



## CDA Charter, Security of Tenure Bill and Digitalization at Cooperative Chairpersons and CEOs' Dialogue



The Philippine Cooperative Center (PCC) recently hosted the Cooperative Chairpersons and CEOs' Dialogue last July 23 and 24 at Days Hotel, Tagaytay City.

Designed to serve as a forum for key decision-makers from all cooperatives and related entities to discuss insights and plans for the movement, which include their support for the Philippine Cooperative Development Plan, a new Charter for the Cooperative development Authority (CDA) and other regulatory developments, the two-day event was attended by 143 cooperative leaders from 77 entities throughout the country—in addition to partner-representatives from government and non-government institutions such as the International Cooperative Alliance (ICA), Bangko Sentral ng Pilipinas (BSP), Bureau of Internal Revenue (BIR) and Credit Information Corporation (CIC) who served as resource speakers in various segments of the program.

During his keynote address on Day 1,

Salvador Valeroso, Regional Director, CDA Region IV, underscored the importance of the activity in line with the strengthening of the CDA through the amendment of its charter, and stressed the critical role of PCC as an apex organization. He also stressed the need to evolve the cooperative sector (with the PCC as apex organization with its current mission of serving as the “unifying and transforming” voice) into a potent force that promotes and develops critical programs which will allow cooperatives to rise above the current challenges. Said programs shall always be consistent with the Philippine Cooperative Development Plan and the ASEAN Regional Roadmap. Valeroso further stated that growth of cooperatives must be anchored on the following principles:

*--Strong institutional development – core requirement of every cooperative's long-term growth and sustainability;*

--Development of new services that will diversify the cooperative sector from being largely focused on financial services/credit;

--Access to finance, i.e. low-cost funds to support the business operations and growth of cooperatives);

--Access to market, i.e. platforms and mechanisms that will bridge producer cooperatives with consumers; and

--Global competitiveness.

During his welcome message, PCC Chair Garibaldi O. Leonardo presented the key takeaways from the October 2018 National Coop Summit together with the results and key insights from the first two in a series of Pillar Conferences for 2019 - NCR and Luzon. He was also quick to lament the slow pace of the movement's growth and development in the country, citing facts such as: *Total Coop Assets reckoned only at 4% of the combined assets of the Top 5 Commercial Banks; Total Assets of the 24 Coop Banks reckoned also at only less than 0.2% of the Top 5 Commercial Banks. He cited further an earlier presentation at the Coop Summit of fellow cooperator, Isagani Daba, which stressed the current economic role of cooperatives – that of being fund aggregators for banks (depositories) which in turn act as investors of big businesses (beneficiaries).*

The PCC Chairperson called for cooperatives to work towards the attainment of the core objectives (*One Wish*), with cooperatives as owners of an Integrated Coop Financial System, particularly across two fronts: 1) at the *front-end*, with Coops as owners of an Integrated Coop Financial System (ICFS) (1CoopBank, 1CoopInsurance, 1Coop Asset Management, 1 Coop Investment, 1Coop Mutual Fund, etc; and 2) at the *back-end*, from funding (i.e. PCF) to capacity-building (i.e. IT, R&D, data banking, digitization), and regulation/risk management (e.g. CODIS and NATCCO's stabilization fund).

In addition, other objectives that the cooperatives must work for include the development and promotion of value chain, youth development, capability building of coop personnel, and creation/establishment of a common coop institute (i.e. common to CDA, federations, unions, academe).

The PCC Chairperson reiterated the statement of Regional Director Valeroso for PCC to lead the development of the cooperative sector as the apex organization that unites, promotes, develops, and transforms. The key challenge, however, remains in integrating and unifying cooperatives under the apex organization.

Drawing comparison from ICA (as the global apex

coop of 318 coop feds representing 3 million coops in 110 countries with 1.2 B members), he added that PCC represents 79% of the coop sector's total assets; 69% of gross income, 75% of net surplus, 69% of members' equity; 75% of total coop members; and 67% of total coop employees.

