

## **Chapter 3**

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# **Cases of Multipurpose Collaboration through Cooperative Councils**

### **Enjoying Mutual Benefits of Engagement and Participation**

#### **Laak Municipal Cooperative Development Council of Compostela Valley**

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### **ABSTRACT**

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The Laak Municipal Cooperative Development Council, Compostela Valley, has 36 co-operative members, which regularly meets every month and is involved in education, training, mobilization of technical and financial assistance, networking, data banking, and monitoring coop related projects.

The LMCDC has entered into a partnership with the LGU, private corporations and civil society groups. LGU support is on funds augmentation, credit extension, policy issuances, transfer of management of the farmers training institute to the MCDC and building institutions for co-operative development. Regarding the direct credit assistance, LGU has so far made a total of 4.8 million pesos of non-interest bearing soft loans to cooperatives identified by the LMCDC. LGU also made a policy that all forms of assistance for co-operatives shall be coordinated through the LMCDC.

The relationship is to the advantage of both. The LGU made it more efficient to deliver coop services with the LMCDC, eliminating personnel and operations related cost. The LMCDC on the other hand provided more services to its members and is playing a key role in co-op development with the support of the LGU. This boosted the relevance of the LMCDC to municipal co-operative sector.

Effective partnership was made possible by dedication and commitment of key leaders and the local chief executives, clear view of each other's roles, unity and large stock of social capital among the co-ops and stability and consistency in policies. The LMCDC-LGU partnership is expected to continue as this is beneficial to the co-operatives and their members.

## **BACKGROUND AND CONTEXT**

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It only takes about two hours bus ride from Tagum City to see through a municipal cooperative development council working hand in hand with the municipal government. Located some fifty-five kilometers (55) from Tagum City, the Laak Municipal Cooperative Development Council (LMCDC) had long started and is showing the right way of forging successful relations with local government units (LGU). Unlike the rugged and bumpy roads leading to this town of hills and rolling uplands, relations between the LMCDC and the LGU are free of lumps and jolts.

The municipality of Laak is one of the eleven towns comprising the newly created Province of Compostela Valley. Laak has a total land area of 85,500 hectares, which is subdivided into forty-four (44) barangays. More than seventy percent (70%) of the land area is classified forest and agro-forest while agricultural and residential areas account only for 16% and 0.26% respectively. Its has a high elevation averaging 200 meters above sea level.

The economic base of the municipality is agriculture. Key products are food, commercial crops, and livestock. Major food crops are corn, palay, root crops and legumes while major commercial crops include rubber, coffee, cacao, copra and fruits. Livestock relies mainly on backyard production. Though the town has vast forest area it has minimal forest products, in fact, there are only two cottage industries involved in woodcraft and furniture making. The town used to be a logging concession in the 1960's before the lands were awarded to the residents.

Eighty-three percent of the 55,597 inhabitants as of 1996 live in poverty. Labor force employment is concentrated in agriculture and forestry while unemployment stands at 18%. Compounding the high unemployment rate is 81% dependency ratio. Given the significant number of people without jobs, the high poverty incidence is expected.

Infrastructure support to the population is minimal. Laak has an aggregated road network (provincial, municipal and barangay roads) of 308.06 kilometers. About 232 kilometers of these are dirt roads; 75 kilometers are graveled and 1.5 kilometers are concrete. A small portion (11%) of the households has electric power connections. Water is sourced mainly from artesian/deep wells although there is a public local

waterworks system and a privately run Junabel Water Supply. Farm irrigation facilities can service 230 hectares of the 1,100 hectares of irrigable lands.

Addressing the dire economic difficulties and widespread poverty aroused initiatives from citizens themselves. With support from non-government organizations and the local government unit, cooperatives were organized and are now engaging in various business operations. To date, there are 36 operating primary cooperatives that give credit assistance, cheaper consumer goods and farm inputs and marketing of farm products to the members. The newly found strength of primary co-operatives, however, is not enough unless their technical capability is developed and unity forged among them. Hence, these cooperatives formed the municipal co-operative development council.

## **PROJECT DESCRIPTION**

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The Laak Municipal Cooperative Development Council was organized from among the ranks of primary co-operatives existing in the entire municipality. It was initially set up to serve as a venue for sharing of experiences among co-operative leaders and members as well as forum to discuss pressing external issues related to co-operatives. It was also an intention that through the council unity will be achieved.

### **Partnership from the Start**

LMCDC's first organizational meeting was held in November 18, 1991 at the old municipal hall building. The meeting was attended by representatives from 20 primary co-operatives together with representatives from the Cooperative Foundation Philippines, Inc. (CFPI) and the Municipal Cooperative Action Officer (MCAO), Mrs. Prescilla Villa Llanto. CFPI was then (and still is) assisting two primary co-operatives (Agbayon MPC and Minsata MPC) in Laak. Meanwhile Mrs. Llanto was attached to the Municipal Agriculture Office whose responsibilities include cooperatives' development.

The LMCDC was not formally organized until 1993 however. The issuance of Executive Order Nos. 95 and 96 during that year gave additional push in establishing the council. Between 1991-1992 there was a series of meetings held but organizing hit a snag since the group was still looking for the framework of the municipal structure. The meetings were limited to discussions on common problems. The core leaders, Mrs. Llanto and CFPI, continued the consultation process since the meetings already facilitated co-ops helping one another on problems related to their business operations. They talked about the operation of their respective

co-operatives and learned from the systems, procedures and strategies that were positively adopted in other co-ops.

Executive Order No. 95 of former President Fidel Ramos mandated the creation of cooperative development councils at the national, regional, provincial, city and municipal levels. Executive Order No. 96 on the other hand defined the specific roles of the LGU and the Co-operative Development Authority (CDA) in cooperative promotion, development, and regulation. Pursuant to these executive orders, the CDA issued Memorandum Circular 93-006. These issuances gave legal mandate to the MCDC.

Was the municipal mayor threatened with the formation of the MCDC? Mrs. Llanto said the mayor was not. According to her, former Mayor Reynaldo Navarro (now Vice Governor) was convinced first by CFPI and later the E.O. 95 and 96. In several occasions, he attended the MCDC meetings and trainings. His support was present since its organizing stage.

#### **An “All Co-operative” MCDC**

Membership in the LMCDC was limited to co-operatives. It was their original intention in 1991 and they carried this out in spite of the CDA Memorandum Circular No. 93-006 that identified the members of the cooperative development council. Under the said Circular, automatically the Mayor sits as the council chairman. In addition to the mayor, other members of a municipal co-operative council include the chairman of the municipal development council, a representative from the Sangguniang Bayan, a representative from the municipal federation/union, a representative from NGO at this level, and representatives from other agencies involved in co-operative development.

What Laak cooperatives wanted was a council where they can freely discuss issues and problems without being conscious of or intimidated by representatives from government. Secondly, after discussing the issues/problems, they would propose resolutions (or specific actions) for either the government, local government unit or agencies concerned to act on. Of course they could only do this through an “all-co-op” municipal co-operative development council.

The LMCDC abided by the issuances of the CDA as far as the powers and functions of the MCDC was concerned. Chairman Luay maintained during the interview that its powers and functions are those provided in the executive orders and memorandum circular, except for the membership composition.

<b>Officers of the Laac Municipal Cooperative</b>	
<b>Development Council</b>	
Chairman	: Rodolfo Luay
Vice Chairman (External)	: Geronimo Ganades
Vice Chairman (Internal)	: Andress Mulato
<i>Members of the Board of Director</i>	
1. Lindenco Chairman	:. Emeterio Abellanida
2. CMPC Manager	: Florencio Agagamao
3. Mampco Manager	: Ramon Bibera
4. Agfarmco Chairman	: Romeo Sismal
Treasurer	: Juliet Sanchez
Secretary	: Angelita Cela

Local heads of government agencies together with other non-government organizations helping cooperatives were instead invited during monthly meetings to present their respective programs and respond to issues and problems confronting the cooperatives.

The elected founding chairman was Mr. Ramon Bibera of Mangloy Multi-Purpose Cooperative. He served until 1997, presiding over the organizational growth of the council. He continues to sit in the BOD. All the other members of the Board of Directors and officers came from the cooperatives themselves, too.

### **Voluntary Membership**

Membership to the LMCDC is more of voluntary. Every cooperative existing within the municipality is an automatic member yet it depends on the cooperative concerned if it chooses to be active. Once organized, the LMCDC invites the cooperative to join the monthly meetings. If the co-op attends, well and good, but it is not compelled to attend.

Becoming an active member, a cooperative has more to gain than to lose. First, all assistance to coops pass through the MCDC. Be it from the Department of Agriculture (DA), Philippine Coconut Authority (PCA); Department of Agrarian Reform (DAR), National Food Authority (NFA), Department of Trade (DTI), Nestle, Cargil or from non-government organizations, the LMCDC play a big role. Mayor Rogelio Arambala, just like his predecessor, directs all agencies/organizations wanting to help co-ops to coordinate with the LMCDC. Second, attending the meeting already has a premium. The leader can learn practical solutions to problems his/her co-op is facing, aside from the value of linking with other co-

operatives in the town. That may even open avenues for business deals. In other words, to be not isolated and left-out means participating actively in the MCDC.

The coop participation in itself has become an indicator of the current status of the cooperative. Chairman Rodolfo Luay observes that when a co-op becomes inactive it signals that said cooperative is potentially experiencing slowdown in its organizational and business operations.

From an initial of 20 primary cooperative members in 1993, membership fluctuated depending on the health of the cooperatives. The highest was in 1998 at 45 cooperatives. As of June 1999, however, it decreased to 36 cooperatives. The others were either merged, dissolved or have ceased operations.

### **The Local Government of Laak**

The municipality of Laak was created by virtue of Batas Pambansa Bilang 23 on April 4, 1979. It originally had the name of San Vicente until May 28, 1994 when the people overwhelmingly voted in a plebiscite to change the name to Laak. The people preferred “Laak “ as it carried more historical significance. Laak is the native name for a thornless medium-size bamboo. According to local folklore the then local chieftain named Datu Biyan Atay, planted a Laak to what is now Sitio Old Laak of Barangay Laak, the seat of the municipal government. In piety to the chieftain, the people named the place to the thornless bamboo he personally planted, which by the way still exists.

The town is composed of forty (40) regular barangays and four (4) special barangays. The inhabitants include the cultural minorities of Dibabaon, Boholano, and Cebuano.

The town is at present headed by Mayor Rogelio Arambala. He is supported by 165 municipal employees assigned in the different municipal offices. Revenue sources of the municipality rest largely on its Internal Revenue Allotment (IRA) since its local income source is very limited. An annual budget amounting to P23, 759,257.00 require care on its allocation given the large territory and social services for the population.

## **PROJECT RESULTS AND OUTCOMES**

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LMCDC had since become conduit of assistance for cooperatives from the government, civil society and even private corporations. In Laak any group desiring to assist cooperatives are better off when they seek the help of LMCDC. A major achievement of the MCDC is the consolidation of cooperative resources and integrating their plans.

## **Education and Training**

The LMCDC first project was directed on institutional development of cooperatives. A series of education and training activities plus problem-solving and coaching services were made. With the help of technical assistance from CFPI, the MCDC conducted a series of training such as trainors training on pre-membership education seminar (PMES); basic bookkeeping and accounting; organizational development seminar; entrepreneurship and human resource management. CFPI continued to give training in the coming years. Mr. Danielo Munda, CFPI personnel assigned in the area, estimates that an average of two trainings were done until 1998.

In addition, the LMCDC got assistance from other groups like the Provincial Cooperative Union (PCU), the Co-operative Development Authority (CDA) and the Provincial Cooperative Development Office (PCDO). As early as 1993, the Laak LGU through Mayor Reynaldo Navarro extended help by shouldering part of the training cost.

For this year the MCDC hopes to conduct four municipal level training. The week following the interview, there is a scheduled training on financial management, again with the help of the LGU.

Developing their capability did not last long because soon the MCDC established their own trainors pool. The series of training and exposure trip to successful co-operatives in the province boosted their confidence.

## **Formation of Pools**

LMCDC has three different pools of managers, bookkeepers (plus treasurer and secretary) and trainors helping in provision of services to its members. Because the officers cannot possibly attend to all need for technical assistance, the pools are mobilized to deliver the services requested. Through the pools, the transfer of technology and learning within the co-op leaders and managers themselves is effectively facilitated.

The managers' pool has twelve members. It focuses on addressing management and operational issues. Strategies, policy systems and procedures that were developed and found effective are shared. In managing the consumer store for example, managers learn what is the allowable credit line that does not sacrifice fast turnover but still gives benefit to members.

Meanwhile the pool for bookkeeper, treasurer and secretary has more than ten members. The members assist the co-ops in recording their daily transactions, giving on-job training to these officers, computing of dividends/patronage refunds and even preparing financial statements. Skills transfer to bookkeepers is a continuing activity since cooperatives experience fast turnover of bookkeepers. Skilled bookkeepers are usually pirated by private businesses. The trainers pool undertakes basic training/seminars at the primary level. It is composed of six members from the ranks of BOD vice-chairpersons who also head the education committee in each co-operative. The more advance training/seminars are conducted at the municipal level by the LMCDC itself. In these courses, some members of the pool are resource persons for specific topics but usually there invited resource persons.

These pools are very much active. They separately hold their meetings every month. The meeting rotates among the co-op members. A host coop is identified for each meeting. Regular reports are made to the MCDC monthly meeting to update the body on their activities.

Members of the pool are provided minimal honorarium by the requesting cooperative and the LMCDC. The amount depends on the coops financial capacity. But precisely because of the varying capacity to pay the arrangement is the honorarium passes through the MCDC. Primary coops first give it to the MCDC whatever it can reasonably give then it is the latter responsible for remitting it to the members of the pool. When the given honorarium is small the MCDC augments it from its Cooperative Education Fund (CETF) collection. On the other hand, if the amount provided is big enough, the MCDC saves a little to subsidize other future honorariums for less capable coops. The MCDC maintains an honorarium ranging from 100-300 pesos per day. It is hoped that such arrangement will maintain the quality of service the pools are providing to the co-ops be it a rich or not so rich co-operative. Table 1 list the kind of trainings held.

The grant of honorarium was decided only later. When they started in 1993-94 there was even no honorarium, only transportation allowance and free food from the co-operatives. However, after the cooperatives became more capable, collecting honorarium became a policy but still subject to the cooperatives financial capacity.

### **Collaboration in Municipal Level Education and Training**

One of the major projects of LMCDC as earlier mentioned was the continuing education of cooperative leaders and members. The MCDC was successful in adopting a unique partnership in doing this.

For municipal level training, there is a four-cornered partnership adopted way back in 1993. This continues until now. It involves the LMCDC, primary co-operatives, CFPI and the LGU. The LMCDC undertakes the yearly training needs assessment among the primary co-operatives and invites the participants once the training are scheduled. During the actual training MCDC does the secretariat and documentation. The primary co-operatives meanwhile pay part of the training cost through registration fees and remitting their CETF to the MCDC.

CFPI prepares the training design proposal. The training design contains, among others, the topics and the budget requirements. Once approved by the MCDC the design is forwarded to the Municipal Mayor through the Sangguniang Bayan for budget allocation. More often than not it is the LGU that covers whatever deficit between the cost of training and what the MCDC and primary coops can contribute. The CFPI counterpart are the resource persons. Recently however, because CFPI went through re-organization in its operations, it had since transferred to LMCDC the task of preparing the training proposals. The leaders had taken this very well so far.

Another assistance from the LGU is granting to LMCDC the management of the Laak Farmers Training Center located at the Poblacion. Consequently, it also allowed free use of this facility for MCDC training and meetings.

### **Regular Monthly Meetings**

LMCDC meetings are done monthly scheduled every second Wednesday of the month. Both Mr. Bibera and Mr. Luay are proud to say that attendance in the monthly meetings is not much of a problem. Through the years majority of the co-ops are regularly attending the meetings.

Typical agenda during meeting are: 1) getting to know new attendees, 2) reading of minutes of the previous meeting, 3) sharing and updating per co-operative, 4) inputs from guest (government agencies, NGOs, private corporations, etc.) and 5) co-op pledge. Several hours are devoted for updating per co-operative. Through this reporting where the problems and success of each coop are known, the coop leaders exchange views and suggestions on the operational issues facing them. Problems like low collection rate of loans, sluggish capital build-up and decreasing membership are given attention.

It is during the monthly meetings where guests from the LGU, CDA, CFPI, PCU, other government agencies and private corporations get to introduce their respective program as well as provide advice to the co-operatives. Of course, the guest get to know the co-op leaders and set

schedules as for their visit to the primary co-operatives. We must understand that these organizations/agencies have various forms of assistance, which the co-ops may choose to access.

