



COOPERATIVE DEVELOPMENT AUTHORITY

827 Aurora Blvd., Service Road, Brgy. Immaculate Conception Cubao, 1111 Quezon City, Philippines
http://www.cda.gov.ph helpdesk@cda.gov.ph CDA Philippines



MEMORANDUM CIRCULAR NO. 2023- 18
Series of 2023



TO: ALL CONCERNED

SUBJECT: **GUIDELINES GOVERNING THE IMPLEMENTATION OF A SPECIAL PROGRAM ON MERGER AND CONSOLIDATION FOR MICRO AND SMALL COOPERATIVES AND GRANTING INCENTIVES THEREOF**

Section 1. Legal Bases.

The legal bases for this Guidelines are the following:

1.) Chapter II of RA 9520, as follows:

"Art. 21. Merger and Consolidation of Cooperatives.

- (1) *Two (2) or more cooperatives may merge into a single cooperative, which shall be either one of the constituent cooperatives or the consolidated cooperatives.*
- (2) *No merger or consolidation shall be valid unless approved by a three-fourths (3/4) vote of all members with voting rights, present and constituting a quorum of each constituent cooperative at separate general assembly meetings. The dissenting members shall have the right to exercise their right to withdraw their membership pursuant to Article 30.*
- (3) *The Authority shall issue the guidelines governing the procedure of Merger or consolidation of cooperatives. In any case, the Merger or consolidation shall be effective upon the issuance of the Certificate of Merger or Consolidation by the Authority.*

Art. 22. Effects of Merger and Consolidation. - *The Merger or consolidation of the cooperatives shall have the following effects:*

- (1) *The constituent cooperatives shall become a single cooperative which, in case of a Merger, shall be the surviving cooperative and, in case of a consolidation, shall be the consolidated cooperative;*

Office of the Chairman : (02) 8721-5325
(02) 8721-5324
Office of the Administrator : (02) 8721-0633
Officer of the Day : (02) 8725-3764



Management System
ISO 9001:2015



www.tuv.com
ID 9105070733

- (2) *The separate existence of the constituent cooperatives shall cease, except that of the surviving or the consolidated cooperative;*
- (3) *The surviving or the consolidated cooperative shall possess all rights, privileges, immunities, and powers and shall be subject to all the duties and liabilities of a cooperative organized under this Code;*
- (4) *The surviving or the consolidated cooperative shall possess all the assets, rights, privileges, immunities, and franchises of each of the constituent cooperatives; and*
- (5) *The surviving or consolidated cooperative shall be responsible for all the liabilities and obligations of each constituent cooperative in the same manner as if such surviving or consolidated cooperative had incurred such liabilities or obligations. Any claim, action, or proceeding pending by or against such constituent cooperatives may be prosecuted by or against the surviving or consolidated cooperative. Neither the rights of creditors nor any lien upon the property of any of such constituents shall be impaired by such Merger or consolidation.*

2.) Republic Act No. 11364, as follows:

Sec. 2, RA 11364. Declaration of Policy.

"It is the declared policy of the State to promote the viability and growth of cooperatives as instruments of equity, social justice, and economic development and to create an agency, in fulfillment of the mandate in Section 15, Article XII of the 1987 Constitution."

Sec. 4(c), RA 11364. Powers, Functions, and Responsibilities.

"Register all cooperatives, including amendments to the Articles of Cooperation and By-Laws (ACBL), division, merger, and consolidation;"

3.) Rule 5 of the Revised IRR, RA No. 9620. **"Guidelines Governing the Procedure for Merger or Consolidation."**

Section 2. Definition of Terms.

- 1) **Beneficiary Cooperative**- refers to the merged or consolidated cooperatives that have expressed willingness to be assisted by a partner cooperative.
- 2) **Compliant Cooperative**- refers to a cooperative issued with a valid Certificate of Compliance (COC).
- 3) **Consolidation**- refers to the union of two or more cooperatives belonging to the same category to form a new cooperative called the consolidated cooperative.
- 4) **Consolidated Cooperative**- refers to the new cooperative created after the termination of the old cooperatives.
- 5) **Constituent cooperatives** refer to two or more existing cooperatives that are parties to a merger or consolidation.
- 6) **Micro-cooperative** – refers to a cooperative whose assets are three million (P3,000,000.00) and below, exclusive of the land on which the cooperative's office, plant, and equipment, if any, are situated.
- 7) **Merger** - refers to the union of two or more cooperatives belonging to the same category whereby the surviving cooperative, retaining its identity, absorbs one or more constituent cooperatives.
- 8) **Partner Cooperatives**- refers to operating medium and large cooperatives with the capacity and willingness to assist beneficiary cooperatives under the Koop Kapatid Program.
- 9) **Small cooperative**- refers to a cooperative whose assets are three million and one to fifteen million (P3,000,001.00- P15,000,000.00), exclusive of the land on which the cooperative's office, plant, and equipment, if any, are situated.
- 10) **Surviving Cooperative** refers to the cooperative that survives and continues the business of the combined cooperatives.

Section 3. Program Description

A special program of the Authority on Merger or Consolidation for Micro and Small Cooperatives promotes and encourages micro and small cooperatives to enter symbiotic organizational integration and participate in collaborative socio-economic undertakings. Participating micro and small cooperatives shall undertake initiatives to

help them develop their entrepreneurial capabilities, managerial expertise, and technical skills and, importantly, become more progressive and viable cooperatives.