### Learn, unlearn and re-learn

MSCB Chairperson Fr. Anton CT Pascual delivered his session titled *Inspiring Words of Wisdom – Coop CEO's Values, Ethical Standards and Governance* where he stressed the need for the movement to learn, unlearn and re-learn: *Learn*, where leaders are to acquire new knowledge to become more influential, especially as the movement follows fast-paced trends in a knowledge-based society; *Unlearn*, to move away from wrong doings; and *Relearn*, to acquire and absorb newer insights and solutions.

He also stressed the spiritual aspect of cooperatives as a holistic solution towards uplifting lives as well as society based on governance principles that promote and advocate FAITH: an acronym that embeds the values of *Fairness, Accountability, Integrity, Transparency* and *Humility*. Yet he did not stray away from the sub-topic on why governance as well as the movement fails, citing: 1) Pride; 2) Sexual Indiscretion; 3) Cynicism; 4) Greed; 5) Mental laziness (reluctance to learn, unlearn and relearn, i.e. investing in learning and development); 6) Oversensitivity (non-openness to objective criticisms); 7) Spiritual lethargy (lack of purpose); 8) Domestic neglect (neglecting or forgetting responsibilities to families in favor of work); 9) Administrative carelessness (creating gaps due to management negligence; and 10) Prolonged position-holding as the Top ten Pitfalls of Governance.

As to the Ten Pitfalls of the Coop Sector, Fr. Anton enumerated these as:

- 1) *Lack of embodiment of principles/values of cooperativism;*
- 2) *Corporate mindset / silos mentality;*
- 3) *Family managed (Kamag-anak incorporated);*
- 4) *Under-led/Over-managed or Over-led/Under-managed;*
- 5) *Weak unions/federations with overlapping functions*
- 6) *Competition on ground (too many cooperatives);*
- 7) *DOLE-OUT mentality of MSMs (Cooperative Development Council paradigm);*

8) *Under regulation or no-coop self-regulation by CDA;*

9) *Lack of leadership and management succession/development; and*

10) *No unifying APEX/ALLIANCE.*

The solutions proposed by Fr. Anton revolve around the concept of *Building a Cooperative Culture* (the 'Cooperative' way): focusing on the 'We' and not 'I', and 'championing' a sense of purpose; unity in diversity (a concept of unity without uniformity and diversity without fragmentation); and Economy for the common good. He also pointed out the need for a *CREED* (*ano ang ating pinapaniwalaan*), *CODE* (*ano ang ating isinasabuhay o kailangang isabuhay*), and *CULT* (*paano ginagawa at isinasabuhay ang ating paniniwala*).

Another timely suggestion: *Kotter's 8-Step Leadership Change Model* that starts with creating a climate for *change* (1-create urgency; 2-create a coalition; 3- develop a vision and strategy); *engaging and enabling the whole organization* (4-communicate the vision; 5-empower action; 6-get quick wins); and, *implementing and sustaining change* (7-leverage wins to drive change; and, 8- embed in culture).

### CDA 2019 Charter presented

Meanwhile, PCC Chair Leonardo presented, on behalf of CDA Administrator Oliva, the final bicameral conference version of the proposed bill for the *Cooperative Development Authority Charter of 2019*. The participants were also informed that the report is just awaiting the signature of the Senate President Tito Sotto for onward transmittal to the Office of the President for approval and signature into law.

Under the new Charter, the role of CDA will be redefined as being an agency that is '*primarily responsible for the institutional development and regulation of cooperatives through partnership with the cooperative sector and the academe.*' The strong points of the CDA Charter were also presented by the PCC Chair, which are:

- *The final draft empowers CDA to grant accreditation for the operation of laboratory cooperatives;*
- *It grants quasi-judicial powers to CDA to resolve inter-cooperative and intra-cooperative disputes without prejudice to the filing of civil and/or criminal cases;*
- *It grants regulatory and supervisory powers over local cooperative development councils;*