For fledgling organizations like the co-ops, LMCDC meetings provided the leaders and managers with practical solutions to problems, boosting their confidence.

Monthly meeting is also venue for discussion of critical issues. In 1994 the members opted to remit their CETF to the MCDC instead of giving directly to the PCU. Members felt that MCDC is more effective in delivering services needed. As an arrangement with the PCU, the MCDC retains 40% of CETF collection while the 60% goes to the PCU. MCDC uses its share for its activities that include training/seminars.

At the height of public debate on the expanded value added tax (EVAT), LMCDC passed a resolution against its implementation. This was in consideration of its negative impact to the co-operatives.

### **Cooperative Data Bank**

Monitoring cooperatives is another function of the MCDC. In order to facilitate this effectively, the LMCDC maintains a data bank containing information about the cooperatives. A responsibility of the LMCDC is identifying and endorsing specific coops as beneficiaries of technical and financial assistance from external sources. The data bank is very useful in this role. Just recently the MCDC submitted the recommended list of coops for the Lingap sa Mahihirap Fund of Congressman Prospero Amatang.

Looking at the profile of the coop members, one finds that half of the remaining 36 members were registered from 1991-1993 while the other half were registered from 1994-99. This gives an average age of 5 years and four months for Laak cooperatives, indicating how young the co-ops are in the area. Regarding type of cooperative, 34 are multi-purpose cooperatives while one is a purely credit co-op and another is a producers' coop. Though they are predominantly multi-purpose coops, their top three businesses are: credit and savings (30); consumer store (27) and marketing (23). Some are also providing transport service (9), production of goods (4) and managing a hardware store (1).

Total cooperative membership has reached 3,264 as of June 30, 1999, equal to almost 6% of total 1996 population level. Average membership is 91 individuals per co-operative though membership ranges from 22 to as high as 460 individuals.

Shown in Table 2, is the financial position of the LMCDC members. Laak cooperatives have accumulated an asset base of more than 23 million pesos. Their level of liabilities is manageable as there are two pesos worth of assets for every peso liability. The coop members have also shown their responsibility by contributing nearly 8 million paid-up share capital to the cooperatives. This translates to 32% of total assets.

Contrary to the negative notion that coops cannot earn profits, 19 cooperatives declared income in 1998. Their ability to generate income cannot be negated. Aggregate net surplus that was realized stands at 1.4 million pesos, giving an average of 75,000 pesos per co-operative.

Generally the financial statistics show the impressive performance that LMCDC member co-operatives have thus far achieved, making them important partners in developing Laak.

### **Accessing Technical and Financial Assistance**

Primary cooperatives desired an organized way of accessing assistance from the different government agencies and organizations. This objective was part of establishing the LMCDC. They wanted to do away with the situation of accessing assistance on their own. Aside from the fact that not all of them are capable of networking, the cooperatives see each other as competitors. The LMCDC then made representation to government agencies and organizations and invited them to attend in their monthly MCDC meetings. The same was done with private groups and civil society institutions.

The system works efficiently well because LMCDC annually identifies the assistance required by primary cooperatives in terms of technology, finance and training, then refers these to resource centers in government, private sector and the civil society groups. It is not uncommon to encounter on meetings the DA giving technology on upland farming, NFA offering post-harvest facilities for coops to loan, PCA encouraging coconut farmers to plant new coconut trees, DAR giving advice to ARC coops, Nestle sharing their technology on coffee, Cargill and Pioneer marketing certified corn seeds, and Monsanto coaxing the coops to buy farm inputs from them, CFPI giving tips in coop development and preparing project proposals, etc. The assistance ranges from training, technology transfer, sale of seeds, equipments at lesser prices, buying farm produce at better prices, financial assistance, preparing project proposals and others. On top of attending the MCDC meetings, the resource centers usually visit the primary coops where they can train members or demonstrate use of new equipments.

As earlier said, LGU recognized the importance of the MCDC in facilitating assistance to coops, thus it made a policy that all assistance shall be coursed through the MCDC. This also includes the monitoring of cooperated related programs and projects. Former Mayor Navarro started with this policy but still in effect under the administration of Mayor Arambala. If the PCA is going to distribute free coconut seedlings to cooperative members, it will be the MCDC that will name the co-op beneficiaries.

### **Soft Loan from the LGU**

The LGU is not wanting of support either. In addition to its support to education and training activities, the LGU in 1996 agreed to give soft loans in the amount of three hundred thousand pesos (P300,000.00) to six primary cooperatives. These are no-interest bearing loans payable in one year. This year 1999, CFPI prepared a proposal for another soft loan of three hundred thousand pesos (P 300,000.00), which, the LMCDC submitted to LGU through the Sangguniang Bayan. Again the LGU approved it. It will be given to another set of six primary cooperatives with the same terms and conditions set in 1996.

Documents provided by the LMCDC reveals that a cumulative total of 4.8 million pesos have been extended by the LGU in its financial assistance program to the cooperatives. The loans ranged from P50,000.00 to P400,000.00. Eleven (11) coops have availed the soft loan as of 1998.

The LMCDC aside from making the proposal identified the beneficiary cooperatives. This was through LMCDC Resolution No. 5 Series of 1999. A requirement of the LGU is LMCDC endorsement of the application for financial assistance from the municipal government.

With the regular monthly meeting where they are aware of the needs of each member plus the information in their data bank, naming the coop beneficiaries did not generate disagreement within the MCDC.

The endorsement applies also to applications from other agencies like DA, DTI, NFA, and private groups, which LMCDC readily provided once approved in the monthly meeting. Mr. Munda estimates that an average of eight resolutions of this nature are passed annually.

### **Identified Cooperative Beneficiaries for 1999**

- Laak Samahang Nayon Arba Cooperative (LASNARCO)
- Ceboleda Multi-Purpose Cooperative (CMPC)
- Pahamutang Free Farmers Coopertive (PAFFCO)
- Cambaoto Farmers Multi-Purpose Coopertaive (CAFAMCO)
- Imelda Multi-Purpose Cooperative (IMPCO)
- Banbanon Multi-Purpose Cooperative (BMPC)

## **ANALYSIS AND OBSERVATIONS**

### **Partnership is Efficiency and Relevance**

Working relationship between the LMCDC and the municipal government brought benefits to cooperatives, their members, the community and the LGU. There is recognition on both parties that developing Laak is a shared goal that is better advanced by working together.

From its organization the LGU supported the LMCDC in its projects and activities and even institutionalized this support with specific policies for coop developments. The assistance was not a one shot deal. It was and is in all phases of development. In education and training, LGU made available the training center and gave funds. For delivery of assistance from the outside, LGU mandated that it must pass through the LMCDC. To augment the coops capital, the LGU extended soft loans that are non-interest bearing. The LGU even allowed use of equipment like computer /typewriters and relaxed the office hours of MCDC officers who are at the same time municipal employees. Chairman Luay is also Clerk I at the accounting office while the former Chairman Bibera is the chief investigator of the local police department. The LGU allowed them to use some of their official time to work on the LMCDC projects.

The LGU likewise created institutions to concretize the support. There is a committee on co-operatives in the Sangguniang Bayan, now headed by Ms. Llanto. Mayor Arambala also made the LMCDC member of the municipal development council. Of course, there is the municipal cooperative action officer, Mr. Philip Cui who likewise makes regular visits to cooperatives.

The collaboration gave benefit to the stakeholders. The advantage for the LGU is that there is an independent structure external from the municipal government that helps in delivering services for cooperatives that should

have been otherwise provided by the LGU directly. The cost related to personnel and operations has been reduced. Monitoring the 45 registered cooperatives cannot be done effectively by the lone coop officer, much less when the coops request training, technical assistance in auditing, bookkeeping, resolving disputes, etc. The LMCDC helped the local government in this aspect.

Secondly, the monthly meetings made access to coops easy for the LGU and other government agencies. Instead of visiting each cooperative in the barangays, which is by the way is difficult given the road conditions and topography of the area, LMCDC gathered the coop leaders in the Poblacion. During meetings the agencies can reach the cooperative leaders (most of them by the way are also barangay leaders) for consultation, planning and monitoring purposes.

Thirdly, the coordinative role was provided for by the LMCDC in the name of the LGU. Assistance coming different groups pass through the LMCDC, prioritizing among its members who shall receive such assistance. The LGU thus need not go through the bureaucratic process of choosing the coop beneficiaries.

Finally, supporting the LMCDC sends the signal that the mayor is indeed pro-coop. It shows the intention of the local leadership to support initiatives from the grassroots. Experiences in other areas prove that when this is done people view government more positively. Laak, while generally peaceful, remains to be a rebel influenced area.

The partnership then saved the LGU financial resources since it does not have to maintain a separate office tasked with cooperative development. It does not necessary have to hire its own trainer, bookkeeper, credit officer at this time because the LMCDC assist very well on these functions. By working with LMCDC, LGU made more efficient use of its resources which was already limited.

On the other hand the collaboration gives benefits to the LMCDC and its cooperative members. First, LGU assistance increased its limited resources and at the same made the MCDC more relevant because it was able to provide more help that cooperatives require. The high attendance rate in meetings and the willingness of coops to remit their CETF to the MCDC is a demonstration of its importance. Secondly, LMCDC was able to access various forms of help from the LGU. The aggregated P 4.8 million soft-loan granted to primary cooperatives the past years contributed to the growth of small farmers cooperative. With the loans, availability of cheap credit to members for production activities was assured.

The cooperative members have greater access to services. This is another benefit the coops derived from the LMCDC because instead of requesting help from the CDA or the PCU, which are located far from Laak, they can easily enlist the assistance of the LMCDC and the pools.

Lastly, the partnership made their programs and activities more sustainable. Because of the resource and expertise infusion from LGU and also other private companies and NGOs, the LMCDC have undertaken regular activities, making it relevant to members.

### **Understanding LMCDC Roles**

Key to the success of partnership is clear understanding of the role of LMCDC. To its credit seemingly LMCDC is performing its roles of leader, facilitator, networker and trainer. As the body that represents all coop in the municipality LMCDC is guiding the development direction of the coops. The MCDC has undergone strategic planning in 1996, which was reviewed and consequently adjusted in 1998. Part of the new plan is the “lead coop” concept in each major line of business. Rather than federation there will be lead coops in consumer, marketing and credit and savings.

Monthly meetings were instrumental in bringing together co-op leaders and government staff and officials, personnel from private companies and representatives from civil society. The coops bring out their issues/problems while the invited guest try to give solutions. LMCDC is networker for soft loans, free technologies and training, funds, post-harvest equipments, buyers of farm produce, etc. Thus far adequate linkages were made with the resource centers. It is laudable that LMCDC undertake training and technology need assessments every year.

LMCDC took the responsibility of training its leaders and members. Trainings and seminars, exposure trips, on the job skills training were done. Pools were created to help on this. The four-some partnerships along this line add in sustaining the education and training program. LMCDC proves the point that it has to shoulder the cost, though with its scarce resources, it also knows that external support is required.

The LGU is aware of these roles so it intervened only in critical areas such as funds augmentation, credit extension, introducing policies and building institutions. With these, cooperatives were assured of their independence the way they wanted the LMCDC to be.

Moreover the LMCDC made it successful to consolidate the otherwise scarce resources of the coops. The pools made use of the internal experts

while the CETF remittances provided funds needed in the implementation of the plans. Because of the consolidation the coop sector is seen as distinct political grouping.

### **Consistency of Policies**

In spite of the change in administration in 1998, policy environment for co-ops development did not change significantly. It is fortunate that the Mayor Arambala served as vice mayor and belong to same political party with the former mayor and so there were no major policy shifts. Without doubt the consistency of policies is a major factor in the growth of the partnership.

The LMCDC likewise knows this too. Election of BOD members is done annually election but only half of the BOD is replaced. The intention for this is to have people in the BOD who knows the underpinnings of past decision, programs and projects assuring the stability in the organization.

### **High Stock of Social Capital**

It is fair to say that Laak cooperatives have unity. During the interview, the chairman cannot recall of instances where inter-coop conflict occurred and threatened the organization. One reason for this is the iterative interaction through the monthly meetings and trainings. The pools also provided the chance for leaders and staff of different co-ops to work together. Thirdly, the transparency during meetings as well as the sharing of problems/experiences developed trust among one another.

Cohesiveness within the LMCDC is tight such that they can now identify without controversy the lead cooperatives for consumer store retail, marketing and business like credit and savings operation. The chair is proud to say that even in naming the coops that will receive soft loans from the LGU, it is openly discussed in the meetings. They could possibly do that because they have large stock of social capital.

Significant to this is the nature of being an “all-co-op” MCDC. It equalized the field for them and thus they were able to exchange views and suggestions honestly. The absence of public officials made them not aloof to interact. Common people tend to look up to public officials. Without them coop leaders and officers are of the same footing, no one being higher nor anyone being lower.

### **Dedication of the Force Behind**

LMCDC is product of collective action of the members and guiding force of some people and their cooperative. Their dedication pushed the MCDC ahead notwithstanding the many problems they encountered along the way.

The Mangloy MPC and the LASNARCO gave institutional support to the LMCDC. They provided secretarial support, inviting coop to attend LMCDC activities, sending letters to the coops and even documentation during trainings. What is critical here as pointed out by Mr. Apol Tabigue is that the institution itself committed. Thus, it is not dependent on the leadership. Up to now, Mr. Tabigue said, these coops at times take care of LMCDC fund deficits.

Incidentally Mangloy and LASNARCO are the two biggest cooperatives in Laak. With their involvement in the LMCDC, the two coops also added credibility to the LMCDC.

Among the individuals is Mr. Ramon Bibera, a policeman by profession. He was the first chairman and continuous to serve as BOD member. He by the way is the current manager of Mangloy MPC. His cooperative commitment is so deep that Mr. Tabigue was quick to say “he did not cry for anything else but for the cooperative to try a little harder”. A policeman shedding tears in front of other coop leaders asking them to give more of their time and intensify their efforts manifest great concern for their collective success.

Mrs. Precy V. Llanto is the former municipal cooperative action officer who patiently monitored the cooperatives and invited them to join the MCDC. She said she loves cooperatives so much that she spent 28 years of her professional life for cooperative development working under the then Bureau of Agricultural Cooperative Development (BACOD) and later with the Office of the Municipal Agriculturist. She was elected member of the Sangguniang Bayan in 1998 following her retirement. She is now chairing the committee on cooperatives. Her equally supportive husband Mr. Elias Llanto, of the municipal agriculture office, showed commitment too.

The current chairman Mr. Rodolfo Luay is always ready to serve. In 1994 he was the Secretary-General and then a BOD member. Last year when LMCDC suffered setback in its activities causing few members to become inactive, the elected chair resigned. Mr. Luay took over the chairmanship and soon after the LMCDC is full of dynamism again.

Both the former and present mayors are correct for assisting the LMCDC and the primary cooperatives. With their support the MCDC was transformed from a simple venue for exchange of views and experiences

to an important player in cooperative development in Laak. Their personal experiences as a community organizer of the former Ministry of Human Settlements and as a farmer allowed them to easily understand the need to work with cooperatives. Also, their being lay leaders in the church may have opened them for social and collective action.

Some would say that partnership was made because the key leaders of LMCDC are at the same time employees at the municipal government. This could be true. But add to it the dedication and commitment these people have, then, the partnership becomes fruitful!

### ***CONCLUSIONS AND OBSERVATIONS***

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Positive partnership is possible as in the case of LMCDC and the Laak LGU. Though the local chief executive nor any government agency as stipulated in E.O 95, were members of the LMCDC, still the LGU assisted the cooperatives. LGU not only provided funds for training and credit but also the environment for cooperatives to strive and develop. Not disturbing the ‘all coop’ nature of LMCDC allowed the coops to solve simple problems and issues facing them.

The LMCDC is successful in foremost in forging collaboration with the LGU resulting in various benefits for its members because it realized that coops could not do it alone. The support LMCDC received augmented their few resources enabling it to sustain its programs and activities. Also, it consolidated the coops’ resources, expertise and experience and sharing them among themselves. However, the challenge is for how long they can maintain this fruitful collaboration.

Many believe that the cooperative is the way to the future but the performance so far of cooperatives nationwide exhibited both success and failure. Making cooperatives viable must then be given due attention. In facing the challenges of liberalization and globalization of the local economy, the cooperatives can at least provide anchor for people marginalized by the development frenzy, or better yet lead in maximizing opportunities and assuring niches for people of limited means to have greater economic participation. And for this to happen it requires the support from all sectors especially local government units who are at the driver’s seat of achieving development at the grassroots.

