

IV. Present Situation and Evaluation of Government and Local Government Agencies Measures to Promote Agricultural Cooperatives and Systems for their Implementation

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1. Government Measures to Promote Agricultural Cooperatives and Systems for their Implementation

1-1 Present Situation

The measures initiated by the national government to foster the growth of agricultural cooperatives in the country, fall under the following broad categories: 1) promotion and organization; 2) education and training; 3) technical and management assistance; 4) financial assistance and credit guarantees; 5) price-support and input subsidies; 6) tax incentives; 7) post harvest and processing facilities; 8) macroeconomy and development financing; 9) capability building on infrastructure development and construction; and 10) cooperative entrepreneurship development.

1-1-1 Promotion and organization

Following the principle of subsidiarity, the national government concentrated its efforts to promotion, instead of organization, of agricultural or any other type of cooperative. The task of organizing agri-coops was left with the prospective members themselves, the cooperative federations and unions, and the non-government organizations (NGOs). Once, a cooperative is registered, however, the national government, through the Cooperatives Development Authority (CDA) and other government agencies or instrumentalities, may render development or management assistance upon request.

The CDA promotes the organization of agri-coops through the conduct of consultations, distribution of brochures and leaflets, sponsorships of agri-fairs and selection of most outstanding agri-coops; and conduct of cooperatives fora. Its only role in the direct organization of agricultural cooperatives, is in the form of financial assistance or subsidies for (basic education and training) to institutions engaged in cooperatives organization work.

1-1-2 Education and training

To ensure continuous growth and development of agricultural cooperatives in the country, the national government is actively involved in the conduct of continuous education and training focusing more in upgrading the skills and knowledge of officers, members, and staff of agri-coops.

The CDA takes the lead in providing education and training assistance to agri-coops, focusing on basic courses such as: cooperatives philosophies, principles and practices; bookkeeping and accounting; and basic cooperatives management. Specialized courses are also provided to advanced cooperatives such as; planning and development; project identification and evaluation; leadership; and value formation, upon request. The CDA either undertakes the training by itself or through other institutions on contract or grant basis.

Recently, the CDA designed an education and training program whose main thrust is to institutionalize cooperatives education both in the formal and non-formal education programs of the government. Essentially, it involves curriculum development and standardization as well as upgrading of cooperatives education materials for formal and non-formal educational institutions.

Included under this program is the development and implementation of a comprehensive and unified continuing program that will continuously upgrade knowledge, skills, and promote positive attitude on cooperatives formation and development. It also includes the provision of consultancy services on bookkeeping, auditing and installation of adequate recording system.

In addition to the education and training program of the CDA, other institution such as: Land Bank of the Philippines (LBP). Department of Agriculture (DA), Department of Agrarian Reform (DAR), U.P. at Los Baños (UPLB), Polytechnic University of the Philippines (PUP) and other agricultural state colleges and universities, also offer education and training to agricultural cooperatives. However, their education and training programs are specifically directed to their own respective clientele. For example, the bookkeeping/accounting training of LBP is intended primarily for LBP assisted agri-coops only.

1-1-3 Technical and management assistance

Hands-on training on technical agriculture and cooperatives management are also provided by the national government to agricultural cooperatives. The

DA takes the lead in providing agricultural extension services, while, the CDA and LBP provide cooperatives management services. On the other hand, DAR provides technical assistance on matters related to agrarian reform.

1-1-4 Financial assistance and guarantees

One of the most important measure being implemented by the national government to foster the growth of agricultural cooperatives is financial assistance and credit guarantees.

The government had been providing financial assistance to agri-coops from various national institutions headed by LBP (Countryside Credit Delivery Program), DA (LEAD Program), DAR, DTI, DBP, CDA (CDLF, CMP, SNSP,), PAGCOR, PMS, TLRC and many other institutions. The government also created guarantee institutions such as PCIC, QUEDANCOR and GFSME to take care of the uncollateralized loans of agri-coops.

1-1-5 Price support and input subsidies

The national government, through the DA, provides price support and input subsidies to members of agri-coops. This measure however, is not exclusive to agri-coop members. It also cover palay and corn producers who are not members of agri-coops.

The price support for palay and corn production are still enforced. In fact, the P6.00 per kilo support price for palay was made flexible to compensate for the recently increased rice price ceiling of P9.50 per kilo. The input/fertilizer subsidy program under the "buy two take two bags" scheme also remained in place.

1-1-6 Tax exemption

R.A. 6938 stipulates that all cooperatives are exempted from all types of taxes of whatever name and nature, provided, these cooperatives are only transacting business with members, or if dealing with non-members, their total reserves and undivided net savings do not exceed P10.0 million.

Tax exemption for cooperatives is currently enforced by virtue of the memorandum of agreement (MOA) signed between the Department of Finance (DOF) and CDA. In order to avail of tax exemption, all what the agri-coops need to do is just to apply for tax exemptions from their local BIR offices.

1-1-7 Postharvest and processing facilities development

Through grants and subsidized credit, the government have initiated a program to provide the agri-coops with postharvest and processing facilities. Through NFA, the government initiated the leasing of milling and warehousing facilities to agricultural cooperatives. NFA facilities confirmed to have been leased to agricultural cooperatives are recorded in Davao del Norte, Nueva Ecija, and Tarlac. Leasing of facilities in South Cotabato, Iloilo and Pampanga are yet to be completed. NFA also leads other government agencies in providing post-harvest and processing facilities to agri-coops through grants in collaboration with international agencies and donor countries.

Recently, QUEDANCOR was empowered to provide soft loans and loan guarantees (up to 80%) to agricultural cooperatives to construct small warehouses for palay (2,500 cavans) and solar dryers in some 25 provinces. Funding is to be provided by DA in the amount of P150 million. (1 cavan = 50 kg)

Meanwhile, under its Agro-Industrial Program, the CDA hopes to assist the agri-coops acquire at least 13 postharvest facilities by the year 1998 in connection with its plan to establish an integrated agri-coops production and marketing grid.

1-1-8 Macroeconomy and development financing

Through CDA, the government initiated the Macroeconomy and Development Financing Program. The program hopes to strengthen and integrate the cooperative financial system to fully serve the needs of the cooperative sector in the country. Under this program, there are three (3) major activities to be performed, namely: 1) promotion, organization and strengthening of coop banks in the country; 2) establishment of a national coop bank; and 3) strengthening and expansion of coop financial intermediation. By 1998, the CDA hopes to organize 15 new coop banks, increase the CRBs' capital by 25 percent, and establish an apex coop bank.

So far, the committee for the establishment of coop banks involving the DOF, LBP, DA, CDA and BANGKOOP have already organized new coop banks in at least 10 provinces. However, only two (2) new coop banks were recorded to have been fully registered (Quezon and Benguet).

1-1-9 Capability building on infrastructure development and construction

Since RA 6938 exempts cooperatives from pre-bidding requirements in government contracts, the agri-coops were encouraged to participate or to bid on government contracts, most especially in the construction of barangay schools, bridges irrigation canals, and farm to market roads. This prompted the CDA to launch a program to develop the capability of agri-coops in infrastructure development and construction to promote agricultural production and marketing.

Essentially, the program on infrastructure development involves the identification of cooperatives infrastructure needs and mobilization of expertise and resources to engage in construction and similar activities. At present, several agri-based cooperatives have been identified to have won government contracts to build barangay roads (Davao Oriental) and irrigation canals (Laguna). Others were heard to have been sub-contracted to build barangay schools and low cost housing. However, there is no known nationwide effort to utilize agri-coops in the government's local infrastructure development program.

1-1-10 Cooperative entrepreneurship for rural development program

The Cooperative Entrepreneurship for Rural Development (CERD) is a project of CDA in collaboration with ILO and DANIDA. Its main aim is to promote the development of rural cooperatives, mostly agri-based, as self-help enterprises through institutional strengthening of cooperatives and agencies involved in cooperatives development. The project also involves preparation of feasibility studies and pre-investment analysis for the identification of alternative production/processing activities/enterprises of cooperatives.

The CERD project had been on-going since early 1991. It conducted entrepreneurship and management workshops in all regions of the country dealing with regional and provincial unions, agribased federation and multipurpose agri-coops. The CERD is scheduled to end by December 1993. At present it is manned by 15 technical staff. It plans to hire 28 contractual cooperatives development specialist to be based at the CDA extension office. The total budget for the whole project amounted to \$1.22 million.

1-1-11 Agricultural extension service

The Department of Agriculture (DA), the Department of Environment and Natural Resources (DENR), and the Department of Agrarian Reform (DAR) are

the major government agencies mandated to provide agricultural extension services.

In recent years, the DA's extension services have adopted the team approach. That is to say, extension teams, whose members are supposed to possess basic skills in farming systems extension and distinct technical skills in either agronomy, agricultural economics, soils, livestock, and home management, have been formed and based in farming communities. DA also has subject matter specialists (SMSs) and agricultural development specialists (ADSs) who are based at the regional and provincial offices. They provide additional and more specialized technical assistance as requested or identified by the farming community.

In short, the team approach aims at optimizing the production and productivity of whole farms and not of specific commodities alone.

Fundamentally, the perspective with which agricultural producers are considered has changed from that which looks at small farmers and fisherfolk as mere producers of commodities to that which envisions these farmers and fishers as agribusiness entrepreneurs making a profitable business out of agricultural.

Extension workers are now required to master the generalist approach and provide specialist support to farming and fishing communities, constantly being attuned to the needs of the people in these communities. Also, they are required to strengthen coordination with farmers' and fisherfolk's groups, and non-governmental organizations.

The conduct of training for all agricultural extension workers and their clientele is undertaken by the DA's Agricultural Training Institute (ATI) through its network of 42 training centers, six National Training Centers (NTCs), 13 Regional Training Centers (RTCs), and 23 Farmers' Training Centers (FTCs).

For the year 1992, a total of 1,087 trainings were conducted benefiting a total of 42,071 individuals, 37,025 (88%) of whom were farmers, fisherfolks, personnel from other organizations and agencies while 5,046 (12%) were DA personnel.

The DENR, through its ISF Program (Integrated Social Forestry Program), provides the following extension services:

- a) Community organizing and development for ISF program beneficiaries who have established associations or cooperatives;
- b) Training on appropriate agroforestry technology, community organization, and financing.

- c) Provision of farm inputs to encourage upland farmers to invest in soil conservation measures.

The DAR's extension programs, on the other hand, are implemented by two distinct bureaus:

- a) the Bureau of Agrarian Reform Beneficiaries Development (BARBD)

The BARBD is mandated to intensify training of, and social infrastructure-building among, agrarian reform beneficiaries (ARBs), particularly in the areas of value formation, cooperatives development, capability-building, enterprise development, social awareness and the like.

- b) the Bureau of Agrarian Reform Information and Education (BARIE)

The BARIE is mandated to conduct continuing training and education program for CARP beneficiaries and personnel of DAR and other agencies.

Besides, the ladder-type training provided to ARBs is designed to respond to the objective of empowering former tenant-tillers who have become landed farmers. The first level of training is focused on organization-building through the establishment of cooperatives. The next level is on capability building where livelihood and leadership skills of ARBs are enhanced. The last level is on enterprise development. At this point, other agencies are tapped to render technical assistance.

