Consult coop national organizations in improving supervisory and monitoring activities of coops; motivate or discipline cooperative performance to go with "world class" coops.

## **GROUP 2 : Strategies On Vertical Integration**

### **Barangay Level**

#### MEMBER COMMITMENT

- Conduct inventory of coops per barangay.
- Encourage coops per barangay to collaborate functionally. (Ideal is one coop per barangay.)
- Common facilities for coops in one barangay (e.g. warehouse) as much as possible.

#### BUSINESS NETWORK

- Encourage coops in barangay to become service outlets of municipal level coops  
> take advantage of economies of scale

### **Brgy./Mucipal/Provincial/Regional/ National Level**

#### LEADERSHIP/MANAGEMENT

- COOPS/GOs to initiate team-building activities among coop leaders
- Continuing education on coop values
- Sharing of expertise among coops/leaders (big/small brothers concept; OJT)

#### FINANCE

- Federation to act as "holding company" for primary coops

#### BUSINESS NETWORK

- Lead areas where coops can functionally collaborate
- Intercoop trade/National Wholesale Society - barangay to national levels
- Coops to adopt common pricing strategy (if possible common price)

Note : CDA to provide info on pricing

- Federations/Unions to complement rather than compete  
> share information

> federations to engage in business; unions not for business as for policy advocacy

Note : Needs clearer definition.

- Encourage coops to patronize coop business/services

INNOVATION

- Do soil analysis and put up soil laboratory; supply fertilizer accordingly
- Lobby government to give coops EXCLUSIVE right to trade in rice fertilizer

**GROUP 3 : Strategies On Horizontal Integration**

ORGANIZATION

- Functional Delineation/Local/Area-based
  - > Clustering
  - > Chambering
- Information Systems
  - > Available Training
  - > Coop Mapping

INFORMATION

- LGU/Local Planning/CDCs
- Universally understood standards
- Minimum Information needs met/not sophisticated structure.

FINANCE

**(International)**

- Suitable financial instrument for funds mobilization
- Coop funds management

**(External)**

- Appropriate credit schemes (graduation/segmentation)
- Rigorous application of loan criteria

MANAGEMENT

- Access to degree programs
- Training standardization

BUSINESS NETWORKING

- Develop credit co-ops towards becoming coop bank
- Rationalization between numerous credit co-ops and central funds of apex organizations (NATCCO)
- Interface between LBP role and Co-op Banks

#### **GROUP 4 : Strategies On External Influences**

##### GATT

- Cooperative business must get costs down, output up and resulting profitability up.
- Coops must use innovative technology in order to be responsive to changes... for example, product standards such as purity demanded by export markets should be improved.
- Coops need adaptability in both production and organization.

##### AID

- Aid for unity-building
- Import appropriate technology.
- Support trade rather than aid.

##### ENVIRONMENT

- Coops should introduce environmentally friendly products and services.
- Zero waste management, integrated pest management, resource conservation (water, forest...), packaging technology and environmentally-friendly processing.

#### **4.0 OPEN FORUM**

Performance Requirements/Indicators And Policy Prerequisites  
(list of particular areas of work based on individual perceptions)

##### *Background :*

To facilitate the discussion and the flow of ideas, the participants restrained themselves from making comments during the reporting of the results of the strategic policy workshop. Instead, they wrote down their ideas during the reporting and presented these ideas to the body in this open forum. The ideas were listed as positive statements of either performance requirements/indicators or policy prerequisites.

##### Performance Requirements/Indicators :

- > Coop Expertise sharing
- > Unity
- > System - marketing information
- > Standards and Norms of cooperative business
- > Innovation
- > Treat coops as full-fledged business enterprises
- > Give priority to coops for Agri/Products
- > Awareness of GATT/opportunities

- > Monitor foreign aid
- > Environment
- > Entrepreneurship
- > Innovate new management styles
- > Baseline Information/Where are we?
- > Strengthen existing coops-strategy or rationalize based on local economy
- > HRD values of training/strategic
- > Attitudes of dole-out to be removed, replaced by value of self-reliance
- > Back to ICA Rule No. 6 : cooperation among coops
- > Minimize duplication
- > Several apex organizations/Evolution
- > Regional Training Centers
- > Coop sector demand/Lobby government for change
- > Skills in marketing and pricing policies
- > Coop trade fair
- > Document success stories
- > Promote participation of women in coop enterprise
- > New coop types
- > Transportation efficiency
- > compete against private sector with business efficiency
- > Information support
- > Major shift in mental set for GOP-Coop Sector
- > Reinvent Philippine cooperatives (outward looking with service to coop member, community and country)
- > GOP relationship with coop must change from conduit to partner
- > Priority for small coops
- > Coop intertrading
- > Involvement in peace and order
- > Build capital

**Government Policy Prerequisites :**

- > Encourage building competitiveness
- > Coop expertise at CDA/volunteers
- > GOP is coach not referee
- > GOP role is to empower and promote interdependence
- > GOP is last step in resource generation
- > Active consultation on GATT safety nets
- > Sustainability : judicious use of resource through integration, better fund management, professionalization of leaders
- > Standard training programs for formal and non-formal managers.
- > Access to capital, stock market, coop finance corporation
- > Clear articulation of goals, result-oriented and area based , integrated
- > Increase capacity to understand, plan and mobilize around policy
- > Integration should be service-based
- > Business planning
- > Participatory processes
- > Coop professionals at CDA
- > Respect for organic processes

- > Integration of Cooperation in education
- > Increasing information on coops
- > Basic infrastructure accessed by CDA
- > CDA will facilitate unification
- > Review coop voting, coop finance corporation
- > Clear guidelines on federation accreditation
- > Clarify coop role and authority in Coop Development Council
- > GOP provides integrated support, not only resources
- > Development and implementation "framework and road map"
- > Using wholistic approach
- > GOP must not compete with coop
- > Easier access to credit but depending on coop type
- > Build on existing coop strengths towards modernization
- > National Savings Program
- > Each GOP department puts up Coop Desk

## 5.0 NATIONAL BUSINESS PLAN WORKSHOP

(Synthesis)

### GROUP 1 : Government Policies

#### GOAL :

Establish government policies conducive to the development of GLO/CALLY Competitive coop Sector.

#### OBJECTIVES :

1. Establish a unified cooperative sector agenda.
2. Establish appropriate coordinating mechanism with regard to the formation of policies of all government agencies dealing with coop sector.
3. To institutionalize consultation with the coop sector in all levels in the formation of government policies.