<b>Table 1. Trainings/Seminar for the Trainors Pool and LMCDC</b>	
<b>Trainors Pool</b>	<b>Municipal Level LMCDC Trainings</b>

<b><i>Pre-membership Education Seminar</i></b> Ownership Seminar Co-operative Principles Team-building	Basic Co-op Management  Trainors Training Marketing Seminar Financial Management
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	<b>Total</b>	<b>Number of Co-operatives with Data</b>	<b>Range of the Values</b>
<b>Assets</b>	<b>P 23,354,278</b>	22	<b>P 101,359 – P 6,697,765</b>
<b>Liabilities</b>	10,770,378	21	13,624 - 3,811,189
<b>Paid-up Capital</b>	7,703,624	24	32,740 - 2,270,387
<b>Net Surplus</b>	1,418,152	19	8,405 - 398,647

1. Some co-operatives failed to submit Financial Statement
2. Data as of 31 December 1998
3. Two (2) co-operatives experienced net loss (P35,580 and P37,835)

#### **INTERVIEWEES/KEY INFORMANTS**

- Mr. Rodolfo Luay ,LMCDC Chairman
- Mr. Ramon Bibera, Manager, Mangloy MPC
- Mrs. Prescilla V. Llanto, Member, Sangguniang Bayan
- Mr. Apologeo Tabigue, Manager, CFPI –Davao-Caraga Regional Center
- Mr. Danielo Munda, Cooperative Development Specialist, CFPI- Davao-Caraga Regional Center

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## Chapter 4

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# Cases of Multi-tiered Partnership between Local Governments and Cooperatives

### **Institutionalizing Coop-LGU Collaboration**

The Provincial Cooperative Development Program of Davao del Norte

**Anna Liza R. Granada and Abundio S. Quimosing**

### ***ABSTRACT***

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The Provincial Cooperative Development Program (PCDP) of Davao del Norte evolved from more than two decades of trial and error experience. As early as 1963, there could hardly be called a program of cooperative development in the undivided Davao province. In 1972, at the height of the martial law regime, the Davao del Norte Federation of Credit Cooperatives (DAFECCO) initiated a cooperative education program. The program, however, was limited to cooperative orientation and pre-membership education seminar (PMES) to prospective organizers and members of a cooperative. The federation implemented its program without much emphasis on business undertaking but on social aspects of cooperativism especially on education and the practices of self-help and self-reliance.

Cooperative Development gained momentum when Nabunturan Mayor Prospero S. Amatong was appointed by then President Aquino, as Officer-In-Charge (OIC) Governor. As OIC Governor, he created the Provincial Government Arm on Cooperatives Development (PGACD) through provincial Executive Order no. 46 of 1987, manifesting his support for the cooperative movement.

The PGACD, composed of trusted and dedicated coop leaders, was responsible for the integrated approach and design of the Provincial Cooperative Development Program (PCDP). The PCDP, guided by the universally accepted cooperative principles and practices, was created to develop cooperatives from the bottom-up through self-help and self-reliance.

The PGACD served as the *ad hoc* coop council and technical arm concerning cooperative development matters. The Governor utilized the PGACD as a platform for cooperative consultations, dialogues and conferences. This setup persisted until the formal organization and registration of the Provincial Cooperative Union of Davao (PCU-Davao), which has since then assumed this responsibility.

The PGACD is still intact. It has support from several other organizations: the alliance of cooperative federations under the umbrella organization of the Provincial Cooperative Union of Davao (PCU-Davao), the Provincial Cooperative Development (PCDC), and the Municipal Cooperative Development Councils (MCDCs). The Davao del Norte and Compostela Valley LGUs are still very much supportive of the Cooperative Movement.

### **Understanding PCU-Davao and its Role in Coop Development.**

The Provincial Cooperative Union of Davao (PCU-Davao) per RA 6938, is categorized as a tertiary level cooperative whose members are coop federations. It represents the interest of all types of cooperatives at the provincial level. Its purposes are, among others, to sponsor studies in the economic, legal, financial, and social aspects of cooperatives. The results of these studies are then disseminated to promote knowledge of coop principles and practices, and to develop the cooperative movement in the area.

The Provincial Cooperative Union has lobbied for public support on certain cooperative issues with lawmakers such as the restoration of exemptions of income tax and EVAT. Other policy issues that the PCU has advanced include the salary augmentation of Municipal Agriculturists, the strengthening of coop banks, and the strong objection to the 70% equity offered by Aboitiz Power Corporation (APC) in the proposed joint venture with the Davao Norte Electric Cooperative (DANECO). This last issue, which in the court of public opinion, seemed grossly disadvantageous to the 82,000 household-member-consumers in the area.

The roles played by PCU-Davao and the cooperative movement are intangible but are nonetheless very significant in so far as the social and political aspects of cooperative development are concerned.

## ***BACKGROUND AND CONTEXT***

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### *Brief History of the Cooperative Movement*

The Credit Union (CU) idea was introduced in the prelature of Tagum through the initiatives of Rev. Father Walter Maxcey, MM. The first CU was organized in the parish of Sto. Tomas, Davao. Shortly after, other CUs were organized - Panabo, Mabini, Asuncion, Pantukan, Monkayo and Kapalong, in Davao del Norte, and Sigaboy and Mati in Davao Oriental. Sadly, most of these organizations and their descendants, formed without proper cooperative orientation and pre-membership education, were saddled with crippling problems and soon dissolved.

Realizing their incapacity to solve pressing problems as individual organizations, some CU leaders proposed bonding the CUs together to form a higher level of cooperative organization. Unfortunately, the idea was left floating in limbo since nobody volunteered to assume the burden and responsibility of getting the CUs to formally organize.

At that time, the Social Action Council (SAC) of Tagum was at its formative stage and eventually operated in November 1967. With cooperative development as one of its major concerns, the SAC, through its Cooperative Department, took immediate steps to monitor and evaluate the status of the CUs in an effort to save CUs from total collapse.

However, the CUs interpreted the SAC initiatives as undue meddling in their affairs. The SAC pushed the idea of bringing the CUs together under a secondary level of coop organization. Even as there was still no sound basis for its organization, SAC then sponsored a series of conferences among coop leaders. On March 2, 1969, ten (10) CUs from Davao del Norte, and two (2) from Davao Oriental formally organized themselves into a Credit Union Chapter under the Philippine Credit Unions League (PHILCUL). A move that was then considered pre-mature, as the CUs were not yet ready and capable of supporting a higher level of cooperation.

The national-based federation was impractical due to geographical conditions, transportation, and communications system. The idea of revising the structure to conform with the needs of the situation was solved by five scholars sent for training to the Southern Philippine Educational Cooperative Center (SPECCE).

Practical considerations of a provincially based federation were presented in a meeting of the Chapter Officers who favorably accepted the eventual formation in July 2, 1971 of the Davao del Norte Federation of Credit Cooperatives, Inc. (DANFECCO). DANFECCO had practically depended upon SAC for its operations, from July to December 1971. The federation officers supplemented volunteer services to the Chapter.

From 1972 to 1973, the Chapter was subsidized with budgetary arrangement. But by 1974, the Chapter was completely weaned from the support of the SAC. Revenues from services rendered to affiliates and non-affiliates alike supported its operations from then on.

### **Lessons to Learn**

The developments of individual cooperatives in the provinces are noteworthy. For instance, the first CU was organized in Sto. Tomas in 1963. Due to the lack of cooperative orientation, the members were unable to develop and stand on their own. While Fr. Maxcey had all the good intentions, the members depended heavily on him to provide for all the need of the coop.

Provincial Cooperative Development Program (PCDP) has many insights from the failures of the past three decades. The failures of the Sto. Tomas Credit Union taught other cooperatives like Nabunturan Integrated Cooperative (NICO), Tagum Credit Cooperative (TCC), Hijo Plantation Employees Credit Cooperative (HPECC), and other cooperatives some important lessons on self-reliance. These cooperatives took to heart these lessons and have since grown into multi-million cooperative operations.

The success factors, value formation and moral recovery, self-reliance, networking, participatory management, continuous education and training, and proactive leadership, were all culled from the region's past experiences.

The Administration of Governor Amatong ushered in a new leadership style. His unwavering effort and close supervision in the building of infrastructure projects resulted in the completion of several public buildings, roads, and bridges.

During his term, more projects were implemented causing enhanced economic development in Davao Province. Davao, a pilot province in the government's decentralization program, was given financial assistance through the P 120 Million Block Grant released by the national government for social, agricultural and infrastructure development. Many cooperatives were beneficiaries of this Block Grant, giving them financial stability to fund their development programs.

Governor Amatong gave a substantial assistance to the cooperatives, such as:

- P 21.6 Million used for post-harvest facilities and other buildings;
- P 45 Million for roads and bridges to areas with CARP-assisted cooperatives;
- P 1.1 Million for water system development in far flung barangays;
- P 10.7 Million for livelihood projects and pre-harvest facilities which greatly benefited the cooperative sector; and
- P 1.6 for education and training as counterpart fund coursed through the PCU-Davao, the education and training arm of all types of co-operatives in the undivided Davao Province.

The collaborative intervention efforts of the provincial government of Davao del Norte can best be appreciated by enumerating the following:

- The creation of the Provincial Governor's Arm on Cooperative Development (PGACD), promulgated and signed by Hon. Prospero S. Amatong, the Executive Order No. 46, s. 1987;
- The Project Self-Reliance (PSR) hatched in 1992, encouraging cooperatives to exert their efforts in grain processing and trading (a Grain Center system), wood-based, and other agricultural industries in the province;
- Creation of the Provincial Cooperative Development Office (PCDO) which greatly enhanced the development efforts of cooperatives;
- Strengthening the Federation of Non-Agri-Cooperatives (DAFENACO) and the Davao Federation of Agri-Cooperatives (DAFEDACO); and
- The formulation of an integrated Provincial Cooperative Development Program (PCDP), initiated by the Provincial Governor's Arm on Cooperatives Development. Immediately thereafter, the Provincial Cooperative Union of Davao, the cooperative education and training arm, adopted and implemented its participative approach with all the affiliated co-operative federations.

Before its division into two provinces, Davao Province had 22 municipalities. On January 31, 1998, President Fidel V. Ramos signed RA No. 8470 creating the Province of Compostella Valley out of Davao Province. Other historical events that transpired in Davao del Norte together with the creation of Compostela Valley were the enactment of RA No. 8471, creating the Island Garden City of Samal composed of the former municipalities of Babak, Samal and Kaputian. Republic Act. No.

8472 converted the Municipality of Tagum into a City, the seat of the provincial government of Davao del Norte. RA 8473, on the other hand, created the Municipality of Braulio E. Dujali out of some barangays from Carmen and Panabo municipalities, which are included as components of Davao del Norte province. The province now has eight municipalities, two cities, and 224 barangays.

## **PROJECT DESCRIPTION**

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The cooperative development program in Davao del Norte is a classic example of the collaboration between cooperatives and the LGUs.

The Provincial Cooperative Union of Davao (PCU-Davao), the accredited umbrella organization of all cooperative types in the province, takes care of the non-business development functions. It also provides essential services such as education and training, preparation and audit of financial books, advocacy on issues concerning the movement, and research and development. In essence, PCU-Davao acts as the think-tank of the province's cooperative movement.

Its affiliates are federations and cooperatives at the secondary level. All these affiliates use the expertise of PCU-Davao, acquiring and/or honing their entrepreneurial acumen and skills through appropriate education and training.

LGUs are also strategically linked with PCU-Davao through the cooperative development councils, provincial and municipal, created per CDA Circular No. 95-003.

Affiliated with PCU-Davao are the Davao Cooperative Bank, Davao Federation of Agri-Cooperatives (DAFEDACO), and Davao Federation of Non-Agri-Cooperatives (DAFENACO), all the cooperative development councils at the provincial and municipal levels.

These cooperative development councils composed of knowledgeable elective coop leaders serve as consultants to the Committees on Cooperative of the LGUs. This strategic tie-up creates a good working relationship – the cooperative sector is given a forum to ventilate their concerns, while the LGU can formulate and implement policies for good governance.

## ***PROJECT RESULTS AND OUTCOMES***

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The evolution of the Davao cooperative movement, from a loosely established group of Credit Unions to a well-organized network of federations and cooperatives with strategic local government linkages,

took more than three decades to achieve. The creation of PCDP brought focus and objectives to a cooperative movement that was in dire need of guidance and direction.

The PCDP projected a clear, well-defined development program. It brought a vision of *better quality of life through economic, social and political equity*, and a mission to *pursue socio-economic development through cooperatives as practical vehicles to share and benefit from the equitable distribution of opportunities, income and wealth of the province or the nation*. Its goal of *developing cooperatives into viable economic enterprises with direct access to financial and technical assistance* has pulled the once fragmented sector together.

Through PCDP's work, the cooperative movement in the province has progressed, as seen below:

- Cooperatives are now more viable economic enterprises;
- Coop officers and members are more enlightened, disciplined and responsible;
- There is an open collaboration within and among cooperatives;
- Cooperatives have effectively neutralized and contained activities of unscrupulous rice traders and other businessmen;
- The incorporation of values education in primary cooperatives' modules through the education committee (EDCOM);
- Stronger emphasis on self-help or self-reliance;
- Better working relationship with the LGUs;
- More awareness through legitimate advocacy of issues and concerns which promote and protect the general interests of cooperatives;
- Competitive readiness of co-operatives in the face of the global trade liberalization; and
- Communication and strategic linkages with cooperatives in other provinces and cities.

These are the outcomes of an integrated cooperative development program anchored on the coop philosophy: "That there could be life for everyone in freedom through enlightened, responsible and disciplined SELF-HELP plus mutual assistance".

### **Achievements**

Davao Province has 1,030 CDA-registered cooperatives including the Provincial Cooperative Union of Davao (PCU-Davao), the Davao Federation of Agri-Cooperatives (DAFEDACO), the Davao Federation of

Non-Agri-Cooperatives (DAFENACO), and the Davao Coop Bank (DCB). These federations are all affiliated with the PCU-Davao.

This unity makes PCU-Davao perhaps, the only viable provincial cooperative union in the country today. Even with the breakup of Davao del Norte into two provinces, the affiliates remained intact under the PCU-Davao as their umbrella organization.

The 1,030 cooperatives have more than 180,000 individual members with P700 million total capital shares and 12,360 hired employees. Total accumulated assets are valued at P4.3 billion, making P 2.3 billion total business volume, resulting in P200 million total net savings for the Calendar Year 1998.

These cooperatives have undertaken business endeavors such as the production, processing, and trade of rice, corn, and copra, the production of certified seeds and organic fertilizer, the production of high value crops, and banana farming for foreign and domestic consumption. It has also ventured into the cut-flower industry and reforestation.

There is also a proliferation of thriving cooperatives serving various sectors of society such as financial services (credit cooperatives and cooperative banking), public utilities (electricity distribution, transportation, and water distribution), communication (telephone service cooperative), media (printing press), tourism (beach resort), fishery (small fishing cooperative) and consumer goods and services (catering services, food and vinegar processing, and soap making).

The institutionalized cooperative education and training, jointly undertaken by PCU-Davao, PCDC/MCDCs/LGUs, complements these cooperative economic undertakings. These include the following modules:

- Integrated Cooperative Business Management
- Supervisory Training Course
- Training Course for Internal Auditors
- Credit Process and Collection Management
- Transforming Peak Performance
- Coop Board of Directors and Committee Members Training
- Basic Coop Management Training Course
- Effective Cash Flow Management
- Project Development and Management Course
- Financial Analysis and Management
- Participatory Research and Operation Management Thru Team

Buildings

- Basic Bookkeeping Course
- Human Resource Development

- Credit Analysis Management and Policy
- Basic Development Course for Secretaries

## **Issues**

Incumbent Governor Rodolfo P. del Rosario reorganized the structure of the provincial government, resulting in the abolition of Provincial Cooperative Development Office. Del Rosario transformed it to a mere division and merged it with the Provincial Agriculturist Office (PAGRO).

Consequently, disturbing issues were raised about the reorganization. One issue was that the PCDO, which used to be involved with all types of cooperative development, is now compelled to focus only on agri-cooperatives.

Another issue concerning the reorganization is that the policy shift of the provincial level LGU will adversely affect the cooperatives at the municipal level. These cooperatives had been requesting the provincial level LGU to appoint Municipal Coop Development Officers (MCDOs) for expedient access to government assistance and consultation. The cooperatives fear that the reorganization will lessen the urgency and significance of their request.

