

THE SAMAHANG NAYON DEVELOPMENT PROGRAM
OF THE PHILIPPINES: AN APPRAISAL

by

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INTRODUCTION

In developing countries like the Philippines, the cooperative has become an important development tool.¹ Government policymakers all over the world as well as their development advisers increasingly look to cooperatives as essential vehicles for developing society. President of the Republic of the Philippines, Ferdinand E. Marcos, recognizes cooperatives as "institutions of human beings with deeply humanitarian philosophy and purpose with a firm and faithful commitment to the achievement of social justice and economic democracy on the strength of voluntary action to satisfy common economic and social needs of the people."² In similar vein, Mahatma Ghandi of India emphasized that there was no other instrument so potentially powerful and full of social purpose as the cooperative movement. It not only helps people to improve themselves but it also enables the state to provide the necessary support and resources without inhibiting initiative and individuality.³

¹Refer to Appendix A.

²Ferdinand E. Marcos, "A Cooperative Ideology for a New Asia," Speech at the First Asian Conference on Agricultural Credit and Cooperatives, Manila, December 1, 1970.

³P. E. Weerman, "The Cooperative Principles", International Cooperative Alliance, Cooperative Series No. 10, July, 1973.

However, previous attempts at fostering the growth of cooperatives in the Philippines failed to achieve the desired results.⁴ The different pieces of legislation, uncoordinated as they were, only succeeded in fragmenting the cooperatives movement. It is against this background that the new cooperatives development program was launched making the Samahang Nayon the base of the cooperative system.

The Samahang Nayon Development Program initiated in 1973, approaches farm organization from the perspective of total rural development. Its underlying basic objective is "community economic and social development based on the expanded opportunity and participation by all members of the community, stemming from a major premise that "only man can change society."⁵

STUDY OBJECTIVES

Generally, this study was conducted to evaluate the Samahang Nayon Development Program as a cooperative system base. More specifically, the study aims to: (1) Evaluate socio-economic impacts of Samahang Nayon on membership; (2) Review development trends and prospects of Samahang Nayon; (3) Identify problems that beset the program and (4) Recommend possible solutions.

⁴Refer to Appendix B.

⁵Sacay, O. J., "Samahang Nayon - A New Concept in Cooperative Development" (Preface), National Publishing Cooperative, Inc., Manila, 1974.

METHODOLOGY

Past and present cooperative materials were reviewed for the overview of the cooperatives development program of the Philippines. For the cooperatives program under the New Social Order, pamphlets, teaching manuals, and annual reports prepared by the Bureau of Cooperatives Development (BCOD), Ministry of Agriculture, were reference materials in the preparation of the report.

The evaluation aspect was based on a socio-economic study on Samahang Nayon undertaken by the Agricultural Credit and Cooperative Institute, College of Development Economics and Management, University of the Philippines at Los Banos. The statistical tables referred to were analyzed to determine the impact of the program on SN members in contrast to non-members.

SAMAHANG NAYON DEVELOPMENT PROGRAM (SNDP)

Under Regulation 2 of Letter of Implementation No. 23, the Samahang Nayon is "a body corporate composed primarily of small farmers residing and/or farming within the geographical limits of a barangay (village) for the purpose of improving the quality of life of the people."

Although initially launched to directly support the agrarian reform program, the Samahang Nayon is being built as the rural foundation of the whole cooperative development program of the country. Each association is a small organization with a minimum of 25 and a maximum of 200 members. It does not engage in any

business activity as a Samahang Nayon unit but each association attempts to build a business relationship with an established area cooperative that provides the product marketing, farm supply and financial credit service functions for them.

Objectives of Samahang Nayon:

The primary objective of the Association is to help improve the quality of life of barangay people. In practical terms this means getting the people to work together in solving common social and economic problems. How this objective can be accomplished is further illustrated by the functions it intends to perform. These functions are as follows:

1. To facilitate land transfer under the agrarian reform program by assisting government workers in determining the owners and tillers of the land, the area of farms, the production during the past years and other essential information pertinent to the consummation of the mandatory sale contract between owner and tiller and also to act as guarantor of the installment payments of amortizing owners.

As provided in Presidential Decree No. 27, "Emancipating the tenant-farmers from the bondage of the soil", all tenant-farmers in lands devoted primarily to rice and/or corn throughout the Philippines are now considered owners of the landholdings they are cultivating. This is a radical departure from the previous concept of agrarian reform enunciated in Republic Act 3844

(Agricultural Land Reform Code) which provided that a share-tenant would first become a lessee tenant paying only a fixed amount of rental for the land before he eventually becomes owner-cultivator of the land he tilled. With this Decree, however, tenants in rice and/or corn lands are converted into owners of their respective land-holdings.

In the process of land acquisition, the government compels landowners to sell their lands to their tenants on an installment basis, with the government acting only as a supervisor, regulator or guarantor of the transaction.

Membership in a Samahang Nasyon is required to provide the tenant-farmer the necessary institutional support to supply his credit needs; to provide an effective organization for acquisition of farm supplies and the efficient marketing of his produce; to channel technical information to him; and to assist him in the assimilation of new and improved farming techniques. All these are calculated not only to make him a better farmer but to prepare him for the responsibilities of a land-owner tiller.

2. To provide among the members experience in formal organization and self-government and to encourage their participation in community life and to enhance community prosperity.

Through the Association, the people at the barangay level are educated in the processes that characterize group action. Training can crystallize leadership in the barangay and enable this leadership to establish necessary relationships with others.

Social participation is being enhanced in the association aside from promoting mutual trust among members. In these ways the Association fosters the development of self-reliant barangay residents who are aware of their roles as members of the larger society to which they belong.

3. To implement a planned thrift and savings program among its members and the accumulation of funds for specific purposes or projects.

A major function of the Association is to encourage continuous savings. Every member is required to participate in a savings program in order to accumulate funds for specific purposes.

Aside from voluntary savings, every farmer-member who has been provided a loan by a rural bank or the Agricultural Credit Administration (ACA) is required an amount equivalent to 3% of his loan. This amount is deposited in a bank designated by the Samahang Nayon and held as savings in trust for the individual member-borrower. This amount is used to buy shares of stock in the rural bank.

Every farmer-member also is required to set aside through his SN the equivalent of at least one cavan of palay each harvest for every hectare of land he tills.

These savings serve (1) as reserve funds of the farmer, (2) funds which may be used for the capitalization of a full-fledged cooperative to be organized among members of the Association and (3) as guarantee funds for the payment of land

amortizations of defaulting members.

Organizational Structure of Samahang Nayon:

Efficient management or failure of an association frequently can be traced back to its organizational structure. The structure either presses forward or hampers the fulfillment of the objectives of the association.

Figure 1 shows the organizational structure of the Samahang Nayon.

1. Members. Membership in the association is open to any interested party. Small producers and consumers, Filipino citizens of legal age, residing/working in the proposed area of operation, may organize a Samahang Nayon (Reg. 18, LOI No. 23). Persons of at least 15 years of age who have visible means of income through their own independent work and effort and who can, in addition, comply with the qualifications for membership may become members. A minimum membership of 25 is necessary to organize an association. However, the membership shall not exceed 200.

Before one is accepted as a member, he shall be required to: (1) complete a prescribed pre-membership training course; (2) agree to comply with the stipulation of the association's membership application and agreement; (3) pay the required membership and annual fees; and (4) agree to abide by the decisions of the association regarding sources of supplies, sources of credit and marketing of surplus produce.

2. Officers. All officers of the association serve on a voluntary basis and do not receive remuneration for their services.

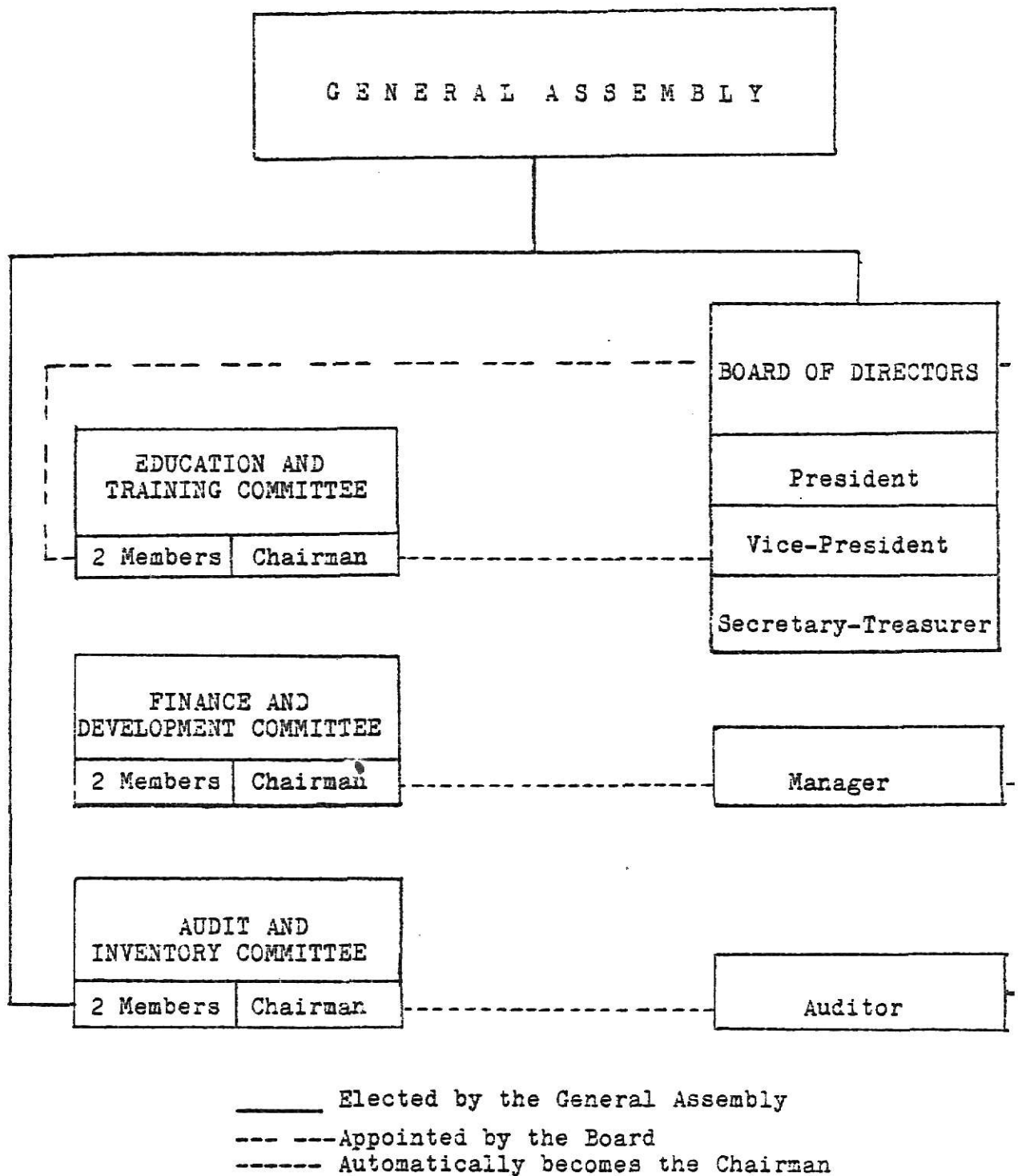


Figure 1. STRUCTURE OF THE SAMAHANG NAYON

The payment of reasonable traveling expenses may, however, be authorized from the association's fund to officers on official business.

The functions and method of selection of officers are as follows:

1. Board of Directors

(a) Manner of selection. Initially, five directors are elected by the general assembly from among the members. Such election is done during the organizational meeting and each year thereafter. The number of directors may be increased to seven or more according to the need. In all cases, the number of directors shall be specified in the by-laws of the association.

No director shall serve for more than two consecutive terms.⁶

(b) Functions. The Board formulates policies and determines the manner of operation of the association. It acts on application for and withdrawal from membership and approves projects proposed by the officers and committees of the association

2. President

(a) Manner of selection. The President is elected from and by the Board of Directors within 10 days after the organizational meeting.

(b) Functions. He represents the association in all social and economic activities; presides over all meetings of the Board of Directors and prepares in consultation with

⁶ This provision of the SN By-laws is amended by DLGCD Circular No. 77, dated March 26, 1977.

appropriate officers and committees a yearly program of activities of the association.

3. Vice President

(a) Manner of selection. The selection of the Vice-President is similar to that of the President.

(b) Functions. He acts as the President in case of the latter's absence or inability and concurrently serves as the chairman of the Education and Training Committee.

4. Secretary-Treasurer

(a) Manner of selection. He is chosen in a manner similar to that of the President.

(b) Functions. He keeps the minutes of meetings of the Board of Directors and the general assembly. He serves as the custodian of all records, assets and finances of the association.

5. Manager

(a) Manner of selection. He is appointed by the Board of Directors. He may or may not be a member of the Board but must be a member of the association.

(b) Functions. He is responsible for the business affairs of the association. He prepares the annual budget in coordination with the program of activities approved by the Board of Directors. Concurrently, he serves as chairman of the Finance and Development Committee.

3. Committees. The association has three standing committees composed of three members each. These committees are:

1. Education and Training Committee

This consists of three members with the Vice-President automatically serving as the chairman. Two members are appointed by the Board of Directors during its first meeting. The committee members are members of the association.

Functions. The Education and Training Committee promotes cooperative education among members and non-members. It also handles the educational or informational aspect of the Cooperatives Development Program. The committee prepares an annual program of cooperative education in coordination with the President.

2. Finance and Development Committee

Two members of this three-man committee are elected from and by the general assembly during the organizational meeting. The manager serves as the chairman.

Functions. The committee plans and implements a savings campaign and other fund-raising projects. It coordinates with the Education and Training Committee as may be necessary and spearheads the conversion of the association to, or into alliance with, a full-fledged cooperative.

3. Audit and Inventory Committee

Two members of this three-man committee are elected from and by the general assembly during the organizational meeting. The auditor automatically serves as the chairman.

Functions. The committee is primarily responsible for auditing the association's books of accounts and for the cash

counting of all funds in the custody of all accountable members and officers such as the secretary-treasurer. The committee also undertakes a quarterly inventory of the physical assets of the association.

SAMAHANG NAYON DEVELOPMENT PROCESS

In the light of the Samahang Nayon objectives, the SN program is designed to undertake three development processes: education, savings, and discipline. These are "tuning-up" activities for the Samahang Nayon to effectively engage in the cooperative system.

a. Educational process. Members of the Samahang Nayon undergo a total of 60 weeks of educational program. During its organizational phase, the members take eight major lessons under the pre-membership education program. They are as follows:⁷

1. Agrarian Reform and Cooperatives
2. Beginnings, Nature, and Philosophy of Cooperative Organizations
3. Cooperative Principles and Practices
4. The Barangay Association I: Rationale, Characteristics, Objectives and Functions
5. The Barangay Association II: Structure, Steps in Organizing, Requirements, and Procedures for Registration
6. The Barangay Association III: Organizational Documents
7. The Barangay Association IV: Operating Policies and Procedures
8. Factors for the Success of the Barangay Association

⁷Cooperatives Development Program (Phase I) Instructor's Manual for Volunteer Barrio Workers, DLGCD, Quezon City, December, 1972.

In its developmental phase, the first course on management is given to the officers. Conducted over a period of 10 weeks, this course consists of 20 lessons designed to develop among the officers the knowledge, skills and attitudes necessary for intelligent leadership and effective management of the Samahang Nayan.

The second course is the technical agriculture training for all members. It consists of 20 lessons conducted over a period of 20 weeks in such subjects as, use of pesticides and fertilizers, poultry, piggery, vegetable production, credit financing, and specific subjects on improved farming practices. These lessons are accompanied by actual demonstration projects conducted on the farms of the members.

The next course is product specialization. Given to all members, the course consists of eight lessons along certain special skills relevant to the needs and requirements of particular areas. Product specialization refers to products other than rice and corn such as livestock production, vegetable production or cottage industry.

The last course is an abridged management training for all members. Conducted for a period of 12 weeks, it consists of the following lessons:⁸

1. Overview of Phase II
2. Functions of Officers and Committees
3. Problem-analysis
4. Decision-making

⁸Cooperatives Development Program (Phase II) Management Training Manual, DLGCD, Quezon City, May, 1973, pp. 91-92.

5. Expanding Membership
6. Savings Program
7. Barangay Guarantee Fund
8. Recourse Procedures
9. Farm Management Take-Over
10. Katipunan or Federation of Samahang Nayon
11. The Samahang Nayon in the Kilusang Bayan
12. How to conduct Board and Assembly Meeting

When a member has satisfactorily completed all the lessons in the organizational and developmental phases of the Samahang Nayon, he is given a "diploma" by the Ministry of Education and Culture.

The educational scheme is reinforced by printed materials such as leaflets, posters, and manuals in the vernacular and by radio programs such as jingles, slogans, drama spots, and school-on-the-air lessons.

b. Capital formation process. The savings program of the Samahang Nayon is an attempt to generate production financing from local sources. In the past several decades, the government successively launched one program after the other, each geared toward helping the farmer acquire low-cost credit and a package deal of technical assistance in modern farm technology. Introduction of high yielding and pest-resistant varieties, and multi-cropping techniques have undoubtedly contributed in increasing the income of farmers. The increase in income which enhanced the farmer's capacity to save, failed to develop the propensity to save by way of replacing external finance with internally

generated capital. Hence, while the government and other institutional lending agencies were channeling millions of pesos into the mainstream of agricultural production, very little, if any, was generated in the form of savings by the loan beneficiaries.

The barangay savings program is tailored to strengthen the local capital base for the farmer's economy. As a rule, all members of the Samahang Nayon must pledge to participate in the planned savings activities. Savings generated through the Samahang Nayon are administered by the association through two major funds: the barangay savings fund (BSF) and the barangay guarantee fund (BGF).