#### STRATEGIES :

1. Strengthen/Institutionalize the existing cooperative mechanism/structure in all levels.
2. Intensify/Strengthen the mechanism of the NCC (National Coordinating Committee).
3. Establish a regular forum that will ensure the continuation of dialogue between the government and Coop Sector in all levels.



OUTPUTS :

1. Strong/Effective advocacy (majority)
2. Complementary government programs and projects in place.
3. Healthy and harmonious relationship between government & coop sector.

TIME FRAME ( 1995-2000)KEY PROGRAMS

Activity	Output	Responsible	Time Frame
1. Establish Unions, CDCs in all levels	Functional Unions, CDCs & Nat'l Org.	CDA, CUP, Federations	1995
2. Continuous Educ. & Information dissemination by conducting dialogues, info materials, journals etc.	Membership Awareness on issues, policies affecting the - % Mem. Attended - No. of Info Mat'l/ Generated/Dist'd. - No. Dialogues conducted	- do -	
3. Continuous Policy & Research and advocacy various fora/sector	No. of Policies Reviewed	- do -	1995
4. Monitoring on the effective implementation of policies	No. of Policies implemented	- do -	1995-2000
5. Institutionalize the fora/dialogue to include all the coop sector	No. of formal resolutions adopted, joint programs/ projects implemented	- do -	1995-onward

**GROUP 2 : COMPETITIVENESS**GOAL :

*To bring cooperatives into the mainstream of the national economy.*

OBJECTIVES:

1. Increase the participation of coops in industry agriculture and services by 20% on average by the year 2000.
2. Improve the access of co-ops to land, capital, skilled labor and markets.

STRATEGIES :

1. Develop co-ops capacity to become processors and distributors rather than mere producers.
2. Establish strategic alliances ( area based, sectoral, cross-sectoral, etc.) through joint ventures.
3. Employ state of the art but appropriate technology.
4. Strengthen policy analysis and advocacy group for cooperatives.
5. Develop a co-op financial marketing (sources and uses) advantageous to the sector.

OUTPUTS :

1. Participation of co-op in industry, agriculture and services increased to 20% of GNP.
2. Joint ventures (co-ops to co-ops, co-ops to non co-ops)  
> percentage of total investment.
3. Increased employment opportunities for co-operators + dependents + labor sector in general - 10% of labor force.
4. Increased financial resources - more effective mobilization of funds  
(P87 B of GDP to P92 B)

KEY PROGRAMS :

1. Business Development
2. Information Generation + Dissemination
3. Human Resources Development
4. Financial Marketing Development

RESPONSIBILITY CENTERS

- Co-ops, supported by GO's/NGO's.
- Federations

TIME FRAME :

By the year 2000

CRITICAL ACTIVITY:

Mobilize support by forming task forces according to key programs :

- a) Business Development - NATCCO & CUP
- b) Information Gen & Dissemination: J. Balce, CDA & Dr. Gilberto Llanto
- c) Human Resource Development - PFCCO & NATCCO
- d) Financial Market Development - Mr. Pascual & BANGKOOP to meet and consolidate at St. Martin of Tours (Bulacan), 9:00 a.m., March 30, 1995.

## 6.0 RESOLUTIONS

The following resolutions were duly moved and seconded.

### RESOLUTION NO. 1

RESOLVED, as it is hereby resolved, to thank the ICA, CCA, DID for the National Symposium on "Cooperative-Government Collaborative Strategies Towards Increasing Cooperative Competitiveness" held on March 6-7, 1995 in Pasig, Metro Manila.

### RESOLUTION NO. 2

RESOLVED, as it is hereby resolved, to pledge the best efforts of all participants to promote coop competitiveness;

RESOLVED FURTHER, for the workshop participants to meet again after thirty days to assess the work accomplished to enhance coop competitiveness, and to determine what needs to be done.

### RESOLUTION NO. 3

RESOLVED, as it is hereby resolved, to hold a forum of partner agencies to plan ways of improving the use of cooperative support funds.

### RESOLUTION NO 4

RESOLVED, as it is hereby resolved, to request the President of the Republic for a dialogue in order to present the plan of the cooperative sector to enhance the capability of agricultural producers to participate and compete in the liberalized trade environment.

### RESOLUTION NO. 5

RESOLVED, as it is hereby resolved, to communicate to the President of the Republic, the desire of the cooperative sector to regulate itself, as provided in the

principle of subsidiarity, particularly in the choices and appointment of CDA administrators who are knowledgeable and experienced with cooperatives.

## 7.0 CONCLUDING MESSAGES

In the light of developments in the Asia-Pacific region, where numerous efforts are being brought to bear on cooperative concerns, one of which is policy making and legislation, Mr. G. K. Sharma stressed the importance of private initiative. But as seen in most countries in the region, government plays a major role in cooperative matters. Thus, Mr. Sharma expressed concern about efforts by government to plan for coops. Instead, coops must make demands on government. He also observed that in the Philippines, government interference is minimal compared to other countries in Asia.

Mr. R. B. Rajaguru glanced at the process that culminated in this national symposium. Regional consultations were held over a period of three weeks. From this perspective, Mr. Rajaguru reacted to the result of the national business plan. He reminded that as the Philippine coop sector works for a bigger share of the national economic output, the foremost concern must always be *how to improve the quality of life*. Mr. Rajaguru also hoped that the consultation process will continue, especially for the programs that have been laid in this national symposium. As part of the continuing consultation, Mr. Rajaguru thought that perhaps, the coop sector could orient people in government to help them with policy making.

Mr. Robby Tulus complimented the results of the symposium. It was timely in the context of the 100th year anniversary of the ICA. In another context, the discussions were significant in terms of the vision of the Colombo Declaration which was adopted in the Third Cooperative Ministers Conference held in Colombo, Sri Lanka from the 26th to 30th of July 1994.

# Appendices

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## Welcome Address

**Prof. Edna Aberilla**  
**Cooperative Development Authority**

Welcome to this National Symposium on "Cooperative-Government collaboration strategies towards increasing cooperative competitiveness", which is being sponsored by the International Cooperative Alliance (ICA), together with the Canadian Co-operative Association (CCA) and Developpement international Desjardins (DID).

The Philippines is honored to have the first symposium, the first of many to be carried out in the Asia Pacific Region by ICA-ROAP, in collaboration with CCA and DID, as practical follow-up to the Third Asia Pacific Coop Ministers Conference organized by ICA ROAP in Sri Lanka in July, 1994. This series of symposia will contribute to the success of the 4th Ministers Conference in 1997 to be held in Thailand.

