

DISCOVERING COOPERATIVES

Primer on Cooperatives (RA 9520)



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KEY HIGHLIGHTS OF RA 9520

- At least 15 members are required to register a cooperative.
- Required minimum paid-up share capital increased from PHP 2,000 to PHP 15,000 to register as a cooperative.
- Cooperatives will only be taxed on transactions with non-members.
- Multipurpose cooperatives need to be in operation for at least two years before they can register.
- A parent cooperative can organize a subsidiary cooperative if its total net worth is at least PHP 50 Million.



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KEY HIGHLIGHTS OF RA 9520

- A guardian cooperative can supervise more than one laboratory cooperative at a time. Members of a laboratory cooperative are primarily juvenile students from a particular school. Once they reach majority, they may opt to join the guardian cooperative.
- Officers of a cooperative are required to undergo a minimum of 16 hours of training on the fundamentals of cooperatives and another 16 hours on governance and management of cooperatives.
- Cooperatives have to undergo a Social Audit to monitor their contributions towards the social welfare of their member and community.



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WHAT IS A COOPERATIVE?

A cooperative is an autonomous and duly registered association of persons, with a common bond of interest, who have voluntarily joined together to achieve their social, economic, and cultural needs and aspirations by making equitable contributions to the capital required, patronizing their products and services and accepting a fair share of the risks and benefits of the undertaking in accordance with universally accepted cooperative principles.



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COOPERATIVE VALUES

Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of **honesty, openness, social responsibility** and **caring for others**.

SELF-HELP

We help people to help themselves. It is based on the belief that all people can and should strive to control their own destiny. Full individual development can take place only in association with others. Through joint action and mutual responsibility, one can achieve more, by increasing one's collective influence in the market and before governments.

SELF-RESPONSIBILITY

We take responsibility for, and answer to our actions. Self-responsibility means that members assume responsibility for their cooperative, for its establishment and its continuing vitality. Members are responsible for ensuring that their cooperative remains independent from other public and private organizations.

COOPERATIVE VALUES

DEMOCRACY

Democratic structure is crucial to running a successful cooperative. The cooperative exists so that all members have control, and no one individual holds more power than the others do. Members choose representatives by way of voting, and each individual has one vote per election.

EQUALITY

Each member of a cooperative should benefit from the same rights, based on their level of contribution.

EQUITY

Cooperatives should treat all members fairly, without any form of discrimination. Equity is essential to creating a harmonious relationship among all members.

SOLIDARITY

The members within a cooperative form a unified organization where all the individuals support one another. Each organization also supports other cooperatives to form a united network.

COOPERATIVE PRINCIPLES

Every cooperative shall conduct its affairs in accordance with Filipino culture, good values and experience and the universally accepted principles of cooperation which include, but are not limited to, the following:

Voluntary and Open Membership – Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, cultural, political or religious discrimination.

Democratic Member Control – Cooperatives are democratic organizations that are controlled by their members who actively participate in setting their policies and making decisions. Men and women serving as elected representatives, directors or officers are accountable to the membership. In primary cooperatives, members have equal voting rights of one-member, one-vote. Cooperatives at other levels are organized in the same democratic manner.

COOPERATIVE PRINCIPLES

Member Economic Participation – Members contribute equitably to, and democratically control, the capital of their cooperatives. At least part of that capital is the common property of the cooperative. They shall receive limited compensation or limited interest, if any, on capital subscribed and paid as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the cooperative by setting up reserves, part of which should at least be indivisible; benefitting members in proportion to their patronage of the cooperative's business; and, supporting other activities approved by the membership.

Autonomy and Independence – Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including government, or raise capital from external sources, they shall do so on terms that ensure democratic control of their members and maintain their cooperative autonomy.

COOPERATIVE PRINCIPLES

Education, Training and Information – Cooperatives shall provide education and training for their members, elected and appointed representatives, managers, and employees, so that they can contribute effectively and efficiently to the development of their cooperatives.