The barangay savings fund is generated by saving five percent of all production loans taken by a member from financing institutions (In 1974, the 5% deduction was reduced to 3%). If a member is non-borrowing, he saves at least five pesos a month. All these are placed in the barangay savings fund in the name of the Samahang Nayon for the account of the members.

The barangay savings fund can be used by the SN for the purchase of shares of stock of existing rural banks or for the establishment of their own cooperative rural banks. It may be utilized for other purposes only upon prior approval of the Bureau of Cooperatives Development.

The barangay guarantee fund is a social fund. It is raised through the member's contributions of one cavan of palay per hectare per harvest or its equivalent in other products or in cash. This fund may be used by the Samahang Nayon: (1) to

guarantee land amortization of its members under the agrarian reform program; (2) to provide modest social security for its members in the form of life insurance; (3) to capitalize their full-fledged marketing cooperatives; (4) to guarantee production loans; and (5) to provide other social services needed by the members.

These two funds are continuing. As long as one is a member of the Samahang Nasyon, he is obliged to contribute to these funds. To safeguard these funds, they are required to be deposited in official depository banks of the Samahang Nasyon. They are not withdrawable from the depository bank unless prior authority is given to the Samahang Nasyon by the Bureau of Cooperatives Development.

c. Disciplinary process. Through the theoretical and practical cooperative educational process, the members are expected to develop the capacity to interact in a group and develop a strong sense of discipline. Manifestations of the acceptance and development of discipline in the SN calculated to provide the underpinning for cooperative activities and the greater task of community building are: The exercise in self-government where decision-making is vested in the membership under the concept that the will of the majority shall prevail; the fulfillment of certain obligations such as payment of land amortizations and contributions to the savings program; active participation in the affairs of the Samahang Nasyon; compliance with the internal and external rules of the organization; and adoptions of improved

farming techniques.

If a member does not have self-discipline, the Samahang Nayon has the power to discipline him. Thus, if a member defaults in any of his major obligations, the SN has the power to take over his farm. Repeated and unjustified defaults shall mean the expulsion of the member with automatic loss of any certificate of land transfer he may have acquired through the agrarian reform program.

By virtue of the Samahang Nayon By-laws and Membership Agreement, the members have empowered their association to take disciplinary measures against them for violation of the terms and conditions of membership.

Specifically, the Samahang Nayon is empowered to:

1. Impose a fine of ₱2.00 unless excused by the Board of Directors for failure to attend meetings, conferences and seminars and/or pay required annual dues and assessment on time. In case of fines imposed, a one percent interest per month is levied until it is fully paid. The unpaid amount is also deductible from the proceeds of sales of the members' produce.

2. Take over the management of a member's farm for failure to contribute to the Barangay Guarantee Fund and Savings Fund; adopt improved farm practices; or pay land amortization due.

In case of farm management take-over, the Board shall designate officers or members of the SN to manage the farm of an erring member from land preparation to marketing of produce. All operating expenses, including 10 percent of the gross harvest

will be collected from the farm owner. These are deducted from the proceeds of the sale of the produce including outstanding obligations that are payable to the Samahang Nayon or to other institutions. Any surplus will be turned over to the member.

3. Expel a member from the Samahang Nayon for continued failure to adopt improved or prescribed farming practices for two cropping seasons; continued failure to pay land amortizations; and continued failure to pay contributions to the Barangay Savings Fund and Barangay Guarantee Fund.

In cases of suspension and expulsion from membership, the decisions of the Board are final. Decisions are reversible only if appeals are made to the general assembly and are found to be unreasonable by the general assembly.

For failure to comply with the provisions of the By-laws of the Samahang Nayon, policies set by the Board of Directors and acts of duly constituted authorities, a member may be fined, suspended or expelled from membership, or his farm managed by the Samahang Nayon, depending on the gravity of his offense.

IMPACT OF THE SAMAHANG NAYON DEVELOPMENT PROGRAM ON MEMBERSHIP

This section of the report examined the impacts of Samahang Nayon on membership through examination of the performance of members and non-members in key socio-economic measures. Evaluations were based on statistical tables available from a continuing study of Samahang Nayon conducted by the Agricultural Credit

and Cooperative Institute, University of the Philippines at Los Banos. The study was designed to document and generate feedback on the program objectives as well as the implementation experiences of the program. The socio-economic characteristics of 450 prospective members of Samahang Nayon were recorded in 1972 when the program was started. Similar characteristics were also determined for a control group randomly selected from among farmers not intending or expected to become Samahang Nayon members.

TENURE STATUS

The old concept of land ownership had spawned valid and legitimate grievances that gave rise to violent conflicts and social tensions. Varied decrees and laws were issued to solve disputes over land ownership and to regulate tenant-landlord relationships so as to strengthen the security of tenure. However, the failure to attain land tenure improvements may be attributed to a lack of understanding and appreciation of practical difficulties in the transfer of land ownership, and to the persistent opposition of land owners to any changes in the land tenure patterns.⁹

On September 21, 1972, Presidential Decree No. 2 was issued proclaiming the entire country as a land reform area. This was followed by P. D. No. 27, otherwise known as the Tennant

⁹Dalisay, A. M., Agricultural Policy in the Light of Development Performance. Paper presented at the Philippine Association of Graduate Education Convention, National Teachers College, November 18, 1966.

Emancipation Decree which was issued on October 21, 1972. Through this presidential decree, tenants were given an option to purchase the land they tilled at an independently determined price. It was also envisioned that tenants be provided assistance to improve their farming methods, to give them loans for the purchase of farm implements and fertilizers, and to settle their legal problems so that they can make productive use of the land.

In 1972, the most prevalent tenure arrangement was share tenancy both among SN members (43 percent) and non-members (49 percent). Owner-operator status was also more common among non-members than among members.

Forty percent of members and non-members were owner-operators, part-owners, or amortizing owners in 1972. In 1976, 52 percent of members and 48 percent of non-members were owner-operators, part-owners, or amortizing owners. After four years of land reform, share tenancy among SN members declined from 43 percent to 20 percent and more part-owners emerged. Of the 80 percent of members who have opted for a change in tenure status, more than one-fifth became part-owners; less than one-fifth shifted to leasehold; and the rest either turned or remained owner-operators, amortizing owners, and others.*

Shifting to the above mentioned tenure categories may give the farmer-members the incentive to produce more and enjoy the

* Amortizing lessee, owner-non-operator, and lessee share.

benefits of their additional efforts. Although past studies have not established any real difference in productivity among the different tenure groups, it has been often regarded that the existing land tenure system in the Philippines is a barrier to agricultural development.

VALUE OF FARM RESOURCES

The comparative value of farm resources in general reveal a considerable increase from 1972 to 1976.¹⁰ All respondents reported farm resources valued at an average of ₱12,857.00 in 1972, increasing to ₱16,555.00 in 1976. In the earlier year, 43 percent of the respondents had farm resources valued at ₱5,000.00 or less with an average for this group of only ₱2,725.00. In 1976 only 23 percent had resource value of less than ₱5,000.00.

Samahang Nayon members controlled more resources per farm in 1972 than non-members. Average member resources in 1972 was ₱13,948.00 in contrast to ₱9,008.00 for non-members. However, the average value of farm resources of non-members increased by 66.1 percent between 1972 and 1976 and for members by 22.2 percent resulting in average value for members in 1976 of ₱17,049.00 and for non-members of ₱14,962.00.

¹⁰Where peso values are used in this section to compare financial status of respondents in 1972 and 1976, values are taken directly from tables presented by Muere et al, (14). The extent to which adjustments have been made for price level changes is not known, however, it is assumed that all data (member and non-member) are treated alike, hence relative rates of change (e.g. member vs. non-member) are relevant.

FARM AREA, PRODUCTION AND PRODUCTIVITY

Total productivity of the "National Agricultural Plant" as represented by the sample farms and the resources they are able to command is one concern in analyzing the farm business. The second is productivity per unit of resource input (hectare, peso of capital, laborer, etc.).

Total Farm Size. The farm, a physical resource of known boundaries, measured in terms of hectarage influences the opportunities for securing capital resources and using better methods, tools and equipment. It is a property that can be manipulated/regulated depending upon the prevailing conditions in the locality. In 1972, 51 percent of the farmer-respondents had a total farm size of 0.76 hectare and below with an average for this farm size group of only 0.50 hectare. In 1976, 14 percent had a total farm size of 0.76 and below.

Between 1972 and 1976, total farm size for members increased by 0.31 hectare on the average as against 0.03 hectare for non-members. Members experiencing positive change increased farm size by 57.5 percent. On the other hand, a 22.3 percent increase was noted for non-members. Decrease in farm size where decrease occurred was greater among non-members than members.

Total Area Planted. Farm size is meaningless if it cannot generate more income by planting crop or combination of crops in succession. Therefore, the aggregate area planted per year is far more important than the actual physical dimension of the farm. There was a general decline in the utilization of farms between

1972 and 1976 on all size ranges of total area planted. Number of hectares planted by farmer-respondents ranged from 0.76 hectare to 4.5 hectares per year.

On the average, total area planted by members declined from 3.76 hectares in 1972 to 3.53 hectares in 1976. For non-members, total area utilization declined from 3.39 hectares to 3.34. For all respondents, average cropping intensity declined from 145 percent of total area (1972) to 125 percent (1976). Natural disasters like flood and insect infestations may have caused such a decline.

Area Planted to First Crop Rice. The pattern of rice cropping in the Philippines is generally divided into first and second crops which correspond to the wet and dry seasons, depending upon the region. A third crop is also feasible especially in areas where irrigation is properly regulated and used. Moreover, research institutions such as the International Rice Research Institute (IRRI) have developed short-maturing varieties that permit three croppings a year. Unfortunately, only two farmers were able to take advantage of the third crop possibilities.

For all respondents, the average area planted to first crop rice decreased between 1972 and 1976 by about 0.20 hectare. Only those planting 1.51 hectares and below planted the same area to first crop rice in 1976 as in 1972. The largest decrease in area planted occurred with those planting 3.01 hectares and above. There was a 37 percent drop from 1972 to 1976 in area planted to first crop rice by those with 3.01 hectares or more.

For respondents who increased or decreased area planted to first crop rice, members exceeded non-members in average size of positive shifts while the average size of negative shifts was the same for members as for non-members. There was only a very slight edge for members over the non-member in area planted to first crop rice in 1972. By 1976, the average area planted by members and non-members equalized at 1.75 hectares.

Total Production of First Crop Rice. Area planted alone cannot reflect the performance of farming. Far more important is the amount of output produced. Positive changes in total production were larger than negative ones for both members and non-members. The rate of production per hectare increased by 20.3 percent for members and 18.3 percent for non-members. On the average, non-members registered higher positive changes than members.

Production of Second Crop Rice. Both members and non-members increased second crop rice production through increased yield and increased area. Between 1972 and 1976, positive changes in total production of second crop rice were greater for members than non-members; however, members' negative change (39.5 percent) surpassed that of non-members by 5 percent. On the other hand, non-members increased yield more than members (10.4 cavans per hectare vs. 7.6 cavans per hectare); and areas only slightly more (0.06 hectare vs. 0.05 hectare).

Data relative to rice production indicate very few differences between members and non-members in 1972 or 1976 in area planted,

production or productivity. This is an unexpected result because (1) the target clientele for SN development would be expected to reflect lower productivity and fewer resources among members than non-members at least in 1972 and (2) since SN is the most important mechanism through which government channels its development programs, one would expect productivity increases to be greater among members than non-members. Neither conditions is reflected in these data.

Total Area Planted to Corn. Corn is also a major crop grown by the farmer-respondents. Reduction was noted in the average area planted to corn among SN members from 2.39 hectares in 1972 to 1.46 hectares in 1976 while non-members reduced average area planted to corn between 1972 and 1976 from 2.20 hectares to 2.18 hectares. Combined, the two groups produced corn on an average area of 2.33 hectares in 1972 declining to 1.63 hectares in 1976.

Despite the decline in the area planted to corn, members' positive change in total production was larger than negative change. This change might have been attributed to improvement in technology as in the use of high-yielding variety. The same is true for non-members but the negative shifts of non-members were larger than that of the Samahang Nayan members.

Total Area Planted to Other Crops. Farmers are not confined to growing rice and corn. There were some enterprising farmers who raised coconut, sugarcane, maintained orchards and others either alone or in combination with other crops. Although this provided an additional source of income for the family, few farmers

25 percent in 1972 and 43 percent in 1976, actually utilized a part or the whole of their farm for other crops.

Despite the increase in the number of farmers planting other crops between 1972 and 1976, the average area per farmer in 1976 dropped by 0.41 hectare based on the 1972 date. Members reduced average area in other crops by 0.19 hectare and non-members by 0.98 hectare.

VALUE OF PRODUCTION, OPERATOR'S SHARE
COMMERCIALIZATION, AND FARM EARNINGS

Total value of Production for Other Crops. Between 1972 and 1976, the average area devoted to other crops declined from 1.85 hectares to 1.44 hectares. For all respondents, the total value of other crops decreased from ₱1,149.00 in 1972 to ₱1,106.00 in 1976. However, non-members' value of total production of other crops increased on the average from ₱805.00 per hectare (1972) to ₱1,207.00 per hectare (1976). On the other hand, SN members' average total value of other crops declined from ₱1,275.00 to ₱1,079.00 per member. The preferential treatment of the SN program towards rice and corn farmers possibly influenced the result. For the members, growing other crops becomes a secondary or minor farm activity.

Total Crop Production Value. More important than farm size, a land-use intensity is the productive efficiency of the land. Apparently, few farmers were not able to retain the productivity level based on 1972. These are the farmer-respondents falling under total crop value ranges, (1) below ₱1001 to

₱2,000 and (2) ₱7,001 to ₱8,000.

In terms of increases in average total value of crops per farm (1972 and 1976), non-members increased ₱701.00 in contrast to ₱555.00 for members. This simply indicates that total value of crop production per farm had improved despite the decrease in area planted. Average value of crops produced by members in 1976 was ₱4,087.00 and for non-members, ₱3,378.00.

Value of Operator's Share. One of the primary objectives of the agrarian reform program is to ensure an equitable distribution of the produce and income derived from the farm. A justifiable tenure arrangement is one where both the tenant and the landlord receive returns in direct proportion to the contributions to the cost of production. The reward for a share tenant's efforts comes when his share either in cash or in kind is apportioned to him. For all tenant operators, operator's share increased from 57.8 percent in 1972 to 63.4 percent in 1976.

There was a faster rate of increase in value of operator's share for non-members than for members between 1972 and 1976. For non-members the operators earning increased by 32.8 percent between 1972 and 1976. For SN members the increase was 21.3 percent. This result is influenced by the landlord's ability to promptly supply the credit needs of the farmer. Members garnered higher average earnings than non-members in 1972 and 1976 but farm earnings increased at a slower rate. Benefit from SN membership is enhanced when the landlord fails to finance the farm expenditures because membership makes a liberal form

of financing available to the tenant.

Commercialization. The amount of goods that went into the market between 1972 and 1976 from all respondents increased from 30 to 32 percent of production. In 1976, members sold 33 percent and non-members, 28 percent. Many subsistence farmers in 1972 were still operating their farms on the same level in 1976. More than one-half of all respondents had increased marketable surplus between 1972 and 1976. In contrast, one-fourth of all farmers having attained commercialized status in 1972 dropped to subsistence by 1976.

As revealed in the study, members increased the amount of products sold more than their non-member counterparts between 1972 and 1976. A change towards semi to highly commercialized farming activities was noted for both members and non-members. On the average, there was not much difference between members and non-members in the market orientation for their products. Both groups were partly commercializing the farming operations.

The degree of commercialization depends so much on the size of the enterprise which depends on the characteristics of agriculture in the area. Commercialization is affected by whether farming is multicrop, single crop or crop and livestock. Pre-existing tenure structure, educational level of the operators, their farming expertise and the amount of working capital available also affect degree of commercialization.¹⁰

¹⁰ Claudio Barriga, "Management in Cooperative Farming", R.P. No. 54 USISSN 0084-0815, (Unpublished Ph.D. dissertation), September, 1973, p. 22.

Net Farm Earnings. One of the various measures of farming performance is net farm earnings. Between 1972 and 1976, average net farm earnings increased by 12.4 percent for non-members and only 5.3 percent for members. For all respondents, net farm earnings increased by 6.4 percent on the average. As to the average change in net farm earnings for respondents reporting increase, members registered a higher positive change than non-members.

For those respondents who had negative farm earnings in 1972 and 1976, average losses were reduced by one-half for non-members while losses of members increased by 40.6 percent. It may be that those members incurring losses were wanting in many farm resources vital in increasing farm income, while non-members had reduced such difficulties to its minimum because of the landlord's participation in the farm business.

INCOME AND EXPENDITURES

Some measures of income and expenditures that may indicate the well-being of the farmers and their families, the intensity of cultivation, level of technology applied and rate of capital formation were analyzed under this section.

Total Farm Income. This refers to the aggregate earnings from the farm. It also indicates the adoptive potential and financial capability of farming households. Eighty-four percent of the respondents had positive changes in income from an average of ₱1,643.00 in 1972 to ₱1,828.00 in 1976. There is not much

distinction between non-members and members except that the average amount of change in farm income is slightly greater for SN members. On the average, farm income for members increased by 11.47 percent and 10.36 percent for non-members.

Off-Farm Income. This refers to the earnings from agriculture other than the income derived from the operation of the respondent's own farm. There was a tendency for average off-farm income to increase especially for non-members which was more than doubled in 1976 over 1972 income than members in cases where reduced off-farm income occurred.

Non-Farm Income. As the term implies, non-farm income is earnings from non-farm pursuits or occupations. Members and non-members combined had an average increase in non-farm income from ₱1,754.00 to ₱2,252.00 (1972 and 1976). Non-farm income for members and non-members increased by 26.6 percent and 33.1 percent, respectively.

Family Income. Fifty-four percent of the respondents had greater than 100 percent increase in family income. On the average, increase in family income was greater for SN members than non-members between 1972 and 1976.

The data showed a marked average positive change in all the aforementioned income measures for both SN members and non-members.