In addition to reviewing the conclusions and recommendations of the Third Asia Pacific Coop Ministers Conference, it is also the intent of CCA and DID to promote a deeper understanding of the Philippines, particularly regarding the current vision, thrust, strategic directions and development priorities of the country toward attaining Philippines 2000.

This national symposium has been preceded by a series of field consultations and workshops in Luzon, Visayas and Mindanao. The findings in these regional symposia will be presented at this National Coop Symposium.

The main objective of the workshop is to reach a common perspective on regulatory position in the Philippines and how it contributes to strengthening cooperative competitiveness.

The regulatory environment and the performance of the Coop Code of the Philippines were noted during the deliberations at the Colombo conference. The Coop Code of the Philippines was considered a good model for bringing an increased governance by and independence within the coop movement in the Philippines. We shall then try to analyze the extent to which the regulatory position has actually boosted or curbed the commercial and business undertakings of coops outside the sector and to what extent coops have managed to sustain themselves as service providers to their individual members.

This symposium is very timely because of the developments occurring which are rapidly changing the external and domestic environment for Philippine business and consequently the coop business. These changes are the conclusion of the Uruguay

Round of the General Agreement on Tariff & Trade (GATT), the acceleration of Europe's integration and expansion, the ratification of the North American Free Trade Agreement (NAFTA) and the launching of the Asean Free Trade Area (AFTA).

These changes have brought about the globalization of business, the deregulation and liberalization of world economies and the acceleration of technological changes. These are the changes that compel coops to train their sights beyond domestic borders.

Never before has there been a great need to strengthen and unify the Philippine Cooperative Movement to meet challenges of these fast changing times.

But more than just the necessity of training our sights beyond domestic borders, our cooperatives must think global, strategize regional and act local.

Fellow Cooperators, we acknowledge with deep appreciation the help of ICA-ROAP represented here today by Mr. Sharma, Mr. Robby Tulus, and Mr. Rajaguru; CCA represented by Robby Tulus and Mr. Eric Bellows; DID, represented by Mr. Hotte.

We hope that thru this exercise we shall be able to see clearly the direction we should take, join hands and hearts in unity, solidarity and teamwork so that we can build a strong and unified Philippine Cooperative Movement, that will lead to attaining a global coop society where there is equity, social justice and sustainable economic development.

## Speech

**Mr. Rob Beadle**  
**Head of Aid, CIDA**

Good morning!

Mr. G.K. Sharma, Executive Director, ICA  
Prof. Edna Aberilla, Chairperson, CDA  
Mr. Robby Tulus, the man of many hats  
Mr. Bellows of CCA  
Mr. Hotte of DID  
Mr. Rajaguru, ICA  
Ladies and Gentlemen.

It is indeed a pleasure for me to be with you here this morning and greet you, distinguished members of the cooperative movement, on behalf of the Canadian Embassy.

As many of you know, the Canadian International Development Agency (CIDA) has been a strong supporter of cooperative movements in the developing countries, in this region in general, and in the Philippines, in particular.

Indeed, the involvement of Canadians in the cooperative movement in the Philippines far antedates the creation of CIDA some 26 years ago. Both Canada's major cooperative movements, the CCA and DID, have been active with their own programs and projects, backed by CIDA support, in the Philippines. I am pleased to see them working together with ICA, NATCCO and CUP on this conference.

Shortly after the new government of President Aquino came to power in 1986, the Canadian Government commenced a \$100 million program over five years in support of the new Philippine democracy. Cooperatives were seen as a key part of that program and the Philippine Cooperative Development Assistance Program (P-CODAP), a \$5 million project, was born. I would like to take this occasion to publicly thank Mr. Michael Casey, P-CODAP's manager who is now working on INCODAP in Indonesia, not only for his contribution to that project, but also as a reliable partner to others involved in the Canadian development assistance program. In particular, he used his cooperative credit expertise as an active member of the advisory panel for the Canada Fund for Local Initiatives, a small project fund for NGOs.

## CANADIAN FOREIGN POLICY

The Canadian Government last month issued a comprehensive review of its foreign policy entitled, "Canada in the World".

International assistance, as reviewed in the context of the Canadian Foreign Policy, is seen as an integral part of that policy.

International assistance promotes prosperity and employment. It connects the Canadian economy to some of the world's fastest growing markets - that of the developing world. And, in the long run, development cooperation helps developing countries overcome poverty, by bringing their economies into the international economic system.

International assistance also contributes to global security, by dealing with the threats to human security such as the absence of human rights, disease, environmental degradation, population growth and the widening gap between the rich and the poor.

Finally, international assistance can project the best of Canadian values and culture - the desire to help the less fortunate, and their strong sense of justice.

## CANADIAN ODA

The purpose of the Canadian ODA is to support sustainable development in developing countries, in order to reduce poverty and to contribute to a more secure, equitable and prosperous world.

To achieve this purpose, Canadian ODA will focus on the following program priorities.

Basic human needs : to support efforts to provide primary health care, basic education, family planning, nutrition, water and sanitation, and shelter. Canada will continue to respond to emergencies with humanitarian assistance. Canada will commit 25% of its ODA to basic human needs as a means of enhancing its focus on addressing the security of the individual.

Women in development: to support the full participation of women as equal partners in the sustainable development of their societies.

Infrastructure services: to help developing countries to deliver environmentally-sound infrastructure services, with an emphasis on poorer groups and on capacity building.

Human rights, democracy, good governance: to increase respect for human rights, including children's rights; to promote democracy and better governance; and to strengthen both civil society and the security of the individual.

*Private sector development:* to promote sustained and equitable economic growth by supporting private sector development in developing countries.

*The environment:* to help developing countries to protect their environment and to contribute to addressing global and regional environmental issues.

At the same time, Canada's severe budgetary deficit has necessitated substantial reductions in many Canadian Government programs. While not as severely affected as some programs, ODA will be reduced from Canadian \$2.6 billion annually to just over \$2.0 billion annually in the next three years. We do not know what the exact impact will be at the level of individual countries. But, personally, based on my own experience, I believe cooperatives are one of the solutions to doing more to achieve our ODA goals.

I grew up in a company town which was foreign owned, and where the major product was paper. It was a small town of about 10,000 and competition was not very great in many sectors - including the sale of basic foodstuffs. There were two major national chains stores; my father was on the board, and eventually chaired a small consumer cooperative, a grocery store. So I went to my first coop meeting well before my 10th birthday. But I also remember my father worrying many nights about the viability of the coop, and the importance of retaining a strong member base - not just members that shop for specials at the big chains when they have cash, and shop on credit at the coop when there's no money before payday.