Cooperation Among Cooperatives – Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

Concern for Community – Cooperatives work for the sustainable development of their communities through policies approved by their members.

PURPOSES OF COOPERATIVES

A cooperative may be organized and registered for any or all of the following purposes:

- To encourage thrift and savings mobilization among the members;
- To generate funds and extend credit to the members for productive and provident purposes;
- To encourage among members systematic production and marketing;
- To provide goods and services and other requirements to the members;
- To develop expertise and skills among its members;
- To acquire lands and provide housing benefits for the members;
- To insure against losses of the members;

PURPOSES OF COOPERATIVES

- To promote and advance the economic, social and educational status of the members;
- To establish, own, lease or operate cooperative banks, cooperative wholesale and retail complexes, insurance and agricultural/industrial processing enterprises, and public markets;
- To coordinate and facilitate the activities of cooperatives;
- To advocate for the cause of the cooperative movements;
- To ensure the viability of cooperatives through the utilization of new technologies;
- To encourage and promote self-help or self-employment as an engine for economic growth and poverty alleviation; and
- To undertake any and all other activities for the effective and efficient implementation of the provisions of this Code.

OBJECTIVES AND GOALS OF A COOPERATIVE

The primary objective of every cooperative is to help improve the quality of life of its members. Towards this end, the cooperative shall aim to:

- Provide goods and services to its members to enable them to attain increased income, savings, investments, productivity, and purchasing power, and promote among themselves equitable distribution of net surplus through maximum utilization of economies of scale, cost-sharing and risk-sharing;
- Provide optimum social and economic benefits to its members;
- Teach them efficient ways of doing things in a cooperative manner;

OBJECTIVES AND GOALS OF A COOPERATIVE

- Propagate cooperative practices and new ideas in business and management;
- Allow the lower income and less privileged groups to increase their ownership in the wealth of the nation; and
- Cooperate with the government, other cooperatives and people-oriented organizations to further the attainment of any of the foregoing objectives.



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ARTICLES OF COOPERATION

All cooperatives applying for registration shall file with the Authority the articles of cooperation which shall be signed by each of the organizers and acknowledged by them if natural persons, and by the chairpersons or secretaries, if juridical persons, before a notary public.

The articles of cooperation shall set forth:

- The name of the cooperative which shall include the word cooperative;
- The purpose or purposes and scope of business for which the cooperative is to be registered;
- The term of existence of the cooperative;
- The area of operation and the postal addresses of its principal office;
- The names, nationality, and the postal addresses of the registrants;

ARTICLES OF COOPERATION

- The common bond of membership;
- The list of names of the directors who shall manage the cooperative; and
- The amount of its share capital, the names and residences of its contributors and a statement of whether the cooperative is primary, secondary or tertiary in accordance with Article 23 hereof.

The articles of cooperation may also contain any other provisions not inconsistent with this Code or any related law.

Four (4) copies each of the proposed articles of cooperation, bylaws, and the general statement required under Article 11 of this Code shall be submitted to the Authority.

BYLAWS

Each cooperative to be registered under this Code shall adopt bylaws not inconsistent with the provisions of this Code. The bylaws shall be filed at the same time as the articles of cooperation.

The bylaws of each cooperative shall provide:

- The qualifications for admission to membership and the payment to be made or interest to be acquired as a conditions for the exercise of the right of membership;
- The rights and liabilities of membership;
- The circumstances under which membership is acquired, maintained and lost;
- The procedure to be followed in cases of termination of membership;
- The conditions under which the transfer of a share or interest of the members shall be permitted;

BYLAWS

- The rules and procedures on the agenda, time, place and manner of calling, convening, conducting meetings, quorum requirements, voting systems, and other matters relative to the business affairs of the general assembly, board of directors, and committees;
- The general conduct of the affairs of the cooperative, including the powers and duties of the general assembly, the board of directors, committees and the officers, and their qualifications and disqualifications;
- The manner in which the capital, may be raised and the purposes for which it can be utilized;
- The mode of custody and of investment of net surplus;
- The accounting and auditing systems;