Net Household Capital Formation. Gross family income less family living expenses indicates the capacity of the family to save. It depends upon a number of factors such as number of

dependents, family budget, and goals and aspirations which provide incentives to save. Like farm income or any other income measures, there are four categories of change identified (1972-1976), namely: positive to positive (23 percent); positive to negative (18 percent); negative to positive (28 percent); and negative to negative (31 percent). Positive categories were greater on the non-members while negative categories were on the SN members, indicating greater capacity to save in 1976 than in 1972 for non-members and reduced capacity for members.

MARKETING

A more efficient marketing system aimed at minimizing the price margins is of paramount importance for farmers to receive better prices for their produce. In response to the farmers' needs of a more efficient marketing system and of subsequent assistance accompanying the adoption of HYVs, the government instituted a system to answer such needs. In addition, a stated objective of the Samahang Nayan development program is to organize marketing of produce for the farmers to obtain "fairer" prices, especially for rice and corn.

Rice Marketing. For both years (1972 and 1976), the local traders were the most patronized market outlet for rice by the respondents, but a decrease in the importance of this outlet occurred. About 85 percent of all respondents had primary reliance on local traders in 1972 compared with 68 percent in 1976.

The above change occurred with both the SN members and the non-members. The shift was to the institutionalized outlets, primarily to the National Grains Authority (NGA). The Farmers Cooperative Marketing Association (FaCoMa) whose organization even predated the NGA was not a popular outlet. The FaCoMa registered a decrease in use by the respondents between 1972 and 1976.

The type of transportation used for rice marketing was dominated by jeeps and trucks for both years. Other means of transport employed by the respondents were carts, sleds and man-carry. When the buyer provided the transportation, in most cases he utilized his own jeep or truck. If the farmer delivered his produce to the buyer, public transportation was the usual means.

As regards the delivery of rice, the noted increase in the percentages of the members delivering their produce to an assembly point and concurrent decrease of those who delivered to buyer could be attributed partly to the organized marketing activities of the Samahang Nayon. A comparable shift did not occur for non-members.

Corn Marketing. Similar to rice marketing, the local traders dominated the marketing of corn for both SN members and non-members for both 1972 and 1976. There was a slight decrease in sale to local traders by members from 1972 to 1976 while an increase was posted by the non-members in sale to local traders. It is important to note that in the earlier year not one of the

respondents in either group sold to the NGA/RCA while in 1976 considerable numbers of members and non-members alike sold to this marketing institution.

In 1972, corn was transported by jeep by the buyers who purchased from members at the farm gate. Man-carry was used by the majority of non-members to deliver their produce to the buyers. In 1976, the members who delivered their own produce used varied transportation means such as trucks, carts/sleds and jeeps when delivering their produce to the buyer, while the majority of the non-members' produce was picked up by the buyer at the roadside.

Group Action in Marketing.¹¹ Confronted with a problematic situation, the solution of which could be most practically resolved through group action, the respondents were asked a question related to marketing of their produce to determine their inclination as to what course of action they would follow if an unfavorable marketing situation prevails. Responses varying from individual to group action were elicited as to what is the first thing to do, if there is only one buyer of palay in the barangay offering a price lower than the prevailing price. Alternative courses of action elicited with most members in 1974 consist of individual rational decisions e.g., to stock palay and wait for better prices, individually look for another buyer, and a group action;

¹¹The first survey concerning attitudes toward group action and other sociological parameters was first conducted in 1974 and repeated in 1976, hence, for certain data relating to sociological responses, 1974 is the base year instead of 1972.

and there was a remarkable decrease in preference for group action.

Group action to contact outside buyers (28 percent) and "hoarding" (26 percent) were the most favored courses of action of the members in 1974. Predominance of individualistic courses of action such as hoarding and looking for another buyer were reflected by most of the members as well as non-members in 1976. The individualistic tendency indicates that the Samahang Nayon has not been successful in effecting the organized marketing system for its members.

CREDIT

The introduction of high-yielding varieties of rice with the accompanying package of technology considerably increased the capital requirement in farming. This has been brought about by the necessary application of costly inputs such as fertilizers, chemicals and seeds in addition to the labor intensive cultural requirement of the crop needed to attain its high-yielding potential. Beset with these problems, the farmers could hardly finance their farm enterprises such that the government instituted measures to aid and stimulate farmers to adopt agricultural innovations in order to achieve the national goal of self-sufficiency in rice. One of such measures is the liberalized credit program to assist farmers in acquiring the needed inputs for better production. Under this program several lending institutions have been mobilized to participate.

Sources of Credit. In 1972, the respondents obtained credit mostly from relatives and/or friends, rural banks, landlords and professional money-lenders (Table 1). After four years, most availed of credit from the rural banks, the Philippine National Bank (PNB), and still a considerable number from relatives/friends. Obviously, the shift is towards the institutionalized sources but it should be noted that relatives/friends still occupied an important role in the total picture. Sixty-two percent borrowed from non-institutional sources in 1972 while only 33 percent did in 1976. However, there was a favorable shift towards the institutionalized sources between 1972 and 1976. It may be accounted for by the liberalized credit assistance of the government. On the other hand, tradition and convenience contributed to continued use of private credit sources.

There was no obvious difference as to the sources of credit of the SN members and non-members or in the shift of sources between 1972 and 1976, except that a larger percent of the non-members than members increased use of other institutionalized sources in 1976.

Amount Borrowed. The average amount of loan of the respondents in 1976 (₱1,325.00) was about tripled that of 1972 (₱530.00). During the earlier year, the SN members had slightly larger loans on the average than non-members, however, the situation was reversed in 1976. Increases in amount borrowed in 1976 for both non-members and SN members were 50.4 percent and 34.7 percent, respectively.

Uses of Loans. Farm operating expenses was the primary use of loans for both years but the percentage of respondents who utilized loans for this purpose decreased in 1976. Family living expenses was another considerable use of loans for 1972 and 1976 and the change behaved like that of the former. .

The trend of changes in the use of loans for the members and non-members was similar except that the former showed increasing emphasis for educational purposes while the latter behaved in the opposite. Also, for other purposes such as fiesta, wedding, and other family affairs, percentages of the members decreased while a slight increase can be noted from non-members.

Repayment Performance. Comparison of the repayment performance of the respondents in 1972 and 1976 shows that the majority (53 percent) were able to settle their account during the earlier year while there was a noticeable decrease to 37 percent in 1976. Conversely, those with zero repayment increased from 27 to 36 percent. The rest had partial repayment status.

Natural calamities, pests and diseases and other factors beyond control might have affected adversely the repayment performance of the respondents and the re-channeling of credit to activities having longer gestation period such as education; and farm investment may also have affected repayment performance.

Varied responses were elicited as to what is the first thing the respondents do in case a financing institution refuses to grant loans for farming operations. In 1974, most of the

Table 1. Sources of Credit and SN Membership

SOURCES OF CREDIT	SN MEMBERSHIP					
	Member		Non-Member		Total	
	1972	1976	1972	1976	1972	1976
	<u>In Percent</u>					
Farmers Cooperative Mar- keting Association/ Agricultural Credit Administration	12	4	9	1	11	3
Rural Banks	21	39	17	23	20	36
Philippine National Bank	2	27	3	29	2	27
Development Bank (Philippines)	2	-	1	1	2	*
Credit Unions	2	1	1	-	2	1
Other Institutionalized Credit Source	1	1	2	10	1	3
Landlord	12	3	12	4	12	3
Merchant	7	2	7	7	7	3
Professional Money Lender	12	8	19	8	13	8
Relatives and/or Friends	27	11	25	10	27	11
Other non-institutionalized Credit Source	2	4	4	7	3	5
TOTAL	100	100	100	100	100	100
TOTAL N	369	280	96	73	465	353

* Less than 1%

responses favored group action while, in 1976, individualistic attitude prevailed. In both years considerable percentages of the respondents would borrow from private money-lenders with even an increase percentage in 1976.

Compared with the non-members, the SN members previously tended to act as a group but, in 1976, most tended to be more individualistic. Most of the former group had the tendency since 1974 to act individually to the situation. The general tendency towards individualism in solving a common problem implies a lack of cooperative orientation.

SOURCES OF INFORMATION

Major breakthroughs at research stations are normally channelled through several communication medias to reach the end-user at the earliest time possible. As more information is developed, more channels are required for immediate and widespread dissemination. The study reveals a different pattern of information sources depending upon the nature of the subject matter. Farmers in general sought the advice of the technicians except on SN matters and prices of rice and corn.

Government technicians other than Agricultural Extension technicians and rural banks were the two major sources of information by members and non-members alike on credit and production practices. The relative closeness of credit to adoption influence this result. It is also worthwhile mentioning that the services of the government technicians were tapped by members on a decreasing proportion in favor of rural banks. The same

held true for non-members.

On the modern rice and corn practices, radio was the most popular source of news or information. The dissemination of information about land reform was being carried out by the MLGCD government technicians and radio. There is logic to this because the Ministry of Local Government and Community Development is commissioned to assist farmers in their campaign for an equitable distribution of wealth. Usually, SN matters are taken care of by the MLGCD and SN officials to facilitate early adoption.

Members and non-members sought the counsel of government technicians other than the MLGCD extension workers about fertilizers and chemicals. They were usually the Bureau of Agricultural Extension farm management technicians. These technicians keep records of the farming operations of the farmer-cooperators. They are responsible for the analysis of information regarding the farm business. They prepare alternative plans in cooperation with the farmers and the members of the team. It is also their duty to advise the farmers on ways and means of marketing their products, and to recommend and expedite the use of institutional farm credit.¹²

Of 15 different sources of information about credit and modern rice and corn practices, government technicians other than those of MLGCD were the major source of information. Other subject matter areas made substantial shifts toward the use

¹²"The Farm and Home", The Rural Bankers, Dept. of Rural Banks, Central Bank of the Philippines, Vol. XIII, September-October, 1965, pp. 21-22.

of government technicians.

Radio is fast gaining popularity as a major source of information. A 45 percent increase in dependence on radio in 1976 was reported over that of 1974. The radio as a communication medium is encouraging. This system is advantageous considering the number of audiences it reaches. Nevertheless, it may work the other way around. The very low literacy rate among farmers greatly influenced the listening interpretation of the radio audience. It is therefore imperative for the radio management staff to tailor their radio programs to suit the learning level and actual information needs of the listeners.

DECISION-MAKING

All members within the household normally participate in decision-making. Everyone has to think of alternatives and courses of action to solve problems. There are cases when both husband and wife have to decide or when the husband or wife alone has to. There are also instances where other household members have to participate actively.

The wife handles the family cash as reported by 86 percent of respondent-families in 1974 and 91 percent in 1976. The wife is normally the family treasurer both among SN members and non-members. In the remaining cases, both husband and wife, or other household members were family cash holders.

In the repayment of loans, borrowing of funds for farm operations, and borrowing funds for household expenses, a

joint decision-making pattern existed (both husband and wife made the decisions). This had been the practice both in 1974 and in 1976.

In 1974, both husband and wife made the decisions with regard to joining an organization but in 1976, it was found that the husband decided more frequently than in the previous survey.

SOCIAL PARTICIPATION

The active and willing participation of the rural people in any rural action program determines its success. Agricultural development plans cannot be effectively implemented without the active support of the farmers, who will not be able to fully participate in the program unless they are well organized.¹² Communal projects such as bridges, roads, irrigation, and others need the participation of the people.

When asked how the respondents would participate if there would be a communal project in the barrio in which success depended upon the personal participation of family heads, the majority reported they would participate personally. Personal participation would be given by most members and non-members both in 1974 and in 1976. A few would just send substitutes or contributions and others were not concerned at all. There were more respondents who would participate personally in 1974 than in 1976.

¹²Yang, Y. K., "Farmers' Organizations in Taiwan", ASPAC, Extension Bulletin No. 9, September, 1971.

Although there was a 10 percent decrease of those who would participate personally in 1974, the majority of the respondents who would be sending substitutes or contributions would give personal participation in 1976. All the four respondents who in 1974 showed no interest would now participate personally which may mean the growing awareness of the rural people of their responsibilities as members of their respective communities.

Alternative reasons for their participation in community projects were presented by the respondents. Some of these were: (1) community benefits; (2) individual benefits; (3) good relations; (4) enjoy working together; (5) compulsory; and others. The primary reason indicated by the responses of both members and non-members both in 1974 and 1976 was the benefit the project can bring to the community. Only a few showed individualistic tendency. Good relations among the barangay people was one of those which were more frequently mentioned.

More than half of the respondents whose reasons were because of good relations, enjoyment in working together, and others would now participate for the community. Only two percent of those whose participation was for the community reverted to individualistic reasons.

BARANGAY PROBLEMS

The Philippines is basically an agricultural country and the majority of its population lives in the rural areas. The major occupation of the people is farming. Oftentimes, the rural

folks are plagued with problems affecting their farming activities. Solutions to problems such as lack of irrigation, high cost of inputs, low price of produce, poor market outlet, shortage of production credit, inequitable tenancy conditions, and poor transportation facilities have to be minimized if agricultural productivity is to reach its potential.

Most respondents indicated that lack of irrigation was the most pressing problem in the community both in 1974 and in 1976. Abundant water is required for irrigation purposes. Unless there is enough water, the farms cannot be made more productive. Lack of cooperation among the barangay people was also perceived as a pressing problem in 1974 but in 1976, limited job opportunities and lack of infrastructure prevailed over lack of cooperation.

The same of respondents cited different problems in different years (1974 and 1976) but more (47 percent) of those who considered lack of irrigation in 1974 stated the same in 1976. The least mentioned problem in both years and by both respondents was population explosion. Maybe the reason why barangay people do not consider having a large number of children as a problem is because each family needs more hands in their farming operations.

The majority of the respondents had the opinion that the Samahang Nayan could help them solve the pressing problems in the community. More SN members than non-members expressed positive opinions and this was expected of them for being members

of the association; they were more aware of what the Samahang Nayan could do for them.

For all respondents, there was a decrease (from 64 percent to 52 percent) on the positive responses on whether SN can help solve the pressing problems of the barangay between 1974 and 1976. On the other hand, a slight increase was registered on the negative and uncertain opinions.

A few (9 percent) of the respondents who had positive views in 1974 showed negative attitudes in 1976. Half of those who stated that the SN could not extend help expressed positive opinions in 1976. More of the respondents who in 1974 were uncertain and did not know whether the SN could help them gave positive responses in 1976.

Purchase of Fertilizers. In order to facilitate the widespread fertilizer application, it is important that fertilizers be made available at the time of need at the price low enough for the farmers to afford it. The scarcity of fertilizer was for sometime made by some unscrupulous dealers an instrument in the marketing of other chemicals on a tie-up basis. Farmers were required to purchase other chemicals to assure them of their fertilizer requirement. However, farmers reacted differently to situation of fertilizer dealers' refusal to sell the compound unless they would buy chemicals. There was a dramatic change from group action, resorting to substitute or they stopped applying fertilizer or just continued to buy

despite the fact that chemicals were not needed.

Samahang Nayon members in 1974 acted as a group in reporting the matter to proper authorities. This had changed by 1976 in favor of "cannot do anything, will continue to buy". This connotes that group action was rather weak to counteract the dealers' action. Non-members, in similar action, were buying from the dealer with the arrangement or they just stopped using fertilizer in 1976 as other alternatives for solving the problem were not available.

Forty percent of the respondents relied upon the government technician for advice on the use of fertilizer and/or chemicals. Zero dependence was reported for (1) barangay officials, (2) newspaper/printed media, (3) rice and corn dealer, (4) Area Marketing Cooperative (AMC), (5) National Grains Authority (NGA), (6) place of employment, and (7) informal gathering. Instead, they consulted the fertilizer/chemical dealers about their problem.

It has long been recognized that the attack of pests and diseases caused substantial damage to successful rice production. For an immediate answer to this drawback, the farmers were asked on the first thing to do in case the crop is infested with pests and diseases. There was an increasing dependence of the farmers on the expertise of the technician in helping them solve the problem. This was followed by applying what had been learned.

There was a decreasing usage of what had been learned in

favor of consulting technicians among the members. The reverse was true for non-members. The advice of the technician was critical in 1974. Through long exposure of the farmers, they were able to apply what had been learned by 1976 on their own. On the whole, however, the assistance of the technician was still vital to determine possible solution to existing problems.

DEVELOPMENT TRENDS AND PROSPECTS OF SAMAHANG NAYON

The Samahang Nayon plays a pivotal and generative role in countryside development in general and in the new cooperatives development program, in particular. By design, the SN is the initiation and preparation stage for more advanced forms of social and economic cooperation. On its development hinges the efficiency of the institutional components of the cooperative system.

The Samahang Nayon program exhibits impressive achievements in terms of SN membership and fund collection, as gleaned from the Bureau of Cooperatives Development annual reports during fiscal years 1973-74, 1974-75, and 1975-76.

	<u>1973-74</u>	<u>1974-75</u>	<u>1975-76</u>
SN organized	10,709	17,193	19,708
Membership	583,851	771,711	935,956
SN registered	8,989	13,412	16,491
Membership	382,242	640,886	828,948
General Fund (GF) ₱	7,503,290.15	9,794,171.36	17,598,444.44
Barangay Savings Fund (BSF) ₱	2,662,619.15	12,128,171.36	25,179,975.82
Barangay Guarantee Fund (BGF) ₱	3,290,272.76	10,025,180.40	20,775,875.57
Total Collection	₱13,456,182.06	31,947,523.12	63,554,393.83

By and large, there are interesting indications about the program. Between 1973-74 and 1974-75, there was an increase in numbers of SNs organized (60.54 percent), and membership increased (67.66 percent). However, in 1975-76, the increase was toned down to 14.62 percent SNs organized and 22.95 percent SN registered with 21.28 percent and 29.34 percent membership, respectively. In terms of fund collection, the increase was more impressive during the first two years: General Fund, 25.44 percent; Barangay Savings Fund, 355.5 percent; and Barangay Guarantee Fund, 204.7 percent. During the third year, the increase was still high: GF, 110 percent; BSF, 107.6 percent; and BGF, 197.2 percent.

