



Republic of the Philippines
OFFICE OF THE PRESIDENT
COOPERATIVE DEVELOPMENT AUTHORITY

M.C. NO. 01, S-1996

MEMORANDUM CIRCULAR

T O : ALL CONCERNED

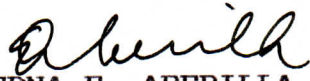
S U B J E C T : GUIDELINES ON THE FORMULATION OF
ARTICLES OF COOPERATION AND BY-
LAWS FOR INDIGENOUS PEOPLE'S
COOPERATIVES (IPCS)

Pursuant to CDA Board Resolution No. 372, S-1995 dated October 5, 1995, as amended by Resolution No. 469, S-1995 dated December 11, 1995, the Authority adopted the Guidelines on the Formulation of Articles of Cooperation and By-Laws for Indigenous People's Cooperatives (IPCs), copy of which is hereto being attached as Annex "A".

The guidelines shall govern the procedures required to be undertaken in the area of the registration of IPCs with the CDA.

For information and guidance.

January 10, 1996, Quezon City, Metro Manila.


EDNA E. ABERILLA
Chairman

Encl.: a/s

**GUIDELINES ON THE FORMULATION OF ARTICLES OF COOPERATION
AND BY-LAWS FOR INDIGENOUS PEOPLES COOPERATIVES**

1 1. LEGAL BASIS

2 1.1 Provisions of R.A. No. 6938

3 1.1.1 Article 2. *Declaration of Policy.* — It is the declared policy
4 of the State to foster the creation and growth of cooperatives as a
5 practical vehicle for promoting self-reliance and harnessing people
6 power towards the attainment of economic development and social
7 justice. The State shall encourage the private sector to undertake the
8 actual formation and organization of cooperatives and shall create an
9 atmosphere that is conducive to the growth and development of these
10 cooperatives.

11 Towards this end, the government ... shall ensure the provision of
12 technical guidance, financial assistance and their services to ...
13 bring about a strong cooperative movement that is free from any
14 conditions that might infringe upon the autonomy or organizational
15 integrity of cooperatives.

16 1.1.2 Article 4. *Cooperative Principles.* — Every cooperative shall
17 conduct its affairs in accordance with Filipino culture and
18 experience and the universally accepted principles of cooperation ...

19 2. DEFINITION OF TERMS (Yet to be Defined)

20 3. FORMULATION OF ARTICLES OF COOPERATION

21 PREAMBLE

22 The Preamble may follow the generally accepted formulation.

23 However, the following items may be considered:

24 3.1 Inclusion of the tribal affiliation of the cooperators; and

25 3.2 Inclusion of the indigenous traditions, customs,

26 knowledge systems and practices (ITCKS) as part of the legal

27 basis for cooperation not contrary to law, public policy and morals.

28 NAME

29 The cooperators may exercise freedom in naming their cooperative,
30 including the use of terms from local dialect in such name. The
31 term 'cooperative' must however be part of the name in order to
32 entitle the organization to the benefits of RA No. 6938.

33 OBJECTIVES AND PURPOSES

34 An indigenous peoples cooperative may freely determine its objectives
35 and purposes which are not contrary to law. In the context of social
36 justice and equity, the cooperative shall give primary consideration to
37 the provision of socio-economic benefits to its members, specially
38 goods and services, in order to give them opportunity to increase their
39 income, savings, investments, productivity and purchasing power.
40 It shall, in addition provide opportunities for its members to acquire
41 knowledge of their rights as indigenous peoples. Purely charitable
42 purposes should be avoided.

43 AREA OF OPERATION

44 The indigenous peoples cooperative may choose its own area of
45 operation. The principal office may be located within the ancestral
46 domain of the members as defined by the members of the tribal
47 community. The cooperative may likewise freely determine its
48 business address. The ancestral domain of the concerned
48 indigenous people may serve as the primary area of operation and
50 the postal address of the cooperators may be established within this
51 area.

52 TERM OF EXISTENCE

53 The 50-year maximum period of existence of a cooperative under RA
54 No. 6938 may be replaced with an equivalent period according to the
55 prevailing indigenous traditions, customs, knowledge systems and
56 practices. The equivalent of 50 calendar years shall however be

57 parenthetically indicated.

58 NAMES AND ADDRESSES OF COOPERATORS

59 The name, tribal affiliation and address of each cooperator may be
60 reflected under this title.

61 COMMON BOND OF MEMBERSHIP

62 Sharing the same socio-cultural characteristics with a specific
63 community of indigenous people identified by tribal affiliation, may
64 serve as the common bond of membership in the cooperative.

65 BOARD OF DIRECTORS

66 The Board of Directors may be elected and organized within the
67 framework of indigenous leadership concepts and practices. A
68 reasonable number of seats in the Board of Directors may be reserved
69 for women.

70 CAPITALIZATION

71 The authorized share capital of the indigenous peoples may be in
72 cash, or in terms of goods and services to be delivered to the
73 cooperative.

74 SUBSCRIBED AND PAID-UP CAPITAL

75 Subscribed capital of members may be paid in cash, in kind or in
76 services or any combination thereof.

77 4. FORMULATION OF THE COOPERATIVE BY-LAWS

78 PREAMBLE

79 The construction of the preamble of the By-Laws may follow the
80 guidelines for the preamble of the Articles of Cooperation. A number
81 of members of the cooperative considered sufficient and acceptable
82 under ITCKSPs may adopt the By-Laws.