- *All six (6) members of the CDA Board of Directors (presently referred to as the Board of Administrators) will be appointed by the President of the Philippines and chosen from among the nominees of the cooperative sector;*
- *The current Executive Director and Deputy Directors will, in turn, be renamed Administrator and Deputy Administrators;*
- *It mandates a specific administrator to oversee the administrative functions over the Credit Surety Fund (CSF) on top of the original four (4) proposed administrators recommended by the coop sector;*
- *It effectively grants CDA automatic power to provide tax exemption to cooperatives (a power currently enjoyed by the BIR) based on an official list of accredited/registered cooperatives; and*
- *The proposed bill (final version) puts critical importance on the following focus areas: education, agriculture, and cooperative banks.*

Other critical points were also raised which include: some of the original provisions have been omitted such as the coop's proposal about the use of 'in partnership with the cooperative sector', which in effect waters down the more active role of the cooperative sector in setting its own direction (specifically its developmental needs) and governing itself in an autonomous manner.

After the presentation of the new CDA Charter, a number of participants voiced out notable comments and recommendations on the subject matter, which include: the equal distribution of board seats based on island groups; the call for a coop sector-led drafting of the Implementing Rules and Regulations to integrate (or preserve) the original proposals to the proposed bills and preserve the intent for self-regulation and propagation of empowered cooperatives. The PCC CEO subsequently called '*for the approval and subsequent adoption of the first resolution of the Dialogue: the creation of the IRR working group for the sector which will be led by PCC and will work hand in hand with the IRR working group of CDA.*'

The PCC Chair called for trust from the cooperatives to the coop sector representatives (who will craft the IRR and nominate the officers of the new CDA Board as contained in the new bill). Said representatives will cut across clusters and regions to ensure representation and impartiality.

During the conference, a second resolution was



adopted nominating PCC as the lead cooperative organization to process the screening and selection of coop leaders as nominees for the Board of Directors coming from the sector. Said nominees will be sent to the Office of the President for his consideration.

### **Moving towards the digital era**

Four notable coop experts, Giovanni T. Platero, CSEE, Deputy Executive Director, CDA; Jacklyn Ballena, VP Operations, 1CISP; Roy S. Miclat, President/CEO, CHMF; and Lydia S. Canalija of PCF, each made presentations on *Cooperatives in the Digital Economy, Part 1*.

For his part, Director Platero pointed out how technological progress has been the driving force behind global growth since 1990, of which over 10 percent of the world's population were uplifted due to technological advancement. He noted how internet users have grown more than 10-fold, making it less of a luxury and more of an essential utility for the poor, particularly in low-income countries. He cited further that out of the 3.73 billion users as of March 31, 2017, the Philippines alone has 54 million internet users, of which the younger generation have been a driving force behind this phenomenal growth. Along with this shift, he stressed how the CDA has since recognized that cooperative membership in the Philippines has also been shifting towards younger demographics, furthering that out of the over 10 million Filipino cooperative members, 24% are millennials, 62% are from Generation X, with the remainder belonging to the Baby Boomers segment.

The CDA Deputy Executive Director also apprised the participants about the ongoing development of the Cooperative Business Matching Information System (CBMIS), an information system that promotes the products and services of cooperatives through business matching and marketing activities from producers and service providers to consumers and end-users, whether coop-to-coop or coop-to-individual members. While still in its nascent stages, CBMIS will be further strengthened in the future with the following way ahead posture from 2021 to 2023 via: the establishment of a value chain mechanism especially among MSME cooperatives; the configuration of the system for cellular mobile application; enabling the hosting of financial transactions (*i.e.* e-payment system); and the increase in cooperative engagements online and widening linkages among key players.

'To be sustainable in the long-run, cooperatives must recognize technology as a business disruptor, both

an enabler of growth or an agent of obsolescence,' was what Ms. Ballena pointed out. She underscored that businesses must adapt to technological advancements in order to increase operational efficiencies, increase market reach, and expand touchpoints to customers. Digital transformation is also about *empowering mindsets*, of which Ms. Ballena furthered how *it generates new ways of strategic thinking, a journey for the entire company that transcends marketing transformations where all stakeholders are involved; and how it changes the way people think*.