In the determination of the development trends and prospects of Samahang Nayon, six major indicators are considered, as follows:

1. The performance status of the SN Board of Directors and Committees;
2. The nature of the SN implementation of the compulsory savings program;
3. The SN patterns of completing the required Phase II courses.
4. The degree of the SN imposition of disciplinary measures to erring members;
5. The development of the SN recording and accounting system; and
6. The patterns of the SN membership expansion.

PERFORMANCE STATUS OF THE BOARD OF DIRECTORS AND COMMITTEES

The Board of Directors and the standing committees are the "management bodies" specifically created to carry out the SN's major functions. Their performance plays a critical role in the organization's growth and development. If these bodies would be inactive, the whole SN itself could not grow and prosper.

The proportions of SN with active boards of directors and committees has substantially declined from 1974-1975 to 1976-1977. Only about two-thirds of the registered SN in 1976-1977 had remained with an active Board of Directors (BD); about one-third had an active Education and Training Committee (ETC); and Finance and Development Committee (FDC). A little more than one-half had an active Audit and Inventory Committee (AIC).

The proportions of Samahang Nayons with active BD and ETC had really decreased, while the number of SN with active FDC and AIC had remained the same as in 1974-1975.

However, the whole situation is not really totally out of control and it will still be timely if remedial measures to offset the trend will be done at this point of the program.

The proportion of SN with active BD has been decreasing at a decreasing rate, while the proportions of those with active committees had started to increase from 1975-1976 to 1976-1977 after a sharp decrease from 1974-1975 to 1975-1976. Hence, some relatively inactive SN are on their way to recovery and all that is needed is proper guidance to let them recover completely.

It is worth mentioning that 54.5 percent of the SN with inactive BD in 1976-1977 had their Boards turning inactive only during that particular year. It means therefore, that more than one-half of the registered Samahang Nayons with inactive BD can easily be induced to become active with less efforts, if remedial measures to reactivate them can be effected immediately than if remedial action is delayed.

COMPLIANCE WITH PROGRAM REQUIREMENTS

After the official registration, the Samahang Nayon is required to comply strictly with three basic program requirements:

First, all the SNs are required to complete all the five courses prescribed in their Phase II (development stage) training program. These courses are: (1) The Management Training and Accounting Course for Officers (MTO); (2) Technical Training in Agriculture for Agricultural Counselors; (3) Technical Training in Agriculture for Members; (4) Product Specialization Course for Members; and (5) Management Training Course for Members (MTM). The first two courses were to be conducted by government technicians, while the remaining three courses were to be handled by the SN officers/agricultural counselors themselves.

Second, all the Samahang Nayons are required to implement the prescribed Barangay Savings Fund (BSF) and Barangay Guarantee Fund (BGF).

Third, through the theoretical and practical cooperative

educational process, the Samahang Nayon member is expected to develop the capacity to interact in a group and develop a strong sense of discipline.

Compliance with Phase II Courses. It cannot be denied that the SN compliance with the required phase II courses leaves much to be desired. Nevertheless, a good number of SN had been struggling hard to fulfill course requirement.

From 1975-1976 to 1976-1977, about 35 percent of the sample SNs had increased their number of phase II courses completed. The proportion of SN which completed three phase II courses in 1975-1976 increased by 15 percent in 1976-1977, while the proportion of those which completed four or five of the required courses, increased by 13.8 and 6.9 percent, respectively.

From the results of the SN study, it can be inferred that the Samahang Nayon were having a difficult time in completing the courses assigned to their agricultural counselors and officers. While 97.0 and 79.4 percent of the sample SNs completed the management training for officers and technical training in agriculture for agricultural counselors, respectively, only about 35 percent underwent the technical training in agriculture for members; 10.9 percent conducted their product specialization courses; and 49.8 percent had their management training for members. It may be recalled that the first two of the five required courses discussed above were to be administered by government technicians, while the last three were to be handled by the SN agricultural counselors and officers themselves.

These findings indicate that the scheme of letting the SN members be trained by people from their own ranks had not been very effective or had not been fully appreciated in the field. Perhaps, one reason for this is the insufficiency of training received by the agricultural counselors and officers in handling their assigned courses. Another explanation may be the lack of credibility among their co-members who all the while knew that they were trained hurriedly for only two weeks.

Compliance with Savings Program. The proportion of SN which implemented the required BGF and BSF steadily increased over the years. Their proportion rose from only a little greater than 30 percent in 1974-1975 to over 70 percent in 1976-1977. The bulk of new BGF and BSF implementors came from the group of SN which were not implementing any of the two aforementioned savings programs before.

These findings imply that the SN members were not really in total disagreement with the implementation to the savings program. It can be deduced that their hesitation to comply with the savings requirement during the initial stages of the program may be due to uncertainties as to where their savings would finally go. Consequently, it may now be claimed that the "wait-and-see" attitude of the SN members, which initially bogged down the implementation of the BGF and BSF programs has finally started to wane.

Corollary to the above findings, not only the proportion of SN which simultaneously implemented the BGF and BSF had

increased, but the average savings collection per SN, had increased as well. An average of ₱5,808.53 combined BGF and/or BSF collections had been realized per Samahang Nayon in 1976-1977, compared to only ₱1,820.55 per SN in 1974-1975.

In 1976-1977, those members who were contributing to either BGF or BSF only, increased their contributions by almost 38 percent; while those who were subscribing to both savings requirements increased their share by 128 percent. In absolute figures, an average of ₱28.99 per member had already been saved by those who were contributing to BGF only and ₱37.97 per member by those subscribing to BSF only. Contributors to both funds saved an average of ₱105.30 per member.

With respect to the members' actual contributions to BGF and/or BSF, it may be easily computed that the members had been continuously saving less than one-third of what is expected of them. This suggests one important thing, that is, the amount of contribution must be lowered. Otherwise, the majority if not all of the members would always be included in the saving delinquency list and forever be classified as erring members. In other words, although it may be assumed that the members appreciate the wisdom of the savings program, they are not in accord with the amount of savings required.

As regards the handling and safekeeping of the SN funds, while the fund collection increases, the proportion of SN with cash held on hand decreases. This means that the proportion of SN with cash in bank is steadily increasing.

Compliance with Imposition of Disciplinary Measures. Compared to the two major program requirements, the SN's compliance with the third, that is, the imposition of disciplinary measures to its erring members, leaves much to be desired.

Not only the proportion of SN with erring members, but also the proportion of those which are not implementing any disciplinary action against erring members, have significantly increased from 1974-1975 to 1976-1977.

Since the overt manifestation of the SN organizational discipline was closely linked with the members' compliance with their financial obligations, the above finding can be related to the earlier contention that there is a need to lower whatever financial contributions are expected of the members. One major implication is the possible effects of capital shortage on production resulting from the stiff financial requirements of the Samahang Nayon. This will only compound the savings problem as a result of low productivity due to capital shortage.

RECORDING AND ACCOUNTING SYSTEM

The importance of an adequate recording and accounting system in any organization needs no underscoring. It does not only serve as a means to evaluate the status of operation of a certain organization but more importantly it reflects the integrity as well as the efficiency of the people managing the affairs of the said organization. For these reasons, a systematic recording and accounting system is prescribed to be maintained by all the Samahang Nayons.

Since the SNs are generally not allowed to engage in business activities, the accounting system and the prescribed forms were prepared purposely to suit the nature of their ordinary savings and expense activities.

To closely monitor the SN financial condition, they are required (in appropriate transactions) to issue five major receipts and maintain six basic books of accounts.

The five prescribed receipts are as follows:

1. The official receipt for income (ORI)
2. Official receipt for payments (ORP)
3. Cash deposit slip (CDS)
4. Commodity deposit receipt (CMDR)
5. Commodity sales memo (CSM)

The ORI is issued when membership fees, annual dues and other income are received. The ORP serves as evidence for the payments made by the SN except for cash withdrawals from the Barangay Savings Fund and Barangay Guarantee Fund. The CDS is issued as evidence of having received cash for the savings program. In case commodities are delivered instead of cash the CMDR is issued, clearly indicating the quantity and quality delivered. And when the same commodity is sold, the CSM is used.

The six books of accounts are the following:

1. Cash Income and Payments Records (CIPR). This is the book of original entry where all transactions involving receipt of cash income are posted in the columns "cash income received". Expenses incurred or payments made are

likewise included in this record. They are posted under the column "cash payments made".

2. Cash Record of Savings Program (CRSP). Recorded here are all transactions involving receipt of cash deposits of members. Should withdrawals be made from the savings program, the withdrawal slips are recorded in the appropriate column.

3. General Record (GR). Other transactions other than cash, such as: donation in kind, memorandum entries regarding condition of bank accounts etc. are recorded here. Entries should always contain a brief explanation.

4. Commodity Deposits Record (CDR). Recorded in this book are contributions in kind of individual members for the Barangay Guarantee Fund.

5. General Summary Book (GSB). This is a book of final entry. Summaries of transaction by account, titles, and classifications found in other books are posted here. Initially, the accounts shall be grouped into: assets, liabilities, networth, income and expenses.

6. Member's Financial Record Book (MFRB). The amount collected from an individual member whether it be payment for annual dues, savings or contributions to the barangay guarantee fund is recorded here including the date of payment, deposit and withdrawal, the amount withdrawn and the remaining balance. A copy of this serves as the member's passbook.

The proportion of SN which had been issuing ORI, ORP and CDS increased from 1974-1975 to 1976-1977; while the proportion of those which had been issuing CMDR and CSM decreased. About 93 to 98 percent of the SN in 1976-1977 were already issuing ORI, ORP and CDS to members, compared to only about 63 to 77 percent in 1974-1975.

On the other hand, while a significant number of SN had been noted to issue the required receipts in 1976-1977, the majority of the SN still did not use the standard forms of receipts. About 53 to 78 percent of the registered sample SN were still issuing substitute forms of ORI, ORP, CDS, CMDR and CMS to their members. It is interesting to note, however, that the proportion of SN which issued the standard forms of receipts in 1976-1977 was significantly larger than those who did the same in 1974-1975.

With respect to the quality of receipts issued, the findings seem to suggest that more and more SN tend to ignore the quality of receipts being issued. The proportion of SN with the most adequately prepared receipts declined substantially from 1974-1975 to 1976-1977 while those with inadequately prepared ones correspondingly increased.

As regards the maintenance of books of accounts, the situation did not differ much from their preparation and issuance of the prescribed receipts. The proportion of SN which had maintained a book for CRSP, GR, GSB and MFRB increased from 1974-1975 to 1976-1977, while the proportion of those which had

maintained a book for CIPR and CDR decreased. However, worth mentioning is the observation that a smaller number of SN were generally maintaining the prescribed books of accounts than those which were issuing the prescribed receipts. Only about 35 percent of the sample SN were maintaining a GSB; around 48 percent were with GR; 53 percent, with CDR; and 68, 76 and 77 percent were keeping MFRB, CIPR and CRS, respectively.

Again, similar to the observations regarding the use and issuance of receipt, the SN generally were found to be using substitute forms of books of accounts. The only difference was that the proportion of SN using substitute forms of receipts was generally less than the proportion of SN which had been maintaining substitute books of accounts. About 62 to 87 percent of the SN in 1976-1977 were still using substitute forms of books of accounts.

Based on the foregoing findings, it can be safely assumed that a large proportion of the SN membership is now beginning to appreciate the value of a systematic recording and accounting system in their organization. There seems to be an urgent need however, to fully orient the secretary-treasurers on the proper way of accomplishing and/or maintaining the standard forms of receipts and books of accounts as prescribed. For a while, it may be better for an organization to have an incomplete and inaccurate recording and accounting system than none at all, but it must be emphasized that there is still no substitute for accurately prepared records.

MEMBERSHIP EXPANSION

One measure of organizational stability is the size of membership. On the premise that a wavering organization cannot hope to attract a large number of prospective members, the membership expansion activity was chosen as one indicator of Samahang Nayon stability.

The SN membership had been steadily expanding from 1974-1975 to 1976-1977. The average number of members per SN in 1974-1975 was 46. This increased to 55 in 1975-1976 and to 59.5 in 1976-1977. By percentage, the membership per SN increased by 19.6 percent between 1974-1975 and 1975-1976 and by 8.2 percent between 1975-1976 and 1976-1977. The proportion of SN with a minimum of 25 and 26-50 members decreased by 16.7 and 19.1 percent, respectively, while the proportion of those with membership sizes of 51-75; 76-100; and 101-125 increased by 43.7, 40.9 and 76.9 percent, respectively.

The ratio of rice and/or corn SN farmer-members to barangay farmers decreased from 36 percent in 1974-1975 to 34 percent in 1976-1977. Meanwhile, the ratio of other crop SN farmer-members to barangay farmers increased from 31 percent to 34 percent. The average rice and/or corn farmer-member per SN decreased from 59.5 in 1974-1975 to 56.9 in 1976-1977. On the other hand, the SN farmer-members planting other crops increased from an average of 31.7 to 44.5 per SN in the above mentioned years.

These findings indicate only one thing; that while the SN are gradually and definitely expanding, they are becoming

less and less attractive to those farmers who are the primary target of the program.

SUMMARY AND IMPLICATIONS

The Samahang Nayan Development Program of the Philippines is a comprehensive approach to economic development having principal thrusts in (1) land ownership redistribution; (2) development of marketing and farm supply services through the formation of pre-cooperative organizations at the barangay level; (3) improvement of farming methods and practices for increased productivity; (4) generation of agricultural credit from local sources along with improved institutional mechanisms for credit distribution, and (5) development of a "community" awareness and joint effort in solving community problems, including infrastructure deficiencies. The program is massive, involving multiple objectives with complicated interrelationships between Samahang Nayan objectives and those of other programs for rural improvement.

Impact on Members

The data on impacts of the program on members reviewed in this report reflect only a four year period from initiation of said program which is a very short period on which to base any conclusions regarding program performance and achievement. Secondly, because of communication obstacles and time constraints for completion of this report, it has not been possible to acquire as much detailed information about tabular data as

desirable. For example, the geographic distribution of samples of members or non-members is not known. Where data for 1972 and for 1976 are reported in Pesos, available information does not indicate whether or not peso values were adjusted for price level changes, hence no conclusions relative to magnitudes of change are possible. Only relative change in factors related to peso value can be appraised.

Two additional factors concerning the data lead to difficulty in drawing firm conclusions at this time. First, computation errors resulting in internal inconsistency in the tables are present.¹⁵ Second, statistical analysis of significance of comparative differences have not been made due to time constraint.

For these reasons, inferences drawn from the review of available information concerning the Samahang Nayan Development Program are hypotheses for further testing and verification and can in no way be interpreted as confirmed results. However, data review suggest certain hypotheses.

Data suggest that changes in socio-economic conditions were in the same general direction for non-members as well as members. This implies either that educational and other benefits enjoyed by the Samahang Nayan membership tend to be spread throughout communities, or that other conditions affecting all farmers were dominant in causing change over the four year period under consideration.

¹⁵For example, see Muere et al., Tables C5.13, C6.1 or D4.1.

The Samahang Nayon Development Program was initially launched to directly support the agrarian reform program which will eventually benefit the least prosperous farmers. The data in the tables reviewed in this report indicated that the agricultural resources controlled by non-members in 1972 on the average were less than the average for members.

The average income of non-members at the time of program inception was also less than that of members. This raises a question of why such a result should occur. One hypothesis is that a significant group of land tillers, many of whom control fewer agricultural resources than the average in a given community, prefer existing tenure arrangements, credit terms, and other farming input arrangements provided by the landlord to membership in a Samahang Nayon. It is also possible that certain sociological traits affect interest in membership. Level of educational attainment can be one of such characteristics.

Data on tenure suggest a faster movement away from a share-tenancy arrangement by members than by non-members. Also revealed by the tenure data is that members moved into ownership categories (owner-operator, part-owner or amortizing-owner) to a greater extent than non-members during the four year period 1972-1976. Both groups participated in the change. The shift to land ownership by SN members indicates exercise of the option to purchase land at an independently determined price but that the land reform Decree has not resulted in automatic or wholesale movement to land ownership even by Samahang Nayon members.

It may be argued that a slower transition is more desirable because it allows an orderly withdrawal of ownership capital provided by an absentee landlord group and less disruption in agricultural productivity than a sudden shift in tenure status would likely be. The option for the tiller to become the owner where lease conditions may otherwise become oppressive, hence improving the bargaining position of the lessee, may be the more significant program contribution to the welfare of farm operators.

Data relating to increase in value of farm resources, increase in average value of crops, and increase in net farm earnings all indicate that non-members fared better than members in the period 1972-76. At least two hypotheses concerning why this may have occurred are possible. First, emphasis on expansion of production of rice and corn has caused SN members to commit their resources to the production of these crops to an extent not consistent with market price relationships and hence, has lowered net farm earnings thus placing members at a disadvantage in achieving increases in net income. This hypothesis is supported by data on income from other crops (other than rice and corn) in which income of members decreased in 1976 relative to 1972 whereas income of non-members increased.

A second hypothesis is that the Samahang Nayan Development Program through its savings requirement fund programs (including BGF and BSF) have withdrawn operating capital from member farms to the extent that rates of increase in productivity have been reduced relative to non-members. This hypothesis is supported

by the data showing slower rates of increase in average resources per member-operators relative to non-members, in spite of a 10.7 percent increase in average farm area operated by members and a 1.02 percent increase in size of non-member farms between 1972 and 1976. Indicated size of operating capital drains for land purchase and savings programs do not suggest extremely serious drains as indicated in the amount saved for both funds, ₱105.30 per members. What is needed is more information concerning the relative productivity of these funds in alternative uses.

No apparent increases in productivity of Samahang Nayan members occurred relative to non-members as a result of technical assistance channelled through the program. Production and productivity changes for rice and corn were approximately the same for members as for non-members. This may reflect operating capital shortages on the part of members that made it difficult to apply better farming techniques. Or, it may reflect deficiencies in the ability of the data to measure changes in productivity over this short a time period.