I understand you too well in a much larger way to be concerned here for the next few days about what lessons have been learned and what can maintain and build long term viability of coops in the Philippines.

Cooperatives span the private and NGO sectors in international development. But unlike international aid agencies and even some development NGOs, their future is not transitory. The difference is the closeness of the cooperative to people, and consequently, their prospects for sustainability.

We at CIDA hope that our support for the international development efforts of cooperatives can assist Philippine cooperatives to learn from the global environment and build a strong, competitive national cooperative movement.

## THE ICA ROAP AGENDA : BUILDING CO-OPERATIVE COMPETITIVE STRENGTH IN THE MARKET-ORIENTED ECONOMY

- ROBBY TULUS -

(Synopsis presented at the National Co-operative Symposium,  
Manila, March 06 - 07, 1995)

### INTRODUCTION

As a result of ICA ROAP efforts in promoting strategic collaboration between co-operatives and governments in the Asia Pacific region, a new trend has manifested itself in policy agenda and legislative reforms on co-operative development. Governments in many countries in the Asia Pacific region have displayed a clear shift from their old role as custodian of co-operative development to a new role which has a more facilitative and empowering character.

There is yet a need to conduct intensive study to assess the extent to which transformations are actually taking place. Where such shift takes place, it is equally important to assess the consistency of change when government policies are being operationalized at the level of the bureaucracy. The real test eventually rests with the actual operations of co-operatives themselves in terms of their firm commitment to shift from dependency to interdependency, and actual level of self-reliance as they become more member driven.

The above shift in policies was also spurred by the emerging forces of the market-economy and structural adjustment processes in many Asia Pacific countries. The combination of co-operative legislation and policy, vis-a-viz the positioning of co-operatives in the market economy, drew out constructive debates both during the regional consultations, and at the Third Co-operative Ministers Conference in Colombo in July of 1994.

The **COLOMBO DECLARATION** spelled out this new paradigm shift succinctly. Governments and the co-operative movement agreed "to take administrative, legislative, organizational, structural, and operational measures to ensure economic viability and **competitiveness of co-operatives**. While effecting organizational renewal in the co-operatives, the preservation of co-operative character, basic values, and principles, should be endeavoured. The government, in this case, should continue to provide assistance, especially to co-operatives of people with small means".

New co-operative laws and legislation have already been enacted in various Asia Pacific countries such as the Philippines, Indonesia, Sri Lanka, Fiji, Malaysia, and Israel, in which fundamental changes have taken place in terms of providing more independence and autonomy to co-operatives. Article 4 of the Co-operative Code in the Philippines has spurred many other Co-operative laws to heed the principle of subsidiarity.

New legislative amendments, and in some cases new laws on co-operatives, have also been drafted in India, Japan, Thailand, Myanmar, and Vietnam, for due hearings in their respective parliaments. As well, governments from various countries in the region such as in Iran, Iraq, Kuwait, Jordan, Uzbekistan, Tonga, and Myanmar, have been well exposed at the Ministerial Conference in Colombo, to understand the elaborate processes involved in the enactment of co-operative laws and legislation.

In short, the conceptual understanding of economic democracy, and the need for a more enabling legislation, seemed to have been adequately perceived by most governments on account of their active participation in all previous Co-operative Ministers' Conferences : Sydney in 1990, Jakarta in 1992 and Colombo in 1994.

The passage of the Co-operative Code and the formation of CDA as the new co-operative regulatory body has been considered reformative and positive in the eyes of other co-operative movements in Asia. The principle of subsidiarity enshrined in the Code is seen as a progressive move in according more autonomy and self reliance to the co-operative movement in the Philippines.

Results of the regional consultation in a number of provinces in the Philippines offer a profound insight into the current policy and regulatory scene in the Philippines, and a synopsis will be presented by Mr. R.B. Rajaguru in this Symposium.

#### **CO-OPERATIVE COMPETITIVE STRENGTH : Positioning Co-operatives in the market oriented economy**

If we take a look at the realities in the Asia Pacific region, we cannot help but be baffled by the prevailing controversies.

Countries in the Asia Pacific region have made tremendous strides in picking up their high momentum of growth with an economy that grew by more than 7 per cent on average in 1994. The successful completion of the GATT negotiations , and the establishment of the WTO, will likely evolve a new climate for growth in world trade, which in turn will boost global economic recovery with an estimated growth of more than 2% in 1995.

Despite broad benefits which will flow from the economic growth in the Asia Pacific region, the incidence of poverty is still prevalent. Of more than one billion poor people in the developing world, 800 million live in the Asia Pacific region.

The global economy, which have given rise to an expanded middle class with new aspirations and expectations, but which is yet slow in mitigating the high poverty incidence in the region, must be addressed by co-operatives in the broader context of the next phase of development.

Hence in addition to policy reforms, organizational renewal is fast becoming the imperative. All over the world, as economies slow down, corporations are taking a good hard look at some extremely basic questions. Structural adjustment programs, which are implemented as a consequence of economic globalization and debt-reducing policies in most of the developing nations, have far-reaching impact on many co-operatives in terms of increased marginalization of low income members, limited capital base and -- in many cases -- outdated management. While hi-tech revolution and information explosion allow better and cheaper functioning of businesses than ever before, only few countries in Asia have demonstrated a quick renewal and adjustment pace among their co-operative systems. In most developing countries in the region, co-operatives have yet to capture the scientific and technological advancements to cope up with the changing global trends.

Likewise, in the Philippines, organizational renewals must be undertaken to make co-operatives more competitive in the market place. A synopsis will be presented by Mr. Eric Bellows on this issue later today.

An impartial look at some critical factors for organization renewal may be considered relevant for addressing the competitive issue in co-operatives. The factors described below are not meant to be theoretical and prescriptive, but may hopefully serve as a general frame of reference for this symposium, in complementation to the more realistic and succinct issues that will be raised by Mr. Bellows as a result of the regional consultations.

#### **FACTORS FOR ORGANIZATIONAL RENEWAL**

From a **management and business standpoint**, co-operatives must be able to detach themselves from the outmoded monoliths and be more rigorous in building horizontal networks. Co-operatives must stop battling for a number one spot in the sector. One needs only to look at the global scenario to discover that businesses are about to be shaken out of its complacency. Every fibre that is devoted to maintaining the status quo, or doing "business as usual", find themselves on the defensive, unable to react with quicksilver reflexes.

