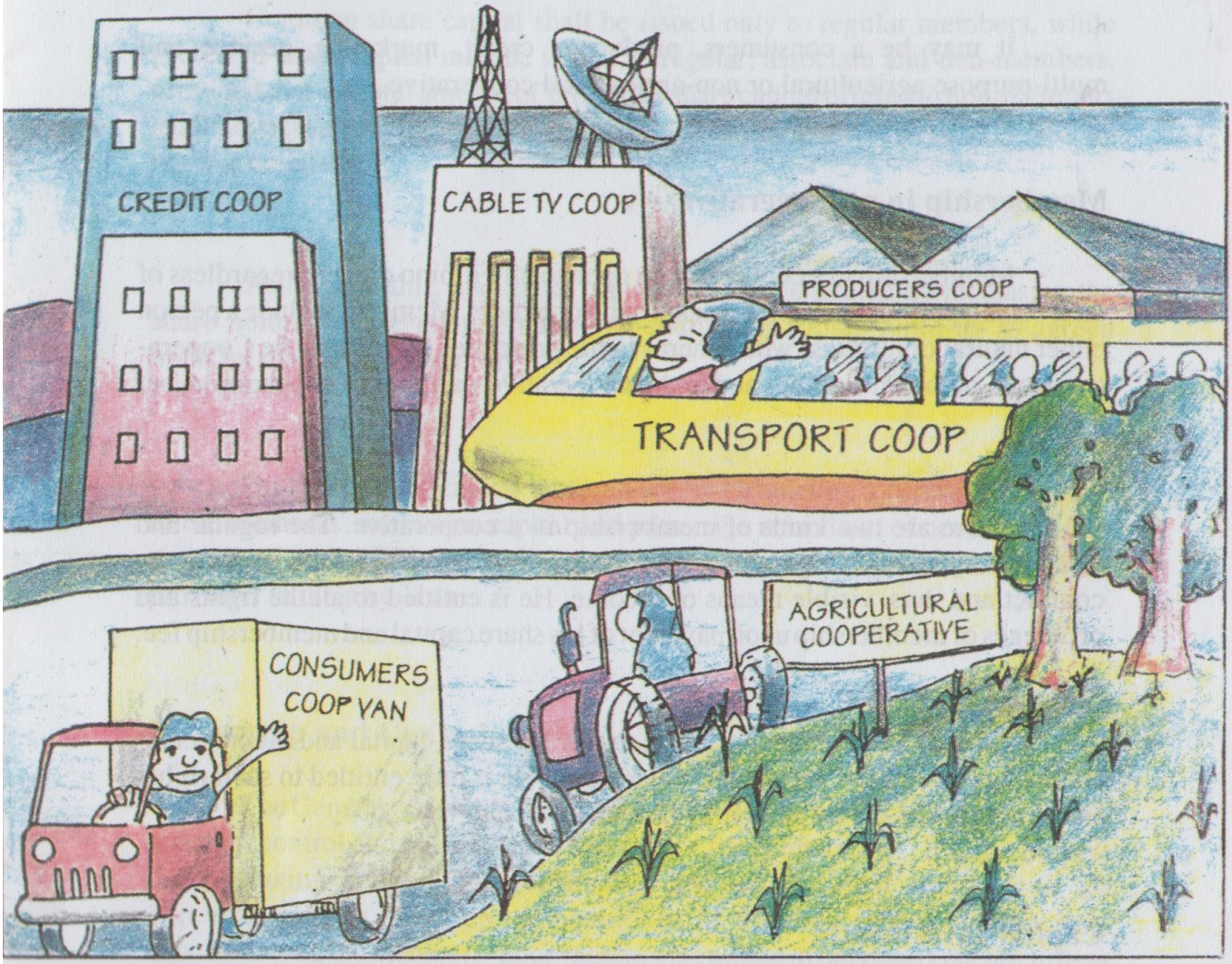
Basic Information on Cooperatives



Republic of the Philippines
Office of the President
Cooperative Development Authority
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What is a Cooperative?