'Integration can be best achieved with the adoption of technological innovations used by industry leaders in advanced economies,' as Mr. Miclat best puts it. He cited the 1COOPHEALTH experience in adopting digital technologies comparable to those being used by one of the leading HMO providers in the US, *e.g.* Kaiser Permanente). Thanks to technology, 1COOPHEALTH is now a leader in the digitization of processes among HMO players in the Philippines today. Complementing this was a walkthrough of the CHMF Application already available in Android and IOS platforms.

'Digital economy addresses convenience, efficiencies, and speed' stressed Ms. Canalija, of which cooperatives have started to embrace digital innovations vis-à-vis the rise of financial technology companies that have directly competed with the traditional market of cooperatives. She also noted such developments like the adoption of digital data-driven analytics tools *MyScore*, a credit scoring and analytics of CIBI and FICOSCORE) which promises faster, better credit decision at lesser cost. A credit score is a 'numeric expression that represents the creditworthiness of an individual.' *MyScore* sources its data for analysis from CIC under the CISA framework.

Then there is also IMCOOP, Cooperative Credit Information System, an online facility developed by PCF in partnership with CIBI for member-coops to have analytics solutions for multi-coop membership and multi-coop loans.

### **CISA/CIC presentation and Skype on ILO R193**

Atty. Aileen L. Amor-Bautista, SVP Business Development and Communications, Credit Information Corporation (CIC), provided a refresher briefing on the *Credit Information System Act (CISA) Law and the Credit Information Corporation*. She made emphasis of CIC (which is 60 percent government-owned, with the remaining 40 percent shared among PCC, the Rural Bankers' Association of the Philippines, Bankers' Associa-

tion of the Philippines, Chamber of Thrift Banks, and Credit Cards Association of the Philippines), as a credit registry, NOT a credit information bureau. She also reiterated that unlike in other countries, CIC as a credit registry is not under BSP; rather, it is under the ambit of the Securities and Exchange Commission.

In addition to discussing CISA, Atty. Amor-Bautista also stressed how *Negative Credit Information* is not synonymous with a blacklist, but instead refers to 'information/data concerning the poor credit performance of borrowers such as, but not limited to, defaults on loans, adverse court judgments relating to debts and reports on bankruptcy, insolvency, petitions or orders on suspension of payments and corporate rehabilitation.' She also reiterated that *Positive Credit Information* refers to information/data concerning the credit performance of a borrower such as, but not limited to, information on timely repayments or non-delinquency.

As per the Data privacy Act, Atty Amor-Bautista emphasized that this does not apply to the implementation of CISA; however, use of data by accessing entities outside CISA are governed by the privacy law. She also assured that credit reports don't list personal bank account balances, investments or assets; so those numbers don't impact the credit report. Information about savings accounts, certificates of deposit or other non-debt banking relationships are not included.

Towards the end of Day 1, there was a Skype Presentation from the ICA headquarters in Belgium on the 'Importance of ILO Recommendation 193 on the Promotion of Cooperatives in Achieving the Sustainable Development Goals (SDG),' which was presented by Messrs. Santosh P. Kumar, Legislation Coordinator, International Cooperative Alliance and Jeffry Moxom, Research Officer, ICA. Their presentation emphasized the importance of cooperatives as a pillar of every economy, to wit:

- *"the importance of cooperatives in job creation, mobilizing resources, generating investment and their contribution to the economy";*
- *"that cooperatives in their various forms promote the fullest participation in the economic and social development of all people";*
- *"that globalization has created new and different pressures, problems, challenges and opportunities for cooperatives, and that stronger forms of human solidarity at national and international levels are required to facilitate a more equitable distribution of the benefits of globalization..."*

The presentation ended by emphasizing that R193 'is not an end itself; it must be translated into action. There is a need to ensure both that national poverty-reduction strategies promote co-operatives and that stakeholders (cooperatives, governments, and non-government and civil society organizations) develop the mechanisms to enable people to organize themselves and bring the power of co-operation into their communities."