**Co-operatives must continue to grow**, but it has to be assured that growth does not breed complacency. The strength of co-operatives must lie in their ability to transform their management structure in response to changes in the economy without



losing their basic values and principles. The tempo of change in the surging market-oriented economy increases due to the acceleration of the information age. We must, for example, begin to get accustomed to deal with centralized concepts but decentralized operations. This approach implies flexible operations in accordance to individual strengths in order to ensure that swift decisions can be made at the operational level.

Co-operatives can no longer rely on competitive analysis and competitive strategy alone, nor at reducing tasks to quantifiable implementation throughout the structure, especially where narrow sectoral gain is what they only strive for. In the current market-oriented environment, we need to work towards interdependent rather than stand alone co-op structures, and alliances must be built with other co-operatives both in the country and abroad, and even with other sectors, so as to motivate the right transformation for mutually beneficial results.

In terms of **LEADERSHIP**, we can no longer depend on only one leader maintaining his/her paragon of wisdom as it entails a process of elimination and not a process of cultivation where talents are recognized and new ideas encouraged.

In terms of **NETWORKS**, the old system displayed networks as a very informal process and is simply accepted as an add-on. But co-operatives must now begin to see **NETWORKS** as a natural course of how ideas flow. The advantage of a **NETWORK** is that it has no permanence. Through networking, co-operatives can accommodate rapid changes in the field of capital mobilization, grassroots level initiatives, and participatory development. In that sense, co-operatives must not be centralized too rigidly and hence be easily averted by rapid changes in the economy.

We must also ensure that **QUALITY** takes on a broader definition. It must not only be limited to quality of new products and services, but quality that is pervasive throughout the co-operative organization : strict adherence to the values, but also competitive in the business. Only then will we no longer talk about survival of co-operatives in the midst of globalization and market-oriented economies, but about **growth and development** of co-operatives which are devoted to benefitting members at the grassroots primary level.

The most recent **Colombo Conference** has become a watershed. With increased autonomy and independence introduced by timely legislative changes, co-operatives are now better positioned to face the ongoing challenges of the market-oriented economy and the implications of structural adjustment programs. Cognizant of the fact that co-operatives will not by themselves become competitive as a result of structural adjustment programs administered by governments in the region, a policy development program for the region has been designed by ICA ROAP in collaboration with the Canadian Co-operative Association (CCA) and the *Developpement international Desjardins (DID)*.

## **POLICY & REGULATORY ISSUES IN THE PHILIPPINES**

Synopsis presented by R.B. RAJAGURU at the  
National Co-operative Symposium

### **01. BACKGROUND**

The ICA policy development agenda in the Asia Pacific region, as described by Mr. Robby Tulus, has had a positive impact in many countries in Asia. It basically shows that regular dialogue in terms of making cooperatives MEMBER DRIVEN, self-reliant and more competitive in the market place. The three ICA Asia Pacific Co-operative Ministers' Conferences held so far, plus several official level consultations, all have led to several countries in Asia, either amending their cooperative laws or bringing out new laws, to create a better legal framework for more member controlled and member driven movement. In the Philippines action in regard to legal updating were positively initiated much earlier and the Cooperative Code RA 6938 and the Regulations 6939 have now been in operation for over five years. The provisions of the Law reflect the intentions of the government in deregulating the Cooperative Movement, while the Regulations outline the role of the COOPERATIVE DEVELOPMENT AUTHORITY (CDA).

The several regional level consultations held in 8 locations over the past three weeks or so, proved to be useful fora to get field level feedback and perceptions in regard to the way things are actually happening at the ground level, and also to clarify their hopes and aspirations for the future. Though attendance at each consultation were to around 20 to 25 or so, one gets the impression that the feedback could be accepted as representing the general perceptions at the regional and other levels.

It is hoped that these observations will help to evolve the strategies to effect necessary policy changes where necessary and thus help to overcome the constraints now experienced within the movement and to help cooperatives to further consolidate their position within the economy and thus help the full realization of the Philippines 2000.

### **02. PERCEPTIONS**

Overall it is heartening to note the tremendous enthusiasm shown and the continuing faith in the cooperative form of organization as a means to socio-economic development. RA 6938 is seen as a liberalizing law, which provides opportunities for cooperatives to be formed to satisfy various member needs, and for these to be member owned and managed by the members themselves. There is also an increasing emphasis on the BUSINESS aspect of the cooperatives and the need for diversification of activities, professionalization of management and for greater access to the markets, both national and international, by emphasizing quality production,

using modern and advanced technology, and for strong banking structures within the movement for supporting the commercial and production activities of the cooperatives. There is also an increasing awareness of how government policies and directives affect cooperatives.

There is quite some concern on the possible effects of GATT and VAT vis-a-vis the cooperatives, and the tax policies of the government as these do affect the competitiveness of the cooperatives. There is an increasing awareness of the need for Human Resource Development (HRD) at all levels.

### 03. PROBLEMS / CONSTRAINTS

While the cooperators appear to be confident and in an optimistic mood, they are also concerned about the many constraints experienced at the field level in their day to day activities. Some of these are detailed below :

- as cooperatives have been identified as organizations which can work towards peoples' empowerment and poverty alleviation, there are many GO/NGO/authorities in the field, forming cooperatives, some of them termed by one participant as "fly-by-nights", often not viable, feasible and sustainable.
- since the many authorities/organizations have their own targets, there is little or no coordination and collaboration leading sometimes to the proliferation of cooperatives which may not be sustainable. Even where mergers are possible, resistance by the patrons is perceived possibly because of the possible loss of tutelage.
- there is some concern about the Code provisions for registration, especially as the requirement of 15 members and capital of P2,000 are considered too lax, leading to proliferation. This deficiency is further aggravated by the provision for automatic registration after 30 days. The CDA too, seems, at least in some situations, not able to withstand the pressures for such registrations.
- the provisions of funds for coop development through the CDF and congressmen/senators is also seen as a direct influence in the proliferation of unviable cooperatives. In such situations, coops are seen not as organizations set up by members to satisfy their needs, but as organizations set up to make use of hand- outs, easy loans, etc.
- in the field of lending to members too, there seems to be quite some complications, as several government authorities, including the CDA are in the field, providing loans at subsidized rates, which seem to have adverse effects on the lending programmes of the many cooperatives already in the field.
- the CDA is generally perceived as an under staffed authority and it is felt that if CDA is well staffed, with officers knowledgeable in cooperatives affairs, the CDA can play a vital role in rationalizing cooperative activity at all levels.