Some national government agencies (NGAs) and financial institutions have also indiscriminately organized cooperatives for the sole purpose of using them as conduits/channels of funding assistance. These capricious programs have detrimental effects on the cooperative movement because these hastily organized cooperatives are not grounded on cooperative philosophy, principles, and practices. They violate the very nature of cooperatives as self-help organizations since the capital requirement is almost entirely provided for by the NGAs and financial institutions.

These issues will certainly have adverse affect on the development of cooperatives in Davao del Norte.

## *Problems*

Cooperative development is also beset by institutional and external problems, such as:

- Some cooperatives allow multi-membership. In such a setup, a member can abuse his borrowing privileges by having multiple loans. If payment of such loans were to fall due simultaneously, the borrower may have some difficulty fulfilling his/her obligations. Delinquency and defaults in the loan payments will cause liquidity problems for the cooperative;

- Operation of cooperatives of the same type, say in one barangay, will create unnecessary competition among these coops because they engage in the same business and cater to the same patrons;
- Some people with ulterior motives join cooperatives for personal interest and political purposes;
- Interference of government agencies deviating from the mandate of public interest or the common good of the people;
- The recent economic meltdown which hit most businesses due to the spillover of the currency crisis that engulfed all Asian countries did not spare the cooperatives from its debilitating effects;
- Only a few capable cooperatives eked their way out of heavy financial losses and total bankruptcy.
- The government financial institutions (GFIs) could have done more to assist cooperatives in financial distress.
- LGUs were not much help either, because busy attending to the needs of their constituents;

## CONCLUSIONS AND OBSERVATIONS

The Provincial Cooperative Development Program of Davao del Norte (PCDP) is the product of a deliberate plan recognizing the contribution of lessons learned from the failures and successes of cooperatives in the past.

Lessons on self-help or self-reliance, developing cooperatives from the bottom up, linking with the LGUs for mutual collaboration and effective governance, institutionalizing coop education and training, among others, are rich additions to the promotion, progress, and growth of cooperatives.

The PCDP incorporates the tenets of the true cooperative philosophy, and the universally accepted coop principles of bringing up disciplined, enlightened and responsible coop members – a success factor in pursuing cooperative development.

This program is also complemented by an institutionalized education and training program under the joint auspices of the PCU-Davao/PCDC/MCDCs and the Provincial Government of Davao del Norte. The Capability Building Center (CBC) for cooperatives, especially agri-coops, and other users will bolster coop development.

The CBC, which will be ready and operational by early 2000, is entrusted to the PCU-Davao. It was built due to a P10 million grant from the

government of Brunei, ably negotiated by DA/NAFC, Region XI. This structure is located along the National Highway, Magdum, and Tagum City. The CBC will also serve as the Cooperative Training Center, catering to the education and training needs of cooperatives in Davao del Norte, Compostela Valley Province, Davao Oriental and the neighboring provinces of Region XI.

The development of cooperatives in the two provinces, especially Compostela Valley, has progressed. By July of this year, the project Effective Local Governance and Support Mechanism for Sustainable Cooperative Development will be implemented. Several seminar-workshops have already conducted, attended by selected coop officers and leaders in Compostela Valley.

The participants have planned several projects, activities, and workshops for their future projects such as a supermarket type wholesale society in Nabunturan. They also plan to re-implement the Project Self-reliance, set up the Grain Center, intensify the upgrading of cattle-raising through artificial insemination (AI), produce organic fertilizers, put up a feedmills plant, and plant trees to preserve watersheds.

Despite the issues and problems affecting the cooperatives here, there are committed cooperative leaders ready to take assist cooperatives that are reeling from the economic crunch to regain their financial bearing.

## **INTERVIEWEES/KEY INFORMANTS**

- Mr. Dioscoro A. Granada, 1<sup>st</sup> Chairman, PGACD
- Mr. Abundio S. Quimosing, Secretary General, PGACD & PCU- Davao
- Mr. Antonio MI. Mencidor, 1<sup>st</sup> PCDO, Davao del Norte; now Provincial Agriculturist, Compostela Valley
- Mr. Ernesto S. Biala, Sr., 1<sup>st</sup> Executive Director, DANFECCO, now DAFENACO
- Ms. Juliet V. Fuentes, Executive Director, PCU- Davao
- Mr. Guillermo Agayan, Chairman, PCU
- Engr. Humber Cabunoc, Provincial Cooperative Development Officer – Davao del Norte

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## Chapter 5

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# Cases of Coop-LGU Mutual Support

### **Mayor Helps 'Rescue' a Cooperative in Distress**

**The Case of Padre Garcia Development Cooperative of Batangas**

**Ed Aurelio C. Reyes**

#### **ABSTRACT**

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This is a case study in coop-LGU partnership that focuses on an ongoing five-pronged "operation" jointly being undertaken in Padre Garcia, Batangas, by Mayor Victor M. Reyes and the officers of the Padre Garcia Development Cooperative (PADECO), aimed at "rescuing" the latter from dire economic conditions that had at one time bordered on bankruptcy.

Mayor Reyes formerly headed the cooperative as board chairman and is now mandated by the municipal council, upon PADECO's request, to help and guide the cooperative's rehabilitation and reorganization, in his capacity as chairman of the Municipal Cooperative Development Council.

The five-pronged approach, seeking support from distinct sectors within and around the cooperative, has reportedly started chalking up success in its first three-month period. Other concerns surround prospects of full success and its sustainability.

Backgrounders are provided, including basic information on the municipality and its economy, on past and current cooperative-LGU relationship, on PADECO's wide exposure of assets in a hog-fattening scheme involving most of its members, on a foot-and-mouth epidemic in 1996 that devastated the hog population and PADECO's financial standing, and PADECO's initial attempts to heal itself before seeking LGU assistance.

Noteworthy in both the request and the favorable response is the rejection of the option to simply have the LGU grant funds.

## **BACKGROUND AND CONTEXT**

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You have this cooperative, the Padre Garcia Development Cooperative (PADECO), which started an impressive growth in poultry and hog-raising and feeds production. It was suddenly "downed" three years ago by an epidemic that nearly wiped out the stock of its hog-raising membership. Once a proud organization of fast-growing membership and assets, it was a partner of the municipal government in encouraging private sector contributions to civic enterprises. But this cooperative suddenly found itself deeply indebted to the Land Bank and unable even just to pay back its debts to suppliers of raw materials. Moreover, its members were beginning to drift away, with dim prospects of paying back to the organization the loans they had received in the form of feeds. The cooperative had enough reasons to be confident of getting help from the incumbent town mayor, but it held back itself from seeking such help without first doing all it could to solve its own problems.

And you have this municipal executive, Padre Garcia Mayor Victor M. Reyes, who has been consistently sympathetic to cooperatives, having once chaired PADECO itself, and led it through twists and turns of earlier crises and growth, before he was elected to public office. Moreover, this cooperative, in its present scope, was founded by his father in 1989. The mayor has always been privy to goings-on in the cooperative after he assumed office. He had always known well of the cooperative's epidemic-caused disaster and continuing fall, but he somehow distanced himself from the problem for a time in the hope that the cooperative would find the way and the strength to heal itself. He allowed that period to stretch on until he received from the cooperative itself the "S.O.S.!" distress signal. Then he moved with dispatch, creativity and firm commitment.

This is a close look into the ongoing process of rescue and rehabilitation work which has shown indications of initial success, and now presents a rich trove in practical lessons that both the local government units and the cooperatives elsewhere may find very useful.

Funded by the United Nations Development Programme (UNDP) through the UNDP-Cooperative Development Authority-Philippine Cooperative Center joint project for "Effective Local Governance and Support Mechanisms for Sustainable Cooperative Development," this study is culled from interviews made in Padre Garcia town and from official LGU and cooperative documents. Interviews were made with the incumbent mayor, the former mayor, the incumbent mayor's close-in assistant, the chairman of the Sanggunian committee on cooperatives, former and

incumbent officers as well as ordinary members of PADECO, officers and members of two other cooperatives, the municipal agriculture officer, an administrative officer of a slaughterhouse project, and the parish priest.

### **LGU-Coop Relations in Padre Garcia**

Padre Garcia is one of the 32 municipalities of Batangas, Southern Luzon. The province also has two cities, namely, Batangas and Lipa, and Padre Garcia is near the latter. In fact, the town's farmers and cooperatives are being served by the Land Bank of the Philippines branch in Lipa. Padre Garcia, rated as a fifth-class municipality is 92 kilometers by road southward from Metropolitan Manila.

The town has 32,673 residents in 5,019 households living in a total land area of 4,093 hectares in 18 barangays. About 60 percent of households in this town live below the poverty line, with a monthly household income below P5,000.00. It is basically an agricultural community, with sugarcane, rice, coconut and corn as primary crops and mango, citrus, black pepper, coffee and lanzones as secondary crops. There are 1,305 households (26 percent of total) that are engaged in farming as the main source of livelihood.

The more prominent industry in the municipality, however, is the raising and trade of livestock, namely, cattle, hogs, carabaos, goats and even horses. Livestock trading has been the main source of income of a majority of residents as well as of the local government. It was therefore a disappointment especially to direct stakeholders that a modern, equipped Double-A grade abattoir, has not been successful a joint cooperative-private sector enterprise and is in fact facing an imminent takeover by the municipal government. Every average market day in Padre Garcia, 1,500 heads of cattle, carabaos are being traded. About 80 percent of these are sold, most are bought for slaughter, and a small percentage (about 5 percent) are for fattening. The 20 percent left unsold are cared for through the "paalaga" system until the next market day. Padre Garcia's Livestock Auction Market, a purely LGU enterprise, is considered to be among the best throughout the Philippines. Traders flock to this town every Friday, coming all the way from all over the Southern Tagalog, Central Luzon and Bicol regions, and from the Metro Manila area.

There was, for the most part, brisk business in hog-raising, where thousands of piglets costing P1,500.00 each, are dispersed among raisers, mostly members of PADECO, to fatten with about P3,500.00 worth of feeds and vitamins from the cooperative's feed mill for three months before being taken from the raisers. The hog-raisers earn more than P1,000.00 profit per head.

A federation of cooperatives band together 22 listed cooperatives, of which only about 15 were recently reported as active.

### **LGU Conscious of Coop Development**

If there are local government units that are very much aware of provisions in the Local Government Code in support of cooperative development, the municipal government of Padre Garcia would surely be one of them. Before his election in 1992 as vice mayor and in 1995 to his first three-year term, the re-elected incumbent mayor, Victor Reyes, used to be a member of the board of directors of PADECO and no less than its board chairman. PADECO itself was founded as a development cooperative in 1989 by his father Alejandro Reyes, who led its transformation from its predecessor organization, the Padre Garcia Farmers Consumer-Producer Cooperative Inc. Needless to say, he has also been very conscious, as well, of the provisions of the Cooperative Code.

Mayor Reyes chairs the Municipal Cooperative Development Council (MCDC), where he is actively assisted by Councilor Rico Araño, chair of the Sannguniang Bayan committee on cooperatives and former board of directors member of PADECO. Under the Mayor's guidance, municipal employees have organized themselves into the First Employees' Multipurpose Cooperative (so named despite indicators that a similar organization had existed under the previous administration) that has been operating a thriving grocery store cum restaurant at a multi-purpose hall beside the municipal buildings. Seed fund for this cooperative came from the employees' productivity incentive pay of about P2,000.00 per employee.

## **PROJECT DESCRIPTION**

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### **Cooperatives Helping the LGU**

The story in Padre Garcia shows how cooperatives proved helpful to the municipal government and directly to the community. PADECO is one of the two relatively strongest among 22 listed cooperatives in the town, the other being the Padre Garcia Multipurpose Cooperative Inc. (PGMCI). With majority of cooperative members engaged in hog- and poultry-raising, PADECO built in 1989 its own milling facility for the production of feeds, and a growing trade in both feeds and live hogs.

The Padre Garcia Federation of Cooperatives and PADECO standing on its own, put up funds equivalent to two of fifteen shares of stock needed for the building of the modern Padre Garcia abattoir or slaughterhouse, and drew in equivalent amounts from private sector investors. The project

was designed to boost the town's economy from the expected expansion of its services market.

The project eventually faltered due to the non-fulfillment of the market expectations indicated in its feasibility study. The expensive modernity of the equipment backfired at the meat dealers' market stalls, with consumers preferring bloodied meat cuts to the "over-cleaned" and "overprocessed" output of the hi-tech abattoir. Moreover, practice of "colorum slaughtering" remained uncurbed in and especially in the vicinity of Padre Garcia. There has also been the reported lack of interest on the part of most of the other investors, whose businesses had nothing to do with slaughterhouse operations. Even with the prospect of imminent takeover by the municipal government, the slaughterhouse with its modern equipment has become an asset that can be better managed by the local government unit to realize profits and a boost to the local economy. It was all started by the initiatives of the cooperatives sector, specifically by the Federation and PADECO, whose initial funds drew in the entire capitalization from the local private business sector.

In 1996, both PADECO and PGMCI donated sums reaching P50,000.00 each as their contribution to the municipal government's road-concreting project at the poblacion area. Citing such donations from the relatively poor sectors of the community, Mayor Reyes was able to solicit equivalent or even bigger donations from the clearly more affluent sectors to have a much bigger coverage of the road -concreting project.

The mayor considers FEMCO a big help in taking care of the needs of the municipal employees by providing them with lower-priced grocery items. The FEMCO-operated eatery also takes care of catering services whenever activities are held at the multi-purpose hall, which it has been using as its office.

The municipal government has inaugurated a livestock auction market for cattle-raisers, but this project has been a purely-LGU affair. It can however provide another potential area for partnership between the LGU and the local co-operatives in the future.

There were contributions from cooperatives in other areas of community-building and public service. For example, PADECO is actively networking with non-government organizations in the area, participating in Alay-Lakad activities, sustaining a collegiate-level scholarship program and undertaking tree-planting, specifically mahogany seedlings in its own compound.

For its part, the cooperatives federation has shifted its enterprise to the production and trade of cut flowers, providing livelihood to cooperative members and an additional boost to the economy of the community.

## **Altered Role of LGU on Cooperatives**

The immediate predecessor of Mayor Reyes at the municipal helm was Mayor Eugenio B. Gutierrez, who was in office from 1981 to 1995, save for the interim period between the February 1986 People Power uprising and the first election under the 1987 Constitution. Mayor Gutierrez repeatedly expressed in his messages to PADECO that active cooperativism invigorates the local economy and redounds to the best interests of the community. In fact he has been an ordinary member of PADECO considering his own engagement in farming enterprise.

But his long service as mayor was mostly under the martial law regime, and this influenced his view of how his local government unit, or the government in general, should relate to the cooperatives. In a recent interview conducted for this study, the former mayor expressed yearning for the days that the LGUs controlled (his exact word) the cooperatives. He sharply criticized the post-EDSA practice where national institutions and organizations, notably funding sources, would now deal directly with local cooperatives and entirely bypass his office in the municipal government. He also expressed the view that after "they" got into power in the municipio, referring to the group of Mayor Reyes that came from the cooperative sector, the few families that were allegedly controlling and being benefited by the cooperatives were now controlling the municipal government as well. A different picture, however, is apparently drawn by the way PADECO had tried for years to solve its own problems without immediately seeking help from the local government, and by the specific way such help is now being extended after it had been formally sought.

Asked about the effect of the passage of both the LGC and the CC during his tenure, the former mayor responded that these laws were implemented but stopped short of giving specifics.

## **PROJECT RESULTS AND OUTCOMES**

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### **The Feed Mill**

PADECO was born amid an internal storm that rocked the Padre Garcia Farmers Producer-Consumer Cooperative. A letter to the Chief of the Cooperative Section of the Department of Agriculture-Region IV was sent bearing signatures representing 57 of the cooperative's about 270 members, alleging that the cooperative leaders adopted and promulgated decisions without consulting with the members. The process of clarifying the issue in a general meeting in February 1989, including the exposure that many of the signatures have been faked, also led to the transformation of the coop into a wider-scope "development cooperative" that was

registered in August that year, and to the finalization of the earlier cooperative's plan to set up its own feed mill. By October, PADECO inaugurated and test-operated its feed mill, which, was constructed on a lot donated by its founder Alejandro Reyes.

The cooperative members then undertook a fund drive to be able to purchase raw materials for the feed mill, generating a seed fund of P45,000. The cooperative then secured loans for more raw materials, totaling P687,488 with Director Victor Reyes and Mariano Manalo as guarantors. The feed mill started rolling before the year ended. It earned P7,000 in the first two months, P937,245 in the succeeding ten months (March-December 1990), and P2,579,291 in the whole year of 1991.