In 1990, extension services at the municipal level were rendered by about 20,664 personnel from the DA, DENR, and DAR. The DA had 12,909 agricultural technicians, the DAR, 4,211 agrarian reform technicians, and the DENR, 885 ISF technicians. An additional 2,659 were hired as contractual CARP technicians. A total of 1,894 of these technicians were assigned to the DA, with the rest assigned to the Department of Trade and Industry (DTI). On the average, each extension worker served 230 households or about two barangays each.

Government expenditure for agricultural extension services from 1989 to 1991 averaged P1.5 billion increasing by 4.1 annually. Commensurate to the size of its manpower complement, the DA gets the biggest share of this budget, being allocated 97% during the three-year period.

1-2 Evaluation

1-2-1 Promotion and organization

With the adoption of the present scheme, the number of registered agri-coops in the country swelled from less than 3,000 in 1990 to more than 16,000 in 1993. As to whether this strategy becomes beneficial to the entire agri-coop sector, only time can tell.

The present study, however, revealed that majority of the new agri-coops registered have weak membership structure: limited paid-up capital; and unstable business activities. Most of these agri-coops are also very credit dependent, in the sense that, if credit assistance is suddenly removed, most of these new cooperatives will not survive.

1-2-2 Education and training

Despite the education and training programs provided by the government through its various national institutions, majority of the registered agri-coops in the country remained wanting in education and training. The cooperatives visited in the study revealed that more trainings are needed by their officers, members and staff.

Two (2) major problems were identified to be associated with inadequate trainings received by the agri-coops. These are: lack of funds and lack of trainers. A third problem is related to the unsystematic provision of education and training to agri-coops. Often, training programs are not geared to what the agri-coops need. Also, in most cases, the participants sent to particular trainings are not qualified if they are not the participants targeted to be present in the said training programs (i.e., the board of directors secretary will be sent to attend a Project I.D./Evaluation training).

Another factor that affects the government's cooperative education and training program is the rapid rate by which the agri-coops are organized and registered. With the limited budget and scarce number of qualified trainers, more and more agri-coops are not being attended to, in addition to the difficulties of improving the level of education and training to focus on the needs of the relatively advanced agri-coops.

1-2-3 Technical and management assistance

At present the technical and management services provided by the government to agri-cooperatives appeared to be constrained. The DA's performance of its extension services is temporarily affected by the devolution of its extension functions to local government units. The CDA, on the other hand, is constrained by the principle of subsidiarity and lack of adequate personnel, while, the LBP provides management assistance only to those assisted by the bank. With respect to DAR, provision of technical assistance is not much of a problem. However, their performance of this function has been affected by legal problems between the land owners and the beneficiaries.

This field survey confirmed the perception that a lot of agricultural cooperative officers and members require more hands-on training in agriculture, and cooperative management, if only to ensure that these cooperatives will remain viable or become one.

1-2-4 Financial assistance and guarantees

The financial assistance provided by the government to agri-coops remained inadequate. A study conducted by CDA revealed that the loans extended by the LBP to agri-coops (estimated at P6-8 billion in 1992) reached only 37.2 percent of the total membership of the borrowing cooperatives. This finding is confirmed by the present study in as much as most of the cooperatives visited clamor for more credit to sustain their business operation.

In general, however, the financial assistance given by the government to agri-coops is not well coordinated and the bulk is geared more for relending to members for production purposes. Financial assistance for fixed assets development and for trading and/or business operation is almost nil and are given only to selected few. It is strongly believed that the time now is ripe to complement the production loans provided by LBP by other forms of loans (i.e., facility, trading, capital, etc.) specifically directed to enhance the growth and development of agri-coop institutions themselves. A unified and well coordinated lending program of government for agri-coops also now appeared to be in order.

1-2-5 Price support and input subsidies

The price support program of the government did not have much impact to agri-coop members or to farmers in general, due to the inability of the NFA to

absorb more than 10 percent of the country's total production. With regard to the fertilizer subsidy, the impact had been more to members than to cooperatives. The principal reason lies on the decision to use the network of private dealers, instead of the cooperatives, to distribute the subsidized fertilizers.

On the other hand, the recent policy adopted by the NFA to use the network of cooperatives to distribute rice to consuming public tend to have a significant impact on the growth and development of the agri-cooperatives.

1-2-6 Tax exemption

Of all the measures initiated by the national government to foster the growth and development of agri-coops, tax exemptions have the most significant impact. The exemptions do not only remove pressures on their limited capital and income but they also give the agri-coops the opportunity to import farm machineries and equipment which are not locally available. So far, no agri-coops have yet been found to have abused their tax privileges.

1-2-7 Postharvest and processing facilities development

Many agricultural cooperatives have already taken advantage of this government initiative. However, a large majority of the agri-coops, who urgently need the said facilities, appeared not to be in a position to avail of the said facilities. Outside of inadequate funds on the part of the government, majority of the said agri-coops does not have enough equity to borrow and build such facilities. Some big agri-coops federations, on the other hand, do not have the proper connections to participate on the said program.

With regard to NFA facilities, the reality is that such facilities are limited and available only to agri-coops where such facilities are located. With respect to QUEDANCOR and CDA program, these programs are yet to be made fully operational.

Similar to its financial assistance, the government's postharvest and processing facilities development initiative to foster the growth of agri-coops appeared not to be well coordinated.

1-2-8 Macroeconomy and development financing

The slow registration of new cooperative banks is related to two (2) major problems: a) difficulties in generating funds to satisfy the minimum paid-up capital of P1.25 million per bank; and b) slow registration process with the Central Bank (CB) and Cooperative Development Authority (CDA) which involves the establishment of background information of each and every prospective officers of the proposed bank.

1-2-9 Capability building on infrastructure development and construction

The CDA's program to involve the agri-coops in the government's local infrastructure development program appeared to be very viable as it would provide the agri-coops with additional source of income, most especially, when their members are not busy in their respective farms.

1-2-10 Cooperative entrepreneurship for rural development program

In general, the project had a tremendous impact to agribased cooperatives. During the past two (2) years, the CERD project appeared to be the only national project which was in constant contact with agribased cooperatives. It provided not only classroom but more importantly, hands-on training on feasibility study preparation, management and bookkeeping and accounting. A continuation of a CERD type of project is highly recommended to enhance the growth and viability of agri-coops in the country.

1-2-11 Agricultural extension service

The problems and constraints of the Agricultural Extension and Training System are pointed out as follows (DA "Agricultural Research Extension, and Training Development plan 1992-1995", 1 January 1992).

a) The linkage between the extension and research systems is weak.

The policy-makers, researchers, extension workers, and the farmers and fishers in the country have been clamoring for better research-extension linkages and for research priorities to be aligned with farmers' and fishers' needs and capabilities.

However, traditionally little attention has been given to the concerns of small

agricultural producers and this has resulted in the generation of technologies not oriented to their needs and potentials.

b) Uncertainties among government extensionists abound in view of the devolution of extension services to the Local Government Units (LGUs).

With the enactment of the Local Government Code, the responsibility for managing the delivery of extension services is being turned over to the LGUs.

Devolution, however, has strong implications on the system, particularly on the continued professionalism of extension workers. The question of the security of tenure of extensionists is being raised.

Furthermore, with the management and technical capabilities of the LGUs varying, the quality of extension service rendered may be affected.

c) The deployment strategy in relation to the team approach is weak.

For instance, in the assignment of individual extension workers to communities whose needs do not jibe with their expertise, the specific concerns of farmers and fisherfolk are not addressed effectively. This situation is aggravated in cases when there is no integration among members of particular teams.

d) The quality of agricultural training and extension services rendered to Integrated Social Forestry (ISF) and Comprehensive Agrarian Reform Program (CARP) beneficiaries leave much to be desired.

The beneficiaries of the CARP may not be able to receive quality service as envisioned. CARP technicians serve as contractual employees of the DA and the DENR.

Because contractual employees do not have tenure, qualified persons are discouraged from joining government service as extensionists for the CARP. The lack of tenure among CARP technicians likewise leads to the fast turn-over of personnel. Again, the continuity and quality of service suffers.

e) The capability and effectivity of extension workers and trainers need to be improved.

In view of Philippine agriculture's dynamic and complex nature where trends and orientations have expanded to rural development and agribusiness considerations, it is imperative that extension workers' capabilities be continuously up-

graded to enable them to respond to the challenges in the sector and become more effective. However, many extension workers suffer from a lack of teaching and communication skills and adequate technical preparation required in their work.

f) More effective training methods are rarely used.

Lecture, the cheapest and least effective method of teaching, is the most commonly used at the provincial, municipal and district (barangay) levels. More effective methods such as on-site demonstrations, educational tours, and exchange programs are rarely employed, particularly because these are more costly.

g) There is a lack of logistics support to extension workers.

Crucial to the effectivity of extension workers is their mobility and accessibility to farming communities. A perennial problem among these personnel is the lack of office space, equipment, and transportation.

h) There is a need for a coordinating body for extension.

The delivery of agricultural extension service is shared by different agencies. These activities need to be coordinated to avoid overlapping or gaps.

Based on the detailed survey we conducted, personnel involved in extension services at the level of municipalities and barangays, while having to deal with such problems, play extremely important roles in linking the individual cooperatives with cooperative members farmers. They contribute to cooperative activities by conducting technical seminars on agricultural matters and PMES in conjunction with the individual cooperatives. Further, there are more than a few instances in which they have advised and instructed even on the establishment of cooperatives and the procedures for applying for loans. Many involved with individual cooperatives had high praise for the actions of these persons.

The activities of these persons involved in extension services are being counted on to make major contributions as a essential function of agricultural cooperative hereafter. The above-mentioned issues should show great improvement if coordination with cooperatives is given more consideration when seeking to strengthen extension services or when carrying them out hereafter, particularly at the level of local governments.

2. Local Government Measures to Promote Agricultural Cooperatives and Systems for their Implementation

2-1 Present Situation

Under the local government code, local government units may opt to appoint their own respective cooperative officers in addition to the cooperative development specialist (CDS) deployed in the provinces under the CDA extension offices. These local government units are also allowed to implement their own local cooperatives development programs and projects independently or in collaboration with the CDA.

In Davao Norte, the provincial government adopted a policy that there shall only be one federation of agribased cooperatives in the province. This has had a tremendous impact, in the sense that all national government agencies working in the province focused all their attention to the existing agribased cooperative federation in the province. One important result is the leasing of NFA facilities by the Federation of Agricultural Cooperatives of Davao Norte.

The provincial governments of Bulacan and Negros Occidental, on the other hand, established their respective offices for the promotion, organization and assistance to agricultural cooperatives in their provinces. While the office in Bulacan was made part and parcel of the provincial government, that of Negros Occidental was a foundation (i.e., an NGO).

In Bulacan, the office has 34 technical/extension staff while in Negros, the foundation has more than 40 volunteer workers. The said offices organize agri-coops, conduct trainings and provide financial assistance. The special community development funds of the said provinces amounting to \$120 million each is the main source of funds of the said offices.

The said measures of the two provinces have tremendous impact in fostering agri-coops in the said provinces.

Quezon and Tarlac provinces are promoting the organization and development of agri-coops with financial assistance from the national government.