- there seems to be some confusion in regard to the interpretation of policy by various agencies and there is a strong feeling that clear instructions/guidelines from the national level will help in a uniform approach at these levels.

#### 04. EXPECTATIONS

- there is some strong view that the CDA should be a body consisting mostly of cooperatives at the helm, as this will greatly help the better understanding of the problems at field level.
- some are of the view that if cooperators are to be a distinct sector, it would be best if coops are elevated at to a ministry level, where the CDA will be the implementing authority, supporting the ministry activities.
- while many agencies could use cooperatives for implementing their various programmes, the CDA should play a facilitative role to make newly organized cooperatives more member-driven and encourage these cooperatives to collaborate with other unions/federations.
- the general consensus seems to be that the present requirements for registration be drastically revised with the concept of viability/feasibility and sustainability being given due recognition and the automatic registration after 30 days be extended to at least 6 months. The general opinion is that there should be a period for pre-cooperatives to enable the members to understand the nature and ideology of cooperatives, and also to enable them to understand their roles, responsibilities and duties, both financial and otherwise, and to accumulate capital.
- even in the very formation of primary coops there is an expectation that the concerned unions would be associated from the inception, thus helping the formation of sustainable coops which also lead to structural strengthening of the system.
- taxation of cooperatives was a vexing and nagging question. The general feeling was that at the higher levels of government determining taxation, there was no proper understanding of the nature and composition and role of coops. Awareness efforts should be made at these higher levels.
- many emphasized the need for overall supervision and guidance at all levels, and many were of the view that the federations and the CDA should work together in this field.
- there is strong support for cooperation to be introduced into the curriculum at school and higher levels and for promoting the laboratory coops with a view to providing the practical experiences necessary for future members/leaders of coops.
- the need for reducing the pressure of the politician on the coop was widely felt; and to reduce this pressure it would be better if the funds from the CDF be used for the purchase of services for co-operatives provided by the federations.

- if coops in the more difficult areas are to play an effective role, there is an urgent need for the development of infrastructure facilities, such as roads markets etc. and the need for developing cooperative transport, both by land, sea and air.
- as processing and value added are integral elements in getting better returns to the producer member, government/NGO/lending agencies should provide funds and technical know-how in the areas concerned, to help improve the competitiveness of the coops.

## **05. CONCLUSION**

The potential for cooperative activity remains very high and bright, especially so with respect to a large majority of persons with limited means. The picture at the moment appears to be somewhat confused, because of the many authorities/agencies/NGO in the field, and because of the absence of clear guidelines which will lead to coordinated activity. There would appear to be a felt need for rationalization and structural adjustments to enable the strengthening of cooperatives at various levels, and provide opportunities for inter-cooperative action, which may even include joint cooperative ventures in several fields.

All the above would stem from an inadequacy of open dialogue, consultation and collaboration both vertical and horizontal. It was indeed encouraging to note that several of the participants at the consultations, made immediate plans for further inter-institutional consultations at their own level and to work out strategies thereafter to have similar meetings and consultations at the lower levels. That kind of good progressive initiative soon on the way, will lead to the emergence of member driven cooperatives, whose competitiveness in the market place will assure a better return to the member and a better quality of life for all concerned.

- end -

## CO-OPERATIVE COMPETITIVENESS IN THE PHILIPPINES

-Eric Bellows-

### - Results Of Regional Consultations -

#### A. INTRODUCTION TO THE PROCESS

1. Result of eight Regional Consultations held between Feb. 14 and 27, involving the participation of:
  - 58 representatives from primary co-operatives, affiliated through the systems of CUP, FFFCI, NAMVESCO, NATCCO and PFCCO;
  - 36 representatives from provincial, regional, sectoral or national federations and unions; and
  - 33 representatives of government agencies.

These consultations were augmented by interviews with several key institutions in Manila whose strong influence on the co-operatives is undeniable (CDA, LBP, ADB). Their input is considered in the light of findings from the regions, but the input below is essentially from the regional participants.

2. Consultations revolved around two main themes, with some overlap between the two:
  - policy and regulatory issues (Mr. Rajaguru's paper);
  - co-operative competitiveness (this paper).
3. These remarks are a synthesis of what was said by the participants in the Regional Consultations, with summary analysis from the ICA - CCA - DID team.
4. Draft definition of "co-operative competitiveness"
  - Co-operatives are competitive when they have member commitment, leadership, management, finance and business networks to anticipate and adapt to change and not simply be buffeted by it. Change may be the emergence of a threat, such as a strong competitor or even defection of members to another service provider. Alternatively, change could be the appearance of an opportunity, such as an expanded market for the co-operative's products or services or a whole new line of business.

## **B. WHAT DO THE PHILIPPINE CO-OPERATIVES NEED TO BECOME MORE COMPETITIVE?**

### **1.0 Supportive government policy and a consistent regulatory environment.**

#### **1.1 Government policy content and implementation**

If co-operatives are to compete in an increasingly liberalized and globalized marketplace, they need government economic and fiscal policy that encourages increased investment and risk taking. Co-operatives need to feel confident that government will not change the rules abruptly or attempt to use co-operatives indiscriminately as vehicles for government programs.

- Example: Participants felt that tax exemptions granted by the Co-operative Code were not being honoured by BIR, at least not without repeated legal challenges.
- Example: Co-operatives want withholding tax to be calculated on the basis of net income, rather than gross, as they feel that the private traders they compete with are able to avoid or evade a considerable amount of withholding tax, giving them an unfair advantage.
- The government of the Philippines has been considered progressive in Asia for the Co-operative Code and for the CDA, both of which are much more enabling and less interventionist for co-operatives than almost any other legislation in the continent. In addition, the inclusion of co-operatives in the Constitution and in the Philippines 2000 plan both reinforce the position of co-operatives as central to development in the Philippines. That said, the statements of government still tend to be somewhat prescriptive ("the co-operatives should..."). While co-operatives may be vehicles for government policy, it is not necessarily conducive to co-operative competitiveness to be vehicles for government programs. This is because of the potential for economic distortions (e.g. subsidized interest rates of government lenders pushing deposit taking co-operatives out of competition) and the on-again-off-again nature that some programs may suffer due to budgetary ups and downs. The creation of an "enabling environment" for co-operatives to act on their private initiative is the best tonic for co-operative competitiveness.
- Different government departments have their own programs involving co-operatives. There has been minimal co-ordination among them, creating distortions in some factors (e.g. finance) and confusion among the co-operatives. More co-ordination among government departments and consultation with experienced co-operatives and their federations and unions is required. The Co-operative Development Councils, formed through the initiative of the CDA, have the potential to be a very positive influence provided their membership is comprehensively representative of the co-operatives and government agencies.