PADECO faced many challenges in its rising years. A shortage in corn raised the price of this feed ingredient. A Presidential Executive Order was signed in favor of the importing meat products and devastated the income of the hog-raising members of the cooperative. PADECO found itself paying for its members' obligations to the Land Bank. This crisis was eventually solved by seeking the help of the Neighborhood Multi-Purpose Cooperative and the province-wide Batangas Development Cooperative to sell Padre Garcia hog-raisers' pork at reasonable prices not only within the town but also in the neighboring Lipa City.

Ms. Concordia P. Goce, former chairperson and now secretary of PADECO and the cooperative's historian-chronicler, recalls that the organization's collective determination to solve the problems during those trying times, amid a lot of constructive criticisms from the membership, was able to galvanize the unity of PADECO to lead it out of those crises.

By early 1994, the relatively well-off directors of the cooperative had taken over the hog-raising program from the Land Bank and this resulted in earnings for cooperative members to gradually pay back their debts. By that time, PADECO had acquired a second mill, called Hammer Mill, a generator to cover for brownout periods, and several buildings that included an administration center, several warehouses, a laboratory and a guardhouse, plus a coconut oil tank, all in its lot in Barangay Pansol which had been acquired from its founding president. PADECO also started partially computerizing its accounting and other administrative operations.

### **Growth in Hog-raising**

From a starting number of 200 heads, hog-raising by the cooperative's members had risen to 500 piglets a month by 1993, and even 700 piglets per month by 1994, with each piglet ready for slaughter after about three months of feeding. The cooperative was able to supply feeds to the

members which was to be paid by deducting its price from the hogs the cooperative was selling for slaughter.

But the rise in the volume of feeds required by the fast growth of hog production put a strain on the cooperative's capacity to purchase ingredients for feeds, thus forcing it again to go into external borrowings from the Land Bank and other sources. To cover interest payments, PADECO raised almost ten times the price of the minimum share required per member from only P500 earlier to P4,800.

To encourage members to keep on raising hogs and patronize the feeds, PADECO held raffle promotions among feed buyers. It also undertook serious and aggressive marketing, and boosted hog sales to 1,065 heads per month by early 1994. It also started its own meat shop and engaged in meat preservation in the form of products like ham, longaniza and tocino.

PADECO also sought to sustain its growth and address the growing needs of its members for capital by encouraging various forms of individual savings, like giving 10 percent per annum interest on withdrawable savings deposits and 30 percent per annum interest on "fixed" deposits lasting no less than three months.

During the cooperative's general assembly in April 1994, PADECO was visualizing a future of more growth, specifically its initiating role, with the local cooperative federation, in the building of a modern abattoir and its projected involvement in the operations of the Padre Garcia Livestock Market.

Two years later, more additions were made to the cooperative's physical plant, including, significantly, a "jet-matic" water pump, and an airconditioning unit to maintain the efficacy of vitamins and other nutrients stored for use in the production of feeds. The cooperative opened a mini-library for its members, by then numbering almost 1,500, and launched an internal publication, *Ang Padeco Balita*. It was also in 1996 that Padeco was cited by then President Fidel Ramos as "Outstanding Kabisig-type Project" and also awarded as "Outstanding Cooperative Creditor of Quedancor."

Given these achievements and momentum of growth, Padeco would seem at first to be invincible even in the face of a tragedy like an epidemic outbreak. But this was not to be. The crisis hit and it hit hard.

### **FMD Menace and Aftermath**

Under the hog dispersal scheme of PADECO, its participating members did not have to spend cash, all costs being shouldered by the cooperative

to be recovered upon the sale of the fattened hogs three months later, with the profit to be remitted to each hog-raiser. According to Vic Javier, municipal agriculture office (MAO) of Padre Garcia, the foot-and-mouth disease epidemic in October 1995 which took three quarters to control by summer of 1996, killed 95 percent of roughly 24,000 pigs that a substantial percentage of which were covered by PADECO's project. This meant roughly PhP80 million in losses all in all, including PhP30 million in losses for PADECO itself as estimated by PADECO founder Alejandro Reyes -- and about PhP2.3 million in expected but unrealized profits for all the raisers. Mr. Reyes added that the same epidemic resulted in PhP5-million losses among poultry-raisers.

What about the 1,200 pigs that lived through the FMD epidemic? A hog-raiser who was a member of another cooperative (PGMCI) said in an interview for this study that for each mother pig that should fetch a P7,000 selling price she was being offered a measly P500.

Although the FMD menace was declared "under control" as of May-June 1996, the downspin that it caused continued to rock PADECO in the years that followed.

Members who had earlier borrowed money from the cooperative, exceeding regular limits by offering collaterals, have started being unable or unwilling to pay back. The collaterals have become cooperative property, but were "not liquid" and could not immediately be sold to produce liquidity, PADECO Treasurer Celso Arano said in an interview for this study.

The cooperative had to cut production drastically because it could not pay the ingredients suppliers for raw materials (yellow corn, soya, fishmeal, copra, etc.) already consumed by its feed mill. Many of these 15 or so supplier firms came to stop delivering raw materials altogether. At this point PADECO cut back drastically on production volume. From the 1,800 bags output per month in 1994, the output was reduced to only 300 and this even slid down to 200 or only 11 percent of the previous production volume.

There was also a perceived drop in the quality of the feeds output from the cooperative. An ordinary PADECO member confided in an interview that she stopped buying the product of the cooperative's feed mill because the quality had allegedly dipped drastically, making it more prudent for him, economically, to shift to another brand. Another ordinary PADECO member corroborated this in a separate interview, alleging that there was too much rice bran ("ipa") in the feeds.

While production had to be drastically reduced, the cooperative was maintaining its personnel outlay at pre-crisis levels, creating a disproportionate overhead that pushed up feed prices. Treasurer Araño admitted that their feed mill's product has become more costly for its members to continue patronizing. He expressed the conviction that this really needed to be addressed urgently and decisively because the irony in this situation was running against the very spirit of cooperativism.

The overall situation of the cooperative caused it to default on loan repayments to the Land Bank and made its "placers" (about 20 cooperative members with large investment placements) so uneasy that some of them contemplated aloud the possibility of pulling out their investments which run up to millions of pesos. PADECO found itself in a dire predicament that some have described as the cooperative having been "downed" and others have preferred to call a "bankruptcy." The overall economic situation in the Philippines and even across Asia became a worsening factor for the cooperative's woes.

### **The Rescue Project: PADECO's Moves**

For years, the cooperative tried to solve its own problems even with the awareness that it had a sure ally at the helm of "city hall.". According to PADECO Secretary Goce, it was conscious of the self-reliance principle upheld within the cooperative movement.

But the problems worsened, not the least of which was the members' growing pessimism in PADECO's ability to recover, such that even those who had recovered the ability to pay back their borrowings held back from paying. More members stopped patronizing even just the drastically reduced amount of feeds PADECO's feed mill has managed to continue producing.

On May 8, 1999, the cooperative's Board of Directors met in a special meeting and passed "Kapasyahan Blg. 010 S-1999" to formally request the municipal council to endorse an appeal for the mayor's help. Citing the economic crisis besetting the country, admitting PADECO's inability to meet the needs of its members and inability to fully play its role in the Land Bank's "Todo-Unlad" program, and invoking both the present role of Mayor Reyes as chairman of the Municipal Cooperative Development Council as well as his earlier role as one of the builders and long-time leaders of the organization, the cooperative's resolution asked the Sangguniang Bayan to formally assign the mayor to lead in PADECO's rehabilitation and reorganization. Certified by Secretary Goce and attested by PADECO chairman Antonio Macasaet, the resolution was handed to Councilor Eleator Padua. Two days later, the municipal board unanimously approved Resolution No. 99-26, sponsored by Padua and

seconded by Councilor Arano, mandating Mayor Reyes to help rescue PADECO as the latter had formally requested.

### **Mayor's 5-Pronged Approach**

As a consequence of the Sangguniang Bayan resolution, Mayor Reyes now spends two full days every week in a five-pronged effort to rescue PADECO from the pit of near-bankruptcy. The five prongs are as follows:

#### **1. Convince the PADECO employees to accept pay cuts in order to reduce overhead expenses on salaries.**

A meeting was called for the mayor to address the cooperative's employees the appeal for them to sacrifice for the sake of PADECO. The mayor explained to them that if the status quo remained, the cooperative was going bankrupt soon and they all stood to lose their jobs. He made them choose which of two options, both bitter, would be more acceptable: layoffs or voluntary pay cuts at least for the time being. The employees chose the latter, and implementation has started, reducing the cooperative's personnel budget by about 35 percent. This started correcting from one end the grossly imbalanced overhead-production ratio, leading to the production of lower-priced and better-quality feeds.

#### **2. Convince suppliers to resume deliveries of ingredients needed for feed production at previous volumes.**

A separate meeting was held attended by PADECO leaders and top-level representatives of supplier companies. The mayor proposed a scheme whereby the companies would make deliveries for which they would be paid in cash plus a percentage of that amount to stand as partial payments or installments for earlier deliveries that have remained unpaid. The companies agreed and a good number of them reportedly started, although none of the PADECO officers interviewed could give an exact number. Still, any resumption of deliveries by suppliers that were previously stopped, redounds to increased production, correcting the imbalance in the overhead-production ratio from the other end.

#### **3. Convince cooperative members to resume buying PADECO's feeds at discounted prices.**

As a consequence of the first two, PADECO could now afford to sell its feeds at discounted or lower prices. The mayor and the cooperative leaders concentrated on high-volume users of feeds and were already able to convince some of them to go back to patronizing PADECO's output. Again, in this case, no specific details were made available.

#### **4. Convince cooperative members to pay back their loans from PADECO.**

The cooperative's collections officer reported that the mayor and PADECO officers had met with cooperative members in seven of the town's 18 barangays with the first three-month period of the "rescue operations," with an average of 50 or so members attending each meeting. In these meetings, the mayor expressed doubt that all who have failed to pay back loans secured from the cooperative really have no capacity at all to pay. He listened to the apprehensions from some of the members who admitted having deliberately refused to pay, and promised to help address their grievances. The cooperative's collections officer, Nida Andal, said there was a marked increase in collection after the mayor talked with the members.

Specifically, in four barangays (Payapa, Mangas, San Miguel, and Sta. Cruz), where there were zero collections in the month preceding the talks initiated by Mayor Reyes with PADECO members, a total of P63,723 was collected. Total collection in twelve barangays in the month following such meetings was higher than that in the pre-talks months by a total of P345,640. This is an unmistakable indicator of immediate initial success of this particular component of the Mayor's five-pronged strategy.

#### **5. Convince placers not to withdraw their investment placements.**

Some 20 cooperative members, with relatively high investment placements in PADECO were convinced by Mayor Reyes not to pull out their investments, which run into millions of pesos. Reyes reportedly promised that the cooperative would pay back all its obligations to them and to others considering it has liquid assets, and assured them that their personal investments are secure.

Officials both in the municipal government and in PADECO have expressed confidence that the efforts have already started to make the upturn, although it remains an expressed perception still to be backed up by hard facts. Some of them also expressed caution in their optimism considering such important other factors as the need to recover the confidence of its members in the cooperative's management style.

In an interview, Fr. Pedro Calvo, the parish priest of the town expressed optimism that recovery of confidence is underway, and for this he credited the mayor's personal convincing style and staking of personal honor and credibility.

It is noteworthy that PADECO asked for the mayor's intercession and apparently saw no need to seek bailout in the form of municipal funds.

Councilor Arano revealed in an interview that this year's P20-million fund allotment for cooperative development remains untouched. This is not to say such a fund remaining idle is good; it does, however, underscore a basis for the cooperative in question to have asked for funds as well, an option it decided not to pursue.

It is too early to tell where the mayor's three-month-old mission to help rescue PADECO would lead. But the upbeat mood of the cooperative's leaders and members bodes well for recovery. Unless another FMD epidemic comes along, and unless the Philippine economy takes another downturn, PADECO will recapture its old glory, PADECO Secretary Goce predicted with a wide grin.

### **Other Issues and Problems**

There are some problems and points of issue in Padre Garcia as everywhere else. They are recognized here to complete the picture and do not serve to diminish appreciation of the LGU's earnestness and fruitful efforts in cooperative development. Moreover, the possibility and stability of any real recovery for PADECO at least partly depends on how earnestly and successfully the following issues would be addressed:

#### **1. Cooperative members' confidence in their leadership**

The fact that PADECO needed the active intercession of Mayor Victor Reyes in efforts to convince various sectors within and around it to give their respective forms of support would seem to indicate that the leaders are beset with credibility problems. On the one hand, it is easy to see how they were just victims of unforeseen confluence of circumstances brought about by the outbreak of an epidemic that they could not have any substantial control of. But on the other hand, some members, including the elderly founder, have been critical of decision-making processes in the higher levels of the organization, producing decisions that resulted, for instance, in the high-risk over-exposure of the cooperative assets that rendered it vulnerable to the horrors of an epidemic. The fact that some members who could pay back their debts to the coop decided to refuse, over long periods, could be interpreted as a vote of no-confidence, whether or not such vote as fair and reasonable.

#### **2. Relative 'concentration' of LGU's pro-cooperative actions on the person and office of the mayor**

Councilor Rico Araño, who has been chairing the committee on cooperatives, along with two other committees, admitted in a very recent interview for this study that he had just started working on this particular committee after taking care first of the other two. (In fact, he could not

even say for sure who are the other members of the cooperative committee.) This is not to say, however, that the work he has finally started is not impressive. It is, what with a comprehensive education plan for citizens, not only coop members, to receive the basics on cooperativism. He said he chose to focus his work first on his other committee assignments because he felt the cooperatives were basically all right. The central role being played by the mayor, considering his background and appeal, is crucial in the recovery effort of PADECO.

While the mayor factor in this case is very fortunate, it has also remained fragile. Mayor Reyes said in an interview for this study that he personally prefers to go back to the cooperative sector rather than remain in politics. While that prospect to return to cooperative work is real especially as the end of his second three-year term nears (2001), In such a case he is likely to boost cooperative development from within, he is still expected to attain stability or sustainability in terms of the local government unit, as an institution, building a formalized partnership with the cooperatives for grassroots synergy. The players may well consider jointly preparing and signing a memorandum of agreement to put the partnership on much firmer ground.

### **3. Lack of clarity on certain roles**

Secretary Goce proudly reported in an interview that the municipal council had specifically designated Councilor Rico Araño, a former director of PADECO, to concentrate on helping the cooperative sector and that he has been very helpful to the cooperative. Asked to clarify how such help was extended, she said Araño would always help them out with their legal paperwork. Asked to clarify further, she admitted that such assistance with paperwork was being given by Araño as a knowledgeable lawyer and not as a municipal council member. It had nothing to do with his local legislative functions. Araño himself plans to cover this matter in the education plan he will start implementing soon as chairman of both the education and the cooperative affairs committees of the municipal legislature.

### **4. Incapability of the concerned national government agency, the Department of Agriculture (DA), and its regional office, to prevent and handle an epidemic such as the one that "downed" PADECO**

Padre Garcia's MAO, Vic Javier, admitted that the Department of Agriculture was able to send supplies of vaccine only after the foot-and-mouth disease (FMD) epidemic broke out, and that the prevention system remains weak due to lack of funds. At certain periods, he added, DA in Region 4 would be sending medicines that were about to expire. Notwithstanding a good relationship between government and the cooperatives at the municipal level, it remains an issue that the inadequacy

of a *national* government agency concerned, specifically DA, can only be beyond the reach of the local partnership.

#### **5. 'Narrow' distribution of the cooperative's funds for loans**

Former Mayor Eugenio Gutierrez expressed the view that PADECO was prone to giving out big loans to a small number of cooperative members mainly on the basis of relatively-bigger capacity to pay, and in the process was depriving smaller-scale entrepreneurs, like the "sundot-saging" (banana-cue vendors), valuable assistance. He even hinted that a few families were controlling cooperative funds for their own personal benefit.

### **CONCLUSIONS AND OBSERVATIONS**

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Padre Garcia town in Batangas is well known for its cattle trading, especially through its purely-LGU Livestock Auction Market. However, in the realm of LGU-cooperative relations, it may very well be much more noteworthy for the ongoing partnership between Mayor Victor Reyes and the distressed PADECO for the latter's recovery from crisis. Not many municipalities are led by mayors who had come from among active leaders of the cooperative sector and who would prefer to return to that sector in the immediate future.