2-2 Evaluation

At present, the local government units are yet to fully appreciate the depth of the local government code with respect to cooperatives development in their localities, with the exception of Davao Norte, Negros Occidental, Quezon, Tarlac and Bulacan. As such, the measure adopted by the local government units to foster the growth of agricultural cooperatives had been limited to the creation of cooperatives development councils and establishment of closer linkages with various government agencies to promote agricultural cooperatives in their localities. The impact of these measures, however, are not yet very visible in view of the fact that these had just been started.

**V. Basic Concept of Designing a Plan for
Strengthening National and Local
Agricultural Cooperatives**

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1. Potential and Deterrent Factors

During the study, the team found a number of potential and inhibiting factors for strengthening agricultural cooperatives in the Philippines. How to overcome these deterrent factors, and also how to make best use of those potential factors, these two views have been placed by the team at the very center of designing a master plan.

The main factors are listed below.

1-1 Potential Factors

1-1-1 Education and training

- (1) Naive but strong practices of mutual help and assistance still exist in rural areas. These could be a basis for the promotion of agricultural cooperatives
- (2) The study team found some very encouraging examples of vitalization of agricultural cooperative activities through active participation by women members
- (3) Membership can be increased through education and training
- (4) A good number of examples were noticed where production techniques have been improved because of the close relation between government agricultural extension and cooperative activities
- (5) Some of the agricultural cooperatives are ready to accept high-level but high-cost training.

1-1-2 Organization

- (1) Relation between government and cooperative movement is very good
- (2) Under the New Constitution and Cooperative Code, every effort is being made by the government to promote cooperatives. Preferential treatment on taxes accorded to cooperatives is one of the examples.

1-1-3 Business activities

- (1) Chances are very good for upgrading cooperative business activities under the leadership of experienced managers
- (2) Momentum is now gaining for the systematic business development by the establishment of FACOP
- (3) Expectation is very high by cooperators for the establishment of a national cooperative bank
- (4) Opportunity is good for the development of business activities by acquisition and utilization of necessary facilities
- (5) It may be easier for cooperatives to develop the inter-cooperative trade systematically.

1-2 Deterrent Factors

1-2-1 Education and training

- (1) It may be difficult to secure competent managers and staff
- (2) Education and training facilities are insufficient
- (3) Quality of training staff needs upgrading
- (4) Good and encouraging examples of primary cooperative activities are not brought out in educational activities
- (5) Many agricultural cooperatives have problems meeting the necessary cost for education and training
- (6) Many agricultural cooperatives lack the initiative to educate and train non-members.

1-2-2 Organization

- (1) Support from national organizations of regional and provincial organizations is insufficient

- (2) Linkage between influential agricultural cooperatives, both regional and provincial, is not necessarily satisfactory
- (3) Communication and mutual understanding between national and local agricultural cooperative organizations and primary agricultural cooperative organizations are insufficient
- (4) There are many provinces where federations are not yet established
- (5) Many federations have been established recently and have little experience
- (6) Quite a few federations lack the initiative to develop their businesses
- (7) Communication and mutual understanding between member primary cooperatives and their federations are insufficient
- (8) Young, weak, and small primary agricultural cooperatives have been established throughout the country.

1-2-3 Business activities

- (1) Planning of business development has been delayed because of the non-existence of federations
- (2) Development of business activities of federations has been difficult, due to lack of capital
- (3) It is difficult to gain access to necessary information and material for the development of business activities
- (4) Linkage between primary agricultural cooperatives and their federations is weak.
- (5) Guidance in the development of business activities of primary agricultural cooperatives is lagging
- (6) Due to shortage of capital, it is difficult for the primary agricultural cooperatives to develop their business activities
- (7) Power of traders over farmers is very strong

(8) Facilities for the development of business activities are not sufficient and/or obsolete

(9) Linkage between credit and other business activities is lacking

(10) Development of adequate cooperative business activities is hampered by the non-existence of special banking institution for cooperatives/agricultural cooperatives at the national level

(11) Low-interest loans are not available

(12) There is no CB in many provinces

(13) Because of shortage of capital, it is difficult to develop business activities

2. Basic Concept

The study team has been making every effort to approach the current situation from two dimensions. One is the structure of agricultural cooperative organizations, and the other is their business performances. However, the team felt that this is not enough. Because of one of the major characteristics of cooperatives, the team placed first priority on membership, in other words, manpower and eventually education and training. Against this backdrop, the team classified problems into three major areas, i.e., strengthening of manpower, streamlining organizational structure and strengthening of business activities.

2-1 Strengthening of Manpower

In order to strengthen organizational structure and business activities of agricultural cooperatives, it is imperative to enhance cohesiveness of membership. The fundamental nature of cooperatives is based on the fact that shareholders and clients are the same persons, compared to the profit-making joint stock companies, which have strict separate shareholding, management, and clientele. This promotion of participation by members should be done through education and training. This is why the team placed first priority on this area.

(1) Human resources are abundant. Therefore, in order to strengthen and develop them, one of the most pressing needs is the training and fostering leaders.

(2) Education and training gets best results when conducted near member farmers. Within the agricultural cooperatives organizational system, implementation of this program at the provincial level might be most desirable and effective. However, as an immediate and realistic solution, the team recommended that one national and one each regional training center would be needed.

(3) In order to tighten the relation between members and their cooperatives, it would be requested to make mutual understanding and communication more efficient by conducting members' meetings by area, by the type of their farming, etc.

2-2 Strengthening Organizational Structure

It must be clearly understood that all unions and federations at national and local levels are to be organized for the benefit of primary cooperatives. Therefore, streamlining these organizations at national and local levels should be done primarily in conformity with the needs and stage of development of primary cooperatives.

(1) One of the most important issues is to streamline the National Cooperative Union which represents all types of cooperatives and is a promotional body. The team felt that the agricultural activities taken by CUP are not necessarily satisfactory, therefore, the team suggested the creation of an agricultural cooperative bureau within the national level union.

(2) As for national organizations other than union, the team suggested to strengthen the present FACOP in marketing and supply businesses, and establishment of national cooperative bank in credit business.

(3) The existence of small primary cooperatives should not be underestimated. However, in the case where the benefit of economy of scale is hampered, mergers of primary cooperatives should be promoted. As a premise for this, categorization of primary agricultural cooperatives by national organizations might be recommended.

(4) The team recognized that in some provinces, there are federations which are dealing with the same or similar business activities. In such a case, mergers may also be promoted.

2-3 Strengthening of Business Activities

(1) The team recommended that business activities of the primary agricultural cooperatives be expanded to integrate different kinds of business, where applicable.

(2) As to the development of business activities, the team placed most importance on marketing, because it has strong and direct impact on farmers' income. However, so far as the planning for this area is concerned, it would be difficult to map out a unified national plan. Therefore, the team suggested that some model cooperatives be selected in the light of the actual local condition, and as a general guideline, commission sales and price-pooling be recommended.

(3) In order to strengthen credit business, development of a savings promotion campaign and increase of owned capital of cooperatives should be considered.

VI. The Plan for Strengthening National Agricultural Cooperatives

VI. The Plan for Strengthening National Agricultural Cooperatives

Introduction

The following figures show us that the status of agriculture in the Philippine economy is very high: about 40 percent of the total national land area is used for agricultural production; almost 60 percent of the total population of the Philippines lives on farms; almost 50 percent of the total labor engages in agriculture and forestry; more than one third of the total export is from agricultural, forestry, and fishery products. Therefore, it is absolutely necessary to promote agriculture for stable development of the economy in the Philippines.

The problems of low agricultural productivity and the poverty of agricultural workers have not been resolved. In order to do so, an important consideration would be to promote agrarian reforms, and organize agricultural cooperatives.

In the new constitution established in 1987, it is stated that a major goal is "to promote the viability and growth of cooperatives as instruments for social justice and economic development." There is important significance in the fact that the roles to be played by cooperatives are so clearly stated. It is expected that agricultural cooperatives in the Philippines will grow due to this government policy and also to the efforts of the people engaged in the cooperative movement.

When we look at the current condition of the agricultural cooperative movement in the Philippines, in spite of the spirit and efforts of the people involved, many primary agricultural cooperatives are found to be weak in their organization, businesses, and management. Also, many of the local unions and federations are experiencing difficulties due to weaknesses in the business organization and small business volume. Therefore, they tend to lack sufficient power to support the primary cooperatives.

The foundation of the agricultural cooperative movement is in the primary cooperatives which have direct contact with their members. The central union and the federations complement the functions of the primary cooperatives. In this sense, the role played by the national agricultural cooperative organization is quite significant.

Therefore, at this time, the national agricultural cooperative organizations should support the primary agricultural cooperatives and federations as much as possible and cooperate closely. This is the prerequisite for the establishment of a plan for strengthening agricultural cooperatives in the Philippines.

1. Guidelines for Operation

1-1 Overall Framework of National Agricultural Cooperatives and Measures for Coordination among them

- (1) Need for creation of a strong organization to function as the central union of agricultural cooperatives within the central union of cooperatives**

To promote the development of the agricultural cooperative movement with the objective of increasing the profits of member-farmers through various economic activities, a strong central union of agricultural cooperatives is needed to represent all member agricultural cooperatives both at national and international levels.

A central union of agricultural cooperatives is needed for adjustment and coordination among member agricultural cooperatives and for directing the activities of the agricultural cooperative movement.

Under the statutes of the new Cooperative Law RA6938, the concept is that of a unique central union, which represents all types of cooperatives at the national level. The Cooperative Union of the Philippines (CUP) is "the union," but does not have members representing sugar producers, electric power, and transportation. Furthermore, NATCO, which covers a large number of agricultural cooperatives, recently separated from the CUP. Thus, in the Philippines, there is no central cooperative union that stands at the pinnacle of the central organization of the cooperatives.

The above situation is very unfortunate for promotion of agricultural cooperatives. It is hoped that a strong national cooperative union which represents all types of cooperatives will be exactly that, both in name and in reality.

There are two alternatives to establishing a national organization representing all agricultural cooperatives. One is whether to establish a national organization which functions as a central union of agricultural cooperatives inde-

pendently, with only agricultural cooperatives as members. In this case, the national organization would be affiliated with the central cooperative union, which includes as members credit cooperatives and consumer cooperatives, as well as other types. The other is whether to establish an organization which functions as a central union of agricultural cooperatives within the central union of cooperatives.

Related to the above point, we suggest that it would be appropriate to create an organization which has the function of a central union of agricultural cooperatives within the central union of cooperatives for the following reasons: need for maintaining the unity as a cooperative movement; ease of developing cooperative businesses among the cooperatives, and the unique position of the union of agricultural cooperatives among other types of cooperatives.

Not only CUP but also each national agricultural cooperative in cooperation with CDA should treat the creation of this organization as an urgent task.

(2) Establishment of a National Cooperative Bank

To have a national bank for agricultural cooperatives has been the dream of many who are involved in the agricultural cooperative movement. There has been an attempt to establish such a national cooperative bank, and the CDA's Mid-Term Cooperative Development Plan has incorporated the idea. As a measure for improving the prerequisite conditions of establishing such an organization, there is a plan for establishing one cooperative bank in every province. The movement is progressing in such a manner that such bank is established in each province.

Although there are difficult issues facing the establishment of a national cooperative bank, including the need for large amounts of capital, we are counting on prompt action to be taken to bring it about, given the need for funds by farmers.