A cooperative is a duly registered association of at least fifteen (15) persons with a common bond of interest who voluntarily join together to achieve a lawful common social and economic end.

It is organized by the members who equitably contribute the required share capital and accept a fair share of the risks and benefits of their undertakings in accordance with universally accepted cooperative principles and practices.

It may be a consumers, producers, credit, marketing, service and multi-purpose agricultural or non-agricultural cooperative.

Membership in a Cooperative

Membership in a cooperative is open to all Filipino citizens regardless of their social, political, religious background or beliefs. Members include a person either natural or juridical who adheres to the principles set forth in the Cooperative Code of the Philippines and in the cooperative's articles of cooperation and by-laws.

There are two kinds of membership in a cooperative. The regular and associate members. Regular member must be of legal age with capacity to contract and has visible means of income. He is entitled to all the rights and privileges of membership upon payment of his share capital and membership fee.

An associate member also has to pay his share capital and membership fee but has no right to vote nor be voted upon. He is only entitled to such rights and privileges as the by-laws may provide.

Capital Investment

Members of the cooperative are required to put up share capital for the operation of the cooperative. Their contribution shall be in accordance with the needed authorized capital of the cooperative. Members have to divide it equitably among themselves, 25% of the authorized capital shall be subscribed and 25% of the subscribed shall be paid-up.

Upon approval of the application for membership, payment of the paid-up capital and the required membership fee in accordance with the by-laws, they become entitled to the rights and privileges of membership.

Share capital of a cooperative may consist of common and preferred capital if the latter is provided for in the cooperative's articles of cooperation and by-laws.

Common share capital shall be issued only to regular members, while preferred share capital may be issued to regular, associate and non-members, provided that the total amount of preferred share capital offered to non-members shall not exceed the total amount of preferred share capital offered to or held by regular members.

Aside from this, additional capital shall be generated by increasing the share holding of the members through continuous capital build-up as agreed upon by the general assembly.

Other modes of capital build-up are by channeling a certain percentage of the members' interest on capital and patronage refund out of net surplus into their share capital. This may be agreed upon during annual general assembly as provided in their by-laws.

Ownership and Control

The General Assembly is composed of all the members who own, operate, manage, control and patronize the services of the cooperative. It is the highest policy-making body of the cooperative and has the final authority on all important matters affecting the operations of the cooperative. Control rests equally among the members. Each member is entitled to only one vote regardless of the number of shares he has invested in the cooperative.

The General Assembly elects the members of the Board of Directors and committee members. The Board of Directors, as a body, exercises general supervision and control over the affairs of the cooperative.

Aside from the committee officers, a manager may be appointed by the Board of Directors to handle the day to day affairs of the cooperative. The success of the business of a cooperative depends largely on his ability to execute policies formulated by the Board.

Organizational Structure of a Cooperative

A cooperative is generally composed of the following: General Assembly, Board of Directors, Audit Committee, Credit Committee, Election Committee, Education and Training Committee and other committees essential to the operation of the cooperative that may be created.

General Assembly

The General Assembly is composed of all members of the cooperative who enjoy all the rights and privileges of membership. It has the supreme authority in the management and administration of the affairs of the cooperative.

Board of Directors

The Board of Directors shall come from the general assembly. They are elected by secret ballot by the general membership at the annual general assembly. The members of the Board of Directors shall be in odd number. It is composed of a minimum of five (5) and a maximum of fifteen (15) members.

The Board of Directors shall elect from among themselves only the Chairman and the Vice Chairman. Their term of office shall not exceed two years unless earlier removed for cause or have resigned or become incapacitated due to the illness or death and until their successors have been elected and qualified.

However, during the first election after the registration, one half plus one of the directors garnering the highest number of votes shall serve for two years, the rest for one year. Thereafter, all directors shall serve for a term of two years but not to exceed three consecutive terms.

No two or more persons with relationship up to the third civil degree of consanguinity or affinity shall serve as elective or appointive officers in the same Board.