The shift in sources of credit between 1972 and 1976, as shown in the tables concerning credit is a remarkable shift and indicates major success in bringing expanded institutional credit to the rural people.

Social Participation

Sociological characteristics for which the survey tables were examined related to attitudes toward group action and to

sources of technical information availed of by Samahang Nayon members. Members were less inclined to turn to group activity in solving market related problems in 1976 than in 1974. This is true both in the sale of produce and in the purchase of farm supplies. One might hypothesize that efforts to solve problems related to price bargaining, availability of supplies, and access to markets had not been as productive as anticipated in the early years of the program. If so, the development of area marketing cooperatives (AMC) in subsequent years may be slower than anticipated.

The opposite reaction to possible group action to provide community infrastructure is indicated by the survey data. Somewhat inconsistent with the result obtained was a decrease in numbers of respondents who were optimistic about the potential for the solution of barangay problems through group action. However, willingness to participate in community projects indicates recognition of some kind of benefit from community participation in efforts for community improvement.

Development Trends and Prospects

Number of organizations nearly doubled in the period 1974-1975 through 1976-77. This is impressive. Membership increased from 328 thousand to 829 thousand (about 2.6 times) and funds for the general fund and the savings fund increased from P13 million to P63 million (about 3.8 times). Membership growth occurred through increase in membership in registered SNs as well as through the establishment of new Samahang Nayons.

Survey data also indicate significant compliance with prescribed practices and procedures in carrying out organization and training aspects of the program. Where difficulty has apparently developed is in carrying out of prescribed procedures when responsibility rests with SN members and their elected officials. This suggests that the very rapid growth in organization has taxed very heavily the existing local leadership in providing the organizational and management talent required for thorough compliance with established policies for the associations. Continued assistance with management and organizational problems to sustain interest of members and to help assure success of existing associations would appear to be more immediate and critical element of further development than organization of more associations and rapid further increase in membership.

Apparently the Samahang Nayon has established its foothold in the countrysides and generated a number of benefits to the clientele. However, the program achievements are punctuated by the ambivalence of positive and negative indications of effectiveness and efficiency of Samahang Nayon as the pillar of the entire cooperative system. The leaps and drags of program implementation have led to the active-moribund duality among Samahang Nayons. In other words, the Samahang Nayon program has assumed varied faces of success, lukewarmness, and failure.

At the inception of the program, an array of promises and benefits were offered to the target clientele. However,

through the years of members' participation in the Samahang Nayan, their expectations were slowly suffocated by frustrations and apathy for only a trickle of the promises has come their way. The common sentiment aired by farmers is that the weight of obligations is felt onerous here and now, but the expected benefits are yet in the realm of becoming.

The comprehensive nature of rural development efforts undertaken through the Samahang Nayan Development Program and the central notion of target clientele as principal doers and generators of innovation creates a need for substantial promotion and encouragement. For sound, self-perpetuating, and growing associations, strong management and strong commitment are required. Continued development of sound local associations within the association and membership base that has already been created would appear to have priority over further rapid expansion.

SUGGESTED RESEARCH AREAS

Further Analyses of Available Data

Evaluation of data on impacts of the Samahang Nayan Development Program in this report barely begins an analysis of the data. The data need further checking and elimination of mathematical errors. Tables were discovered that were internally inconsistent to the extent that use of summary numbers likely have led to wrong conclusions. Comparative results of tables concerning similar topics lead to inconsistent or unlikely results. For example, a conclusion that members increased

average area per farm by 10.7 percent while non-members increased 1.02 percent may be inconsistent or unlikely to occur at the same time as average total farm resources increased substantially less for members than for non-members. For these events to occur simultaneously is not impossible but they may also be the result of mathematical error.

With verified data, tabular results should be subjected to significance testing to establish probabilities of results having occurred because of normal sampling differences. Chi square tests can accomplish this. With accurate data and statistically verified results, these data may be used to identify interrelationships among identified attributes of member groups as well as non-members. Magnitudes and rates of change can be further explored to expose achievements of the Samahang Nayon Development Program and characteristics or consequences which may suggest program modification. Correlation and regression techniques will be useful for such analysis.

Expansion of Base Data

Data on which tables prepared by Muere, et al. (14) are based reflect only two points in time (1972 and 1976 or 1974 and 1976) separated by only a brief period and occurring only shortly after the program was initiated. There are at least three reasons why existing base data do not constitute a reliable base for evaluation of Samahang Nayon. First, many results may be affected by random factors such as weather conditions or other factors external to program operations. For example, yield

changes or changes in area planted between 1972 and 1976 may be entirely a result of weather differences. Second, Samahang Nayon and related programs anticipate long-term changes in productivity and well-being of rural people. It is likely that many benefits lag successful program operation by a substantial number of years. Land ownership transfer may be such a program element. New owners may experience lower productivity due to capital rationing in early years after land purchase but in the longer run may be establishing a base for greater productivity and greater family prosperity. Third, the size and comprehensive nature of the program suggests a need for substantial time to become established. Four years is not a sufficient time.

However, examination of data in its present form has provided statistical evidence for identification of very relevant and meaningful hypotheses. Repeated surveys of the same population in the same format could provide data for valuable additional insights into the impacts of the Samahang Nayon Development Program.

Specific Issues

Several hypotheses have been indicated that warrant further study. Those hypotheses will be briefly expanded in this final section of the report. In each case more detailed information is required than is available from program base data surveys.

Management and Leadership Deficiencies

Facts reported in Muere's tables indicate major failure by managers and boards of directors in following prescribed

accounting and other management practices. A reasonable hypothesis is that the gap between prescription and practice can be greatly reduced through greater interaction and adjustment to productivity objectives by SN managers and directors and by SN program managers.

Procedure for examination of this hypothesis is to select from one to several case studies and examine carefully existing and alternative membership and management training programs and techniques along with analysis of experience in use of accounting forms and other management procedures to determine appropriateness on productivity grounds relative to alternative procedures.

The Samahang Nayan Development Program was conceived with a strong local base as the generator of innovation and leadership. The program has grown rapidly in quantitative parameters. Qualitative strengthening and further development of local leadership, helping to assure its success, is highly important to development of a continuing, self-generating program.

Rice and Corn Promotional Programs

Another hypothesis which warrants testing is that farm income of members would be higher if fewer resources were used for production of rice and corn and more resources were used for production of other crops.

Careful linear programming analysis using past prices of both inputs and outputs and labor availability could determine optimum net income from a given set of farm resources. However, given some degree of unpredictable change in output price

relationships over a production period, retrospective analysis would likely always produce estimates of higher income than actually would have occurred. It is also possible that greater year-to-year stability of income is preferred at the cost of slightly lower income, which may or may not encourage member producers to raise larger quantities of rice and corn relative to other crops. Hence, income considerations relevant to tillers, other than size of income, must provide constraints on selection of the most desirable production pattern. Price expectations are the relevant prices on which production pattern analysis should be based to determine SN program influences on patterns of production rather than retrospective prices.

With a goal of self-sufficiency of production of rice and corn, prices for accomplishing this should be established at levels that will attract resources into the production of said crops without income sacrifice by tillers. Appropriate price relationships will contribute to program success.

Effect of Capital Rationing

A third hypothesis is that SN program efforts have resulted in the withdrawal of operating capital by farmers for the savings programs and for equity in land to the extent that farm productivity has been reduced. This hypothesis could be tested by carefully identifying uses and determining productivity of capital withdrawals if retained as operating capital on the farm.

Either budgeting or linear programming analysis could be used

for such an analysis. Linear programming's capability of considering more production interrelationships in a single analysis is the preferred approach. In either approach, accurate production coefficients are essential.

Capital shortages and the effects of capital rationing on production are major considerations in evaluating the impacts of SN programs. If, for example, severe capital rationing highly restricts land ownership redistribution, program modification to overcome this restriction should be considered.

Limited Group Action

The survey tables indicate less inclination to use group action in dealing with market related problems in 1976 than in earlier years. It may be hypothesized that at the time group activities were attempted, SN members did not have the market knowledge or the economic power necessary to bargain effectively.

To test this hypothesis, it will be necessary to identify sources of bargaining strength for both marketing agencies and producer groups and then to determine which necessary conditions were absent in the negotiations.

It is possible that SNs are not sufficiently strong to engage in group bargaining until they reach the stage of forming a full-fledged cooperative. Determining relative bargaining strengths and weaknesses can determine at what stage of development SNs can effectively start to take group actions in marketing issues.

Cooperative development has required careful nurturing until it reached a stage of self-sustaining growth and effectiveness. Careful study and analysis of the Samahang Nayan Development Program of the Philippines will permit identification of critical support measures that will realize high returns.

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APPENDIX A

SOCIO-ECONOMIC PROFILE

The Philippines is predominantly a Catholic country having been named after King Philipp of Spain as it was colonized by that country for over three centuries since 1521. The Americans drove away the Spaniards from the country in the early 1900'S; made it a Commonwealth in 1935; and granted its independence in 1946. The country has since been a republic - trying very hard to chart its own destiny.

The Republic of the Philippines is an archipelago of approximately 7,100 islands lying about 600 miles southeast of the coast of mainland Asia. It is bounded by Taiwan to the north and Indonesia to the south. The western Pacific Ocean and the South China Sea border its eastern and western limits, respectively (Figure 1: Map of the Philippines).

The total land area of the Philippines is 115,600 square miles divided into three major areas: Luzon, Visayas and Mindanao. In general, the islands have a central core of mountains and plateaus interrupted by river basins descending to narrow coastal plains.

The climate is generally tropical. Average temperature is 80 degrees F, with humidity ranging from 75-80 percent. There are two pronounced seasons: the rainy season from June to October, and the dry season from November to May. Rainfall averages 92-95 inches a year. The warmest months are April and May; the coldest, December through February.

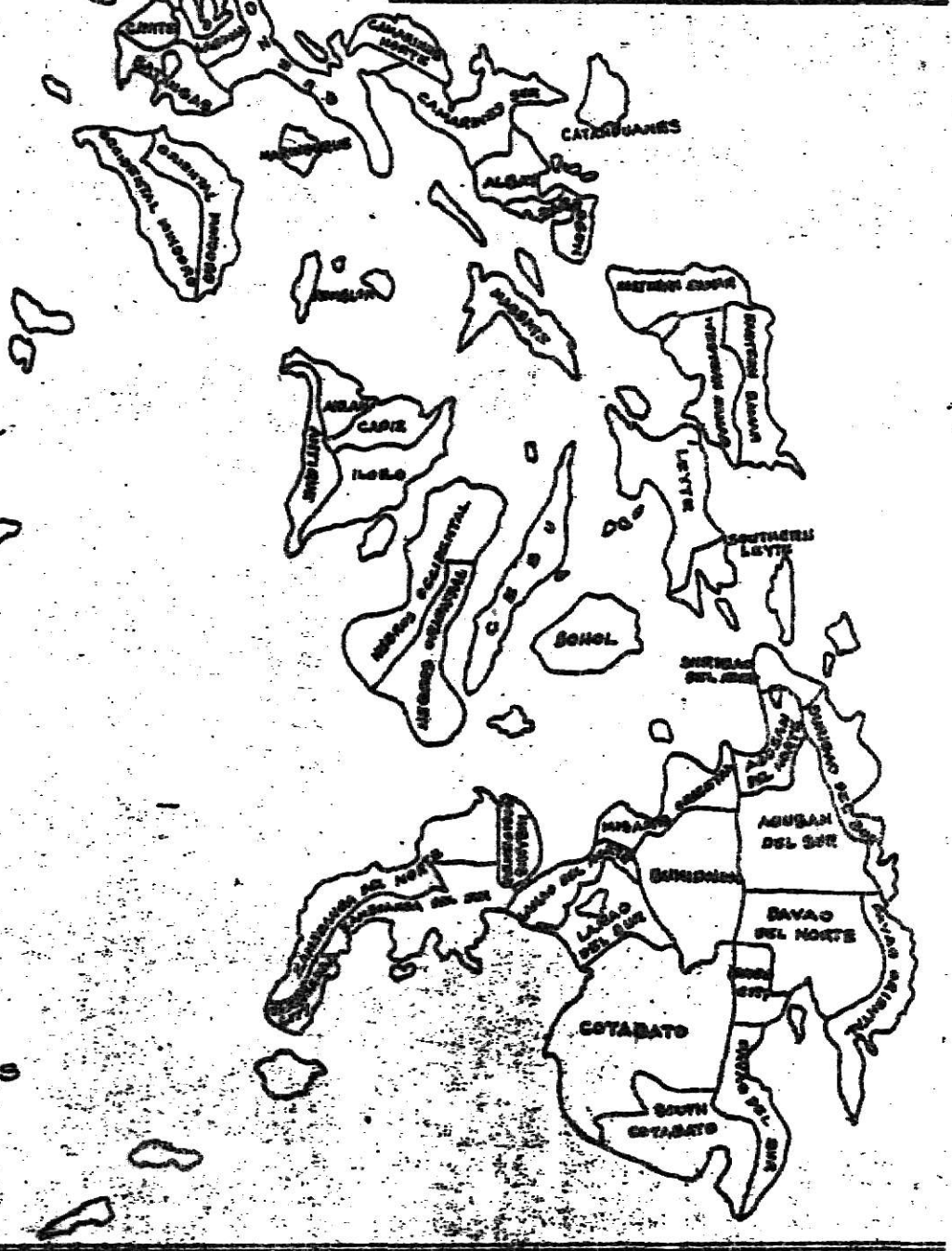
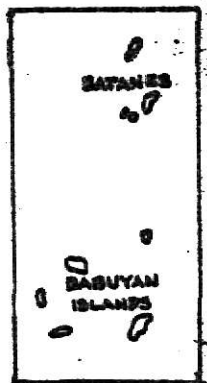


FIGURE 2
MAP OF THE PHILIPPINES

Growth rate of the population (estimated at 42 million in 1975) is about 2.8 percent annually. The country ranks sixteenth largest among the nations of the world in total population. By the year 2000, the country's population is projected to reach about 90 million.¹

The Filipino racial heritage is basically Malayan, blended with Chinese, Spanish, Japanese, Indian and American strains. Culturally, the society is pluralistic due to the mixture of oriental and western influences. Ninety percent are Christians; five percent Muslims; and the rest are mixtures of minor religious sects.

In 1973, the new Constitution was adopted, including a parliamentary form of government whereby the legislative power is vested in the National Assembly, the executive power in the Prime Minister and the Cabinet and the judicial power in the Supreme Court and lower courts.

In 1974, the Philippines had a total labor force of 14.2 million. Of these, 13.7 million were actively engaged in agriculture or industry. For agricultural and industrial workers, minimum wages were of six pesos and twelve pesos per day, respectively, as fixed by law.²

The country has experienced substantial socio-economic

¹World Bank Report, May-June, 1979

²L.A. Gonzales, D.E. Kunkel and J. C. Alix, "MAAGAP 1980 Supply-Demand Projections of Selected Agricultural Products in the Philippines: A sectoral Linear Programming Approach," Philippine Agricultural Situation, Vol. XIV, December, 1976.

problems. Socially, the people still lack national political unity or cohesiveness. They unconsciously entertain the hang-over from foreign domination in the form of liberal business influence. Economically, they face practices of survival of the fittest resulting in a wealth gap.

Philippine society is essentially rural; 85 percent of the population are rural dwellers and roughly two-thirds of the working force is employed in agriculture. Agriculture contributes about one-third of all goods and services produced by the total economy. The leading export products are sugar, copra, coconut oil, and copra meal.

A formidable barrier to countryside development is the disparity in wealth distribution. This problem has been the source of grievances that have given rise to violent social tensions. On September 21, 1972, martial law was declared under Proclamation 1081 establishing the New Society. Thus, the democratization of ownership and equitable distribution of income were the two cornerstones of national development advanced by the leaders of the New Social Order. Parallel measures to meet these objectives were agrarian reform and cooperatives development. These were introduced as priority programs for the economic and social emancipation of the poor farmers and employees who constitute the great majority of Filipinos. Two presidential decrees (PD) Nos. 27, Emancipating the Tenant from Soil Bondage and 175, Strengthening the Cooperative Movement were issued to help solve the problems of poverty, social inequality, exploitation and social unrest.

APPENDIX B

BRIEF HISTORY OF COOPERATIVES

Cooperation in the Philippines spans centuries of human existence from its pristine form of mutual assistance to what we call "Bayanihan" (mutual help) in the native tongue. However, cooperation as a system which seeks to harness the limited resources of people of small means and opportunities for more pronounced economic as well as social ends as we know it today, was introduced in the Philippines only at the beginning of the American rule in the 1900's.³

The first attempt to institutionalize cooperatives as a way of achieving identified economic and social goals started in 1915 with the enactment of Act No. 2508 known as the Rural Credit Act, to help farmers in their credit needs through the establishment of rural credit cooperatives. This was followed in 1927 by the passage of Act No. 3425, known as the Cooperative Marketing Law. This was designed primarily to organize farmers into cooperatives to help them market their produce efficiently.

In 1940, a general law on cooperatives, Commonwealth Act No. 565 was enacted to promote the organization of cooperatives by giving them some tax exemptions.

Another attempt was made during World War II to revive the cooperative movement as a means of economic self-help for the poor. In 1944, the Manila Consumers' Associations were organized. Managers were trained intensively. Much was expected from this movement but it was likewise cut short with the arrival

of the American forces in 1945.

Immediately after the Americans returned, cooperatives were again organized through the Economic Cooperation Administration (ECA), primarily for the distribution of relief goods. Cooperatives were registered without proper education of the members. No investigations were conducted before these cooperatives were registered due to lack of personnel. It was in this state of affairs that the National Cooperative Administration was organized on January 2, 1946, after the revival of said Office through the enactment of Commonwealth Act No. 713 on November 1, 1945. On September 10, 1947, the NCA was reorganized by virtue of Executive Order No. 90 and on October 4, 1947, the National Cooperatives and Small Business Corporation (NCSBC) was created under Executive Order No. 93. On November 30, 1950, the NCSBC was reorganized by virtue of Executive Order No. 364 creating the Cooperatives Administration Office, under the Department of Commerce and Industry. On June 22, 1957, Republic Act No. 2023 was enacted providing the general basic cooperative law and consolidating all laws on non-agricultural cooperatives.