With regard to specific strategies for the establishment of a national cooperative bank, please refer to what follows the section on 1-5, "The Credit Delivery Systems for Agriculture Cooperatives."

Not only the Central Union, but also each national agricultural cooperative should have close contact with CDA and other government agencies. It is necessary to utilize past experiences for efficient operation of a national cooperative bank.

(3) Strengthening of the National Marketing and Supply Federation of Agricultural Cooperatives

The National Marketing and Supply Federation of Agricultural Cooperatives should be strengthened in major activities such as sale of agricultural products and supply of agricultural inputs and daily necessities.

The National Marketing and Supply Federation will be active in leading the sales and supply activities by agricultural cooperatives and local federations. Since the results of these activities directly contribute to the betterment of agricultural income of cooperative members, each national agricultural cooperative organization should support the strengthening of the National Marketing and Supply Federation in a unified manner.

At the same time, it is necessary to make organizational adjustment with AMC as well as strengthening cooperation with NFA.

However, partly because FACOP already exists, the degree of urgency with respect to the the National Marketing and Supply Federation of Agricultural Cooperatives -- i.e., to smoothing out organizational problems in a national organization of agricultural cooperatives -- is not overly pressing.

(4) Establishment of National Mutual Insurance Federation of Cooperatives.

In order to provide insurance to cooperative members at low cost and to create a stable financial foundation for the cooperative movement, it should be established as one of the basic businesses of cooperatives. To unify cooperative insurance businesses nationally, it would be appropriate for a national mutual insurance federation of cooperatives to be created.

However, many matters require further investigation, such as reinsurance and re-reinsurance, and the management of funds. Therefore, policymakers should deal with insurance as a long-term issue.

(5) Policies for Mutual Linkage among Central Organizations of Agricultural Cooperatives

As they rally under the banner of a national central union of cooperatives, the various central organizations of agricultural cooperatives should seek to create

close linkages among themselves, and should attempt to solve the common problems which emerge as the cooperative movement accelerates.

We believe the issue of strengthening educational and training activities, to be the most important and urgent for the cooperative movement to succeed. There is a need to provide strong support for central unions and also to integrate the national organizations' sales, supply, lending, and other business functions in response to the trend toward more comprehensiveness in business among many primary cooperatives.

Following is the major framework for the central agricultural cooperative's organization:

Explanation

1. Central Union of Cooperatives

(1) This union will represent the interest and welfare of all types of cooperatives at national and international levels, and is an apex organization for all national organizations.

It will establish its branches at regional and provincial levels.

(2) Primary cooperatives and all national agricultural cooperatives including the national cooperative bank, and all local federations will become members of this union.

(3) An agricultural cooperative bureau will be established within this union in order to take over some functions of agricultural cooperative union.

In view of the important role of education and training in cooperatives, a comprehensive agricultural cooperative training department will be established under the agricultural cooperative bureau. This department will be responsible for planning, development and implementation of education, and training for multi-purpose cooperatives.

2. National Cooperative Bank (NCB)

NCB will be established with sharecapital invested by all types of primary cooperatives, federations, and organizations with similar cooperative objectives.

NCB will be a nationwide financial institution serving cooperatives and their members.

3. National Marketing and Supply Federation

A national federation which supplements and assists the function of primary agricultural cooperatives and local marketing and supply federations will be established. It is expected that the existing FACOP be improved and strengthened for this purpose.

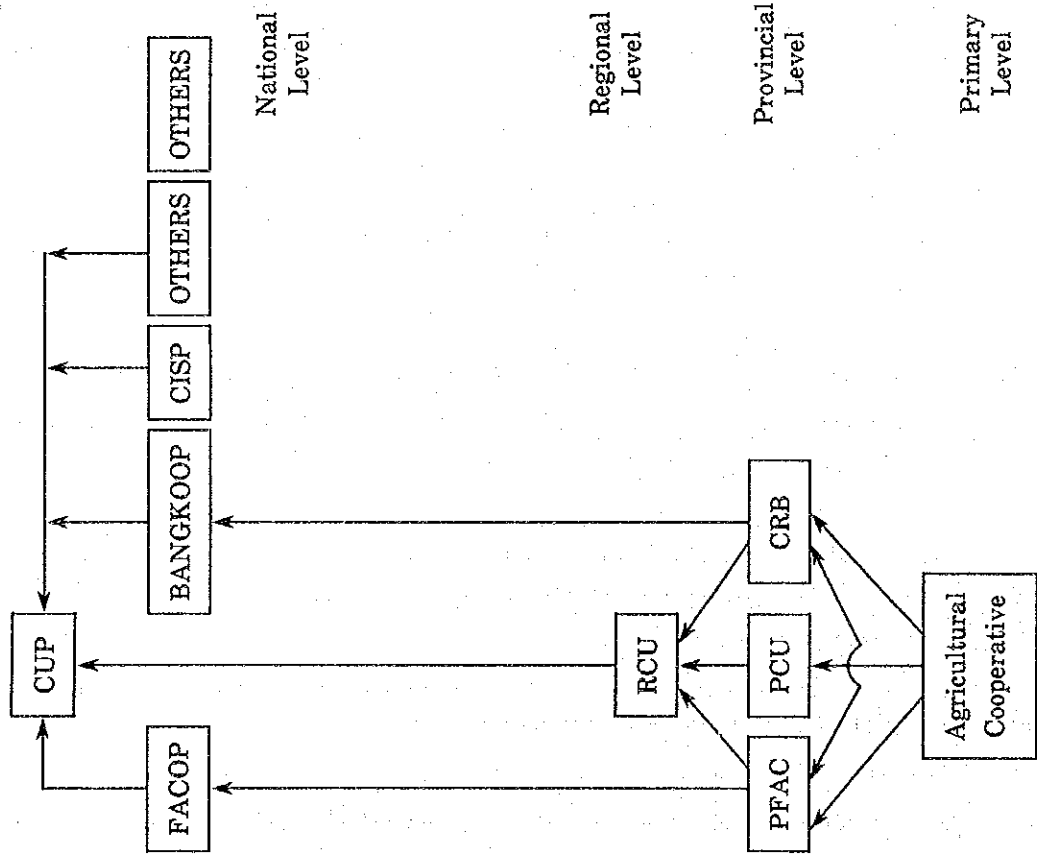
4. National Insurance Federation

As one of the long-term tasks, the establishment of mutual insurance by all types of cooperatives and for their members may be expected.

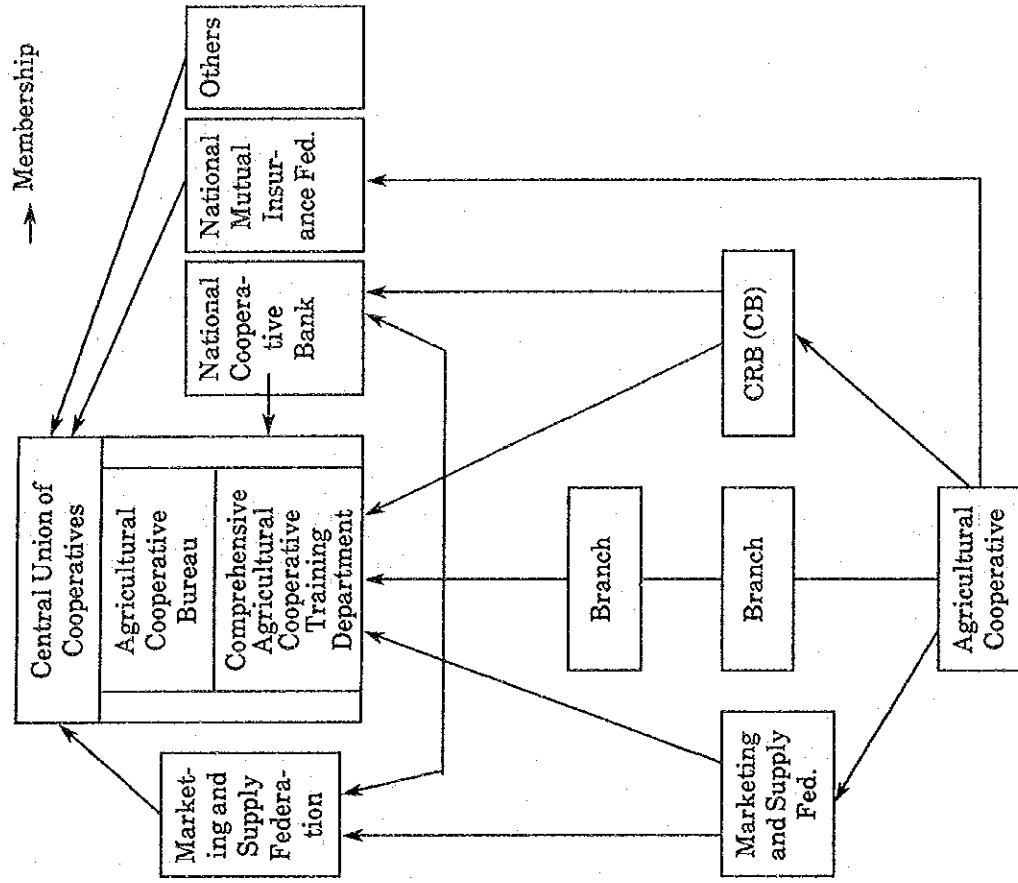
The national insurance federation will be the national organization to lead this move.

However, for the time being, present system of CISP should be maintained and promoted.

Current Structure



Comprehensive Framework of National Level Agricultural Cooperatives (Plan)



1-2 Framework of each National Agricultural Cooperative (Central Union of Cooperatives)

Within the Central Union of Cooperatives, the Bureau (tentative name) which has the function of the Central Union of Agricultural Cooperatives, is situated directly under the full-time executive director.

It is imperative for the Agricultural Cooperative Bureau to have a staff that is extremely knowledgeable about agriculture and cooperatives. It may be good judgment to introduce a personnel exchange system with and among other national organizations and local agricultural cooperative organizations.

In view of the importance of education and training activities, the Comprehensive Agricultural Cooperative Training Department (tentative name) will be placed within the Agricultural Cooperative Bureau. The Agricultural Cooperative Training Department will be engaged in development and implementation of agricultural cooperative education and training activities. It will also have a national agricultural cooperative education and training center and several local training centers.

National agricultural cooperatives, including the Central Cooperative Bank, local level federations, and primary cooperatives will become members of the Central Union of Cooperatives. For promotion of activities by the Central Union on the local level, branches will be established on regional and provincial levels.

The nucleus of the activities by the Agricultural Cooperative Bureau will be as follows:

- (1) Necessary activities will be performed, representing the member agricultural cooperatives on the national level
- (2) Necessary activities will be performed for the progress of organization, businesses, and management of agricultural cooperatives
- (3) Necessary adjustments will be made for the progress of agricultural cooperative movement
- (4) Others.

(National Cooperative Bank)

In order to secure a strong foundation for the generation of capital, we would have as investors not only agricultural cooperatives from around the country, but also all types of cooperatives and federations, as well as organizations and groups that share the characteristics of cooperatives.

In view of the importance of financing of agricultural cooperatives, it is hoped that they will be consulted in the selection of directors, and design of the business plan.

As counseling organization of chairman (chairman of the board), it is considered appropriate that a counseling committee be established and operated. The committee members may include representatives of the agricultural cooperatives.