## SOT bill discussed and digitalization, part 2

Day 2 started with a session on the much-talked about the *Security Of Tenure Bill (SOT)* which was presented by Virgilio V. Hernandez, Vice-Chair, PECCI Edcom Sub-Committee on Corporate and Media Relations. Mr. Hernandez briefed the participants on relevant provisions of the Security of Tenure Bill and the currently enforced Department Order No. 194 of the Department of Labor and Employment (DOLE) while, at the same time, presenting some challenges and recommendations, namely:

1. *The cooperative sector led by PCC (CoopApex) needs to strategize plans (through an "Advocacy Group") that will mitigate the impact of the security of tenure law and the corresponding IRR. Such will safeguard cooperative interests from duplication / re-application of the provisions of DOLE Department Order No. 174; and*
2. *There is a need to re-educate the cooperative sector itself on the real concept of a "Cooperative Member-Owner Engaged in Employment Project". Likewise, it is also imperative to engage the other stakeholders – from the company/management, to government policy-makers (e.g. DOLE, CDA) and the General Public as a whole.*

During the open forum that followed, a representative from Caritas et Labora Human Resources shared their coop's belief 'that any person, regardless of what type of business he/she works for, is entitled to the basic labor rights and privileges mandated by the extant laws. Laws must not be feared, but cooperatives must work to ensure compliance with the provisions of the law.' Another insight was shared by a representative from Paramount Human Resource MPC on their experience with a DOLE directive 'that includes automatic share capital contribution as illegal deduction, and sought CDA's assistance to clarify such practice.'

Part 2 of *Cooperatives In The Digital Economy* had as its presentors Evangeline Lopez, Payment Services Group Head, NATCCO; FPSDC CEO Christie Rowena C. Plantilla; Noel Raboy, President/CEO, CLIMBS; PFCCO

Chairperson Atty. Gloria Futralan; and Dennis Z. Santander, Deputy CEO-External Affairs, MASS SPECC.

In their joint presentation, Ms. Lopez and Atty Futralan pointed out several factors as to why the Philippines has the lowest e-payment usage of e-payment platforms, which are: *low ownership rate of formal accounts and lack of knowledge on e-payments* on the demand side; *low accessibility, weak availability of interbank funds transfer, low merchant acceptance, high fees and siloed and non-interoperability in the retail payments system* on the supply side; and, on the policy side, *weak governance and regulatory framework for a national payments system*.

Yet amidst these odds, The Bangko Sentral ng Pilipinas is bullish on the future of the e-payment system as it has since led the development of the National Retail Payment System (NRPS) framework in 2015. In the cooperative movement, Ms. Lopez added that there is a readiness and demand for the digital financial system (DFS) among Filipino coop members (driven by their needs for speed and convenience), but security remains a key concern. Likewise, the following has been observed in the behavior of coop members:

- *High mobile usage among members but use of such devices for financial transactions is low;*
- *The heavy reliance on cash by coop members, exacerbated by negative experiences with other digital payment methods; and*
- *Concern towards the security and reliability of digital payments.*
- To better enable coops to leverage digital channels and advance financial inclusion, Atty. Futralan stressed the need to set up the 'shared' coop-led payment scheme and system, along with a 'branded' e-payments system tailor-made for coop needs. On another angle, Ms. Lopez also presented the KAYA (Kooperatiba, Ating Yaman at Abilidad) Platform: a tri-coop federation (ACCU, NATCCO, PFCCO) initiative for a coop-led e-payment system available for cooperatives nationwide.
- Also showing her support for the previous speakers' thrusts towards digitalization and the opportunities these offer was Ms. Plantilla who further underscored the importance of technological investments as a means of 'future-proofing' (process of anticipating and mitigating the adverse effects of future events). She also cited the advantages offered by the

PilingPinoy.coop initiative that serves as an electronic platform for sales (distribution and marketing of coop's products and services), infrastructure, and consultancy (product development, quality improvement, and trainings), FROM FARM TO FORK.