In August 1952, agricultural cooperatives received a big boost through the enactment of Rep. Act No. 821 which created the Agricultural Credit and Cooperative Financing Administration (ACCFA). The ACCFA was entrusted with the functions of extending agricultural credit to farmers at liberal terms and organizing them into Farmers Cooperative Marketing Associations (FaCoMa). ACCFA made available loans to the FaCoMas to finance the essential

facilities for production, storage, processing and marketing of the members' produce.

In 1963, R.A. 3844 (Land Reform Code) was enacted by Congress and signed into law by the President of the Republic of the Philippines. This law renamed ACCFA to Agricultural Credit Administration (ACA) which primarily extended credit to cooperatives and members and supervised farmers' cooperatives. Also the same statute renamed the Bureau of Agricultural Extension to Agricultural Productivity Commission (APC) which had as one of its functions the promotion and organization of farmers' cooperatives.

In 1971, R.A. No. 6389 known as the Code of Agrarian Reform in the Philippines was enacted, amending R.A. No. 3844. The law vested in the ACA the power to register, finance and supervise not only agricultural cooperatives but also farm associations or organizations.

Immediately after the proclamation of Martial Law on September 21, 1972, the President of the Republic of the Philippines reorganized the government which included the abolition of the Cooperatives Administration Office and the creation of the Bureau of Cooperatives Development (BCOD), Department of Local Government and Community Development (DLGCD) which took over the functions of the former and cooperative functions of other bureaus/offices such as the Cooperatives Division of the Agricultural Productivity Commission.

Prior to the launching of the new cooperatives program in

1973, only 368 of the 968 registered agricultural cooperatives in the country were considered active and majority of the inactive were in the throes of death. Of the 700 FaCoMas registered with ACA, only 17 percent were operating. In the non-agricultural sector, out of the 4,673 registered cooperatives, only 13 percent were reporting their business activities to the Cooperatives Administration Office of the National government.

APPENDIX C

MALACANANG
Manila

PRESIDENTIAL DECREE NO. 175
STRENGTHENING THE COOPERATIVE MOVEMENT

WHEREAS, a parallel measure to the emancipation of tenant-farmers from feudal bondage, as provided for in Presidential Decree No. 27 and dated October 21, 1972, is a provision for a strong social and economic organization and system to ensure that they will enjoy on a lasting bases the benefits of agrarian reform;

WHEREAS, there are equally less fortunate segments of our society who are in need of social and economic amelioration and should have the right to enjoy the privilege of self-development, social growth and economic independence under a truly just and democratic society;

WHEREAS, There is a need to increase income and purchasing power of the low-income sector of the population in order to attain a more equitable distribution of income and wealth:

WHEREAS, the cooperative institution is a means of attaining a more equitable distribution of income and wealth and providing the common man a dignified level of existence;

WHEREAS, the Bayanihan Spirit is an inborn trait of the Filipino people which if properly guided can serve a strong foundation of cooperative institutions;

NOW THEREFORE, in order to effect the desired changes and reform in the economic, social and political structure of our society, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers in me vested by the Constitution as Commander-in-Chief of the Armed Forces of the Philippines, and pursuant to Proclamation No. 1081, dated September 21, 1972, and General Order No. 1 dated September 22, 1972, do hereby order and decree the following:

Section 1. Declaration of Policy - It is hereby declared the policy of the State to foster the creation and growth of cooperatives as a means of increasing income and purchasing power of the low-income sector of the population in order to attain a more equitable distribution of income and wealth.

Section 2. Cooperative Defined - Cooperative shall mean only organizations composed primarily of small producers and of consumers who voluntarily join together to form business enterprises which they themselves own, control and patronize.

A small producer shall mean a self-employed individual who, by himself or with his family provides the primary labor requirements of his business enterprise or one who earns at least

fifty percent of his gross income from the payment proceeds or income of the labor he provides.

Section 3. Cooperative Principles - A cooperative shall be governed by the following principles:

(a) Open membership - Membership in a cooperative should be voluntary and available without artificial restriction or any social, political, racial or religious discrimination to all persons who can make use of its services and are willing to accept the responsibilities of membership.

(b) Democratic control - The cooperative is meant to be collectively owned and controlled by its members. As such, the supreme power in a cooperative society resides in the general membership, where each member is entitled to one vote, regardless of the amount of capital he has contributed. The affairs of the cooperative shall be administered by persons elected or appointed in a manner agreed by the members accountable to them. In other than primary cooperatives, administration shall be conducted in a suitable democratic form.

(c) Limited interests to capital - Share capital shall earn only limited interests, the maximum rate of interest to be established by the Bureau of Cooperatives Development, Ministry of Agriculture from time to time.

(d) Patronage refund - Net income after the interest on capital has been paid shall be redistributed among the members in proportion to their patronage.

Section 4. Powers of Cooperatives - Cooperatives shall have the following powers:

(a) To exercise the same rights and privileges given to persons, partnerships and corporations provided under existing laws;

(b) To establish and operate business enterprise of all kinds as their needs dictate and their capabilities allow subject to the provisions of existing laws;

(c) To establish rural banks under the Rural Bank Act and/or to purchase government held preferred shares of rural banks which may be converted to voting common stocks, under the rules and regulations to be promulgated by the Monetary Board of the Central Bank and the Agrarian Reform Fund Commission;

(d) To enjoy all the privileges and incentives granted by the NACIDA Act and those granted by all government agencies to business organizations under existing laws, provided that all requirements are met;

(e) To petition the government to expropriate idle urban or rural lands for agricultural production, cottage industry, business or housing purposes; and

(f) To own and dispose of property to enter into contract to sue or be sued and to do and perform such other acts as may be necessary in the pursuit of its objectives.

Section 5. Privileges of Cooperatives - Cooperatives shall enjoy the following privileges:

(a) Exemption from income taxes and sales taxes provided that a substantial portion of the net income of the cooperative is returned to members in the form of interest and or patronage refunds; Provided, further, that for income tax purposes, non-agricultural cooperatives shall be exempt for a period of five (5) years and agricultural cooperatives for a period of ten (10) years reckoned from the date of registration with the Bureau of Cooperatives Development; Provided, finally, that the taxable income shall mean that portion of the cooperative's income after deducting the interest paid to members and patronage refunds;

(b) In areas where appropriate cooperatives exist, the preferential right to supply rice, corn and other grains, fish and other marine products, meat, eggs, milk, vegetables, tobacco and other agricultural commodities produced by members of the cooperatives concerned to State Agencies administering price stabilization programs; and

(c) In appropriate cases, exemption from the application of the Minimum Wage Law upon the recommendation of the Bureau of Cooperatives Development subject to the approval of the Minister of Labor.

Section 6. Financial Assistance to Cooperatives - There is hereby created a Cooperative Development Loan Fund for the development of the cooperative movement.

(a) Sources of funds - This fund shall be financed from the following sources:

- 1) General appropriations
- 2) Proceeds of sales of US Public Law 480 commodities
- 3) Foreign loans or proceeds of sales of commodity loans
- 4) Grants and donations
- 5) Levies imposed by existing laws on agricultural commodities for the development of cooperatives; and
- 6) Such other sources as are now provided by existing laws or as may be provided for in the future.

(b) Uses - This Fund shall be utilized for the following purposes:

- 1) Source of loanable funds to cooperatives;

- 2) Serve as a guarantee for loans granted to cooperatives; and
- 3) Source of advances to cooperatives for the purchase of equity of rural banks.

In no case shall any portion of this fund be utilized for direct loans to farmer members. As far as practicable, funds shall be channelled through existing government and private financial institutions.

(c) Administration of fund - For purposes of administering the fund, there is hereby created a Management Committee composed of:

- 1) A representative of the Ministry of Local Government and Community Development who shall serve as Chairman;
- 2) A representative of the Central Bank of the Philippines;
- 3) A representative of the Philippine National Bank;
- 4) A representative of the Ministry of Agriculture and Natural Resources;
- 5) A representative of the Ministry of Agrarian Reform; and
- 6) Two representatives of the Cooperative Movement designated by the Minister of the Ministry of Local Government and Community Development.

The Management Committee shall have the power to administer this fund and prescribe rules and regulations for its utilization.

(d) Other financial assistance - the Agrarian Reform Fund Commission, Food Terminal, Inc., National Development Corporation or their subsidiary institutions or the subsidiary institutions of any government financial agency or any government agency is authorized to establish or acquire fixed facilities such as storage facilities, requiring large long-term investment which shall be leased or sold to cooperatives. Likewise, cooperatives shall have preferential right to purchase or lease existing facilities as herein above specified belonging to other government institutions and agencies.

Section 7. Management and Training Assistance - There is hereby established a Management and Training Assistance Program. It shall create a Central Management and Training Pool to be composed of top caliber managers, who may be assigned to actively manage a cooperative or cooperatives for the prime purpose of training an understudy or understudies to assume management thereafter. In this connection, it may contract for and defray the cost of professional managers and/or firms who shall actively manage cooperatives as part of the training program. Cooperative

managers contracted for this purpose shall be exempt from WAPCO salary rates. Training programs to develop cooperative managers may be undertaken by any existing educational or other institutions on contract basis.

Suitable and practical management materials and guides shall be developed for the use of cooperative managers.

The Management and Training Assistance Program shall be administered by an Advisory Board of five members to be appointed by the Minister of the Ministry of Local Government and Community Development, at least two of whom shall come from the cooperative system, and one from the Ministry of Agrarian Reform.

The Management Training Program shall be financed from the following sources:

- (a) General appropriations;
- (b) Income from the Cooperative Development Loan Fund;
- (c) Grants and donations; and
- (d) Contribution from cooperatives.

Section 8. Powers of Regulatory Agency - The Ministry of Agriculture through the Bureau of Cooperatives Development is vested with full authority to promulgate rules and regulations to govern the promotion, organization, registration, regulation and supervision of all types of cooperatives. Specifically, it shall have the following powers:

(a) To call on any office, agency, instrumentality or individuals belonging to the government or private sector for such assistance as may be needed.

(b) To register new cooperatives, re-register existing cooperatives and regulate and supervise the following types of cooperatives:

- 1) Barrio Associations which shall have the provisional status of a cooperative and serve the requirements of Presidential Decree No. 27 in the issuance of certificates of land transfer;
- 2) Local or primary cooperatives which shall be composed of natural persons and/or barrio associations;
- 3) Federations which shall be composed of cooperatives which may or may not perform business activities.
- 4) Unions of cooperatives which shall not perform any business activities.

Provided that, in the case of re-registration, the cooperative shall file its application or petition for re-registration within a period of six (6) months from the date of promulgation of this

Decree, and its corporate existence shall be deemed to continue until the application or petition is approved or denied; and Provided, further, that for purposes of re-registration, Section 2 and 5 (a) hereof shall not be applicable to existing cooperatives which do not meet the qualification requirements provided for in this Decree.

(c) To determine the manner and extent by which powers, privileges, assistance and support granted to cooperatives provided by this Decree shall be exercised or enjoyed by cooperatives;

(d) To suspend the operation or cancel the registration of any cooperative after hearing and when in its judgement and based on findings, such cooperative is operating in violation of this Decree, rules and regulations, existing laws as well as the bylaws of the cooperative itself;

(e) To liquidate and to determine disposal of assets and settlement of liabilities of any cooperative which has been inoperable, inactive or defunct or any cooperative violating the penal provisions herein provided;

(f) To recommend charges to be filed against any official of any cooperative who has committed crimes against the cooperative or who has violated the penal provisions herein provided; and to establish rules and regulations governing the suspension and/or expulsion of any members of a cooperative;

(g) To condone the principal and/or accumulated interest on past due production and/or farm improvement loans extended by the defunct Agricultural Credit and Cooperative Financing Administration and the Agricultural Credit Administration to farmer members of agricultural cooperatives, and to authorize writing off of bad debts or bad accounts of agricultural cooperatives arising from loans granted by the Agricultural Credit Administration subject to the rules and regulations to be promulgated jointly by the Ministry of Local Governments and Community Development and the Ministry of Finance;

(h) To recommend charges to be filed against non-farmers who through misrepresentation have secured loans from the Agricultural Credit and Cooperative Financing Administration or the Agricultural Credit Administration through Agricultural Cooperatives;

(i) To authorize the collection by barrio associations and cooperatives past due loans granted by the Agricultural Credit and Cooperative Financing Administration or the Agricultural Credit Administration on a commission basis; and

(j) To authorize cooperatives to collect amortizations on lands under Presidential Decree No. 27.

Section 9. Penal Provisions - (a) No person or group of persons other than cooperatives registered pursuant to the provisions of this Decree shall use in its name the word cooperative or its equivalent in the vernacular with intent to defraud. Violators shall be fined Two Thousand (P2,000.00) pesos. In case of insolvency, a subsidiary imprisonment of not more than six (6) months shall be imposed.

(b) Any official of the cooperative, elected or appointed, who commits crimes against the cooperative shall be penalized in the same way as if such official were a civil servant, with disqualification of holding any elective or appointed office.

(c) Any official of the State, elected or appointed and not belonging to the Ministry of Local Government and Community Development, who willfully and unduly interferes with the business activities and internal affairs of any cooperative shall be penalized by a fine of not more than five thousand pesos (P5,000.00) and/or imprisonment of not more than six (6) months.

(d) Individuals who are found to have organized cooperatives for the evident purpose of taking advantage of the privileges granted to cooperatives under this Decree and who operate such organizations in clear violation of cooperative principles herein set forth as adjudged by a competent court shall be subject to attachment of all their assets in such organizations and such organizations shall summarily be stopped from operating without prejudice to other penalties as provided for by existing laws.

Section 10. Separability Clause - If any provision, provisions, part or parts of this Decree is declared unconstitutional, such declaration shall not invalidate the other provisions hereof.

Section 11. Repealing Clause - All past cooperative laws are hereby repealed. Portions or parts of any other laws inconsistent herewith are likewise repealed. The Ministry of Agriculture through the Bureau of Cooperatives Development shall promulgate within thirty (30) days from date hereof the rules and regulations for the effective implementation of this Decree and upon approval by the President of the Philippines shall have the force and effect of law. These rules and regulations may be amended, modified or abrogated as the circumstances may so demand.

Done in the City of Manila, this 14th day of April, in the year of Our Lord, nineteen hundred and seventy-three.

(SGD.) FERDINAND E. MARCOS
President
Republic of the Philippines

By the President:

(SGD.) ALEJANDRO MELCHOR
Executive Secretary

APPENDIX D

LETTER OF IMPLEMENTATION No. 23
RULES AND REGULATIONS IMPLEMENTING
PRESIDENTIAL DECREE NO. 175

IMPLEMENTING PRESIDENTIAL DECREE NO. 175 DATED APRIL 14, 1973
GOVERNING THE ORGANIZATION, ADMINISTRATION AND SUPERVISION OF
SAMAHANG NAYON (BARRIO ASSOCIATIONS) AND KILUSANG BAYAN
(COOPERATIVES).

Pursuant to the provisions of Section 11 of Presidential Decree No. 175, dated April 14, 1974, the following regulations governing the organization, administration and supervision of Samahang Nayon (barrio association) and Kilusang Bayan (cooperatives) are hereby promulgated for the information and guidance of all concerned.

Regulation 1. Title - These regulations shall be known as the regulations implementing the provisions of Presidential Decree No. 175, dated April 14, 1973, entitled "Strengthening the Cooperative Movement."

REGULATIONS ON SAMAHANG NAYON AND OTHER
PRE-COOPERATIVE ORGANIZATIONS

Regulation 2. Samahang Nayon (Barrio Association) - Samahang Nayon is a body corporate composed primarily of small farmers residing and/or farming within the geographical limits of a barrio for the purpose of improving the quality of life of the barrio people.

The term farming refers to the culture and production of grains, livestock and dairy, poultry and eggs, vegetables including mushrooms, fruits, fiber, forest and forest products, pasture land, sugar, palm and oil trees, as well as the activities of fishing and other marine products, horticulture and apian culture.

A small farmer is one who is the actual tiller whether full-owner, amortizing owner or lessee of not more than seven (7) hectares of rice or corn land or their equivalent in other crops as determined by the Ministry of Local Government and Community Development, hereinafter referred to as the Ministry.

Regulation 3. Who May Organize - Twenty-five or more persons primarily small farmers, Filipino citizens, residing and/or farming in the proposed area of operation, may organize themselves into a Samahang Nayon. For purposes of registration, at least fifteen incorporators must sign the articles of incorporation.

Regulation 4. Articles of Incorporation - The articles of incorporation duly signed, shall be acknowledged by the incorporators before a Notary Public or other officers authorized to take acknowledgments.

No articles of incorporation shall be registered unless the same conforms substantially with the model articles of incorporation prescribed by the Bureau of Cooperatives Development, hereinafter referred to as the Bureau.

Regulation 5. By-laws- All Samahang Nasyon shall adopt for their management a code of by-laws.

No by-laws shall be registered unless the same conforms substantially with the model by-laws prescribed by the Bureau.

Regulation 6. Effects of Registration - Upon registration and the issuance of the corresponding certificate, the Samahang Nasyon shall be a corporate body with the following powers:

- a. To own and dispose of property;
- b. To enter into contracts;
- c. To sue and to be sued; and
- d. To do and perform such other acts as may be necessary in the pursuit of its objectives.

Regulation 7. Membership - Persons of fifteen years of age or over, or who are heads of a household residing and/or farming within the geographical boundaries of the barrio may apply for membership. Before one is accepted as a member, he shall be required to:

- a. Complete a prescribed pre-membership training course;
- b. Pledge to adopt improved farming practices;
- c. Pledge to comply with a savings program;
- d. Pay the required membership fees; and
- e. Agree to comply with the stipulations of the Samahang Nasyon membership agreement. All agreements shall conform substantially with the model membership agreement prescribed by the Bureau.