Such a mayor and cooperative leader as Mayor Reyes is facing the dilemma whether to promote coop-LGU collaboration from within the framework of the internal strengthening of the cooperative sector or to do it from the vantage point of a vital local government position. A detailed and comprehensive documentation of the ongoing "rescue project," after it shall have run its full course, is highly recommended for the sake of extracting and sharing valuable learnings

## Chapter 4

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# Cases of Multi-tiered Partnership between Local Governments and Cooperatives

### **Institutionalizing Local Support Mechanisms for Cooperative Development**

**The Kaunlaran sa Pagkakaisa Program of Bulacan**

**Antonette V. Constantino**

#### ABSTRACT

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The case tells the story of Bulacan's *Kaunlaran sa Pagkakaisa Program* (KPP), a program supported and initiated by the Bulacan provincial government. With the commitment and sympathy of the Provincial Governor for cooperatives, the KPP was instituted to extend loans to coops, to provide education and technical assistance, and to monitor the progress of the program. The program is largely responsible for stirring the growth of cooperatives in the province. As a result, the coops contributed to the economic well-being of members, families and communities across all barangays in the province. But success is not without problems. The growth of cooperatives posed as its own problem, as they tend to compete for membership and capital build-up. The challenges remain for the KPP to survive the new millennium.

#### BACKGROUND AND CONTEXT

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The 1980s seemed an unlikely time for the resurgence of the cooperative movement in the Province of Bulacan. It was a period of economic decline, political instability and eroding public faith in the country's democratic institutions. The country experienced an economic crisis and political instability soon after the assassination of opposition leader Ninoy Aquino in 1983.

Like the rest of the country, Bulacan's economy indicated a depression. Working people especially such as the farmers, fisherfolks and small entrepreneurs were severely hit by the depression. With little or no capital, ignored by formal financing institutions and overlooked in development plans, people at the bottom rung of society suffered most with the worsening economic situation in the country. Fueled by this crisis, the Communist movement grew rapidly in the province, seriously affecting peace and order.

The EDSA Revolution of February 1986, also known as the "People Power Revolution" toppled the Marcos regime and gave birth to the Aquino administration which tried to restore the country's democratic institutions.

Also in 1986, corporate executive Roberto "Obet" M. Pagdanganan became OIC-Governor of Bulacan. He encouraged the participation of the citizenry in all levels of decision-making.

## PROJECT DESCRIPTION

A strategy for entrepreneurial development through cooperatives was adopted by the province. The Governor examined the structure of the local government and found out that there were underutilized capacities and overlapping functions which contributed to the inefficiency of service provision. An example of the overlapping functions was the presence of two agencies, one at the national level and the other at the province, performing similar functions in agriculture. Governor Pagdanganan turned the provincial office into the Agro-Industrial Development Center (AIDAC) designed to assist small entrepreneurs. This office later evolved into the Provincial Cooperative and Entrepreneurial Development Office (PCEDO).

The provincial government launched *Kaunlaran sa Pagkakaisa* Program (KPP) on August 19, 1986. This movement immediately espoused the citizenry's envisioned goal to promote agro-industrial development through cooperatives development. The KPP started with a core group and an initial budget of P1 million taken from the 20% of the provincial development fund. The amount was used as seed financing to support cooperatives in their micro-enterprise ventures.

The KPP provided coops with an alternative source of financing on a 50-50 sharing. The farmers, fisherfolks and laborers were among the target beneficiaries. KPP initially lent out from P50,000.00 to P100,000.00 to

each cooperative. Responsible borrowers later on availed of loans twice as much as the initial amount.

The lending scheme virtually wanted to do away with dole outs by mobilizing rural savings and capital build-up to finance economic projects. It also meant to educate people on the value of thrift and credit worthiness and to harness local resources and productive skills for global competitiveness. As the leaders quoted, the project was aimed “not to give man the fish, but to teach him how to fish.”

The program utilized two main entry points into the cooperative mainstream: capability building and enterprise promotion. The group that most influenced the conceptualization of the KPP was the Provincial Federation of the *Samahang Nayon*, (Rural Association) a farmers’ pre-cooperative started during the Marcos Regime. The farmer-leaders participated in the consultative forums and pointed out the weaknesses of the *Samahang Nayon*.

The *Samahang Nayon*, strictly supervised by the government, could not address the priority needs of the members. Financing was limited and government intervention was so strong that government determined the utilization of cooperative capital. These policies did not foster a sense of ownership among the farmers and thereby failed to harness the interest and the productivity of members.

Learning from the past, the farmers gave good advice regarding cooperative education as well as leadership and management training. These suggestions tremendously helped the program. The KPP ensured that it would put to good use and effective services the coop’s resources.

The Provincial Government initially sent 43 provincial government personnel and coop leaders for training on cooperative principles and procedures. The efforts of these newly trained trainer-organizers spurred the organization of many other cooperatives in remote barangays. With the technical assistance, what used to be fledging cooperatives were revived and were equipped for better operations.

Thereafter, a Farmer's Advisory Council called *Sangguniang Magsasaka*, was organized. This would serve as the provincial government’s consultative body on coop programs and policies. It was also responsible for monitoring the progress of the programs. Another organization, the *Samahan ng mga Nagkakaisang Mangingisda* (Association of United Fisherfolks) contributed to shape and strengthen policy making.

### **Revival of the Cooperatives**

The idea of reviving cooperatives was not enthusiastically received by coop members because of past experiences with cooperatives, particularly with mismanagement and misuse of funds. Likewise, there was doubt on the sincerity of government as a partner in development.

The Provincial Government launched a strong information campaign on cooperatives and the benefits of cooperatives. The campaign was carried out through popular media such as illustrated brochures, *komiks* and the folkmedia. A series of training was done and in a highly participatory manner. Cooperative Articles and By-laws and other documents issued by the Cooperative Development Authority were translated to Filipino, to allow the ordinary farmers a better appreciation about their organization.

Six cooperatives were given a loan of P 50,000.00 each, for support of operations. The loan was meant to be the government's support to the coop's counterpart share. The coops piloted their programs in *Dampol Samahang Nayon, Pulong Tamo Consumers Cooperative, Bulualto Samahang Nayon, Pulong Bayabas Samahang Nayon, Damayan Samahang Nayon, Bambang Samahang Nayon* and *Masagana Integrated Services Association*. Inspired by their success, other cooperatives were organized.

### **Ensuring Sustainability**

The Local Government Code of 1991 (Republic Act 7160) was passed as a landmark legislation in pursuit of genuine local autonomy and countryside development. This important legislation augured well for Bulacan's Cooperative Development Program which sought to institutionalize a broad-based approach to economic development by targeting the grassroots.

The Provincial Government laid down a policy and regulatory environment supportive of co-operative growth and development through executive orders and Board Resolutions. A Board Resolution was also passed to declare October as the official Co-operative Month, during which period cooperatives would hold forums, fellowship, trade exhibits and would give citations to best performing cooperatives.

A tripartite partnership among the private sector, non-government organizations (NGOs) and people organizations (POs) ensured the success of the program. By a continued annual appropriation of P 1 million, the government provided not only the policy environment but also guaranteed financial support to the program.

The program designed various activities that aimed to develop and strengthen the organizational capabilities of cooperatives, thereby empowering the coops to conduct their own affairs. The program assessed

the phases of coop development, which according to the program standards, range from a condition of dependency to an ideal state of autonomy and self-regulation. Using these standards as a guide, the program provided progressive cooperative education and training for the leaders, members and staff of the cooperatives, and hoped that the coops would attain a state of autonomy and self-regulation.

## PROJECT RESULTS AND OUTCOMES

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KPP began with 52 registered cooperatives with combined assets of P 50 million. Nine years after the launching of the program, registered cooperatives peaked at 1,094 with combined total assets of P3.7 billion. The province has accumulated a total of P1.11 billion in rural savings, for 13 years. This amount directly benefited some 200,000 members or about 13% of the 1.6 million population who have some savings with the cooperatives.

All of the province's 568 barangays would now each have one or more cooperatives. These coops have availed of P5 billion worth of loans from various sources such as the Progress in Unity Program Fund, Land Bank of the Philippines, *Pagkain ng Bayan* (Food of the Nation) Fund and the Department of Trade and Industry's *Tulong sa Tao Program*. The KPP alone has extended a total loan of P14.9 million to the cooperatives.

Bulacan now has a total of 215 millionaire cooperatives, with assets ranging from 1 to P513 million. These coops employ 4,300 people and pay P516 million in salaries and wages. They venture into varied economic undertakings such as palay production, rice trading, milling and storage, vegetable production, livestock raising, inputs supply, jewelry making, leathercraft, and development financing among others. Bulacan is home to Asia's biggest cooperative, the St. Martin of Tours, with an asset of P513 million.

The province has garnered several accolades, highlights of which are: the Technopreneur Award in 1994 from the Technology and Livelihood Resource Center. In 1994, President Fidel V. Ramos conferred the *Gawad Galing Pook* Award to Bulacan's *Kaunlaran sa Pagkakaisa Program* (Cooperative Development), a national recognition for outstanding local government initiatives, sponsored by the Asian Institute of Management, Ford Foundation and the Local Government Academy. That same year, Bulacan was awarded the *Gawad Pamana ng Lahi* from the Department of the Interior and Local Government for Outstanding Local Governance, mainly due to its outstanding Cooperative Development Program.

### Issues and Concerns

Despite the exemplary performance of cooperatives in Bulacan, there are areas of concern that need to be urgently addressed. Due largely to the

vigorous promotion of cooperatives, the number of registered coops swelled to 1,094 only 897 of which are active. Presently, each of the 568 barangays in Bulacan would have one or more cooperatives, a distribution too dense to harness optimum results as coops compete for membership and capital build-up.

At this point, the province's Cooperative Development Program, under the administration of Governor Josefina M. dela Cruz, is undergoing consolidation to achieve economies of scale. There are efforts to rationalize the number of coops, to encourage interested members of non-operating coops to join the active and functional ones, and to discourage the formation of new cooperatives.

A noteworthy effort is the development of market-driven cooperatives. The creation and supervision of a Cooperative Marketing Council addressed the need for an effective system for marketing of cooperative products. This is envisioned to further strengthen the active cooperatives by helping them increase capital and expand their business enterprises.

A cooperative federation known as Bulacan Trading Service Cooperative has been organized. Moreover, the organization of the Region III Cooperative Officers now aims to enhance the coordination of coops through a regionwide cooperative business network.

Records suggest that only about 13% of Bulacan's nearly 2 million population directly benefit from cooperatives. Others claim that this figure is not an accurate measure of impact because it only counts coop members but does not count coop members' families and the impact that coops create upon enterprise promotion and in the promotion of the local economy as a whole. There is a dearth of in-depth studies on how cooperativism has touched the lives of people and the extent by which coops are transforming Bulacan's socio-economic landscape.

Policies and program support for education in cooperatives remain inadequate. There are limited relevant references and technical materials on cooperatives that might be useful for training purposes.

In general, cooperative education is not a priority among many government agencies and many local leaders are not fully supportive of cooperative development.

The question remains whether or not the government is the best institution that could effectively conduct cooperative education. In the case of the KPP, the staff were faced with new challenges in the field. The KPP now needs trainers and implementers who have the expertise, competence and creativity. PCEDO officers confirmed that many of the KPP staff need to

be technically equipped with the workings and dynamics of cooperatives; others need more basic knowledge on co-operatives. The demands of the market and market links are enormous such that the skills development among the KPP staff is inevitable. KPP needs to innovate and keep pace with new developments and demands.

## *CONCLUSIONS AND OBSERVATIONS*

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Just as cooperatives have been successful in many parts of the country, the richness and the accomplishments of coops in Bulacan have fascinated many people. Bulacan's Kaunlaran sa Pagkakaisa Program has successfully tapped a powerful partnership between public and private sectors for a broad-based approach to economic development. It harnessed the productivity and entrepreneurial spirit of ordinary citizens leading to a shared vision towards community-building.

Much of the credit goes to the program's capability to deliver. The program has effectively addressed a social need and has improved the quality of life of its members and the people around them. Indeed, the program has contributed to improve the living conditions of the people of Bulacan. The program has reached and served more people at least cost. Likewise, it was able to establish an effective mechanism for people to save and to build up capital to venture into economic undertaking. Through this effort, the program has inculcated the values of thrift, savings consciousness and community discipline.

The program has encouraged participatory democracy. Furthermore, with its success, the program has inspired other local government units to visit and possibly to replicate the experience of Bulacan in coop development.

Many local coop leaders think that the historical context of Bulacan has an influence in the success of Bulacan's cooperation. The dignified place of Bulacan in history and the toils of its valiant men and women towards independence in many significant moments in history are the people's inspiration in the civic heroism and dedication, which as well are required by cooperativism. The leaders who are themselves visionaries of the cooperative movement, propel the cooperatives to contribute to the growth in Bulacan.

Although the KPP is already in place, the success of the program continues to depend on the members and beneficiaries' service and commitment to cooperativism. Thus, the fabric that the *Kaunlaran sa Pagkakaisa* Program has started to weave, should be strengthened by the contributions of many other groups such as the provincial government, municipal agencies, civic organizations, business, the academe, the church and neighborhood associations.

The biggest challenge to Bulacan's Cooperative Development Program is whether it can stand the test of the world economic order in the new millennium, and whether communities rooted as they are in their own places, could hold on to the challenges of a formidable global order. The challenge is not so much between nations or between trading blocks, but the challenge lies between the forces of globalization and of local survival that seeks to re-define "community".

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## **Chapter 4**

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# **Cases of Multi-tiered Partnership between Local Governments and Cooperatives**

### **A Partnership for Good Governance and for the Provision of Community Services**

#### **Lamac Multi-purpose Cooperative and the Local Government**

**Audie Joseph V. Samson**

#### **ABSTRACT**

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The case is not just about a specific project of the Lamac Multi-Purpose Cooperative in Pinamungajan, Cebu, nor of the Lamac local government; it is also about the long history of strained but successful partnership between the multi-purpose coop and the local government for good governance and the provision of services in the barangay.

This partnership has produced roads, water systems, credit facilities, farm equipment, daycare services, a bakery cum canteen, catering services, transportation and hauling equipment, rice and corn mills, postal services and a host of other programs.

Coop assets of P16 million does not seem much until one realizes that this produced an income of close to P1 million for an organization located at least 12 kilometers up the mountains of a 4<sup>th</sup> class municipality.

There is a history that brings together the church, the coop, the barangay, and the NGOs in the pursuit of community development.

#### **BACKGROUND AND CONTEXT**

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*"Sulayan lang gud nato!"* ["Let's just give it a try!"].

So said Narcisa P. de Guia ("*Sisa*"), Barangay Captain of Lamac, in 1973 to respond to the opportunity provided by government in organizing Samahang Nayons.

Sisa is a daughter of Ignacio "*Doridoy*" Palapar and Maria "*Iyang*" Palapar, considered the founders of the barangay. They came to Lamac in the 1940s after the war. Lamac's population was 60-70% Boholanos who resettled there. The barangay then was 100% Roman Catholic.

The population considered the Palapars natural leaders partly because Nanay Iyang was a faith healer. She led the community in praying twice a day, at around three in the morning and again at six in the evening. All she had to do was ring the bell of the chapel and the people would come. When Nana Iyang died, Sisa was considered the successor because the eldest son left Lamac years before.

When Sisa urged the farmers to organize the Samahang Nayon (SN), no one wanted to be President. Sisa encouraged everyone to vote for Perfecto "*Peping*" Tuquib, in effect appointing him to the position. He won, of course. Sisa acted as the Manager from its inception until 1985.

Thus, with 70 members contributing P50.00 for months, the Lamac SN was born with P3,500.00 as initial capital. They engaged in the purchase of wholesale agricultural input (fertilizers, pesticides) for selling to their members. Sisa also offered the ground floor of their residence to be used as SN office.

The SN President and Manager who was also Barangay Captain went on mission to solicit support from local officials in neighboring barangays and the municipality. The provincial government of Eddie Gullas provided a dump truck for use in their marketing activities. The Barangay Council provided fuel for these trips. The SN used its own funds for operating capital. Everyone worked as volunteers; there were no honoraria, salaries or wages paid out to anyone.

In 1974, they were awarded the Most Outstanding SN for Coop Development in the Region by the Department of Local Government and Community Development (DLGCD). This would be the first of many awards in the coop's history.

At this point, it is important to note that Sisa's influence on community development through the coop and barangay government was due to the fact that she was the coop manager, barangay captain and daughter of the barangay founders.

SN meetings were called via bell ringing. Although a fine of P50.00 (this was huge in the 70s) for absences was agreed upon, the acknowledged reason for an almost-perfect attendance was peer pressure. Sisa would gently chide absent members during other meetings, such that members tried very hard to be present during any and all meetings that were called.

### **Growing Pains**

From those humble beginnings, the Samahang Nayon grew into what is probably the most diversified cooperative in the Visayas, if not the entire Philippines.