When external funds such as non-agricultural co-op funds and foreign funds are used, special consideration should be given to the promotion of agriculture and businesses by the agricultural cooperatives.

When forming staff organizations, since there are many current instructional items for improving and promoting agricultural cooperative financial businesses, it is hoped that an ample number of personnel be secured for implementing these businesses.

(The National Marketing and Supply Federation of Agricultural Cooperatives)

The National Marketing and Supply Federation of Agricultural Cooperatives will be unique. The federation should be an established and expanded network of the agricultural cooperative marketing and supply businesses on the national level. Therefore, while obtaining support from the Central Union and each national agricultural cooperative organization, it is necessary to exert as much influence as possible on organizing and soliciting participation of local federations, especially provincial federations. Part-time personnel knowledgeable in developing markets for products should be secured.

(National Mutual Insurance Federation of Cooperatives)

Over the long term, we foresee a national federation which unites nationally the insurance businesses conducted by agricultural cooperatives and all other types of cooperative across the country.

For its part, CISP should work to alleviate out the problems in its business structure by establishing regional offices at either the regional or provincial levels; in particular it should strengthen its ties with cooperatives, and seek to have its present business accepted more widely.

1-3 Functions, Roles, Businesses, Management and Management Methods of each National Level Agricultural Cooperative Organization

(Central Union of Cooperatives)

(1) Functions and roles

The most important of the many roles of the Central Union of Cooperatives are; integrating agricultural cooperatives, giving direction to agricultural cooperative organizations, and representing the agricultural cooperatives. In this sense, the union makes every effort to initiate and maintain communications with the national agricultural cooperative organizations. At the same time, through the branches, it would be necessary for the union to absorb the tasks and requests of the member agricultural cooperatives.

As agricultural cooperative organizations developed in each area, the adjustment functions of the union would be sought after with emphasis on the businesses.

Other functions to be considered are strengthening of organizations, management control, education and training, and public relations. In the long run, by studying related organizations such as CDA, the union should move toward adoption of auditing systems within the agricultural cooperative organization itself. In order to achieve this, the Central Union should start research on the necessary measures.

Activity plans designed by Central Union headquarters will be promoted at the local level. The branches will concentrate efforts in discovering trends among the members and agricultural cooperatives at the grass-roots level. It is

important for the branches to communicate the information obtained to the headquarters.

(2) Activities, management methods and standards for improvement

When implementing central union initiatives, the activities that members commonly implement for the progress of agricultural cooperatives and those to be selected depend on where members are placed. These should be clarified. As for the tasks to be achieved, annual business plans should be prepared.

The union must strengthen the support activities engaged in by its branches on behalf of primary cooperatives; it must also stay well informed of the operations of its member cooperatives and federations, and make sure that this understanding is reflected in its businesses.

Although operational expenses of the central union will be reduced to an absolute minimum and special attention will be paid to operating its businesses efficiently, measures to stabilize revenue are extremely important.

Toward this end, it will seek to obtain revenues in the form of dues from members, from publications of books on training and education, and from consulting activity. Further, for a limited period only, until the operations of the central union can achieve economic independence based on revenues from members, we would recommend that the authorities consider establishing within the central union's agricultural cooperative bureau a "Fund for the Management and Administration of the Agricultural Cooperative Bureau of Central Union" (provisional name). The fund would contribute capital for activities carried out by branches.

(National Cooperative Bank)

(1) Functions and roles

As the central bank for cooperatives, its main function will be to adjust the shortages and surpluses of funds arising among agricultural cooperatives and when necessary to attempt to raise capital from external money markets. Providing financing to agriculture-related industries will also be an important function.

What needs to be stressed at this point is that agricultural cooperatives move toward joining their enterprises. The coordination among credit business, sale of agricultural products, and supply of agricultural inputs is especially important.

(2) Methods of business and management and standards for improvement

As far as the current conditions are concerned, there are shortcomings in the way the funds are made available for the agricultural cooperatives. These relate to the fact that savings mobilization is almost non-existent.

For the time being, it is necessary to place considerable emphasis on technical assistance in the implementation of agricultural cooperative savings operations to be undertaken by cooperative banks (CRB) and on the education and training of personnel involved. It is therefore necessary to stress the crucial role of economic planning and to stimulate an awareness of planned savings and fund raising to members of the cooperatives.

With respect to lending as well, it is necessary not only to stimulate a sense of participation in the cooperative enterprise among members but also to develop systems of control designed specifically for agricultural cooperatives, and to provide training.

It is possible to take advantage of these systems in relation to policy lending as well.

Furthermore, as a national enterprise, it would be appropriate to work on loan control by introducing outside funding.

(National Marketing and Supply Federation of Agricultural Cooperatives)

(1) Functions and roles

Sales, processing, storage and transportation of agricultural products, and the supply of agricultural inputs are important functions related to improvement of the income of cooperative members. However, to expect development of these functions in every area requires considerable expansion planning in the sales and supply businesses that are handled by the agricultural cooperatives and federations. In the present stage, there should be steady accumulation of actual businesses in a limited, yet secure arena.

(2) Methods of business and management and standards for improvement

Before expanding operations it will probably be necessary, after carefully selecting stock items, to develop a list of regular customers and sources of supply, and to create a record of usage by members of the federation.

In order to achieve the desired strengthening of the foundations of enterprises engaged in by members of the federation, it will be necessary to: 1) support closer interaction between members and the NFA, and make efforts to renovate post-harvest facilities; and 2) to furnish economic and financial support for members, as well as support efforts in human resources. Through such activities, the agricultural cooperatives can grow to take the leadership in sales and supply operations. In Section 1-6 "Development of FACOP," we propose more specific steps with respect to the direction that promotion of the business should take for the time being and draw your attention to our comments there.

Comments may be helpful in starting to lay the groundwork for progress of the business.

In the near future, research should be started for commissioned sales and management, for the introduction of business methods and actual expense commission systems, which are suited for the characteristics of agricultural cooperatives.

As for promotion of coordination with sales, supply, and credit enterprises, and relationships with popularization of sales techniques, it would be desirable to provide training through member federations. It would be appropriate for the federation to carry out training activities for the agricultural cooperative advisor in the long term, in coordination with the central union and with assistance from the government extension service.

(National Mutual Insurance Federation of Cooperatives)

(1) Functions and roles

The agricultural cooperatives have the basic function of contractor and, therefore, handle new and maintain old contracts. At the same time, the cooperatives also handle processing of related businesses for the subscribers. The National Mutual Insurance Federation has the basic function of handling mutual insurance which include the following: planning, management, adjustment, assessment for accepting contracts, and payment based on the contract, centralized processing of contracting, and effective operation of mutual insurance funds.

However, for the moment, the Federation should place priority on expanding its current businesses, and should consider especially the need to provide support and information to member cooperatives who are at the forefront in encouraging more people to become policyholders.

(2) Methods of business and management and standards for improvement measures

For the moment, it should attempt to put into place a structure that will further the expansion and development of its present businesses; it should, in particular, improve the training it provides to cooperatives in administrative tasks.

On the other hand, new types of mutual insurance will be developed which are suitable for the actual lifestyles of cooperative members. When promoting this new insurance, the emphasis should be on activities of cooperative member groups and women and youth organizations, which consist of the family members of cooperative members, in other words, activities based on participation by the cooperative members.

Furthermore, in coordination with the central union, training programs for planning and rationalization of the life styles of cooperative members through the promotion of mutual insurance businesses should be established. This would be effective for stabilization of lifestyle training functions by the agricultural cooperative in the future.

1-4 Policy for Coordination with the Government within the Framework of existing Government Standards

It is generally understood that tasks relating to organization, businesses, and management of agricultural cooperatives are basically resolved by the voluntary efforts of the organizations of agricultural cooperatives. However, communications with the national government should be maintained on a permanent basis. Receiving appropriate advice from the government is essential.

In order to realize the following important agenda, support and advice from the government is especially important, and therefore, coordination with the government on a regular basis will be maintained. For this, it is necessary to reach a consensus among agricultural cooperatives and spontaneous and independent attitude promoted:

- (1) Building of education and training centers
- (2) Establishment of a central cooperative bank
- (3) Development and improvement of marketing and supply facilities with the major emphasis on postharvest facilities.

1-5 The Credit Delivery Systems for Agricultural Cooperatives

(BASIC OBJECTIVES OF THE PLAN)

(1) The primary objective of the plan is to systematically develop an apex financial intermediary which will be referred to hereinafter as the National Cooperative Bank or NCB. It should be organized and operated in a professional and disciplined manner befitting a private sector bank. Its staff, especially the senior management staff, should be carefully selected from well seasoned and experienced professional private sector banking or credit cooperative executives.

(2) The NCB should function primarily as a wholesaler of loan funds to and a central depository from primary cooperatives and local federations through a sub-structure of provincial/regional level cooperative banks (CBs). However, at least initially, the NCB would need to serve the larger loan needs, etc of national/apex cooperative entities on a direct retail basis as well as those primary cooperatives and local federations in provinces where CBs do not exist or are inadequately developed.

(3) The NCB should be a private sector banking institution which is owned and controlled by the cooperative entities it serves.

(4) The NCB should be adequately capitalized by its owners, and others as may be appropriate, to enable it to attract savings and other deposits and adequate funding from external sources so that it can provide a reliable and constructive source of loans and other financial services required by its owners.

(5) The NCB should be free of Government interference and manipulation except for the normal regulatory functions of the Central Bank of the Philippines and supervisory functions of the CDA. At the same time, the Government should provide the fledgling NCB with appropriate policy and financial support to promote its development and the Central Bank should have the regulatory power to recognize the special nature of the NCB whereby it can grant the NCB appropriate and justified deviations or exemptions from specified normal banking requirements and/or regulations.

(Note: All the foregoing basic objectives appear to be within the scope and intent of the existing Cooperative Code of the Philippines (RA 6938) and specifically Chapter XII, Articles 99 through 109. Therefore, no additional enabling legislation appears to be necessary, at least initially.)

(DEVELOPMENT STRATEGIES)

(1) The NCB

1) The initial stage of development of an NCB should involve a comprehensive financial and economic feasibility study which should also include a realistically phased five-year development plan. The general structure of such an NCB might be as shown in Chart I. Prior to developing such a feasibility study it may be necessary to conduct a survey of cooperative entities in the various cooperative sectors to determine their current financial needs absorptive capacities and future demands. Also, close collaboration should be maintained with appropriate national level cooperative organizations during the study period. As a practical approach to developing such a feasibility study and development plan it might be advisable to review the recently completed feasibility study commissioned by President Aquino but which was not available as this report is written or to update and revise as necessary the comprehensive "Feasibility Study on Establishment of an Apex Cooperative Financial Intermediary in the Philippines" which was conducted under the auspices of USAID in 1987. Principal components of the study should include at least the following:

- Legal/organizational structure
- Management structure
- Operating policies and procedures
- Estimated loan demands
- Estimated savings mobilization potential
- Funding sources/mechanisms
- Staffing requirements
- Training needs
- Facilities requirements

2) The feasibility study and plan should also evaluate the question of whether an NCB should be created by privatizing the Land Bank of the Philippines (or a part(s) thereof; by acquisition of an existing commercial or development bank; or by creation of an entirely new entity. There are several problems associated with any method to be used in establishing an NCB. Privatization of the LBP or acquisition of a government-owned bank could easily carry with it the stigma of another government-owned institution, the attitudes of the staff would need to be reorientated and the inclination to expect the new NCB to assume a risky loan portfolio and related debts might be overwhelming. The

strong preference is for the creation of a new bank which is clearly a private sector institution but it could be some what more costly and slower to develop its capabilities. However, determination should be made during the course of the feasibility study while clearly focusing on the peculiar needs of cooperatives and what is in their long-term best interest.