BYLAWS

- The manner of loaning and borrowing including the limitations thereof;
- The method of distribution of net surplus;
- The manner of adopting, amending, repealing, and abrogating bylaws;
- A conciliation or mediation mechanism for the amicable settlement of disputes among members, directors, officers and committee members of the cooperative; and
- Other matters incident to the purposes and activities of the cooperative.



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PRIVILEGES OF COOPERATIVES

Cooperatives registered under this Code, notwithstanding the provisions of any law to the contrary, be also accorded the following privileges:

- (1) Cooperatives shall enjoy the privilege of depositing their sealed cash boxes or containers, documents or any valuable papers in the safes of the municipal or city treasurers and other government offices free of charge, and the custodian of such articles shall issue a receipt acknowledging the articles received duly witnessed by another person;
- (2) Cooperatives organized among government employees, notwithstanding any law or regulation to the contrary, shall enjoy the free use of any available space in their agency, whether owned or rented by the Government;

PRIVILEGES OF COOPERATIVES

(3) Cooperatives rendering special types of services and facilities such as cold storage, ice plant, electricity, transportation, and similar services and facilities shall secure a franchise therefore, and such cooperatives shall open their membership to all persons qualified in their areas of operation;

(4) In areas where appropriate cooperatives exist, the preferential right to supply government institutions and agencies rice, corn and other grains, fish and other marine products, meat, eggs, milk, vegetables, tobacco and other agricultural commodities produced by their members shall be granted to the cooperatives concerned;

(5) Preferential treatment in the allocation of fertilizers, including seeds and other agricultural inputs and implements, and in rice distribution shall be granted to cooperatives by the appropriate government agencies;

PRIVILEGES OF COOPERATIVES

(6) Preferential and equitable treatment in the allocation or control of bottomries of commercial shipping vessels in connection with the shipment of goods and products of cooperatives;

(7) Cooperatives and their federations, such as farm and fishery producers and suppliers, market vendors and such other cooperatives, which have for their primary purpose the production and/or the marketing of products from agriculture, fisheries and small entrepreneurial industries and federations thereof, shall have preferential rights in the management of public markets and/or lease of public market facilities, stalls or spaces: Provided, That these rights shall only be utilized exclusively by cooperatives: Provided, further, That no cooperative forming a joint venture, partnership or any other similar arrangement with a non-cooperative entity can utilize these rights;

(8) Cooperatives engaged in credit services and/or federations shall be entitled to loans credit lines, rediscounting of their loan notes, and other eligible papers with the Development Bank of the Philippines, the Land Bank of the Philippines and other financial institutions except the Bangko Sentral ng Pilipinas (BSP).

PRIVILEGES OF COOPERATIVES

(9) A public transport service cooperative may be entitled to financing support for the acquisition and/or maintenance of land and sea transport equipment, facilities and parts through the program of the government financial institutions. It shall have the preferential right to the management and operation of public terminals and ports whether land or sea transport where the cooperative operates and on securing a franchise for active or potential routes for the public transport;

(10) Cooperatives transacting business with the Government of the Philippines or any of its political subdivisions or any of its agencies or instrumentalities, including government-owned and controlled corporations shall be exempt from prequalification bidding requirements notwithstanding the provisions of Republic Act No.9184, otherwise known as, the Government Procurement Act;

(11) Cooperative shall enjoy the privilege of being represented by the provincial or city fiscal or the Office of the Solicitor General, free of charge, except when the adverse party is the Republic of the Philippines;

PRIVILEGES OF COOPERATIVES

(12) Cooperatives organized by faculty members and employees of educational institutions shall have the preferential right in the management of the canteen and other services related to the operation of the educational institution where they are employed: Provided, That such services are operated within the premises of the said educational institution; and

(13) The appropriate housing agencies and government financial institutions shall create a special window for financing housing projects undertaken by cooperatives, with interest rates and terms equal to, or better than those given for socialized housing projects. This financing shall be in the form of blanket loans or long-term wholesale loans to qualified cooperatives, without need for individual processing.