- Co-operatives want to be broadly consulted on government policies and programs that directly affect them. To do so, the co-operatives themselves need to be better organized to advocate unified positions. It was suggested that the co-operatives form a nationally inclusive policy forum to develop policy responses and advocate them to government.

## 1.2 Government regulation

The CDA, as the official regulatory body of the government, is mandated to implement the Co-operative Code, based on the principle of subsidiarity.

- The participants felt that the CDA was under-resourced to accomplish a broad range of registration, promotion, education and other services and would be most effective focusing on registration and supervision alone. Other services are best left to the co-operative movement itself, although this behooves the movement to rationalize and expand its services in a cost effective way.
- The CDA was repeatedly commended for promoting the Co-operative Development Councils. Although they are not yet fully functional in all areas, there are high expectations that they will be effective. It was suggested that co-operative federations be included in the national body, which is now, if our information is correct, composed entirely of government agencies.

## 2.0 Vertical integration of "forward" and "backward" linkages.

### 2.1 Organization

Depending upon functional type, co-operatives need to get more control over supply of credit, productive inputs or consumer goods, processing of raw outputs, and marketing of raw or processed outputs. In the medium term, such integration is expected to increase co-operative income and reduce risk. The co-operatives are well aware that the way to achieve this is through co-operatives with the same needs banding together to enter the market place.

- Participants noted that it was difficult to organize co-operatives into larger business groupings purely on the initiative of the primary societies themselves. They look first to their federations to assist them, although there was a minority who thought that government should be involved. The low levels of affiliation to unions and federations, as well as the fragmentation of the secondary and tertiary organizations was cited as a serious impediment.

### 2.2 Information

Even with the organization of co-operatives, a modern business cannot compete without timely and complete information. The most important information concerns sellers, buyers, prices, national and international events that will impact on those things and other core business intelligence.



- Participants noted that there are very few sources of information focusing on co-operative business. It was recommended that information systems evolve based on demand, although the precise forms they would take was not determined. It may be necessary to seek assistance to develop information infrastructure.

### 2.3 Finance

The Philippine co-operatives have limited means to finance new ventures or expand existing ones. Although some of the more successful co-operatives have access to commercial credit, many more rely on government credit schemes and yet more have no access to financial support beyond what their members invest.

- Participants noted that there was considerable finance available from the government, notably LBP and DTI. They complained that too many co-ops of dubious viability had taken loans, that many of the lending windows were too targetted (e.g. LBP to farmers only) and that some lending conditions were not flexible enough to help their particular types of enterprise. In response, LBP intends to evaluate co-ops applying for loans more rigorously and will widen its lending portfolio to non-agricultural co-operatives and second tier co-operatives.
- Co-operative banks, both the existing ones and the proposed national Co-operative Bank, were cited as highly desirable, but only if they are owned and controlled by co-operatives. The proliferation of numerous national "Co-operative Banks" was seen as another case of fragmentation in an area where unity is the only way to build a large enough capital pool to become an effective national financial institution.

### 2.4 Management

Larger and more sophisticated business operations or new ventures in non-traditional enterprises require high quality management. Without it, co-operative businesses will not be able to compete with the management quality of private corporations or adapt quickly to changes in the wider market.

- Participants recognized the need for high quality management and felt that high-level human resource development, mentoring with experienced business people, Build-Operate-Transfer projects and more generous compensation would all serve to attract and retain high quality managers.

## 3. Horizontal integration across co-operative sectors

### 3.1 Effective and efficient co-operative service organizations.

Availability of inputs and marketing of outputs for expansion or new ventures requires greater co-ordination between and among co-operative service organizations (secondaries and tertiaries).

- Participants felt that severe fragmentation of service organizations means that, not only is there a lack of constructive collaboration, but some of these organizations actually compete with each other in such services as finance and basic training, while other needed services, such as hands-on technical advice, business development and advanced training go wanting. Both government and external donors have contributed to this problem through funding programs without considering the wider context. Organizations that serve co-operatives (both government agencies and private unions and federations) need to co-ordinate and rationalize their offerings. Government and external donors can assist this by not running programs and subsidies through unions and federations without looking at the effects on the whole co-operative system. A forum for dialogue among external donors and international partners is warranted.
- The proliferation of unions and federations at provincial, regional and national levels has created a confusing and potentially expensive co-operative superstructure that, ultimately, the co-operatives are expected to finance. There was a current of support for the idea of a single ideological organization and a set of sectorally focused federations, all honouring the principle of subsidiarity and minimizing cost.

#### 4. External influences on competitiveness

In the age of globalization, with the Philippines opening its economy more and more to the world at large, external influences will have more effect on co-operative businesses. Some can be helpful to the movement, such as inter-co-operative trade (and exports of co-operative products in general) and well-designed development programs and partnerships. Yet others can be damaging, such as wild fluctuations in commodity prices in world markets.

- Rather than simply be victimized by changes that cannot be influenced, co-operatives wanted improved information and analysis that would help them prepare.
- Participants had a wide range of understanding about GATT and its potential effects, but in general, understanding was poor. Given that producers of most commodities have only a few years to adjust to open markets, it was seen as very important that co-operators be informed and begin to make adjustments as soon as possible.
- As noted above, foreign donors and partners have had both positive and negative effects on the co-operatives. Among the benefits are capacity building and technical transfer. Notable among the detriments are focussed projects with a single federation or union that in effect created duplication of effort or

even "subsidy wars". Again as noted above, foreign donors and partners should confer regularly to ensure complementarity of effort. Programs and projects which help co-operatives adapt and grow more competitive were requested by participants.