The Board of Directors formulate policies in accordance with the cooperative law (RA 6938) for the conduct and management of the business operation of the cooperative. The Board has general supervision and control in the affairs of the cooperative.

Audit Committee

Members of the Audit Committee shall come from among the general membership. It shall be composed of three (3) members elected through secret ballot during the annual general assembly. Within ten days after their election, the members of the committee shall elect from among themselves a Chairman, Vice Chairman and a Secretary. Their term of office is one year and shall serve until their successor shall have been elected and qualified. No member of the committee shall serve as member of the Board or in any other elective committee.

The committee shall serve as internal auditor of the cooperative. Members of the committee shall maintain a complete record of their examination and inventory of the cooperative assets and liabilities. They shall submit quarterly reports and annual audited financial statements to the Board and general assembly.

Credit Committee

The Credit Committee is the same as the Audit Committee in terms of its composition, manner of selection and tenure of office of the members.

The committee shall be responsible for the credit management of the cooperative. The committee members shall process, evaluate and act upon loan applications and withdrawals of deposit, except when the applicant is a member of the committee, in which case, the application shall be acted upon by the Board of Directors.

Members of the committee shall exercise general supervision of all loans including collection of payments of member-borrowers.

Election Committee

The Election Committee, like the Credit and Audit Committees, is the same in terms of its composition, manner of selection and tenure of office.

The committee shall promulgate rules and regulations in the conduct of election, pass upon the qualifications of candidates, supervise the conduct of all elections, certify in writing the election canvass and returns to the presiding officer. The committee shall proclaim the winning candidates and decide election protest, if any.

However, election protest filed by the committee shall be decided by the Board of Directors. In any case, the decision of the Election Committee or the Board of Directors may be appealed to the Cooperative Development Authority (CDA) within fifteen days from notice of decision.

Education and Training Committee

The Education and Training Committee is composed of three (3) members or as many members as may be determined by the Board of Directors. They shall be elected or appointed and shall serve for a term of one year. The Vice Chairman of the Board shall serve as ex-officio Chairman of the Committee.

The members of the committee shall plan and implement promotional activities of the conperative as well as education and training programs for the officers, members, employees and prospective members of the cooperative.

Other Officers of the Cooperative

The elected Board of Directors shall elect or appoint a treasurer and Secretary from outside of the Board. Their term of office and compensation shall be fixed by the Board. They shall serve during good behavior and shall not be removed except for cause after due hearing.

The Treasurer

The treasurer shall take custody of all monies, securities and cash transactions of the cooperative. He shall keep complete records of the cooperative's cash transactions for proof of his cash position at any given time and date. He shall also certify to the correctness of the cash position of the cooperative in all financial statements and reports submitted to the Board of Directors, the General Assembly and the CDA.

For faithful and effective performance of his duties, he shall post an adequate bond. He shall also perform the duties of the Secretary in the later's absence or inability to perform his duties.

The Secretary

The Secretary shall keep a complete list of all the names and addresses of the members of the cooperative. He shall take note and maintain records of all meetings of the Board of Directors and the General Assembly. He shall also send notice of all meetings to officers and members of the cooperative. He shall keep and maintain the Stock and Transfer Book and serve as custodian of the corporate seal of the cooperative.

In the absence or inability of the Treasurer to perform his duties, the Secretary may perform his duties.

Management Staff.

The Board of Directors shall appoint members of the management staff, fix their compensation and tenure of office.

The Board may appoint a General Manager and an Accountant and other members of the management staff as needed in the business operation of the cooperative.

The General Manager

The General Manager is the Chief Executive Officer of the cooperative. He executes policies formulated by the Board. He shall post an adequate bond to assure the faithful performance of his duties.

The General Manager shall also keep and maintain cooperative records and accounts in order to ascertain true and correct condition of the business of the coopertive anytime. He shall submit periodic and annual reports in the form prescribed by the Cooperative development Authority.