The Program shall benefit the participating cooperatives in terms of consolidated capital, revenues, business opportunities, strengthened financial capabilities, organizational growth, management development, and access to financial and technical assistance. Moreover, merged or consolidated cooperatives under this guidelines shall be granted monetary and non-monetary incentives from the CDA as well as from the partner cooperatives under the Koop Kapatid Program.

The CDA-EOs are at the forefront of the promotion, organization, and registration of mergers and consolidation for Micro and Small Cooperatives in their respective areas of jurisdiction.

Section 4. Goals and Objectives.

This Guidelines generally provide the micro and small cooperatives with increased opportunities to allow other stakeholders, like the Partner Cooperatives, to play a significant role in the organization and management development of merged and consolidated cooperatives.

Specifically, this guidelines shall:

1. Provide the qualification requirements and procedures to implement the program;
2. Provide for the active role/involvement of partner cooperatives in the organizational and management development of merged and consolidated cooperatives; and
3. Provide incentives, technical support, and other opportunities to merged or consolidated cooperatives.

Section 5. Coverage.

This Guidelines shall cover all micro and small cooperatives except those that are Dissolved, under Liquidation, Cancelled, and Delisted (DLCD).

Section 6. General Requirements

To participate in the program, the constituent cooperatives shall have the following qualifications:

1. In existence for at least three (3) years;
2. No existing intra/inter-cooperative disputes filed with the Authority; and
3. No pending cases filed with the Court and other Administrative Agencies.

Further, the minimum number of constituent cooperatives for a merger or consolidation shall be five (5).

Section 7. Procedure for Merger or Consolidation.

The procedure for the merger or consolidation of cooperatives shall be as follows:

1. Approval by the board of directors of a resolution of each constituent cooperative to enter a merger or consolidation.
2. Execution of a Memorandum of Understanding to merge or consolidate, stating the creation of a Joint Committee to formulate the plan and proposal to merge or consolidate.
3. Formulation of a Plan of Merger or Consolidation by the representatives of the constituent cooperatives to the Joint Committee.
4. Calling a General/Representative Assembly to present and approve the Proposal and Plan of Merger or Consolidation of each constituent cooperative and the Amendment / New Articles of Cooperation and By-laws.
5. Posting/Publication of the Notice of Merger or Consolidation by each constituent cooperative.
6. Written notification to creditors is sent through registered mail with a return card and other applicable electronic means.
7. Filing with the Authority of the required documents for the registration of merger or consolidation; and

8 Issuance of Certificate of Registration of Merger or New Registration in case of consolidation by the Authority.

The Authority shall provide technical assistance in all stages of the merger and consolidation.

Section 8. Exemption to the two-year existence.

A consolidated cooperative may be registered as a multipurpose cooperative provided it has complied with the requirements provided in CDA MC No. 2015-07 and any amendments thereto.

Section 9. Procedure in Granting the Monetary and Non-monetary Assistance/Incentives.

Merged and consolidated cooperatives under this program shall be granted a non-monetary and monetary incentive equivalent to ₱500,000.00 per merged or consolidated cooperative plus a counterpart amount to be determined by the Partner Cooperative suitable under the Koop Kapatid Program. In addition, merged and consolidated cooperatives shall qualify for an incremental additional ₱500,000.00 when the number of constituent cooperatives reaches ten or fifteen, respectively.

The Authority and Partner Cooperatives shall extend non-monetary assistance or incentives that benefit the merged or consolidated cooperative.

9.1. Step 1. The cooperative shall be required to submit to the Extension Office the following documents to avail of the financial assistance/incentive:

1. Board of Directors' Resolution of the beneficiary cooperative requesting financial assistance from the CDA with the following information:
 - a) Purpose or objective of assistance
 - b) Name and position of designated officer/s to transact official business with CDA.
2. Proposal detailing the type of project and the components that need funding.

9.2. Step 2. The concerned EO shall evaluate the application, process it, and release the financial assistance subject to usual government accounting and auditing standards.

9.3. Step 3. The concerned CDA-EO shall secure a CDA Board Resolution to reinforce the endorsement of the beneficiary cooperative to the Partner Cooperatives under the Koop Kapatid Program under MC 2023-02.

Section 10. Other Assistance by the Authority.

Aside from the monetary incentives, the Authority may provide technical assistance, such as referral and access to financial institutions and relevant government agencies' development programs, and Knowledge and Support Technical Assistance (KSTA) through mentoring, coaching, and on-the-job training (OJT) will help enhance the operations of the cooperative's organization and management techniques and methods.

Section 11. Separability Clause.

If any provisions of this Circular are declared null and void or unconstitutional, the other provisions not affected thereby shall continue to be in force and effect.

Section 12. Repeal.

All previous circulars and guidelines issued by the Authority that are inconsistent with these guidelines are repealed or modified accordingly.

Section 13. Effectivity

This circular shall take effect fifteen (15) days after its publication in the Official Gazette or national newspaper of general circulation and the filing of the copy thereof with the Office of the National Administrative Register (ONAR).

Approved by the CDA Board of Directors on October 13, 2023, per BOD Resolution No. 763, s-2023.

Issued this 28th day of November, 2023.

FOR THE BOARD OF DIRECTORS,

USEC. JOSEPH B. ENCABO
Chairman *JW*

A handwritten signature in blue ink, consisting of a large, stylized loop that crosses itself, with a vertical line extending downwards from the bottom of the loop.