Not to be outdone is the need for Coop-to-Coop Collaboration of which she stressed: "The continuous development particularly in the digital economy calls for the cooperative movement to collaborate more on services that would complement each other so that the demands of the consumers can be effectively met." Plus, the possibility for FPSDC to have partners in the logistics business, with plans to venture into electronic platforms for transportation a la Grab and Uber.

To create or outsource an information system was how Mr. Raboy began his presentation, emphasizing key considerations in putting up an online system: significant investment (money) and competency (from a dedicated IT team that will develop and run a 24/7 system). The CLIMBS CEO equally shared CLIMBS's IT Road Map with focus on its CLIMBS InsureTech Mobile App. The app, which runs on both Android and IOS platforms, aims to be an online platform for all Coop Assurance Centers with features such as insurance calculator, and e-payment and remittance facility (currently being developed) between CLIMBS and its partner CACs and policy holders, among others.

Mr. Santander opened his presentation by emphasizing key considerations in choosing and developing information systems: reliability, accuracy (of data output), and security. He also showcased MASS-SPECC's PINOYCOOP with four component services: (1) E-services (balance inquiry, withdrawal, bills payment, fund transfer); (2) PINOYCOOP Core (web-based, CISA-compliant automated financial system with text blast capabilities, automated membership registration, and automated election facilities); (3) PINOYCOOP Secure (offers anti-virus, firewall, data back-up and recovery capabilities); and, (4) PINOYCOOP E-store (online store for electronic hardware, software, and peripherals).

### Coops for transformational change

In his session on the *Philippine Cooperative Plan 2018-2022*, CDA Chairman Orlando R. Ravanera, CSEE, CEO VI stressed the importance of cooperatives globally, being catalysts for transformational change. He further underscored the socio-economic importance of cooperatives in the Philippines having 18,065 registered cooperatives employing 520,758 people.



The CDA Chair cited the CDA Path that is anchored on being a ‘developmental’ agency, *i.e.* formulating, adopting, and implementing integrated and comprehensive plans and programs on coop development (from trainings to providing management and technical assistance to cooperatives). He enjoined all cooperatives to maximize the use of the Community Development Fund (CDF) to push forward genuine transformational change in the country in addressing core social problems and challenges: poverty and social inequality; housing; environmental reality; and, peace and security.

However, the Chairman emphasized the need to comply with the limitations set by the Memorandum Circular on CDF Utilization (this is in response to the recommendations from the CEO of San Dionisio Credit Cooperative to ease the restrictions of CDF utilization within the area of operations). He added that there are creative ways.

#### **Coops vis-à-vis tax issues and BSP’s role in CSF development**

Ms. Dely M, Cayetano, Revenue Officer of the Bureau of Internal Revenue (BIR) presented on *Compliance with Joint Administrative Order No. 1, Series of 2019 and Tax Incentives Management and Transparency Act (TIMTA)* where she discussed the legal framework governing the taxation and compliance (tax exemption requirements) for cooperatives (Republic Act 10963, Tax Reform Acceleration and Inclusion and 10708, Tax Incentives Management Transparency Act). She noted that the key government policy directives that cooperatives must be guided with are: Joint Administrative Order (JAO) No. 1-2019 which outlines data requirements to be complied with, date of submission, and penalties for non-/mis-compliance; and, the Revenue Memorandum Order (RMO) 76-2010 which sets the procedures for filing.

On the query regarding taxation of imported vehicles (as raised by Green Earth Transport Services Coop), Ms. Cayetano clarified that the jurisdiction on importation falls under the ambit of the Bureau of Customs, and added that all imports are, by default, VAT-able. She further added that the importing cooperatives should seek the assistance of LTFRB (the lead office for the PUV Modernization Program) in securing customs exemptions. She further committed to consult the matter with the proper authority in BIR.