No person shall be a member of more than one Samahang Nasyon.

Regulation 8. Grounds for Suspension/Expulsion of Members - The following are the grounds for suspension/expulsion from a Samahang Nasyon.

- a. Failure to pay membership fees, dues or contributions;
- b. Failure to comply with any of the duties of membership;
- c. Failure to comply with the terms and conditions of the membership agreement;

d. Act or omission injurious or prejudicial to the Samahang Nayon; and

e. Such other grounds as may be provided for by the Ministry.

Regulation 9. Barrio Guarantee Fund and Barrio Savings Fund - All Samahang Nayon shall adopt and implement the barrio guarantee fund and barrio savings fund programs as prescribed by the Ministry through the Bureau.

A Barrio Guarantee Fund for the Samahang Nayon is hereby constituted for the following purposes:

a. To guarantee the payment of land amortizations of members within the purview of Presidential Decree No. 27;

b. To capitalize full-fledged cooperatives;

c. To purchase shares of stocks of and/or to capitalize rural banks and development banks; and

d. To be used for other purposes as may be authorized by the Ministry through the Bureau.

Members of the Samahang Nayon shall contribute to this Fund a minimum of one cavan of palay per hectare per harvest or its equivalent.

To implement the barrio saving fund program, the Agricultural Credit Administration, the rural banks, the Philippine National Bank and other authorized financial institutions are hereby directed to automatically deduct from every production loan of members of Samahang Nayon an amount equivalent to five percent (5%) of such loans. Such amount shall be deducted at the time the loan is released and shall be held in a special time deposit account in the name of the Samahang Nayon for the account of the member. Members who do not obtain production loans shall contribute a minimum amount of five pesos (P5.00) per month).

The mechanics for the administration, utilization and disposition of funds under the barrio guarantee fund and the barrio savings fund programs shall be as prescribed by the Ministry through the Bureau.

Regulation 10. Grounds for Suspension/Cancellation of Certificate of Registration - The operation of a Samahang Nayon may be suspended or its registration cancelled by the Minister of the Ministry, after hearing, in the following cases:

a. Where such Samahang Nayon fails to function within a period of six months from the date of registration;

b. Where such Samahang Nayon fails to exercise any of its powers or discharge any of its duties and responsibilities under the membership agreement;

c. Where the percentage of amortizing owners in default in such Samahang Nayon exceeds 20%; and

d. Where such Samahang Nayon violates any rules or regulations promulgated by the Ministry through the Bureau.

The decision of the Minister of the Ministry shall be final and conclusive.

Regulation 11. Grounds for Dissolution - A Samahang Nayon may be dissolved either voluntarily or involuntarily.

Voluntary dissolution may be effected by a resolution adopted by at least two-thirds (2/3) vote of all members at an annual or special membership assembly called for the purpose.

Said resolution signed by two-thirds (2/3) of all the members voting for the dissolution shall be submitted to the Provincial Development Officer of the Ministry. It must be accompanied by a sworn statement of the Board of Directors certifying, among others, that:

- a. The resolution is genuine and authentic; and
- b. The proposed dissolution will not prejudice the interest of third persons.

Involuntary dissolution shall be effected upon order of the Minister of the Ministry for any of the following causes:

- a. Repeated failure to meet its obligations; and
- b. For any of the causes enumerated under Regulation 10 of these regulations.

Regulation 12. Other Pre-Cooperative Organizations - Existing cooperative organizations and organizations to be formed which do not meet the minimum requirements for kilusang bayan (cooperatives) may be registered as pre-organizations.

Pre-cooperative organizations are classified into:

- a. Producers' associations;
- b. Credit unions;
- c. Buying clubs
- d. Consumers' associations; and
- e. Service associations.

Regulation 13. Effect of Registration of Pre-Cooperative Organizations - The registration referred to in the next preceding regulation shall have the effect of conferring provisional cooperative status to the organization and it shall thereafter be entitled to the benefits granted and the obligation imposed by Presidential Decree No. 175 and these regulations.

All organizations registered as provisional cooperatives under Regulation 12 are given two (2) years within which to qualify for registration as kilusang bayan. Failure to so qualify shall be a ground for the cancellation of their registration.

Regulation 14. Merger/Amalgamation - Provisional cooperatives are authorized to merge or amalgamate in order to qualify for registration or re-registration as kilusang bayan, in which case, the procedures set in Regulations 25 and 26 shall be followed.

REGULATIONS ON KILUSANG BAYAN (COOPERATIVES)

Regulation 15. Organizations Considered as Kilusang Bayan - Kilusang bayan shall mean only organizations which have complied with the requirements of Presidential Decree No. 175, these rules and regulations, as well as the requirements of the Ministry through the Bureau.

For purposes of Section 9 of Presidential Decree No. 175, the term kilusang bayan shall be considered as the equivalent of the term "cooperatives" in the vernacular.

Regulation 16. Purposes - A kilusang bayan may be registered for the mutual benefit of the members thereof, who have for their common objectives any lawful purpose or purposes, more particularly the following:

- a. To encourage scientific production and marketing among the members;
- b. To provide goods, services and other requirements to the members;
- c. To encourage thrift among the members;
- d. To create funds and extend credit to the members for productive and provident purposes;
- e. To build houses or to acquire lands for the members;
- f. To insure against losses of the members;
- g. To promote and advance the economic, social and educational condition of the members;
- h. To undertake such other activities calculated to help the members solve their problems on a cooperative basis;
- i. To coordinate and facilitate the activities of kilusang bayan; and
- j. To establish, own or operate rural banks, cooperative banks, development banks, cooperative insurance and cooperative wholesale and retail complexes.

Regulation 17. Kilusang Bayan are not in Restraint of Trade - Any registered kilusang bayan shall be deemed not to be a conspiracy nor a combination in restraint of trade nor an illegal monopoly, nor an attempt to lessen competition or to fix prices arbitrarily or to create a combination or pool in violation of

any law of the Philippines; and the marketing contracts and agreements entered into by kilusang bayan and their members shall be considered not to be illegal nor in restraint of trade nor contrary to the provisions of any law or statute enacted against pooling or combinations.

Regulation 18. Who May Organize - Any group of small producers and of consumers, Filipino citizens, of legal age, residing/working in the proposed area of operation, may organize a kilusang bayan subject to the rules and regulations promulgated by the Ministry through the Bureau.

A group of Samahang Nayon or other pre-cooperative organizations may organize a kilusang bayan.

Regulation 19. Articles of Incorporations - Articles of incorporation of a proposed kilusang bayan shall be signed by at least fifteen (15) incorporators if the membership is composed of natural persons, or by at least ten (10) incorporators represented by their presidents if the membership is composed of Samahang Nayon or other pre-cooperative organizations, and acknowledged by them before a notary public or other officers authorized to take acknowledgments.

No articles of incorporation shall be registered unless the same conforms substantially with the model prescribed by the Bureau.

Regulation 20. Treasurer's Sworn Statement - The Bureau shall not register a kilusang bayan unless the articles of incorporation is accompanied by a sworn statement of the treasurer elected/appointed by the incorporators showing:

a. In the case of a kilusang bayan with capital stock, that at least twenty per centum (20%) of the number of authorized shares of capital stock has been subscribed and that at least twenty per centum (20%) of the subscription has been paid to him in cash; or

b. In the case of a kilusang bayan without capital stock, the number of members and the amount of their capital contribution paid to him in cash. The payment/or transfer under clauses (1) and (b) of this Regulation is for the benefit and to the credit of the kilusang bayan. The Director of the Bureau shall satisfy himself that the capital contribution of members under this Regulation is sufficient for the initial operation of the kilusang bayan.

Regulation 21. Code of By-Laws - Each kilusang bayan to be registered shall adopt a code of by-laws. The by-laws shall be filed with the Director of the Bureau at the time of the filing of the articles of incorporation.

No code of by-laws shall be registered unless the same conforms substantially with the model prescribed by the Bureau.

Regulation 22. Limited and Unlimited Liabilities - A kilusang bayan which has for its purpose(s) one or more of those specified under Regulation 16, may be registered with limited or unlimited liability; provided, that the liability of a kilusang bayan which has a kilusang bayan as a member shall be limited.

In the case of a kilusang bayan with limited liability, a member shall be liable for the debts of the kilusang bayan to the extent of the unpaid amount of his subscription to the capital stock or to the membership capital.

In the case of a kilusang bayan with unlimited liability, a member shall, upon the liquidation of the kilusang bayan, be jointly and severally liable for the debts of the kilusang bayan.

Regulation 23. Evidence of Registration - A certificate of registration signed by the Director of the Bureau shall be conclusive evidence of registration unless it is proven that the same has been cancelled.

Regulation 24. Effect of Registration - Upon registration, the kilusang bayan shall be a body corporate.

Regulation 25. Merger - Two or more kilusang bayan may join together as a single kilusang bayan upon a resolution of each kilusang bayan as approved by a vote of two-thirds (2/3) of all the members entitled to vote in a membership meeting held for the purpose. The resolution shall state the reasons for such consolidation and shall be certified to by the secretary and attested by the board of each kilusang bayan.

The kilusang bayan which have decided to consolidate shall make a physical inventory and valuation of their total assets and a statement of their total liabilities. The sum total of the assets and liabilities shall constitute the assets and liabilities of the new kilusang bayan. The certificate of registration of the consolidating kilusang bayan shall be cancelled and a certificate of registration shall be issued to the new kilusang bayan.

Evidence of membership contributions shall be surrendered to the new kilusang bayan and new forms for membership contributions shall be issued in lieu thereof.

Regulation 26. Transfer of Assets and Liabilities of Kilusang Bayan - A kilusang bayan transferring its assets and liabilities to another kilusang bayan shall make a physical inventory and valuation of its assets and its liabilities to be duly certified to by the treasurer/manager and attested by the board of directors. Said transfer shall be duly acknowledged in writing by the manager of the transferee kilusang bayan and concurred in by its board of directors.

The resolution stating the reasons for and the decision for the transfer and the resolution of acceptance both approved by a vote of two-thirds (2/3) of all the members entitled to vote at the general assembly of the kilusang bayan transferring and the kilusang bayan accepting the transfer held separately for the purpose, shall be transmitted to the Regional Director of the Ministry who shall process the same and transmit the papers together with his recommendation to the Director of the Bureau. If the Director of the Bureau approves the transfer, he shall cancel the registration of the transferring kilusang bayan and order the transferee kilusang bayan to prepare a financial statement together with its schedule.

Regulation 27. Division of Kilusang Bayan - Division of a kilusang bayan into two or more kilusang bayan is to be effected when the exigencies of the business warrant and demand, provided that the viability of the groups is assured. All such divisions shall be approved by a vote of two-thirds (2/3) of all the members entitled to vote at a general assembly called specifically for such purpose. The board shall place for approval the plan for the division of membership, business, assets, and the liabilities of, and claims against the kilusang bayan. The approved resolution duly certified to by the secretary and attested by the board of directors of the kilusang bayan shall be submitted to the Regional Director of the Ministry who shall within ten (10) days from receipt thereof, transmit the papers to the Director of the Bureau, together with his comments and recommendation. If the Director of the Bureau is satisfied of the need for the division, and the proposed kilusang bayan have fair chances to success, then he shall approve the division.

Upon approval of the division, each division shall submit a new set of articles of incorporation and by-laws and other papers that are required for registration to the Regional Director of the Ministry who shall process the same and transmit the papers together with his recommendation to the Director of the Bureau.

The new kilusang bayan shall become bodies corporate upon the issuance of their respective certificates of registration by the Director of the Bureau. The Director of the Bureau shall thereafter cancel the registration of the old kilusang bayan.

Regulation 28. Claims of Creditors - The Director of the Bureau shall not approve any division unless there is a resolution binding the new kilusang bayan to be jointly and severally liable for valid claims of creditors. In case of mergers, the new kilusang bayan shall bind itself to be liable for valid claims of creditors.

MEMBERSHIP

Regulation 29. Membership in Kilusang Bayan - The following may qualify for membership in a kilusang bayan:

- a. Any natural person who is:
 1. A citizen of the Philippines;
 2. Of legal age and with capacity to contract or head of a family; and
 3. A small producer or a consumer in the area of operation of the kilusang bayan.
- b. Any member of a Samahang Nayon.
- c. A registered Samahang Nayon, or other pre-cooperative organization.
- d. Any registered kilusang bayan.

Regulation 30. Membership of Minors - Persons of at least 15 years of age who have visible means of income through their own independent work and effort and who can in addition comply with the qualifications for membership may likewise qualify for membership in a kilusang bayan.

Regulation 31. Final Authority in a Kilusang Bayan - Final authority in every kilusang bayan shall be vested in the general assembly of the members.

BOARD OF DIRECTORS AND COMMITTEES

Regulation 32. Board of Directors and Committees - A kilusang bayan shall be managed by a board of directors of not less than five nor more than fifteen directors elected by the general assembly for a term fixed in the by-laws but not exceeding two years and shall hold office until their successors are elected and have qualified or until are removed. The by-laws may provide for such committees as its business and operations may require. Officials of the Ministry and the Bureau may serve as members of the board of directors of any kilusang bayan upon authorization of the minister of the Ministry.

Regulation 33. Disqualifications - Members under any of the following circumstances are disqualified to be voted upon to the position of director or committee member or to continue as such in any kilusang bayan:

- a. Holding any elective position in the government except barrio council men;

b. Having conflicting interest with the business of the kilusang bayan;

c. Having been absent for three (3) consecutive board or committee meetings without being excused.

d. Having been removed from office by the general assembly; and

e. Being a full time employee of the kilusang bayan concerned.

Regulation 34. Revomal of Officer, Director or Committee Members - An elected officer, director or committee member may be removed by a vote of the majority of the members entitled to vote at an annual or special general assembly. The person involved shall have an opportunity to be heard at said assembly.

Regulation 35. Contract for Profit Prohibited - No director, officer, committee member or employee, during the term of his office, shall be directly or indirectly a party to a contract for profit with the kilusang bayan.

Regulation 36. Illegal Acts of Cooperative Officials and Employees - The directors, committee members, officers and employees of the kilusang bayan shall, in the discharge of their respective duties, act in accordance, with the Decree, regulations, by-laws and resolutions of the general assemblies, and for any willful and deliberate violations of the above, those responsible shall be held jointly and severally liable up to the extent of the damage or prejudice suffered by the kilusang bayan.

Regulation 37. Purchase of Shares of Stocks of Rural Banks - Samahang Nayon(s) and kilusang bayan(s) shall have the option to purchase government-held preferred shares of rural banks as well as common stocks therein.

For this purpose, Samahang Nayon are authorized to utilize the sum of money existing under their barrio guarantee fund and barrio savings fund programs. In any case, any government held preferred shares so purchased shall be converted to voting stocks. Where any of the shares of stocks are owned by Samahang Nayon or kilusang bayan, they shall be allotted membership in the board of directors of the rural bank in proportion to the equity they hold vis-a-vis the equity of other stockholders. In any case, at least one member of the board of directors of the rural bank shall be duly authorized representative of the Samahang Nayon(s) and/or kilusang bayan(s).

Regulation 38. Establishment of Rural Banks - Samahang Nayon(s) and/or kilusang bayan(s) are authorized to establish rural banks in any province(s) or locality and may operate branches as needs of members would require. Credit cooperatives may register as rural bank or private development bank. Such rural banks shall conduct business within the area of operation

of the Samahang Nayan(s) and/or kilusang bayan(s). Such rural banks may receive deposits from the general public: provided that deposits from the general public shall in no case exceed the deposits of members of such rural banks. Such rural banks shall extend loans only to their members, members of the Samahang Nayan(s) and kilusang bayan(s).

Regulation 39. Salary Deduction Agreement - (a) A member of a kilusang bayan may, notwithstanding the provisions of existing laws, execute an agreement in favor of the kilusang bayan authorizing his employer such amount as may be specified in the agreement and to pay the amount so deducted to the kilusang bayan in satisfaction of any debt or other demand owing from the member to the kilusang bayan.

(b) Upon the execution of such agreement the employer shall, if so required by the kilusang bayan by a request in writing and so long as such debt or other demand or any part of it remains unpaid, make the deduction in accordance with the agreement and remit forthwith the amount so deducted to the kilusang bayan.

(c) The term "employer" as used in this section includes the Government of the Philippines or of any local authority and any other person, natural or juridical, who has under his employ a member of a kilusang bayan.

Regulation 40. Exemption from Bidding Requirements - Kilusang bayan transacting business with the Government of the Philippines or any of its political subdivisions or any of its agencies or instrumentalities, including government-owned or controlled corporations shall be exempt from bidding requirements upon approval of the contract by the Bureau.

CAPITAL AND FUNDS

Regulation 41. Sources of Capital - Kilusang bayan may derive funds from:

a. Members' capital contribution, which may either be in the form of shares of stock (if stock cooperative) or members' contribution (if non-stock cooperative).

The capital stock of kilusang bayan may consist of common stock as well as preferred stock, if the latter is provided for in the by-laws.

Preferred stocks shall not be entitled to vote. They shall, however, have preference as to assets in case of liquidation or dissolution of the cooperative. They shall receive interest rates higher than common stocks. Such stocks may be issued to members as well as non-members.

Common stock shall be issued only to members and shall receive an interest rate which shall not exceed the rate established by the Ministry.

- b. Loan capital, including deposits of any kind;
- c. Retains authorized on a percentage or per unit basis;
- d. Revolving capital, by deferment of the payment of patronage refunds and/or by authorized retains from patronage refunds; and
- e. Fees, dues, levies, subsidies, grants, donations, fines and such other sources as may be agreed upon by the members or may be authorized by the Ministry.

Regulation 42. Loans, Grants and Donations - The Philippine Government or any of its political subdivision is empowered to give loans to kilusang bayan and grants or donations in any form to duly registered Samahang Nasyon and/or kilusang bayan. Samahang Nasyon and kilusang bayan may receive grants or donations in any form from any source, local or foreign.