Following is the list of major activities that the cooperative engaged in. These activities also indicate the services provided to the community.

## **PROJECT DESCRIPTION**

*The major projects include the following*

- 1973 Marketing of agricultural inputs
- 1975 Lutupan to Lamac road construction
- 1980 Consumer store
- 1983 Bakery, canteen and facilitating collection of electric bills
- 1984 Rice and corn mill
- 1990 Lending operations
- 1992 Jeep plying Lutopan-Lamac route, registration as a co-op with CDA, lending operations and acquisition of land
- 1993 Hauling truck, postal service
- 1995 Leasing (farm equipment, post harvest facilities)
- 1996 hollow block making; broiler chicken, branch establishment, advancing money to government for approved projects
- 1997 Leasing (sound system), cellphone service, catering services
- 1998 water system rehabilitation and management, day-care services, *habal-habal* financing, ornamentals (anthurium and aster) gardening

### **Activities**

#### **Lutupan to Lamac Road Construction (1975)**

According to Peping Tuquib, the founding President, there was practically no direct assistance from the provincial government for 20 years since their organization because barangay officials were from opposing political parties.

This was further complicated by the fact that all coop officers were barangay officials and so there was almost no distinction between the village government and the cooperative leadership.

Their repeated requests for a road from Lutupan to Lamac were continually refused because the Mayor of Lamac then allegedly wanted to connect different barangays. The barangay and coop officials finally convinced the Governor of Cebu to intervene.

The Governor's office provided a bulldozer and a dump truck while the Mayor of Toledo provided some funds for crude oil. Barangay Lawa-an provided its share by granting a grader; villagers provided free labor and the coop provided food for everyone.

Later on, the new priest together with other priests approached Governor Pablo Garcia for improvement of the provincial road. The Board Chair at this time could not go with them for fear of alienating the Mayor and Barangay Captain who, again, came from an opposing political party.

### **Consumer Store (1980)**

The Ministry of Agriculture provided some on-the-job coaching for the coop bookkeeper and generated annual financial statements. This was the result of the constant follow-up of the Barangay Captain who was also the Coop Manager.

### **Bakery and Canteen (1983)**

Brgy. Lamac won a contest as one of the most outstanding barangays in Region 7/Central Visayas in early 1983. They got an oven and a roller worth P20,000.00 as prize. In a joint meeting between the barangay and the coop, the barangay donated these prizes to the coop to establish a bakery. Sisa again provided some land on which to build a structure for the bakery.

Once operations started, the coop decided to open a small canteen to sell soft drinks and other foodstuff.

### **Facilitating Collection of Electric Bills (1983)**

During regular ownership meetings, coop members complained that it was very expensive for them to pay their electric bills as they had to spend at least P50.00 for the round-trip fare alone from the village to the town proper where the electric co-op was located.

The coop, in coordination with the barangay and the electric coop, decided to make available a service where coop members can pay accounts at the coop offices and in turn the coop pays the total amount to the electric coop, including the bills of the barangay.

#### **Rice and Corn Mills (1984)**

The coop was able to get a loan from the Cooperative Development Loan Fund (CDLF) in the amount of P50,000.00 for the purchase of a rice and corn mill. Its counterpart was the land on which it will be built. It also used its own funds for operating capital.

In 1991, it received a grant of P190,000.00 from Senator Sonny Osmeña to improve these mills.

#### **Lending Operations (1990)**

The lending project started in 1990 with its own funds. However, since then, it had availed of loan funds from CARE Philippines (P2m for non-agricultural on-lending), HES (P1m for agricultural on-lending) and Land Bank of the Philippines (LBP) for P5m credit line for agricultural and non-agricultural on-lending.

#### **Jeepney Operations (1992)**

Because of the project's initial success, the Department of Trade and Industry (DTI) came for a visit and introduced the Micro-enterprise Development Program (MEDP). The coop got approval for a P250,000.00 loan to purchase a jeepney used to serve passengers to and from the village. The jeep also served as an ambulance and all-purpose vehicle for the needs of the coop, the church and the barangay. This loan was fully paid in 1996.

#### **Hauling Truck (1993)**

Because of its success in paying off the above loan, the coop through its officers, went to the Land Bank to seek financial assistance. They got a P440,000 loan to buy a truck which they now use to buy and sell produce and inputs to their various services. The loan has since been fully paid.

#### **Postal Services (1993)**

Similar to facilitating payment for electric bills, this service was borne out of repeated complaints by members that it was expensive to send mails, as much as it was inconvenient for members. The coop then offered to be the

post office for the barangay since the barangay cannot provide this service. For one thing, there was no one in the barangay to work on it unlike the coop, who then had some full-time staff.

Furthermore, the coop negotiated for authorization to get, receive and encash checks for pensions, money orders and government payroll for members and non-members alike.

If a portion of the encashed amount is used to pay the loans, the coop does not charge anything for getting and converting these checks into cash.

### **Equipment Leasing (1995)**

When the coop won its first Gawad Pitak award (an LBP contest), it got a thresher, dryer and hand tractor as prizes. It has rented these equipment out to members and non-members alike. At the end of the year, members got patronage refunds.

### **Chicken and Pig Raising (1996)**

The coop requested for and got technical support for agricultural extension (e.g., disease prevention) for these businesses. These have been set up using its own funds, in its own land, using skills and technology of its own members.

### **Branch Establishment (1996)**

Due to public demand for membership expansion, requests of some local government officials and business opportunities, the coop set-up its first branch in the town proper of Pinamungajan, around 12 kilometers down from the main office. However, prospective members would still have to travel to the main office for the Pre-Membership Education Seminar (PMES).

The Education Committee (EdCom) says this is an evidence of the applicants' interest to join the coop, and a measure of how they can sacrifice for benefits still to be realized.

### **Advancing Money to Government for Approved Projects (1996)**

Possibly, because many of its officers are local government employees, the coop advanced the money needed for government projects and activities. They either purchased materials or provided material resources or services for government activities to facilitate speedy accomplishment.

For instance, the coop advanced money to the barangay for an approved project on barangay road improvement. Upon submission of the certificate of completion, the coop got paid. The coop also purchased medicines for use in the barangay and was refunded upon report of utilization.

Meanwhile, this greatly improved cost efficiency because it eliminated the so-called “standard operating procedure (S.O.P).” While called “SOP, it actually meant graft and corruption associated with purchasing or disbursing money.

### **Cellphone services (1997)**

This could have been provided by the barangay but since the coop had the resources (money, full-time staff, safe offices), the coop provided the only telecommunication link between the barangay and the world. Prices are lower though, for members. Apart from the low price, the other benefit was that the coop can easily communicate with its various suppliers and partner agencies and other customers.

### **Water System Rehabilitation and Management (1998)**

The Coop Chair, together with the Army In-Charge, the Toledo City parish priest and the Barangay Captain of Lamac lobbied for the establishment of a water system from the municipal and provincial governments. The water system was started in 1982 by the barangay with much help from free labor provided primarily by coop members. Due to poor maintenance caused by lack of funds, the system deteriorated.

The coop had been pushing for its improvement but there was no fund available from any government agency. The barangay’s internal revenue allocation was barely enough to provide for basic social services. Still, the barangay officials strongly pursued it so that the LUWA (Local Utilities and Waterworks Authority) was forced to conduct public hearings on their proposal.

During these hearings and the meetings of the Barangay Development Council (BDC) where the coop was a prominent participant, the proposal was scrutinized. The coop offered another option, namely, to privatize the water system.

The government welcomed this as a good deal because privatizing would free the authority from administrative work. People were expected to pay promptly because they were convinced about an efficient service coming from a cooperative.

When the coop won P500,000 as prize money from LBP’s Gawad Pitak, it allocated close to P400,000 for the rehabilitation of the water system. The

barangay and municipal councils endorsed this move and handed over the rehabilitation and management to the coop.

Since they were driven more by social concern, there was no business or profit-making plan from this activity. The coop ran out of funds as the prize money was not enough to rehabilitate the water system that included installing all-new PVC pipes and the purchase of water meters. Laboratory tests also established that the water was not potable. Because of water was not potable, very few people wanted to pay for the installation, thereby limiting the water connection only to 100 households.

The coop took loans from a church-based organization, the Basic Ecclesial Communities (BEC) in the amount of P650,000.00 and another P200,000.00 from LBP. Financial statements show that this water operation was losing.

During a hearing called by the Coop NATCCO party, the coop was introduced to Congressman Antonio P. Yapha, representative of the 3<sup>rd</sup> District, which covers Brgy. Lamac. The congressman committed P1.5 million for the water system rehabilitation.

### **Ornaments (1998)**

The current coop manager was an avid flower gardener. When the barangay became a parish and turned extremely busy, the coop considered getting into the flower business. They used their own funds for the business until they learned about the program of the Department of Agriculture (DA) called "Plant Now, Pay Later".

### **Daycare Services (1998)**

The membership and leadership of the barangay and the coop interlock. Barangay meetings were usually attended by coop officials and coop meetings were in turn, attended by barangay officials. The overlap in membership explains why it was so easy to obtain mutual support such that when the barangay decided to put up a day care center, the coop quickly offered to pay the P 600.00 monthly honorarium for the teacher and to cover the day care supplies.

Besides the coop support for the day-care project, it also sponsored a scholarship program for high school and college students from poor families.

### **The Crisis**

Barangay Lamac is around 77 kilometers from Cebu City going southeast and is composed of 20 purok with each purok consisting of 20 to 30

households. There are currently 90 BEC selda (groups) organized by the Roman Catholic Church. Lamac is a 4<sup>th</sup> class barangay with a land area of 589.11 hectares.

Organized during the martial law era and led by a strong leader, the coop pioneered in putting various groups such as the barangay, church and coop together for community development. This was long before many other groups spoke about civil society.

Although relations with government were always difficult and strained, they continued to lobby for government assistance primarily because of Lamac's geographical isolation. Founding members of the board said that if they did not try to get government's attention, they would be forgotten as they were only a small part of the voting constituency.

From its organization in 1973, the coop grew slowly as a business but gathered its strength by showing everyone what cooperation can do. It succeeded in getting the much wanted road between Lamac and Lutupan. Business prospered and expanded until 1984.

Between 1984 to 1986 tension was felt in the coop as a result of the conflicts among pioneering members. Engrossed in their internal problems, the members later realized that many opportunities passed them by. The coop weakened as management failed to cope with the demands of the growing business.

Accounts receivable from consumer operations totaled P200,000.00 and became very difficult to collect. The coop's total assets were only around P300,000.00.

In the meantime, a group of government workers and professionals assigned or living in the area organized the Barangay Lamac Organization on Management Effectiveness System or BLOMES. It now has around 70 members from the original 15.

BLOMES was organized under the Primary Health Care program of the Department of Health (DOH). The prime mover of this was Ma. Elena "Ellen" Limocon who was its Vice-President up to the present (currently the Coop Manager). They organized to provide technical assistance and support to local government for good governance and project implementation. They also started their own lending program to its members in 1988 but suspended lending in 1998 to avoid suspicion and overlapping.

Its founding President up to the present, Mr. Delfin Tuquib, is currently the Vice-Chair of the coop. BLOMES was approached by Sisa, the Coop

Manager at that time, to take a look at the Lamac coop operations and to suggest recommendations for the coop's improvement. The team realized that the coop was struggling to manage a variety of services because of a weak system, poor benefits and inefficient procedures.

Together with coop leadership and management, they instituted many little changes to streamline operations, strengthen the accounting system, and initiate controls for check and balance.

Just when it seemed as if it was going well, burglars broke into the consumer store, one of the very few reported crimes in the area. This came as a shock to everyone, especially when it was found out that the main perpetrator was a member of the immediate family of one of its leaders.

Sisa wanted to delegate some of the responsibilities to relieve her load which includes those as Barangay Captain. Major re-organization ensued with a lot of emotional upheaval. A new Chair was elected who also acted as the Coop Manager. From then on, policies were strictly implemented and the coop aggressively pursued government assistance.

To slowly get away from the shadow of the founders, they rented the land occupied by the coop owned by the founding family of the barangay in 1987. In 1988, the coop bought the land and made the first major improvements.

Their first major accomplishment was the P250,000.00 loan from DTI to purchase one jeepney in 1992. New projects followed after another.

## **PROJECT RESULTS AND OUTCOMES**

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In 1998, twelve years after its crisis, the coop won the grand prize in LBP's Gawad Pitak awards at the national level. It placed 2<sup>nd</sup> in 1995, 4<sup>th</sup> in 1996 and 2<sup>nd</sup> again in 1997. Also in 1998, it affiliated with the Visayas Cooperative Development Center (VICTO).

It has also been the recipient of numerous other awards given by government and non-government organizations at the barangay, municipal, provincial, regional, Visayas and national levels.

Total assets as of December 1998 stood at close to P16 million, P12 million or 75% of which are current assets. Many members reckon that the growth is staggering increase of an average of P500,000.00 every year since their organization in 1973. There are currently 927 members. Share capital generated so far reached P3.5 million, plus P1.8 million in savings and time deposits. This means an average share capital of P3,775.00 and P1,941.00 average deposit per member.

External borrowing balances is at P6.5 million. Total loan releases for the year (1998) amounted to P12.6 million with a collection rate of 95%. Net income was close to P1 million.

However, more than the awards and the financial statement figures, Ellen, the coop manager, believes that their success lies in the confidence they have gained as an institution and as individuals. In a small village such as Lamac, the greatest factor to success is the individual member's integrity and members' trust and confidence among themselves.

### **The Future Prospects**

The coop is presently considering a proposal from Congressman Yapha to make the coop the conduit of P1 million grant to be earmarked for livelihood projects. Its 1999 plan contains strategies for strengthening other organizations in the barangay such as the organizations of the women, the youth, the farmers and the elderly. Other priority projects are a housing project for 100 members and a feedmill.

Coop members continue to be active in the different government bodies at the barangay, municipal and provincial levels such as the Development Councils and the Cooperative Development Councils. The coop is also involved in various civic and charitable activities.

The coop has also organized the assignments of job portfolios for its Board members. A Board of Advisers composed of their founding President, the Barangay Captain and the parish priest, has also been organized.

The coop wants to acquire land on which to build its permanent branch office. This will give the incumbent and prospective members a sense of security. Recently, the coop has also considered about the Lamac public market. If it decides to cooperativize the public market, it will need approximately P 700,000.00 for initial improvement. The BDC has endorsed the project to the coop, and is now seeking fund sources for the public market project.

### **Benefits of a Partnership and Key to Its Success**

A sprightly 78-year old who was born in Lamac, Peping Tuquib feels like a very proud father to a child who has accomplished so much. He says that martial law, for all its evils, forced them to be disciplined and vigilant.

For him, the role of government is to support community initiatives by providing funds, equipment, and technology for community plans and projects. He finds it ironic that many government officials do not realize that support for community programs will redound to the benefit of the politician's own dreams, namely, to bring forth development in the community.

He attributes the success of the coop to its partnership with the government. Partnership meant the coop's volunteer of its labor, resources, and persistence to follow up demands from government. Although working with government is peppered with problems such as political patronage, the coop is convinced that it is necessary to work with government especially in the provision of basic services in the community.

Lack of formal education among members is not a hindrance to the coop's success. Integrity and sincerity are important. Lamac coop appears to be poised as a "*buhing handumanan*" (living remembrance) of the members' efforts.

Marcial Menchavez, the current Board Chair, downplays his role in the growth of the multi-million coop in a small village. As a technician at the Department of Agriculture, he knows how government operates. Although he was instrumental in bringing in resources to the coop from the DA, he recognizes that working with government was not easy. But what was helpful was the fact that many coop officers are also barangay officials, who then could make partnership with local government easier.

Planning and implementing barangay projects were almost always a partnership between the coop and the barangay. Dealing with the higher level of government such as the municipality, province or the national government posed more problems as far as the coop is concerned. Marcial reckons that the difficulty probably lies in the fact that in a bigger LGU, there are more players and more competitors for government attention and resources; therefore, a small place like Lamac can be easily ignored.

The awards gained by the coop have added to its credibility and bargaining power, such that many government projects are easily offered to the coop. The coop however, exercises prudence in accessing support for projects. They are also aware that "politicking" is a problem in relating with government officials. Some officials offered to help but with certain conditionalities, including the surrender of votes. It is for this reason that coop members take time to discuss and deliberate and to weigh the advantages and disadvantages of an offer.

Leaders have also attributed the sure success of the coop to the members' faith in themselves and in the power to grow. Political influence,

according to some coop leaders, can be reduced or stopped through a vigilant membership, transparent and credible organization, and the power of prayer. The coop has this role to play in good governance.