3) Perhaps a new strategy should be developed to help overcome the concerns of Credit Cooperatives as mentioned earlier. In fact, because the credit cooperatives have already developed relatively high levels of experience and expertise as financial intermediaries it is strongly recommended that they be encouraged to provide the leadership in organizing and initial staffing of the NCB. Also, it may be possible to encourage the Government's NEA to develop a plan to eventually wean electric cooperatives from subsidized to conventional credit as has been done in other countries in recent years.

4) Because the cooperative sector is not currently capable of providing a new NCB with adequate equity capital initially to permit it to function effectively the bank will require significant equity capital investments from the Government and/or external sources. The magnitude of such investments cannot be determined without further study. However, provisions should be made whereby such investments may be bought back by the NCB over a period of time.

(2) The sub-structure

1) Prior to or simultaneous with establishment of an NCB there exists a very CRITICAL NEED to be satisfied which is to develop the NCB sub-structure, namely the provincial/regional CBs, as an integral part of the NCB's credit delivery and savings mobilization systems. At present there are only 32 provincial level CBs and there are 75 provinces in the country. Furthermore, most of the existing CBs are seriously under performing due to their small capital base but mostly due to their unskilled and unmotivated management which has led to excessive loan arrearages and their resulting inability to rediscount their load paper with the Central Bank or the Land Bank. In fact, some CBs are virtually moribund.

2) Therefore, the existing CBs will need large infusions of equity capital and upgrading of management and staff skills in order to increase their capital base to more adequate levels and to improve management performance especially in regard to past due loans and loan administration policies and procedures.

Management and staff skills can be greatly enhanced through high quality training by national level federations such as NATCCO and BANGKOOP who should be encouraged to utilize the very capable training resources available in the Central Bank Institute and the cadre of the special Central Bank unit established to supervise and provide technical assistance to CBs.

3) There will also be a need to encourage (not force) the establishment of CBs in provinces which presently have none. However, that should be done only in those provinces where the primary cooperatives and their local federations can demonstrate their ability to adequately capitalize and patronize such bank.

4) There is also a **CRITICAL NEED** for the provincial level CBs to establish branch or extension offices, or at a minimum "roving" extension offices which will make their services more easily accessible to their member cooperatives. Presently, all CBs are situated in the respective provincial capital city and because of staffing and/or mobility limitations are able to serve only a very small percentage of their members that are located in nearby communities. This fact represents a very serious constraint to the development of an effective cooperative financial system.

5) The gradual development of regional CBs would also serve to strengthen the NCBs sub-structure. Currently there are no regional CBs but one is in the process of being organized whereby all 11 CBs on the island of Mindanao will be merged to form a regional CB and the existing CBs will be converted to branches of the regional. The regional CBs could shorten the linkages in providing the wholesaling and management of funds, central depositories, training and other financial services and with a higher level of expertise to the provincial level CBs which would become branches of the regional but continue to be the primary retailer of the NCBs financial services. Therefore, where feasible, the development of regional CBs should be encouraged (not forced). An initial possibility would be to encourage the conversion of some or all of the regional training centers of the NATCCO organization into regional CBs.

(COROLLARY DEVELOPMENT STRATEGIES)

At the present time the CDA has some P200,000,000 of funds under its administration representing residual funds from various government loan programs including CDLF - CMP - SNSP - CRDLF. Those funds are unlikely to be

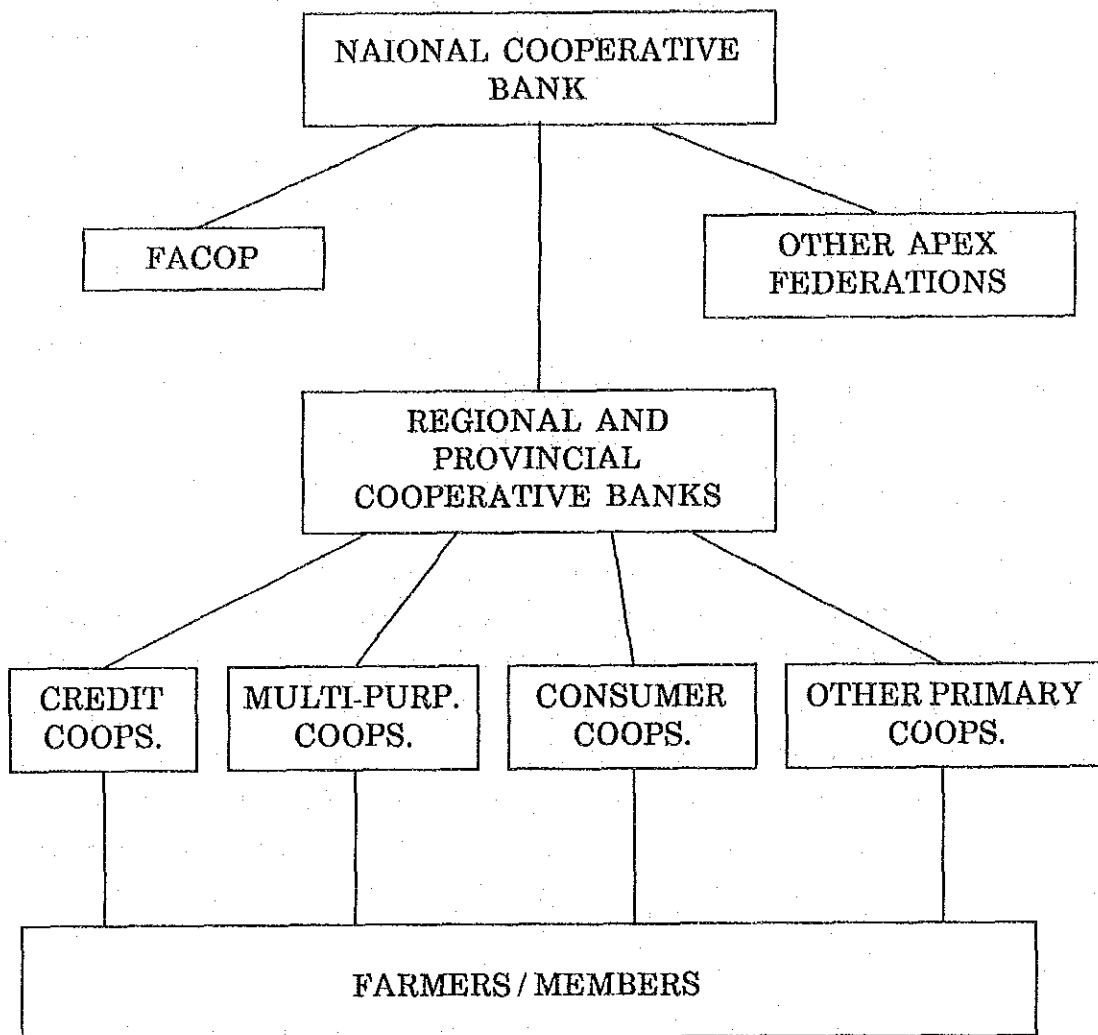
replenished or added to in the foreseeable future. Ostensibly those funds are intended to be loaned to cooperatives for development purposes. However, instead of granting soft loans to weak cooperatives, many of which may never be repaid, there are some other ways in which the impact of those funds can be multiplied and utilized in a more constructive manner such as the following:

1) To assist in capitalizing an NCB the CDA could promote a program whereby for every peso a CB can mobilize in new share capital investments in that CB from its members, the CDA would match that amount peso for peso with an investment (not a loan) in the preferred shares in that CB with the provision that the amount invested by CDA would immediately be reinvested in the NCB while the new capital raised from members could be retained by the CB, if it desires, to improve its liquidity. This would provide more incentive for members to invest in their CB and the impact of each peso invested by them would be doubled

2) Similarly, if a particular cooperative has an economically justified project and its equity capital is inadequate to support the required financing the cooperative could undertake a specific capital buildup campaign for that project whereby for every peso of new capital invested by member an equal amount would be invested (not loaned) by the CDA in the cooperative's preferred shares. Those two pesos could leverage an additional loan of two pesos. Thereby each peso invested by members would effectively be quadrupled. this kind of program would also tend to develop more positive attitudes in members toward providing their cooperative with needed capital.

3) Additionally or alternatively the CDA could designate a portion or all of the funds as a loan guarantee fund for economically justified projects where a cooperative is marginally unable to fully satisfy a lender's requirements such as inadequate collateral or a project requiring a longer than normal grace period. In such justified cases the CDA could provide the lender with a guarantee on a negotiated portion of the loan. Based upon the degree of risk being assumed by the CDA under such a guarantee program the impact of a guarantee fund could possibly be multiplied five or ten times.

CHART 1 GENERAL STRUCTURE PROPOSED NAIONAL COOPERATIVE BANK



1-6 Development of a FACOP

Introduction

The Federation of Agricultural Cooperatives of the Philippines (FACOP) was founded in 1990. It was established as a national federation of agricultural marketing cooperatives after the termination of the Cooperative Marketing Support Project. However, because of the lack of simple and clear cut definition of purpose, unrealistic operational plans and inability to obtain the support of municipal and provincial federations. It is regret that FACOP has not been functioned as it has been anticipated.

Considering the present status of cooperative development in the Philippines, there is definitely a need for a FACOP like national federation. However, we found that the existing FACOP has several shortcomings which are to be improved. Therefore, the Team suggests a model of "National Marketing and Supply Federation" as a reference for the future development of FACOP. It can not be over emphasized that this suggestion is not to recommend the establishment of a new Federation. Contrary, it means that FACOP has to be developed further to make best use of this suggestion.