\* \* \*

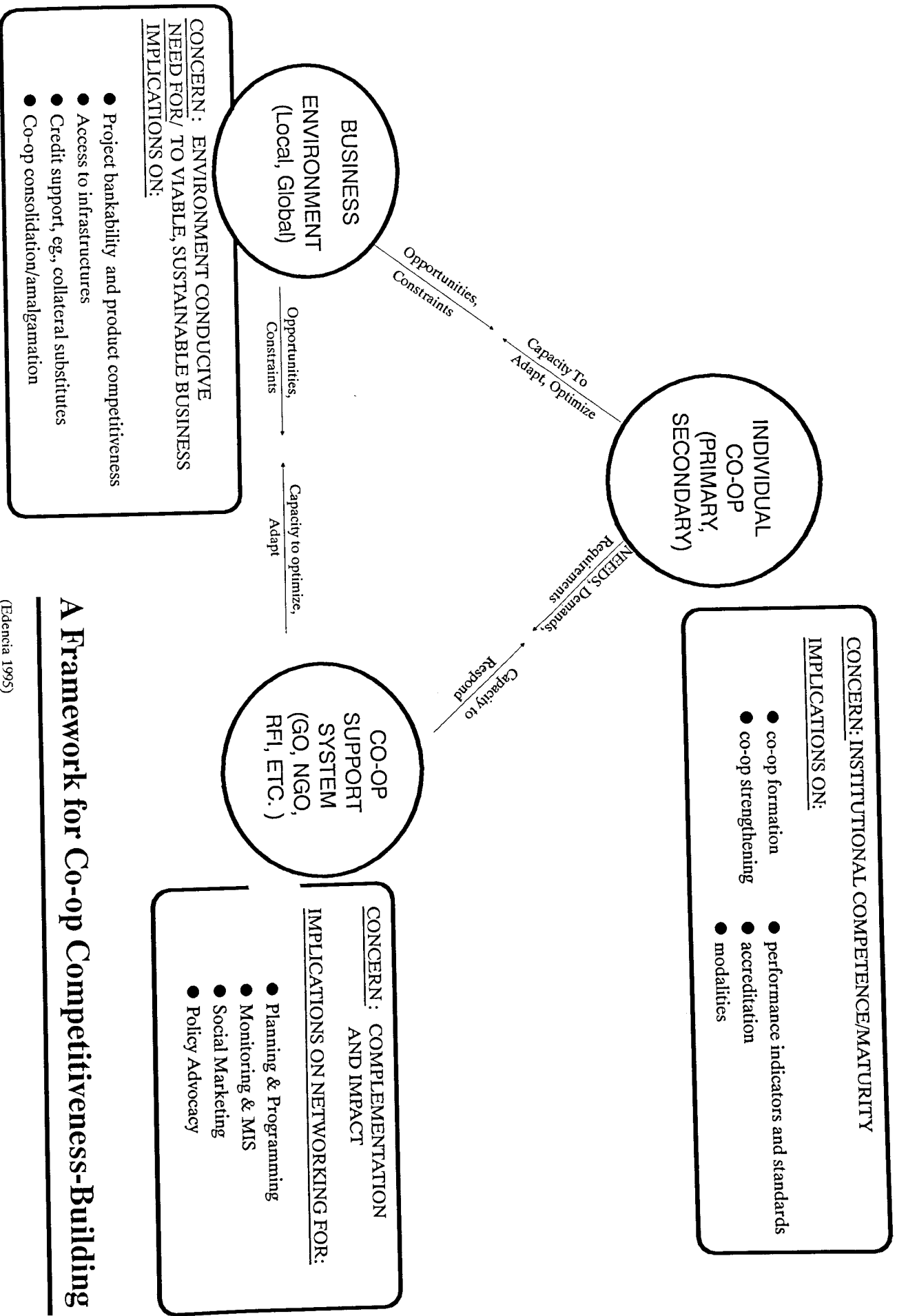
The Regional Consultation team heard many specific suggestions and recommendations which would bear on co-operative competitiveness, including ideas for new or improved co-operative businesses. These shall be reproduced later for the reference of National Consultation participants.

## **TOWARDS WORLD-CLASS, COMPETITIVE PHILIPPINE COOPERATIVES: AGENDA FOR ACTION**

By **DONATO C. ENDENCIA**

### **I. Imperatives for Promoting and Enhancing Co-op Competitiveness**

- Shifts in the global economic and political environment
  - trade liberalization
  - emergence of regional groupings
  - paradigm shift in business; strategic alliances
- Positioning and impact of co-ops in the market economy; in poverty alleviation, women, and environmental issues
  - economic viability and sustainability
  - retaining of fundamental values
- Changing role of government in co-op development
  - from custodial to empowerment



## A Framework for Co-op Competitiveness-Building

(Edencia 1995)

## II. FRAMEWORK & KEY CONCERNS FOR CO-OPS COMPETITIVENESS BUILDING

### A. Individual Co-op Level (primary & secondaries) - enhancement of institutional competencies and potentials

#### 1. Co-op Formation

- accreditation-based; indicators
- need for performance indicators and standards
- graduation/transition system - e.g., from SHG to co-op
- location- sensitive/area-specific

#### 2. calibrated strengthening

- cooperative categorization based on maturity level
- differential strategy - based on category and performance
- focus on professionalization of management
- progressively increasing co-op equity/counterpart; declining subsidies
- co-op led (success-case replication)

### ACTION NEEDED :

- formation of a dynamic set of co-op industry standards/accreditation criteria
- sustained social marketing
  - to build awareness on co-ops among the general population and specific target beneficiaries
- co-op mapping
- development of practical co-op level monitoring and performance review system
  - production of user-friendly and competency-based training packages, (formal and non-formal, basic, intermediate and management)
- CETF mobilization and management

### B. Co-op Business Environmental Level - promoting an environment conducive to sustainable business

#### 1. Project bankability and product competitiveness

- gradual but progressive shift to non-traditional, high- value, medium- and long-term projects
- technology and market information access

#### 2. Access to infrastructures

- high-impact projects in key growth centers
- tie-ups for use of facilities, e.g. of NEDA

3. Credit support

- sustained CBU & savings mobilization
- inter-coop initiatives to develop collateral substitutes

4. Co-op Consolidation/Amalgamation

- Industry-aligned
- scale economies-oriented

ACTION NEEDED :

- development of location and commodity specific project packages
- expanded local and foreign marketing tie-ups
  - technology transfer thru close links with resource institutions
- co-op cluster and chamber, model building
- priority financing of high-impact infrastructure projects in key growth centers (aligned with NEDA's plans)

C. Co-op Support System - to maximize complementation and assistance impact among GOs, NGOs, and financial institutions, educational institutions, church

1. planning and programming
  - area and role based
  - local governance oriented
2. monitoring and MIS
3. social marketing
4. policy advocacy

ACTION NEEDED :

- development, pilot-testing, documentation and sharing of linkage models and cases;
- capacity-building efforts for co-op development councils at various levels