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

TYPES OF COOPERATIVES

Cooperatives may fall under any of the following types:

Credit Cooperative is one that promotes and undertakes savings and lending services among its members. It generates a common pool of funds in order to provide financial assistance to its members for productive and provident purposes;

Consumers Cooperative is one of the primary purpose of which is to procure and distribute commodities to members and non-members;

Producers Cooperative is one that undertakes joint production whether agricultural or industrial. It is formed and operated by its members to undertake the production and processing of raw materials or goods produced by its members into finished or processed products for sale by the cooperative to its members and non-members. Any end product or its derivative arising from the raw materials produced by its members, sold in the name and for the account of the cooperative, shall be deemed a product of the cooperative and its members;

TYPES OF COOPERATIVES

Marketing Cooperative is one which engages in the supply of production inputs to members and markets their products;

Service Cooperative is one which engages in medical and dental care, hospitalization, transportation, insurance, housing, labor, electric light and power, communication, professional and other services;

Multipurpose Cooperative is one which combines two (2) or more of the business activities of these different types of cooperatives;

Advocacy Cooperative is a primary cooperative which promotes and advocates cooperativism among its members and the public through socially-oriented projects, education and training, research and communication, and other similar activities to reach out to its intended beneficiaries;

Agrarian Reform Cooperative is one organized by marginal farmers majority of which are agrarian reform beneficiaries for the purpose of developing an appropriate system of land tenure, land development, land consolidation or land management in areas covered by agrarian reform;

TYPES OF COOPERATIVES

Cooperative Bank is one organized for the primary purpose of providing a wide range of financial services to cooperatives and their members;

Dairy Cooperative is one whose members are engaged in the production of fresh milk which may be processed and/or marketed as dairy products;

Education Cooperative is one organized for the primary purpose of owning and operating licensed educational institutions notwithstanding the provisions of Republic Act No. 9155, otherwise known as the Governance of Basic Education Act of 2001;

Electric Cooperative is one organized for the primary purpose of undertaking power generations, utilizing renewable energy sources, including hybrid systems, acquisition and operation of sub transmission or distribution to its household members;

Financial Service Cooperative is one organized for the primary purpose of engaging in savings and credit services and other financial services;

TYPES OF COOPERATIVES

Fishermen Cooperative is one organized by marginalized fishermen in localities whose products are marketed either as fresh or processed products;

Health Services Cooperative is one organized for the primary purpose of providing medical, dental and other health services;

Housing Cooperative is one organized to assist or provide access to housing for the benefit of its regular members who actively participate in the savings program for housing. It is co-owned and controlled by its members;

Insurance Cooperative is one engaged in the business of insuring life and poverty of cooperatives and their members;

Transport Cooperative is one which includes land and sea transportation, limited to small vessels, as defined or classified under the Philippine maritime laws, organized under the provisions of this Code;

TYPES OF COOPERATIVES

Water Service Cooperative is one organized to own, operate and manage waters systems for the provision and distribution of potable water for its members and their households;

Workers Cooperative is one organized by workers, including the self-employed, who are at same time the members and owners of the enterprise. Its principal purpose is to provide employment and business opportunities to its members and manage it in accordance with cooperative principles; and

Other types of cooperative as may be determined by the Authority.



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CATEGORIES OF COOPERATIVE

Cooperatives shall be categorized according to membership and territorial considerations as follows:

(a) In terms of membership, cooperative shall be categorized into:

- **Primary** - The members of which are natural persons;
- **Secondary** - The members of which are primaries; and
- **Tertiary** - The members of which are secondary cooperatives; and

(b) In terms of territory, cooperatives shall be categorized according to areas of operations which may or may not coincide with the political subdivisions of the country.