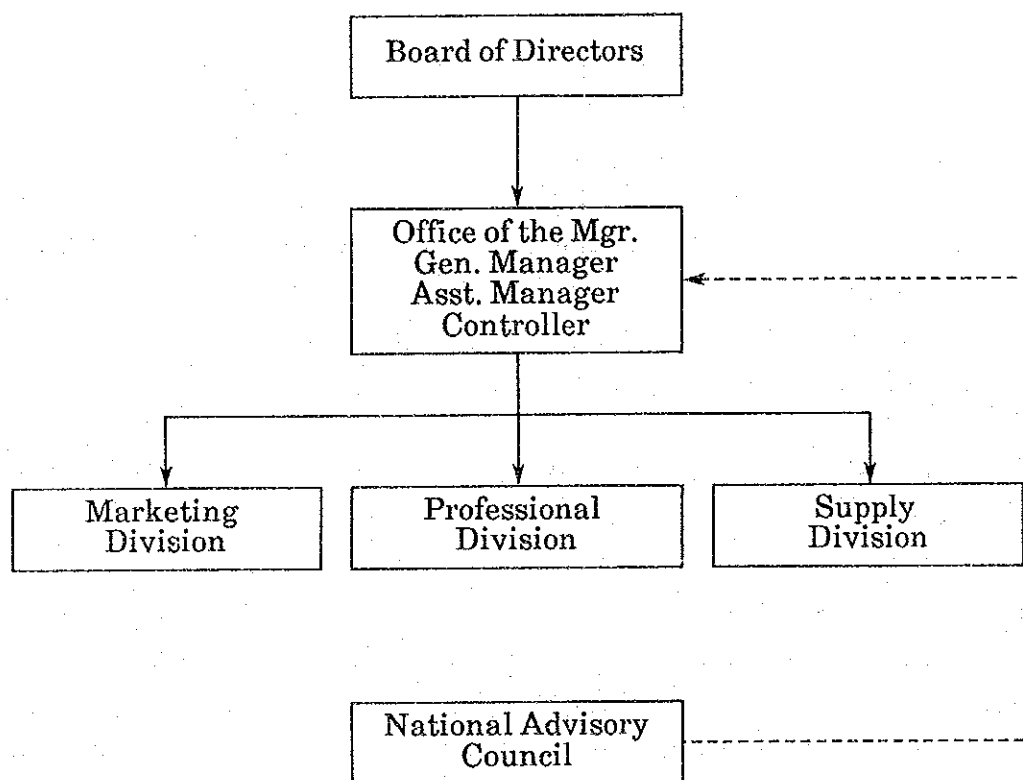
Accordingly, National Marketing and Supply Federation should be involved in business for itself during the first three year probationary period, but should act as an agent or a broker for its members. Its revenue should be generated from commissions, brokerage fees and consulting fees. Its members should be provincial cooperatives, but its technical and professional services should be extended to all paying customers with priority given to cooperatives. The proposed organizational chart is shown in Figure 3. The Board of Directors should be elected from Managers of PFACs. The Board appoints the General and Assistant Manager. The General and the Assistant Managers received guidance from both the Board of Directors and the National Advisory Council consisting of the Secretary, Department of Agriculture; Administor, Cooperative Development Authority; Administrator, National Food Administration; President of the Land Bank of the Philippines; and the Director General, Central Union of Cooperatives.

National Marketing and Supply Federation should be organized into three divisions, namely, the Marketing Services Division, the Supply Services Division and the Professional and Technical Services Division.

The Marketing Services Division is responsible in providing technical assistance to PFACs in matters relating to the marketing of farm products. Specifically, this assistance may take the form of:

- (1) providing PFACs with prices, supply and demand situation reports for most agricultural commodities in the major cities, provincial capitals and other metropolitan centers,

Fig. 1: Proposed Organizational Structure of the National Marketing and Supply Federation



- (2) arranging for the financing, sale and transport of crops from surplus producing areas to deficit consumption areas,
- (3) facilitating inter-provincial, inter-regional and national trading among cooperatives, between cooperatives, private wholesale dealers, grain millers, food processors and manufacturers, by seeking outlets and/or sources of supply, negotiating terms of sale arranging financing, transport and storage, and providing contract and legal services related to the sale,

- (4) collaborating with the provincial or the national offices of the NFA, LBP, DA for technical assistance related transport and storage, financing and post-harvest operations and processing,
- (5) organizing training workshops in cooperative marketing, storage, financing and transportation,
- (6) providing consulting services at cost to cooperatives and at competitive consulting rates to corporate and institutional clients, regarding market development strategies, competitive strategies, etc., and
- (7) developing institutional or private sector markets for PFACs, cooperative and corporate clients.

The Supply Services Division is responsible in providing technical assistance to provincial federation in matters relating to the procurement and distribution of farm inputs. Specifically, this assistance may take the form of:

- (1) developing a quarterly provincial, regional and national estimate of demand, supply and price conditions of fertilizer and agricultural chemicals,
- (2) developing monthly, quarterly and annual estimates of demand of cooperatives for fertilizer, agricultural chemicals, feeds and seeds for each province based on requests and historical trends,
- (3) responding to specific request for delivery of certain agricultural inputs through direct sourcing from importers and manufacturers, arranging financing, transport, storage, legal and contractual services,
- (4) organizing workshops and training seminars on the procurement, transport and application of fertilizer and agricultural chemicals with the collaboration of the Department of Agriculture and the Division of Professional and Technical Services, and
- (5) maintaining friendly relations with the major fertilizer and agricultural importers and manufacturers, and
- (6) sourcing fertilizer, agricultural chemicals, seeds, and feeds, directly from importers and manufacturers.

The Professional and Technical Services Division is responsible in providing professional and technical assistance to the Manager, Chief of the Marketing Division, Chief of the Supply Division and all PFACs matters relating to the economic, business, legal, and contractual aspects of product marketing and input supply procurement and distribution.

Specifically, their assistance may be in the form of:

- (1) drafting the sales and/or purchase agreements between PFACs and individual, corporate or institutional buyers of farm products,
- (2) drafting the sales and/or purchase agreements between PFACs and individual, corporate or institutional suppliers of farm inputs,
- (3) providing consultancy services to PFACs, individual, corporate or institutional clients on project and program planning and design, conducting feasibility studies, and representations to provincial and national government offices and major corporations,
- (4) advising PFACs and the Manager of National Marketing and Supply Federation regarding various programs, laws and regulations affecting agricultural cooperatives, and
- (5) publish a cooperative newsletter on matters of general interest to cooperatives in the Philippines which may be political, economic, business, professional, personnel legal and administrative in nature.

Financing the National Marketing and Supply Federation of Agricultural Cooperatives.

The revenues of National Marketing and Supply Federation are expected to come from five sources: (1) grants (2) membership fees, (2) commissions and brokerage fees (3) consultancy, professional and technical services fees, (4) bank loans and (5) investments.

During the first three years of operation, grants, loans and membership fees will be the principal source of funds. Service fees and consultancy earnings during this period will be invested or deposited in an interest bearing account to retire the loans and to phase out or replace the maturing grants.

The first three years of operation is a trial or a probationary period use to determine whether National Marketing and Supply Federation can become a financially sustainable business, able to operate on revenues it generates in the form of commissions, brokerage fees, consulting fees and service fees without depending on subsidies and grants. After the third year, National Marketing and Supply Federation will review its Articles of Incorporation and By-Laws for the purpose of determining whether it continues as a service cooperative or become a trading cooperative or both.

Implementation Plan

Drafting of Articles of Incorporation and By-Laws of National Marketing and Supply Federation should be done following a national conference of PFAC presidents, members of the National Advisory Council, representatives of major cooperative organizations and unions.

In that conference the PFAC presidents will elect the members of the Board of Directors which are elected from among themselves. Applications for the position of General Manager and Assistant Manager, Chief of the Marketing Division, Chief of the Supply Division and Chief of the Professional Division will be received. One month later, the Board of Directors will appoint the Manager and the Assistant Manager, and two months later, with the recommendation of the Manager, the Chiefs of the Marketing Services, Supply Services and the Professional and Technical Services Division will be appointed.

The officers of National Marketing and Supply Federation consisting of the General Manager, the Assistant Manager and the Division Chiefs will develop the job descriptions of the professional, technical, administrative and operational staff under each office and division. Position vacancies will be announced through the mass media and through professional conferences and publications. Appointments to the vacant positions should be completed in two months after publication of vacancy announcement.

During the first three years of operation, the staff should be kept to a minimum. An appropriate office space should be rented in Makati. Each officer and technical staff including secretaries should have individual telephones and personal computers which should be linked directly to all PFACs. National Marketing and Supply Federation should have one car for official use only. There should only be four secretaries, one each for the Office of the Manager and the three divisions.

2. Supporting Program for Local Agricultural Cooperatives by the National Agricultural Cooperative Organizations

We propose the following steps so that the national agricultural cooperative organizations may work in close contact for improvement of systems, projects and management of primary cooperatives, and provincial federations.

2-1 Organizational Streamlining Program for Local Agricultural Cooperatives

2-1-1 Primary agricultural cooperatives

(1) Targets to be achieved (Targets to be achieved routinely)

- To increase the membership of a primary agricultural cooperative.
- To promote unionization of non-member farmers.
- To promote cooperative membership of successors of farmers.
- To streamline the organizational structure of agricultural cooperatives. To establish a supply and marketing section (to be in charge of economic activities), a financial and mutual insurance section (in charge of such activities, as savings business, loans, insurance and business promotion), an organization section, and a general affairs and accounting section.
- To set up groups of members' families as youth group, and women's group to carry out activities on improvement in living conditions, in a primary cooperative, and increase that membership.
- To provide secretariat staff in a primary cooperative to be in charge of the youth group and the women's group.
- To set up an "Agricultural Activities System" and a "Livelihood Activities System" within a primary cooperative. The Agricultural Activities System will incorporate such subsystems as improvement of farming technologies, collection and sales of agricultural products, use of various machinery, irrigation control, and village affairs. In the Livelihood Activities System, there will be such subsystems as health care for cooperative members, improvement in life quality, cultural activities, and joint purchases.

- In order to support activities of the youth group and the women's group, as well as systems and subsystems mentioned above, adequate meeting places should be provided.

(2) Standards for assistance by the national agricultural cooperative organizations to achieve the targets

- In order to increase the number of members of a primary cooperative, the Central Union of Agricultural Cooperatives (Agricultural Cooperative Bureau) will lead other national federations in publicity campaigns about agricultural cooperatives. As a first step, the central union, along with other national federations will study the establishment of cable broadcasting facilities. They will also instruct primary cooperatives in conducting publicity campaigns, such as producing leaflets, and offering lectures. If necessary, they will study financial support for primary cooperatives to fund such activities. They will also use the nationwide massmedia such as radio and television, so that farmers can receive information on agricultural cooperatives.
- In order to assist in recruiting non-members into agricultural cooperatives, the central union will teach primary cooperatives practical methods of organizing activities.
- The central union will provide practical guidance to primary cooperatives about how to highlight a role of members' groups and how to organize them effectively.

2-1-2 Provincial federations

(1) Goals to be achieved

- As a rule, provincial federations will be set up according to each enterprise, such as credit, and marketing and supply.
- If there is more than one primary cooperative with the same function within an area, a provincial federation should be set up for that purpose.
- Provincial federations should be set up on province or regional level, according to the size of the area, and the number of existing primary cooperatives. If the number of cooperatives is too small to set up a federa-

tion on the provincial level, then a regional level federation should be formed.

- A provincial federation will become a member of the national federation to be set up according to each business.
- Any federation, which does not have any actual activity, will be incorporated with another federation on the same level. In this case, primary cooperatives which belong to the federation will also be united with the new federation as new members.
- Provincial federations should study the structure, activities, and management of the other federations of the same level, and set up a consultative body among the federations for business cooperation.
- National federations, of which provincial federations are members, will be set up separately in principle, according to different activities such as credit, and insurance business.
- Nationwide agricultural cooperative organizations will work to reinforce the credit business of each primary cooperative, and restructure themselves so that such reinforcement can be achieved. They will also work to set up a central cooperative bank through restructuring the existing nationwide financial organizations of agricultural cooperatives.

(2) Standards for assistance by the national agricultural cooperative organizations to achieve the goals

- Each national federation will work closely with the central union to establish provincial federations according to activities, so that there will be no areas without provincial federations. The central union will send necessary personnel to local areas to instruct in setting up provincial federations.
- A function of the central union branches is to promote organizing provincial federations. The branches will create models of such federations, and necessary manuals, introduce cases in other areas, and give technical advice for organizing such federations.