He shall also preserve all important documents of the cooperative such as the book of accounts, correspondence and records pertaining to the business operation of the cooperative.

As a General Manager, he may employ, supervise and dismiss any agent and employee in the management force subject to the policies and decision of the Board of Directors.

The Accountant

The Accountant shall be in-charge of the effective and adequate accounting system in the business operation of the cooperative. He shall assist the Board of Directors in the preparation of annual budget of the cooperative in coordination with the Manager and the Audit Committee. He shall also assist the Chairman of the Board in the preservation of all important documents and records pertaining to the business of the cooperative which may come to his possession. He shall submit monthly and annual financial reports on the condition of the business operation of the cooperative to the Board of Directors and the General Assembly.

The Accountant shall be directly responsible to the Board of Directors in the performance of his duties.

However, for purposes of administrative supervision, he shall be under the Manager.

Benefits Derived from Cooperatives

Cooperative members derive several benefits from the operation of their cooperative. The main benefit is economic since members get a share of the cooperative's net-surplus by patronizing its services. A certain percentage of the cooperative's net surplus is returned to the members after a period of one year usually during their annual general assembly. It is called patronage refund.

Patronage refund shall be distributed to the members in proportion to their patronage to the services of the cooperative. The distribution shall be in accordance with their cooperative policies based on the cooperative law, the R.A. 6938. Through the patronage refund, members are actually saving while using the services of the cooperative.

This way cooperative members receive economic benefits according to the degree of their contribution to the growth of the cooperative by way of patronizing its services.

Those who do not patronize the services of the cooperative are not entitled to patronage refund. They are only entitled to interest on their capitaL invested in the cooperative.

Other Benefits Derived from Cooperatives

* Cooperative members develop the habit of thrift and savings;
* Cooperative serves as the training ground for its members in simple business operation, democratic leadership and responsible citizenship;
* It offers opportunities to its member's potential capabilities in productive purposes which may redound to their material benefits and progress; and
* A cooperative teaches its members self-discipline, self-reliance and other desirable attitudes which make every member a better individual and a better member of society.

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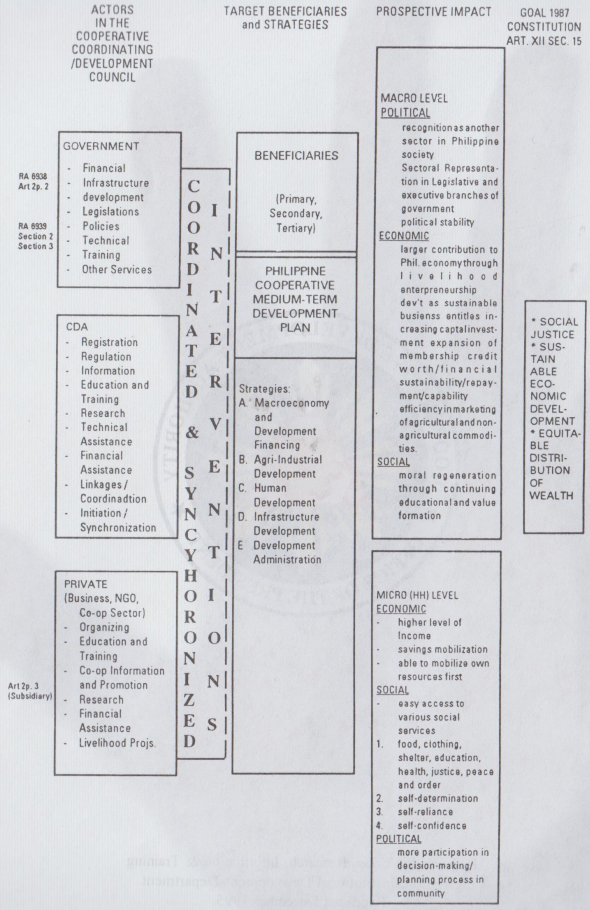
PEOPLE ENPOWERMENT PROCESS THROUGH COOPERATIVES





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