The session on the *Submission of Annual Tax Incentive Report* was presented by Atty. Elizabeth O. Batonan,

Director II, Legal, Registration and Regulation

Department of CDA who stressed that, pursuant to Sec. 5(b) of RA10963, CDA is required to “submit to BIR a tax incentive report, which shall include information on the income tax, value-added tax, and other tax incentives availed by the cooperatives registered and enjoying incentives under RA 6938,” of which all information will be “... included under Republic Act No. 10708, otherwise known as the Tax Incentives Management and Transparency Act (TIMTA).”

She also presented the legal foundation (as set forth by RA 10963) for the submission of the Annual Tax Incentive Report which is in compliance with the TIMTA provisions of RA 10963, the Joint Administrative Order (JAO) No. 1-2019 which was issued after a series of consultations between CDA and BIR. The salient points are:

- *Pursuant to Sec. 6 of RA10963, the Commissioner of BIR can now directly authorize the examination of cooperatives without seeking prior authorization from CDA (as previously practiced under RA 9520); and*
- *Multipurpose cooperatives are only allowed to venture into businesses that are expressly provided in their respective Articles of Cooperation and By-Laws;*

Atty Batonan further requested all cooperatives to comply with the submission of the Tax Incentives Report to CDA on or before July 31, 2019 to avoid assessment, and informed the participants of the various guidelines that will be issued this year (2019) such as the:

- *Computation of Patronage Refund (Note: CDA is mulling over the issuance of a separate Patronage Refund computation for multipurpose cooperatives);*
- *Guidelines Governing the Allocation and Utilization of the Cooperative Education and Training Fund (Note: it is now mandatory for cooperatives to remit 50% of their CETFs to federations);*
- *Guidelines Governing the Allocation and Utilization of the Community Development Fund (Note: requirement for cooperatives to submit an Annual Social Development Plan; prohibition for NGOs and foundations to manage and/or be funded by CDF; and, utilization of CDF in activities within the area of operations only); and,*

- *Guidelines Governing the Registration, Regulation and Development of Labor Service Cooperatives.*

Atty. Mona Liza P. Arriba-Juarez, Director, Credit Surety Fund Division, CDA; and, Acting Deputy Director, Center for Learning and Inclusion Advocacy, Bangko Sentral ng Pilipinas Eleanor D. Ramos both discussed the *Credit Surety Fund Cooperative Act of 2015 (RA 10744)*. Atty. Arriba-Juarez underscored that the CSF is a 'credit enhancement scheme that aims to increase the creditworthiness of MSMEs which are experiencing difficulty in obtaining loans from banks due to lack of acceptable collaterals, credit knowledge and credit track records.' She equally highlighted the following salient points of RA 10744:

- *BSP spearheads the promotion, encouragement, creation and organizational development of CSF cooperatives all over the country;*
- *However, it is CDA, which is the lead government implementing the Act, and is responsible for the registration, regulation, monitoring and supervision of CSF cooperatives;*
- *CSF is not covered by the Insurance Code, and credit surety is not considered an insurance business;*
- *Like any other cooperatives, CSF cooperatives are tax exempt;*
- *The 10% limit on share capital ownership does not apply to CSFs (similar to what is enjoyed by members of secondary and tertiary cooperatives). A member cooperative/NGO may own more than 10% of the total subscribed capital of the CSF Cooperative but not more than 50%. (Note: Membership to CSFs can extend to NGOs); and*
- *A CSF Cooperative is neither a primary nor a secondary cooperative. It's not even a tertiary cooperative but a special type of its own.*

Also echoing Atty. Arriba-Juarez's statements about the critical roles of BSP in the development of CSFs across the country was Ms. Ramos, who added that BSP: Spearheads the promotion, encouragement, creation and organizational development of CSF Cooperatives all over the country; Facilitates the acquisition by CSF Cooperatives of technical assistance such as trainings and seminars in coordination with other public or private stakeholders for purposes of the CSF; and, Assists CDA in setting criteria and qualifications for CSF coops and provides such other forms of assistance as may be deter-

mined by the Monetary Board to be consistent with its mandate.

The BSP Acting Deputy Director also informed the body that there are 54 CSFs across the country at the end of 2018. Likewise target areas for launching of CSFs include Camarines Norte; Ifugao; Quezon Province; and, Davao del Sur.