WHO CAN BE MEMBERS OF A COOPERATIVE?

Any natural person, who is a citizen of the Philippines and is of legal age or a juridical person like a cooperative or non-profit organization is qualified to be a member of a cooperative, provided further that the person meets the qualifications prescribed in the bylaws of the cooperative he/she wishes to be a member of (Article 26, RA 6938).



KINDS OF MEMBERSHIP

A cooperative may have two (2) kinds of members, to wit:

REGULAR MEMBERS

A regular member is one who has complied with all the membership requirements and entitled to all the rights and privileges of membership.

ASSOCIATE MEMBERS

An associate member is one who has no right to vote nor be voted upon and shall be entitled only to such rights and privileges as the bylaws may provide: Provided, That an associate who meets the minimum requirements of regular membership, continues to patronize the cooperative for two (2) years, and signifies his/her intention to remain a member shall be considered a regular member.

A cooperative organized by minors shall be considered a laboratory cooperative and must be affiliated with a registered cooperative. A laboratory cooperative shall be governed by special guidelines to be promulgated by the Authority.

APPLICATION

An applicant for membership shall be deemed a member after approval of his membership by the board of directors and shall exercise the rights of member after having made such payments to the cooperative in respect to membership or acquired interest in the cooperative as may be prescribed in the bylaws.

In case membership is refused or denied by the board of directors, an appeal may be made to the general assembly and the latter's decision shall be final.

For this purpose, the general assembly may opt to create an appeal and grievance committee, the members of which shall serve for a period of one (1) year and shall decide appeals on membership application within thirty (30) days upon receipt thereof.

If the committee fails to decide within the prescribed period, the appeal is deemed approved in favor of the applicant.

TERMINATION OF MEMBERSHIP

(1) A member of a cooperative may, for any valid reason, withdraw his membership from the cooperative by giving a sixty (60) day notice to the board of directors. Subject to the bylaws of the cooperative, the withdrawing member shall be entitled to a refund of his share capital contribution and all other interests in the cooperative: Provided, That such fund shall not be made if upon such payment the value of the assets of the cooperative would be less than the aggregate amount of its debts and liabilities exclusive of his share capital contribution.

(2) The death or insanity of a member in a primary cooperative, and the insolvency or dissolution of a member in a secondary or tertiary cooperative may be considered valid grounds for termination of membership: Provided, That in case of death or insanity of an agrarian reform beneficiary-member of a cooperative, the next-of-kin may assume the duties and responsibilities of the original member.

TERMINATION OF MEMBERSHIP

(3) Membership in the cooperative may be terminated by a vote of the majority of all the members of the board of directors for any of the following causes:

- When a member has not patronized any of the services of the cooperative for an unreasonable period of time as may be previously determined by the board of directors;
- When a member has continuously failed to comply with his obligations;
- When a member has acted in violation of the bylaws and the rules of the cooperative; and
- For any act or omission injurious or prejudicial to the interest or the welfare of the cooperative.

TERMINATION OF MEMBERSHIP

A member whose membership the board of directors may wish to terminate shall be informed of such intended action in writing and shall be given an opportunity to be heard before the said board makes its decision.

The decision of the board shall be in writing and shall be communicated in person or by registered mail to said member and shall be appealable within thirty (30) days from receipt thereof to the general assembly whose decision shall be final.

The general assembly may create an appeal and grievance committee whose members shall serve for a period of one (1) year and shall decide appeals on membership termination.

The committee is given thirty (30) days from receipt thereof to decide on the appeal. Failure to decide within the prescribed period, the appeal is deemed approved in favor of the member.

Pending a decision by the general assembly, the membership remains in force.



**WANT TO LEARN MORE ABOUT
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