Grants, donations, gifts, bequests under this section shall be exempt from any and all forms of donor and donees' taxes including gift taxes. Such grants, donations, gifts, bequests shall be allowable deductions under the provisions of the National Internal Revenue Code for income tax purposes.

Regulation 43. Computation of Net Income - The net income of every kilusang bayan shall be the amount remaining after deducting from the gross income the cost of operations and other expenses provided for in the approved budget.

Regulation 44. Distribution of Net Income - Unless a different percentage is prescribed by the Bureau, the net income of every kilusang bayan shall be allocated in the following manner:

- a. At least ten percent (10%) for General Reserve Fund;
- b. Ten percent (10%) for cooperative education and training which amount shall form part of the operating expense of the kilusang bayan. One half of this amount shall be utilized by the kilusang bayan for the education and training of its officers and members. The other half shall be remitted to the Cooperative Education and Training Fund which shall be administered by the Advisory Board created under the Presidential Decree No. 175;
- c. The remainder shall be allocated for interest on capital and/or patronage refunds, as determined by the board of directors.

Existing Reserve Funds of cooperatives established under previous cooperative laws shall form part of the General Reserve Fund provided herein.

Regulation 45. Cooperative Education and Training Fund - There is hereby created a Cooperative Education and Training Fund.

The funds, assets and properties of whatever name or nature of the defunct Central Cooperative Educational Board are hereby constituted to form part of the abovementioned fund.

Proceeds from sale of printed materials provided by the Bureau to the Samahang Nayan, registration fees and audit fees shall likewise form part of this Fund.

This fund shall be transferred to an appropriate pambansang kalipunan ng mga kilusang bayan (national cooperative union) as soon as one is organized and registered. In the interim, such Fund shall be administered by the Advisory Board created under Presidential Decree No. 175.

LIQUIDATION

Regulation 46. Liquidation - Liquidation shall be effected upon dissolution of a kilusang bayan either voluntarily or involuntarily.

In a voluntary dissolution, the resolution dissolving the kilusang bayan adopted and signed by two-thirds (2/3) of all the members entitled to vote at a general or special assembly called for the purpose shall be submitted to the Director of the Bureau through the Regional Director of the Ministry for approval. It shall be accompanied by a sworn statement of the board of directors certifying among other:

- a. That the resolution is genuine and authentic;
- b. That the dissolution shall not prejudice its members or any person whomsoever; and
- c. That the members' investments including equities, if any, have been returned to them.

In an involuntary dissolution, the Director of the Bureau through the Regional Director of the Ministry may order in writing that the kilusang bayan be dissolved for any of the following:

- a. After an audit or inquiry the report thereon shows that the kilusang bayan is inoperable; or
- b. If the kilusang bayan has not commenced its business within one year without just cause from the date of registration; or
- c. If the kilusang bayan has ceased working for one year; or
- d. If the kilusang bayan has failed to provide financial and other reports to its members; or to send to the Ministry the annual reports required by the Ministry through the Bureau; or
- e. If the kilusang bayan has been doing business liable to cause injury to the public; or

f. If the kilusang bayan has persistently violated Presidential Decree No. 175, orders of the Ministry and the Bureau, these regulations, or its by-laws; or

g. If the kilusang bayan is no longer found in the area of operation; or

h. If there is fraud or misrepresentation during the registration of the kilusang bayan; or

i. If there is grave abuse of its charter or privileges authorized under the Decree.

In all cases wherein it appears that the appointment of a liquidator is unnecessary, the Director of the Bureau shall after hearing, issue an order cancelling the certificate of registration of a kilusang bayan. Upon the cancellation, the kilusang bayan shall cease to be a body corporate.

Regulation 47. Types of Kilusang Bayan - Kilusang Bayan may fall under any of the following categories;

- a. Producers;
- b. Marketing;
- c. Credit;
- d. Consumers; and
- e. Service

Kilusang bayan for producers are those which are organized primarily for the production of a particular product or commodity.

Kilusang bayan for marketing are those which are engaged primarily in the marketing of products of members as well as the supply of production input.

Kilusang bayan for credit are those which are engaged in receiving deposits and granting loans. Kilusang bayan for credit singly or in association with one another may register as rural banks, cooperative banks, development banks and other forms of banks. Such banks may qualify for the Management Training and Assistance Program as well as the Cooperative Development Loan Fund.

Kilusang bayan for consumers are those which are engaged in procuring and distributing goods to members and non-members for their mutual benefit.

Kilusang bayan for service are those which are engaged primarily in rendering service to meet the special needs of members of a community and includes, among others, housing, labor and insurance cooperatives.

KATIPUNAN (FEDERATIONS) NG KILUSANG BAYAN

Regulation 48. Who May Organize Katipunan (Federation) ng Kilusang Bayan - Two or more kilusang bayan may form a katipunan.

Regulation 49. Membership - Membership shall be open only to kilusang bayan. Registered kilusang bayan may unite to form katipunan on the provincial, regional and/or national levels.

Regulation 50. Distribution of Net Income - The provisions of Regulation 43 and 44 concerning computation and distribution of net income shall apply to katipunan, except that the general reserve fund to be set aside shall at least be twenty (20%) percent of the net income.

KALIPUNAN (UNION) NG KILUSANG BAYAN

Regulation 51. Who May Organize Kalipunan ng Kilusang Bayan - Two or more kilusang bayan may form a kalipunan.

Regulation 52. Pambansang Kalipunan ng mga Kilusang Bayan - There shall be registered only one pambansang kalipunan ng mga kilusang bayan at the national level, to which all types of kilusang bayan, provincial, regional and national katipunan and kalipunan may affiliate. Such a kalipunan may:

- a. represent all the kilusang bayan in the Philippines at home and abroad.
- b. acquire, analyze and disseminate economic, statistical and other information regarding kilusang bayan;
- c. conduct studies in the economic, legal, financial, social and other phases of cooperation and publish the results thereof;
- d. promote the knowledge of cooperative principles and practices;
- e. develop the cooperative movement in the Philippines within the framework of the national economic plan of the government;
- f. make available audit services to its members;
- g. plan and implement a program of cooperative education; and
- h. advise the appropriate authorities on all questions relating to kilusang bayan.

Regulation 53. Applicability of Provisions for Katipunan ng Kilusang Bayan to Kalipunan - The provisions of the regulations on Katipunan ng kilusang bayan shall as far as practicable apply to kalipunan.

COOPERATIVE DEVELOPMENT LOAN FUND

Regulation 54. Cooperative Development Loan Fund - The Cooperative Development Loan Fund created under Section 6 of Presidential Decree No. 175 is hereby vested with corporate personality, with powers to enter into contracts, to own and dispose of property, to sue or to be sued, and such other powers necessary to carry out the objectives of the Fund.

The Management Committee charged with the administration of the Fund shall represent the said Fund and shall have in particular, the following powers, duties and responsibilities:

a. It shall have the power to contract, to receive grants, donations and other funds from the sources identified in Section 6, Item (a) of Presidential Decree No. 175 as well as to obtain loans from local and foreign agencies;

b. It shall administer the funds of the Cooperative Development Loan Fund and disburse the same for the purposes and within the limitations set forth in Section 6, Item (b) of Presidential Decree No. 175;

c. It shall adopt and promulgate realistic standards for the development loan fund to be used either as loan fund, cooperative guarantees for loans, or advances to kilusang bayan for the purchase of equity of rural banks;

d. It shall invest idle funds of the Fund as it deems best;

e. It shall have power to do any and all acts necessary for the discharge of any of the above powers, duties and responsibilities; and

f. As soon as it is constituted, the Management Committee shall meet to promulgate rules of procedure to govern its workings as a body.

Regulation 56. Term of Office of Members - Members of the Management Committee coming from the cooperative sector shall hold office for a term of two years; Provided, however, that of the first two appointees, one should hold office for a term of one year only, to be determined by drawing of lots. Thereafter, all shall hold office for two years.

Nothing in this regulation shall preclude re-appointment to the Committee.

MANAGEMENT AND TRAINING ASSISTANCE PROGRAM

Regulation 57. Powers, Duties and Responsibilities of the Advisory Board - The Advisory Board in administering the management

and training assistance program shall have the following powers, duties and responsibilities:

- a. To enter into contract with any educational institution or organization for training programs;
- b. To disburse funds for the cost of professional managers, training programs and training materials;
- c. To identify and select kilusang bayan to be placed under the program, as well as the educational institutions or organizations which will participate in the program;
- d. To build up a corps of well-trained and highly competent professional managers of kilusang bayan;
- e. To assist the cooperative movement in developing a movement wide career system;
- f. To administer the Cooperative Education and Training Fund as provided for in Regulations 44 and 45; and
- g. To perform any and all other acts as may be necessary to carry out the duties, responsibilities and objectives of the management training and assistance program.

As soon as constituted, the Advisory Board shall meet to promulgate rules of procedure to govern its workings as a body.

Regulation 58. Personnel Policies - The Advisory Board may adopt and implement policies for its corps of managers which may include, among others, security of tenure, financial incentives, leave, retirement, and other benefits.

Regulation 59. Exemption from Regulation of Kilusang Bayan Under the Management and Training Assistance Program - Kilusang bayan placed under the Management and Training Assistance Program may be exempted from these regulations by the Minister of the Ministry, upon recommendation of the Advisory Board.

Regulation 60. Term of Office of Members - Members of the Advisory Board coming from the cooperative sector shall hold office for a term of two years; Provided, however, that of the first two appointees, one shall hold office for a term of one year only, to be determined by drawing of lots. Thereafter, all shall hold office for two years.

Nothing in this regulation shall preclude reappointment to the Board.

Regulation 61. Exemption from Bidding Requirements - Contracts entered into by the Advisory Board within the purview of Regulation 57 shall be exempt from bidding requirements.

MISCELLANEOUS PROVISIONS

Regulation 62. Bar of Suit During Liquidation - No court shall take cognizance of any civil matter connected with the liquidation or dissolution of a samahang Nayon/kilusang bayan under these regulations. When a liquidation order has been made no suit or other local proceedings shall lie or be proceeded with against the Samahang Nayon or kilusang bayan except by leave of the Director of the Bureau and subject to such terms as he may impose.

Regulation 63. Acts of Kilusang Bayan not to be Invalidated by Certain Defects - No act of a kilusang bayan or board or committee or of any officer or liquidator done in good faith in the course of the business of the kilusang bayan shall be deemed to be invalid by reason only of some defect subsequently discovered in the registration of the kilusang bayan or in the formation of general assembly or in the constitution of the board or committee or in the appointment or election of directors, committee members, liquidator or officer or on the ground that such person was disqualified for his appointment.

No act done in good faith by any person appointed under these Regulations shall be invalid by reason only of the fact that his appointment has been cancelled by or as a consequence of any order subsequently passed under these Regulations.

The Minister of the Ministry shall decide whether any act was done in good faith.

Regulation 64. Collection of Past Due Loans - Samahang Nayon are hereby authorized to collect past due loans to farmers granted by the Agricultural Credit and Cooperative Financing Administration and the Agricultural Credit Administration. They shall be entitled to a commission of ten (10%) percent of the amount collected for loans that are past due as of September 21, 1972 and five (5%) percent for every additional year of delinquency prior to September 21, 1972: Provided, that in no case shall such total commission exceed fifty (50%) percent of the amount collected.

All collections shall be turned over to the nearest branch office of the Agricultural Credit Administration, together with the list of cooperatives and their respective members and the amount paid by each.

The commission shall be transmitted immediately to the depository bank of the Samahang Nayon for the account of the Samahang Nayon which shall accrue to the Barrio Guarantee Fund.

Regulation 65. Rights Acquired - Members of existing cooperatives as of the promulgation of Presidential Decree No. 175 who are disqualified on the ground of nationality may continue their membership therein until terminated by resignation, death or removal for cause.

Done in the City of Manila, this 9th day of July, in the year of Our Lord, nineteen hundred and seventy-three.

(SGD.) FERDINAND E. MARCOS
President
Republic of the Philippines

APPENDIX E

MALACANANG PALACE

Manila

By the President of the Philippines
Presidential Decree No. 27

Decreeing The Emancipation of Tenant From The Bondage of The Soil. Transferring to Them The Ownership of The Land They Till and Providing The Instruments and Mechanism Therefore.

Inasmuch as the old concept of land ownership by a few has spawned valid and legitimate grievances that gave rise to violent conflict and social tension;

The redress of such legitimate grievances being one of the fundamental objectives of the New Society;

NOW, THEREFORE, I, FERDINAND E. MARCOA, President of the Philippines, by virtue of the powers in me vested by the Constitution as Commander-in-Chief of the Armed Forces of the Philippines and pursuant to Proclamation No. 1081, dated September 21, 1972, as amended do hereby decree and order the emancipation of all tenant farmers as of this day, October 21, 1972;

This shall apply to tenant farmers of private agricultural lands primarily devoted to rice and corn under a system of share-crop or lease tenancy, whether classified as landed estate or not;

The tenant farmer, whether in land classified as landed estate or not, shall be deemed owner of a portion constituting a family-size farm of five (5) hectares if not irrigated and three (3) hectares if irrigated;

In all cases, the landowner may retain an area of not more than seven (7) hectares if such landowner is cultivating such

area or will now cultivate it;

For the purpose of determining the cost of the land to be transferred to the tenant-farmer pursuant to this Decree, the value of the land shall be equivalent to two and one-half times the average harvest of three normal crop years immediately preceding the promulgation of this Decree;

The total cost of the land, including interest at the rate of six (6) percentum per annum, shall be paid by the tenant in fifteen (15) years of fifteen (15) equal annual amortizations;

In case of default, the amortizations due shall be paid by the farmers' cooperative in which the defaulting tenant-farmer is a member, with the cooperative having a right of recourse against him;

The government shall guarantee such amortizations with shares of stock in government-owned and government-controlled corporation;

No title to the land owned by the tenant-farmers under this Decree shall be actually issued to a tenant-farmer unless and until the tenant-farmer has become a full-fledged member of a duly recognized farmers' cooperative.

Title to land acquired pursuant to this Decree or the Land Reform Program of the government shall not be transferable except by hereditary succession or to the Government in accordance with the provisions of this Decree, the Code of Agrarian Reforms and other existing laws and regulations;

The Ministry of Agrarian Reform through its Minister is

hereby empowered to promulgate rules and regulations for the implementation of this Decree;

All laws, executive orders, decrees and rules and regulations, or parts thereof, inconsistent with this Decree are hereby repealed and or modified accordingly.

Done in the City of Manila this 21st day of October, in the year of Our Lord, nineteen hundred and seventy-two.

(SGD) FERDINAND E. MARCOS
President

A TRUE COPY:
nat/10-7-80

THE SAMAHANG NAYON DEVELOPMENT PROGRAM
OF THE PHILIPPINES: AN APPRAISAL

by

ELPIDIO J. AGBISIT

B.S.A. (Honors Curriculum), College of Agriculture,
University of the Philippines, 1957

AN ABSTRACT OF A MASTER'S REPORT

submitted in partial fulfillment of the

requirements for the degree

MASTER OF SCIENCE

Department of Economics

KANSAS STATE UNIVERSITY
Manhattan, Kansas

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The evaluation of the Samahang Nayon Development Program deals with the currency of program concerns. The concentration revolves on the program premises and implementation experiences attendant to the organizational and developmental phases of the Samahang Nayon.

Specifically, this study aims to: (1) Evaluate socio-economic impacts of Samahang Nayon on membership; (2) Review development trends and prospects of Samahang Nayon; (3) Identify problems that beset the program and recommend possible solutions.

For the overview of the cooperatives development program of the Philippines, past and present cooperative materials were reviewed. Pamphlets, teaching manuals, and annual reports prepared by the Bureau of Cooperatives Development (BCOD), Ministry of Agriculture, were used in presenting the cooperatives development program under the New Social Order. The impact of Samahang Nayon on membership was based on a socio-economic study undertaken by the Agricultural Credit and Cooperative Institute, University of the Philippines at Los Banos. Statistical tables were analyzed to determine the impact of the program on SN members in contrast to non-members.

Data on tenure suggest a faster movement away from a share-tenancy arrangement by members than by non-members. Also revealed by the data is that members moved into ownership categories (owner-operator, part-owner or amortizing-owner) to a greater extent than non-members during the four year period 1972-1976. It may be argued that a slower transition is more

desirable because it allows an orderly withdrawal of ownership capital provided by an absentee landlord group and less disruption in agricultural productivity than a sudden shift in tenure status.

Increase in value of farm resources, increase in average value of crops, and increase in net farm earnings all indicate that non-members fared better than members during the period 1972-1976. This may have occurred due to the emphasis on expansion of production of rice and corn causing SN members to commit their resources to the production of these crops to an extent not consistent with market price relationships placing members at a disadvantage in achieving increases in net farm income.

The Samahang Nayon Development Program through its savings requirement fund programs (including BGF and BSF) have withdrawn operating capital from member farms to the extent that rates of increase in productivity have been reduced relative to non-members.

The shift in sources of credit between 1972 and 1976 is a remarkable one which indicates a major success in bringing expanded institutional credit to the rural populace.

Sociological characteristics examined related to attitudes toward group action by SN members. Members were less inclined to engage in group activity in solving market related problems as in the sale of produce and in the purchase of farm supplies.

Opposite reaction to group action in providing community infrastructure was revealed by the survey data. However,

willingness to participate in community projects indicates recognition of some kind of benefit from community participation in efforts for community improvement.

The Samahang Nayan program exhibited impressive achievements between 1974-1975 and 1976-1977. Number of organizations nearly doubled from 10,709 to 19,708. Membership increased from 328 thousand to 829 thousand (about 2.5 times). Savings fund and general fund increased from ₱13 million to ₱63 million (about 3.8 times).

The comprehensive nature of rural development efforts undertaken through the SNDP and the central notion of target clientele as principal doers and generators of innovation creates a need for substantial promotion and encouragement.