### **Open forum on CSF and coop model**

During the open forum that followed, a question was raised: 'Why prefer the coop models versus other forms of business enterprise?' CSF adopted the Coop Model because: (1) cooperatives are largely the members of CSFs, and creating a CSF outside the coop model may run counter to the principles held by most members; and, (2) Land Bank of the Philippines and the Development Bank of the Philippines, the largest lending partners of the CSF, are primarily working with cooperatives.

Atty. Arriba-Juarez added that CSF in order to accommodate NGOs and LGUs as members require a special 'cooperative' to be established. Note that the current law only allows cooperatives to be members of secondary and tertiary cooperatives.

How do member-cooperatives earn from CSFs? The main income of CSFs come from the interest earnings of the trust accounts which CSFs are placed under, which are also reinvested by BSP and its partners in government-issued securities. Atty. Arriba-Juarez disagrees that CSF Coops are a mere duplication of what secondary and tertiary cooperatives are doing because no other cooperatives operating under RA 9520 are allowed to offer credit surety. Such function is exclusively granted by RA 10744 to CSF Coops. Ms. Ramos clarified that in case of default, it is the CSF (not the endorser or the borrowing coop) which will be held liable (thus, required to pay) by the lending bank. However, the law recognizes the liability of the endorser in the loan process; thus, the CSF is authorized to deduct the endorser's share in the liability from its share of earnings from the CSF.

Citing his experience as Chair of CSF in Paranaque, PCC Chair Leonardo recommended to BSP and CDA to regulate (possibly through a moratorium) the expansion of CSFs until such time that the issues have been cleared; also to coordinate with the existing local federations so as not to 'eat' away the coop members already being serviced by credit cooperatives or coops offering financial services. While it is not directly competing with existing cooperatives, CSFs in effect may be considered 'substitute' loan providers to coop members. Specifically,



the PCC Chair suggested the possibility of granting existing cooperatives co-located with CSFs the 'right of first refusal' or pre-emptive right in extending loans to coop members before CSF steps in.

### Roadmap and action plan

During the final part, which wrapped up issues and prospects for enhancing the movement, PCC, as the APEX of the movement, will take the lead in advocating and putting to action the following:

- *to take the lead in crafting the IRR in behalf of the sector; and also in the selection process for nominating Coop leaders for the CDA Board of Directors;*
- *to encourage federations to submit/endorse names of possible candidates for nomination as members of the Board of Directors to the CDA;*
- *to bat for the inclusion of water cooperatives as part of the Pillar on Public Utilities to be clarified in the IRR;*
- *to push for tax exemption for modern vehicles under PUV Modernization, where PCC is to solicit working papers from the transport cooperatives currently engaged in the business;*
- *to support the consolidation of all initiatives for digital economy from the coop sector and BSP: the CEO of San Dionisio Credit Cooperative recommended that PCC convene all concerned federations to arrive at a feasible plan on how to harmonize all efforts;*

- *to push for the proper utilization of CETF (together with the other 3 guidelines (Memo Circulars) to be issued by CDA, which will be discussed in another forum to be organized by PCC once the MCs are already available;*
- *to encourage the creation of a Youth Committee under the cooperatives' Board of Directors through youth development programs ; and,*
- *to consolidate for sending to cooperatives copies of all bills pertaining to cooperatives filed during the 17<sup>th</sup> Congress (which will be possibly refiled by the 18<sup>th</sup> Congress) for review and discussion in another forum.*

The Representative from NATCCO recommended PCC's issuance of a statement that will formalize all issues, concerns and recommendations raised during the conference.

During his closing remarks, PCC Vice-Chair Loreto L. Ramiro expressed that PCC is committed to regularly conduct the Co-operative Chairpersons and CEOs Dialogue annually as a forum where coop leaders can discuss relevant issues and concerns affecting the cooperatives, and recommend appropriate courses of actions. The PCC CEO also informed everyone present that the forthcoming Pillar Conferences for Mindanao and Visayas are slated on August 15, and September 27 respectively.