## **CONCLUSIONS AND OBSERVATIONS**

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The dynamic cooperative is one that considers itself a stakeholder: as such, it involves itself in virtually all activities of the barangay. The engagement of the coop on matters affecting the barangay adds luster to the coop as an integral part of the local government. Moreover, its members and officers who are also officers of the barangay, contribute to the credibility of the coop. In other cases, some coop members are also church or parish leaders.

The role of government workers (BLOMES) in the management of the coop and its partnership with government units cannot be discounted. This group is widely acknowledged as the moving force behind the success of the coop by bringing the relationship between the coop and the barangay closer to each other.

The coop's approach although quite business-oriented, also included a community development orientation. It did not only ensure to make profits and to grow financially, but it also contributed so much to the community by way of social services.

Presently, the coop is challenged to face a total development approach: its plans include services on health through health clinics, sports, distribution of water-sealed toilets, tree planting, and waste disposal. Lamac, the coop and the barangay, is ready to face the challenge of the millennium. As the coop says "*Sulayan lang gud nato!*" ("Let's just give it a try!").

## Chapter 4

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# Cases of Multi-tiered Partnership between Local Governments and Cooperatives

### Partnership for Food Security and Sufficiency

**The Ilocos Norte Federation of Cooperatives and the *Bigas Bannawag* Project**

**Ma. Victoria R. Domingo**

#### BACKGROUND AND OUTCOME

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*Mang Juan* owns a piece of land which he plants with palay during the first and second crop seasons. He harvest about 60-70 cavans per hectare. He plants vegetables after that. Among the difficulties he encounters is the high cost of inputs and low price per kilo of his farm produce. *Mang Juan* and his family depend on their farms for livelihood. Late September to early October, even at the break of dawn they are in fields to harvest and thresh palay produce. What an assurance of bounty specially during times when food is scarce. One, two, three ten-wheeler trucks passed me by on the dirt road leading to a vast area of farms teeming with golden grains. One after the other, bundles fell as *Mang Juan* and the rest sickled them to the ground. The trucks parked on the side of the narrow dirt road. I wondered what they were there for. I did not know what happened next but one thing was sure. The trucks collected cavans and cavans of palay from the farmers who borrowed from them capital for the first crop season or simply they come to buy palay from Ilocos Norte and bring these to other provinces. Farmers in Ilocos Norte produce more or less 5 million cavans of palay every year (DA report, 1998). Of this, only a small percentage is left in the province. The rest is sold to the National Food Authority (NFA) or to capitalists in the *palay* business. Vast majority of the farmers face the difficulty of providing for themselves the necessary capital for production. Farm inputs are quite expensive. This is complicated by the problem of low prices for farm output. The farmers do not get the fruits of their labor in terms of profit from their produce.

With this, the Provincial Government of Ilocos Norte (PGIN), through the Hon. Ferdinand Marcos Jr. conducted a thorough study on the needs of the farming sector. Consultations with the various government sector as well as the private sector were conducted. The farmers voiced their situation, their opinions, problems and insights. A blue print for development was engineered. Program Bannawag was then born, the food security program of the province.

### **Organizational Dilemma**

There was much to be done about building people's trust to cooperatives. The gloomy stories about what used to be the Ilocos Norte Federation of Agri-base Cooperatives made the idea of doing it once more through a new provincial federation almost impossible, now the Ilocos Norte Federation of Cooperatives. The lukewarm attitude of the people challenged the Provincial Task Force about further intensifying the information dissemination about cooperative in peoples meetings, barangay assemblies and through the general assembly meetings of primaries. Series of consultation dialogues with the communities were conducted. People came to listen and participate in the discussion about the federation. There were some people who still have faith in cooperatives. They were the people who felt that another chance has to be given for cooperatives in the province.

### **The Implementing Mechanism of the Bannawag**

**The Special Project Office.** The Special Project Office (SPO) is directly under the office the Governor. Agriculture has become a priority program of the SPO, specifically on entrepreneurship and marketing. The SPO believe that the farmers of Ilocos Norte, through the cooperative, need to stand together and be strong enough to benefit from the fruits of their labor. Mr. Edwin Cariño, the very energetic special project officer, firmly believes that unless the farmers work collectively they will not be able to take control of prices. He continuously touch the hearts of farmers by making them realize the strength/power they have as one body. Collective bargaining and discounts from volume had been his "come on" in convincing people to work together.

**The Provincial Task Force for Cooperative Development (PTFCD).** This body is composed of volunteers in cooperative development. They are people from the government who volunteered to assist cooperatives in their educational activities. This was an informal group. Among the activities included acting as team resources persons in various aspects of cooperation. The PTFCD performed their activities as part of their regular job description and beyond it. They come from the government offices and the university. They worked with the cooperatives even Saturdays and

Sundays including holidays. In many cases they conducted cooperative education even in the evenings.

### **Linkage agencies with related program**

As the *Program Bannawag* grew, the task force was expanded to include many more government agencies, with programs on cooperatives. Annex 1 shows the linkage agencies. From time to time, these cooperative program implementers meet to tackle various issues pertaining to cooperative activities in their various areas of coverage. Consultations and dialogues with cooperative are undertaken with the link agencies.

### **The Project Management Office**

The Project Management Office (PMO) consist of the federation of cooperatives in the province. The PMO is heavily tasked with activities that ensure the smooth operation of the project. The people behind the efficient and effective management of the project heavily lies on the expertise of carefully chosen and the technical assistants. They worked without ceasing, even weekends, holidays and evenings. Edwin Cariño is the Program Coordinator, Daniel Calamayan Administrative and Accounting Coordinator. Robert “Archie” Sarabia is the Operations Coordinator. The PMO believe that an enlightened cooperative membership will bring more success stories of the attempts of cooperatives to become viable and autonomous.

## **PROJECT DESCRIPTION**

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### **Program Bannawag**

*Bannawag* according to the local tongue means dawn, the beginning of a new day. This has become the inspiration of the food security, self-sufficiency and sustainability program of the Provincial Government of Ilocos Norte (PGIN). The Program Bannawag aims to:

- Establish a strong human infrastructure by regenerating the cooperative organizations in the province in such a way that the farmers would be able to participate actively in their development;
- Capability building through relevant values education and skills development for members of cooperatives that will support the Agro-fishery Modernization Program (AFMA) and the Provincial Food security program;
- Develop cooperative production and marketing network
- Build the income base of farmers through sustainable agriculture

The Program Bannawag is implemented as a partnership program between the local government and the cooperative sector of the province. With rice as the main crop of the Ilocanos, *Program Bannawag* plunged into the Bigas Bannawag as the banner project of the program. The *Bigas Bannawag* addressed the marketing problem encountered by the farmers in the various cooperatives of Ilocos Norte. Previously there has not been any successful cooperative marketing activity in the province. Dr. Teresita Garcia, the chair of the Marcos Federation is quoted as saying that the project is very helpful to the cooperatives, hence, the members must get closely involved to realize the sense of ownership in the program. She recounted her experience during the campaign period when farmers choose to sell to traders because of the immediate cash they can get. But when prices dived down, the farmers abruptly changed their mind and sold their cavans of palay to the federation.

### **Components of the the Bannawag Program**

The component of the program include the following:

#### **I. Institution Development**

To be able to establish a strong human infrastructure, there was a need to coordinate the various cooperative program implementers in the province. The Provincial Cooperative Development Council (PCDC); and the Municipal Cooperative Development Council were re-organized to render them effective coordinating bodies in the local government units. A series of meetings and workshops were conducted with purpose of streamlining overlapping and competing activities among the cooperative program implementers in the province – government organizations, non-government organizations. On the other end, cooperatives were assessed in terms of their capabilities. There was then categorizations as to the status of cooperatives in the province. This was quite helpful in the design and planning of a relevant education and training program in cooperatives.

#### **II. Capacity Building through Education and Training**

Knowledge base of both the consumers and the farmer producers is the foundation of Program *Bannawag*. A strong foundation among cooperative is needed to ensure the smooth and successful implementation of the program. Cooperative strengthening modules were conducted to primary cooperatives. Basic cooperative education was handled by cooperative education providers and the non-government agencies and strong primary cooperatives While in the past, education among cooperatives revolved around information dissemination and technology transfer, the program's education and training focused on making the farmers entrepreneurial capabilities hence able to respond to the demands

of the market. The cooperative was the venue for this education. Training needs were studied, with the farmer's needs and recommendations as the basis. Trainings then were designed in the areas of producing what the market needs, making farming more efficient through the wise sourcing and utilization of resources – collective purchasing and selling, collective post harvest facilities, collective marketing. It was a gigantic task for the Education and Information Bureau of Program Bannawag to once more bring forth from the farmers the value of doing things together and cooperatively. Farmers respond positively to issues and activities that are relevant to their needs.

### **III. Strategic Program Component**

*Bigas Bannawag*. (Bannawag Rice) is the banner project of Program Bannawag. The Ilocos Norte Federation of Cooperatives sourced out some fund to procure the palay produce of the members. The funds used came from the share capital of the primary cooperatives who are members of the federation. Other sources included a loan from the Lank Bank of the Philippines (LBP). The federation buys the palay of member cooperatives at agreed fixed price. Whatever be the price in the open market, the federation buys it at the standard price of 8.50.

In the beginning, it was difficult to convince people to sell their produce to the federation because the price that the capitalists were offering was P9.00/kilo - P10.00 After a week or two, the price dived to P7.30 . The farmers now turned to the cooperative as an outlet of their product.

It was not easy at first. Mrs. Ercarnacion Gatioan, now chair of the federation of Dingras cooperatives did not believe the project at first. According to her, she appreciated the program but did not consider it as a serious and sincere attempt for the PGIN to work with farmers. Today, *Manang Cion* as she is fondly called goes around her municipality and campaign for support to the federation.

### **IV. Support Program Component**

As support to the *Bigas Bannawag*, an integrated marketing program is now being implemented. This marketing program includes not only the distribution of the palay but also the inputs that the farmer needs to sustain production. With the Filipino consumer in mind, the federation adopted production technologies that include a) the use of organic fertilizer b) adoption of the integrated pest management program and c) use of high quality seeds through the *sagip bin-i* program. The need for warehouses or *bodega* to store and keep the *palay* in the province has been given priority attention. The Bannawag warehouse system has already established 8 pre-fabricated warehouses. The first three warehouses was put up in the eastern towns of the province where rice is grown from two

to three seasons. The first warehouse was built at Poblacion Marcos, the next one is located in Santiago, Solsona. The third was put up in Baresbes, Dingras, the fourth in Cabangaran, Paoay. Due to the demand from the farmers, a second and third warehouses were built in Escoda, Marcos. In the far north, at Poblacion Pagudpud, a warehouse was also put up. The federation utilizes three rice mills, one is owned by primary cooperative, and the two others are privately owned. The federation has already applied for the establishment of a 75 ton/day rice mill fully automated.

The palay in Ilocos Norte are transported to provinces during the peak season and are bought back by the producers as rice during the lean months. This depicts the pitiful plight of farmers in Ilocos Norte. Storage facilities in the province are owned by private individuals.

## **V. Credit and Financing**

The financing of the *Bigas Bannawag* is jointly provided a tripartite party – the provincial government, for the funds to build and assistance in the management of the warehouse, the municipal government for the land where the warehouse is built and share capital of primary cooperatives who are members of the federation. Funds for the procurement of palay comes from the share capital of cooperatives and a loan from the Land Bank of the Philippines.

## **PROJECT RESULTS AND OUTCOME**

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Although a very young program, it could be noted that Program Bannawag could now be proud of some few contributions to the advancement of the people and the community in the province of Ilocos Norte.

*Program Bannawag is an alternative market for farmers.* What used to be just an attempt to cooperatively market the produce of farmers in Ilocos Norte had become a reality. Through the re-birth of the federation of cooperatives in the municipalities and in the province, the farmers created a market for themselves, so that they could somehow affect the price in the market. The project have started affecting the price of palay in the market. The buying price of traders had somehow become advantageous to the farmers because of the competition brought about by the procurement activity for *Bigas Bannawag*.

*Project Bannawag is an arm for enhancing the quality of farm products.* In terms of palay, the project considers not only the moisture content and physical characteristics of the grain but more so the amylose content. As the project address the demand of the consumers, appropriate and

environment-friendly technologies are adopted by the farmers for sustainability. Balanced fertilization, that is the use of organic fertilizer to augment the effects of inorganic fertilizer, is very much adopted by the farmers. Various strategies in the control/management of pest is continuously been endorsed to the farmers.

*Project Bannawag is instrumental in forging a partnership between the cooperatives and the local government.* The genuine interest of the Provincial Government of Ilocos Norte is evident through its revitalized program for agriculture and rural development. Though limited, the PGIN provides capital in form of soft loans to cooperatives. Viable cooperatives who are strong enough to manage and sustain projects apply for livelihood project through the Special Projects Office. They are assisted in the preparation of feasibility studies. They are brought close and linked to the line agencies for technical assistance.

*The farmers realized the benefits they enjoy as they conduct their activities collectively.* They realize accumulated discounts as they purchase farm inputs by volume. They realized more income from the efficient use of resources like when they market their produce collectively. As they sell their produce to the federation, they realize a P.05 incentive as part of the capital build up program.

*With the program, the farmers learn to contribute willingly some equity to support the cooperative business.* For the palay trading business, the farmers pledge five sacks of palay as stock for distribution to the customers. They now have started with the fertilizer business by contributing one cavan of palay as capital to finance the project.

*Project Bannawag revived the faith of the farmers to cooperatives.* The popularity of cooperatives is slowly growing as the federation begin to prove that when farmers stand as one, bound by one dream of realizing a better standard of living, so that the farm household could lead a decent life.

*Program Bannawag brought the province to the limelight.* The search for the most outstanding food security program in the country has chosen the *Program Bannawag* to represent Region 1 to the search at the national level search for *Gawad Sapat Ani, A competition among local government unit on food production and sustainability.*

## CONCLUDING OBSERVATIONS

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The Program Bannawag produced a collective thinking among the farmers of Ilocos Norte that they themselves are the key actors in food

security and sufficiency. While capability is limited, partnership between the PGIN and the federation of cooperative was established to operationalize a vision of sustained economic growth for the province of Ilocos Norte. This is an ambitious program that seeks to influence the role of the cooperative in the marketing the products of the growing economy of the province. It is quite impressive that the project, in less than two years have produced substantial results that had been affecting the cooperatives in general and the farmers in particular.

**Education process is long and uncertain but rewarding .** Immediate impacts are difficult to elicit. To be able to assert change, there is a need for an untiring and continuous education program for cooperatives. A relevant content is very important. The farmers need to understand the dynamics of farming and marketing. Unless they realize that some of these are uncontrollable but through thorough study and understanding on what they could do to address it will make the difference.

**Open communication line is very reassuring.** A feedback mechanism is very important in monitoring the issues, problems and concerns in the project. The farmers learned to speak for themselves. They started breaking off from the culture of silence that have long been a part of them. The continuous conduct of meetings and workshops provided opportunities for dialogue and interaction with which a powerful wave of checking and counterchecking procedure in the operations of the project was established.

**Networking is not impossible.** When agencies start to realize that they serve the same clients and that they aim at making the farmer as the center of development, then networking with the cooperatives was possible. Working together spelled the difference. The agencies cannot do development for the people, neither can they do it for the people but one thing is sure, they can do it with the people, on partnership basis, where sharing is preferred over just giving and taking.

**Sincere leadership.** Project Bannawag had been looked at by the Governor Ferdinand Marcos as the hope to sustain a food-secure Ilocos Norte. He had been pushing this project by showing intense interest for the cooperatives to get to a point of being able, capable to directly support and manage food production. His sincerity was understood by the farmers. He was visible in the cooperatives. Every man or woman member aspired to meet him. He was supportive and a real inspiration because he understood cooperatives and agriculture.

## **SOME EXPECTATIONS**

Liberator Lorenzo, as the chair of the federation could only wish for the continuity of this beautiful experience between the partnership of the Provincial Government of Ilocos Norte and the Ilocos Norte Federation of

Cooperatives. According to him, there has not been any project that had been more relevant to the farmers in Ilocos Norte than Bigas Bannawag that directly addressed the need to sell the farm product at an advantageous price to the farmer.

At the moment, this is yet the second season of palay procurement, but the groundwork had been set for the cooperative business. There is no turning back.

The Project Management Office is highly optimistic about the project. Now that the project has started up smoothly, despite resistance from areas where there is conflict of business interest, the farmers become the priority because they themselves own, control and manage the project with PMO on the margins.

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