- The central union branches will carry out an educational campaign about the significance and functions of provincial federations, and other national federations will support this in terms of materials and manpower.
- A central union branch, and provincial or regional federations will aim to have a common office as a rule. National federations will also take part in organizing such offices. They will also set up management rules for such provincial or regional organizations.

2-2 Business Improvement Program for Local Cooperatives Systems

2-2-1 Primary cooperative

(1) Goals to be achieved

- Restructuring of a single-purpose primary cooperative should be promoted to make it a multiple-purpose one.
- Understand in detail to what extent cooperative members are using cooperatives, analyze the causes of current problems, work out measures for improvement, and put them into practice.
- Calculate the precise amount of products produced by each member, including production area used for each crop quantity, and check to what extent the cooperative is collecting and selling.
- For products shipped to other areas, ask the members the reasons for doing so, where they were sent and sales conditions, such as unit prices and ways of accounting.
- Among important products such as rice, corn, vegetables and livestock, excellent quality varieties and breeds will be selected as agricultural cooperative brand products.
- Streamline distribution systems, including transport and sales for collected products.
- Study possibilities of sales cooperation with wholesale and supermarkets in large consumer areas, and depending on the situation, provide grocery

shops managed by agricultural cooperative organizations directly (For example, shops like A-Coop shops in Japan).

- A primary cooperative will introduce savings business so that its credit business can become full-fledged. Beside ordinary savings, introduce installment savings, and time deposits. In the loan business, work out types according to financial needs of members. Loans will be divided in two categories in principle, loans for agricultural business and those for livelihood funds. They will also be categorized into short-term loans, under one year, and long-term loans. For members who use a cooperative for sales of more than a certain quantity of products, the cooperative will study loans with maximum limit through overdraft, in which loans will be decided by amount of deposit.
 - A primary cooperative will have implementation of direct insurance activities and its peripheral business as a long-term object.
 - The central union, reinforcing its own functions, will promote the changing of single-purpose primary cooperatives into multi-purpose primary cooperatives. For that change, the central union will create models of business and management structure for such primary cooperatives, and guide them in actual set-up and management.
- (2) Standards for assistance by the national level agricultural cooperative organizations to achieve the goals
- National cooperative organizations will cooperate with each other to prevent overlapping of activities and strengthen business relationships among them, in order to assist provincial federations efficiently.
 - The central union will instruct single-purpose primary cooperatives on how to diversify businesses, so that the cooperatives can become multi-purpose ones.
 - Also to help such structural changes, the central cooperative bank will teach such cooperatives about savings, so that they can develop and promote installment savings, and other types of savings.
 - The bank may invest money directly in such cooperatives according to the content of funds.

- The central cooperative bank will develop nationally unified savings and loans to be handled by each primary cooperative.
- In order to improve the quality of strategic agri-products in each area and also to improve farming technologies, the National Marketing and Purchasing Federation of Agricultural Cooperatives will set up research centers in suitable areas. The federation will also set up farming technology centers for fertilization control and instruction including fertilizing plans and insecticide spraying. It will also provide personnel.
- Considering geographical conditions and distribution of important agricultural products, collection facilities, warehouses, processing facilities and transportation for a group of cooperative units should be provided.
- The National Mutual Insurance Federation will guide primary cooperatives to start mutual insurance activities. The federation will develop varieties of mutual insurance, as well as functioning as a retrocession organ.

2-2-2 Provincial federations

(1) Goals to be achieved

- Provincial marketing and supply federations try to establish agricultural cooperative brands of important agri-products such as rice, corn, livestock products and major garden products. For that purpose, they will set up size and quality standards for such products.
- In order to cooperate with each other for more efficient activities, national cooperative federations will set up provincial or regional computer centers.
- Provincial or regional marketing and purchasing federations will develop markets nationwide for the sales of their member primary cooperatives. For that purpose, they will set up a special section under cooperation with the National Marketing and Purchasing Federation.
- Provincial marketing and purchasing federations will set up delivery centers so that inputs such as feeds, fertilizers, and fuels can be delivered efficiently to each primary cooperative. Distribution of such materials to

the delivery centers will be under the control of the National Marketing and Purchasing Federation.

- To improve the fund raising ability of CRBs, liaison experts will be deployed.
 - CRBs will be reinforced so that they can instruct each primary cooperative on management and control of the total credit business.
 - To curb arrears, CRB's functions of checking loans and credit control and collection should be reinforced.
 - Provincial mutual insurance federations will make an effort to promote mutual insurance activities of primary cooperatives whose activities are still at a low level.
- (2) Standards for assistance for the national agricultural cooperative organizations to achieve the goals
- The National Marketing and Purchasing Federation will set up a special committee in a bid to determine size and quality standards of products for sale.
 - The National Marketing and Purchasing Federation will provide staff to develop markets for agricultural products from cooperatives so that the federation can distribute products nationwide.
 - The National Marketing and Purchasing Federation will renovate sorting facilities and educate checkers, so that size and quality standards will be observed by each primary cooperative. If necessary, the checkers will be sent abroad for better education.
 - For smooth shipping of agricultural cooperative brand products, each provincial marketing and purchasing federation will work to secure means of transportation. To make the most of limited resources of shipping, maps and diagrams of shipping will be made on both local and national levels.
 - The National Marketing and Purchasing Federation will develop export markets so that sales activities of primary cooperatives can be expanded.

Necessary research on market information abroad should be carried out. On products that can be exported, trade with foreign agricultural cooperatives should be studied.

- When computer centers are being set up on the provincial or regional level, national cooperative organizations will develop programs and operation systems for the centers. They will also have the function of carrying out national level operations of the computer system.
- The National Mutual Insurance Federation will establish information centers of insurance at regional and provincial levels.
- Provincial marketing and supply federations will promote modernization of processing, storing and shipping facilities. If no facility exists, such federations will, along with member cooperatives, make efforts to build them.
- The Central Cooperative Bank will fund loans for CRBs and collect deposits from CRBs.

2-3 Plans to Improve Management of Local Agricultural Cooperatives

2-3-1 Primary cooperative

(1) Goals for achievement

- Accounting rules should be thoroughly observed in making financial statements.
- Proper calculation of depreciation allowances and corresponding appropriation of financial assets should be strictly observed. If a price hike can be estimated for assets' replacement at the end of their depreciation period, reserve should be appropriated according to the estimate.
- To increase net profit from business activities, management costs should be lowered. The principle that those who benefit will bear the costs should be carefully observed.

- For smooth management control, a primary cooperative with 500 members or more will, as a rule, install a personal computer that can work as a terminal.
 - For securing efficient means of communications between primary cooperatives and the provincial federation, and the central union's branch, efforts should be made for every primary cooperative to have a telephone. A primary cooperative which already has a phone should have a fax installed to improve its communication ability.
 - Payment of capital should be promoted and more than half of the authorized capital should be paid-up within 5 years.
 - Pay level should be improved to secure employees. Some small primary cooperatives will introduce a "common employee" category for such jobs as farming instruction, bookkeeping and inventory control.
 - Some employees should receive special training in accounting and business planning.
- (2) Standards for assistance by the national agricultural cooperative organizations to achieve the goals
- If a Fund for Management and Administration of Agricultural Cooperative Bureau of the Central Union of Cooperatives (a tentative name) is being established, it will be utilized for assistance.
 - National cooperative organizations will develop common software, based on cooperative accounting rules, in order to efficiently use computers in primary cooperatives.
(Actual jobs will be performed by the national level section in charge of computer use).
 - The central union will find primary cooperatives without a fax, and assist in introduction of a fax considering the size and volume of business of the cooperatives.
 - For introduction of a common employee category among primary cooperatives, the central union will educate such common employees and create the category.

- The central union will introduce an award system to commend primary cooperatives that have outstanding business results.

2-3-2 Provincial federations and the Central Union's branches

(1) Goals to be achieved

- For efficient management, provincial federations will work to increase membership and business volume.
- As with primary cooperatives, primary federations will increase payments of funds to 50 percent of total authorized capital in five years.
- Provincial federations with more than a certain number of member cooperatives will analyze management of those cooperatives based on their business statements, to keep informed about managerial conditions of their enterprises. For that purpose, such provincial federations will introduce computers, communication devices, and software for management analysis.
- To adjust facility utilization rate, some facilities of provincial federations will be used jointly with other federations.
- Provincial federations will show a good example of management analysis for member primary cooperatives. Methods for reaching goals should be made known to those cooperatives.

(2) Standards for assistance by the national agricultural cooperative organizations to achieve the goals

- The central union's branches, in order to strengthen their financial base, will collect capital and CETF without fail.
- The central union will teach primary cooperatives the significance of investment, in order to increase investment for provincial federations. It will produce leaflets and other publicity for the purpose.
- The central union will develop management analysis skills for provincial federations.

- The central union will develop software to analyze management of provincial federations. Necessary computers will be introduced.
- Each of the national federations will provide management know-how for subordinate cooperative organizations.
- To improve the managerial skills of provincial federations, the central union will be responsible for overseas training of federation managers. It will also help select people when those people will be sent to foreign organs which are closely related with the cooperative's offices abroad.

2-4 Coordination Standards with Central and Local Governments in Supporting Plans

2-4-1 Coordination standards with the central government

(1) Organizations

- When organizing primary cooperatives and local cooperative organizations, national cooperative organizations will realize the role of agricultural cooperatives based on the DA's promotion measures of local agriculture. They will also carry out activities in compliance with the CDA's campaign to promote agricultural cooperatives. In order to do so, they will provide daily opportunities to deepen understanding of the CDA's measures and also to exchange information.
- The CDA promotes efficient management of agricultural cooperatives. Agricultural cooperative organizations will establish, on their side, a full-fledged management system for primary cooperatives and provincial federations that can be regarded as the CDA's targets. In that case, they will ask local branches of the CDA to reinforce instruction for them.
- The central union will provide a scheme in which it can process appeals from local agricultural cooperatives on agricultural policies and policies on agricultural cooperatives, and then summarize and convey them to DA and CDA.

(2) Business

- The central union will ask the government for financial aid for primary cooperatives and provincial federations so that they can provide necessary facilities and means of transportation to improve their activities.
- In order to start new projects, the central union will consider whether they can be permitted or approved by the government, or whether they can be accepted when they are proposed in ordinary companies. Then, the central union will take positively steps to start such projects, beginning with higher priority ones.

(3) Management

- The central union will cooperate with the CDA in its policies to improve cooperative management. It will also ask the government to provide subsidies that would encourage cooperative members to invest, so that agricultural cooperatives can solve the lack of equity capital, which is a problem peculiar to them.
- To strengthen the financial base of agricultural cooperatives, it is necessary to improve that of cooperative members. The central union will ask the government to put more emphasis on land reform policies.
- The central union will promote the computerization of management analysis of agricultural cooperatives. For that purpose, the union will ask the CDA for assistance on how to prepare hardware and software. It will also ask computer experts of the CDA to help develop software.

2-4-2 Coordination standards with local governments (mainly with provincial level governments)

- When organizing local agricultural cooperatives, such cooperatives will ask for instructions from local governments, in compliance with the local governments' agricultural policies. They will also ask the local governments to encourage farmers to become cooperative members.
- In establishing provincial federations, they will ask support from the local governments just as with primary cooperatives.