83 OBJECTIVES AND PURPOSES

84 Indigenous peoples cooperatives may be organized for any or all of
85 the objectives as stated in Article VI of this Code, including but not

- 86 limited to the following:
- 87 a) To develop a system of cooperatives among members of the
- 88 indigenous peoples founded on their indigenous traditions, customs,
- 89 knowledge systems and practices;
- 90 b) To serve as a conduit of assistance from various institutions for
- 91 the operation and strengthening of indigenous peoples cooperatives;
- 92 c) To act as a catalyst for the socio-economic development of the
- 93 indigenous peoples in particular and their overall development in
- 94 general; and
- 95 d) To represent the members in any or all matters that affect their
- 96 interest and welfare as indigenous peoples.

97 MEMBERSHIP

98 Section 1. Membership in the cooperative may be open to all

99 members of the concerned community of indigenous peoples (tribe)

100 who are of age according to indigenous traditions, customs,

101 knowledge systems and practices.

102 Section 2. Application for Membership — Applications for

103 membership shall be done in writing. An application may be

104 presented in any form which signifies intent to become a member of

105 the cooperative. (b) Membership fees may be paid in cash or in kind

106 and the terms of payment of unpaid subscribed capital may be

107 agreed upon by the parties. (c) An applicant who is rejected by the

108 Board of Directors may appeal his case to the next special or regular

109 general assembly.

110 Section 3. Duties of a Member — The cooperative shall determine the

111 duties of its members.

112 Section 4. Rights of Members — The basic rights of the members of

113 the cooperative shall include the right to participate in deliberations

114 during meetings; to vote on all matters brought before such

115 meetings; to be elected to any position in the cooperative; to avail of
116 the services of the cooperative without discrimination; and to
117 examine the accounts and other records of the cooperative.

118 The cooperative may set conditions for entitlement to vote or be voted
119 upon.

120 Section 5. Liability of Members — A member shall be liable for the
121 debts of the cooperative to the extent of his/her contribution to the
122 share capital of the cooperative.

123 Section 6. Termination of Membership — Membership in the
124 cooperative may be terminated either by death, withdrawal or
125 expulsion.

126 Section 7. Withdrawal — Notice of intent to withdraw from the
127 cooperative shall be made in writing. The cooperative may determine
128 the terms and conditions for withdrawal of membership.

129 Section 8. Expulsion — The cooperative may set the conditions for the
130 expulsion of any of its members. The right of the member to be heard
131 shall, in all cases, be respected. In case of expulsion, the affected
132 member shall have the right to appeal to the next special or regular
133 general assembly whose decision shall be final.

134 Section 9. Appraisal and Payment of Member's Earnings Upon
135 Termination of Membership — The Board of Directors shall cause
136 the appraisal and payment of whatever is due to a member upon
137 termination of his/her membership. Payments shall be made in
138 accordance with the policies laid down by the Board of Directors
139 taking into consideration his/her liabilities to the cooperative.

140 GOVERNANCE

141 Section 1. Membership Control — Final authority in the
142 management and administration of the affairs of the cooperative is
143 vested on the general assembly. Decisions of the general assembly

144 must have the concurrence of at least a majority of members with
145 voting rights present during the general assembly.

146 Section 2. The General Assembly — The general assembly of the
147 cooperative shall be composed of members entitled to vote duly
148 assembled for the purpose as defined by Article V of RA No. 6938.

149 Section 3. Powers of the General Assembly — The general assembly
150 shall determine its powers based on indigenous traditions, customs,
151 knowledge systems and practices and RA 6938.

152 Section 4. Annual General Assembly — The Board of Directors may
153 determine the date and venue of the General Assembly preferably
154 within 90 days after each fiscal year.

155 Section 5. Special General Assembly — A special general assembly
156 may be called by a majority of the members of the Board of Directors
157 to consider urgent matters requiring immediate membership
158 decision. The Board of Directors shall call the general assembly
159 within a reasonable period from receipt of a written request of at least
160 10 percent of the total number of members entitled to vote; the Audit
161 and Inventory Committee; the federation or union of which the
162 cooperative is a member; and the Authority. A notice of special
163 general assembly shall state the purpose for which it is to be held.

164 Section 6. Notice of General Assembly — Written or oral notice of a
165 general assembly shall be served by the Secretary, through
166 messenger or by mail, upon each member in his last known address
167 or through an announcement in the local radio station or any other
168 traditional system of calling a meeting. A written notice may be
169 accompanied by the agenda.

170 Section 7. Fiscal Year — The cooperative may determine its own
171 fiscal year according to the community's prevailing indigenous
172 traditions, customs, knowledge systems and practices.

173 Section 8. Agenda — The order of business for each annual meeting
174 may be determined according to indigenous traditions, customs,
175 knowledge systems and practices.

176 Section 9. Quorum at the General Assembly — The cooperative may
177 determine its own quorum in the annual or special general
178 assembly. Provided that such quorum shall not be less than 25% of
179 the members with voting rights.

180 Section 10. Manner of Voting — No member of the cooperative is
181 entitled to more than one vote regardless of the share capital owned.
182 The cooperative may allow proxy voting, provided that proxies are
183 duly authorized members of the immediate family of the member
184 who seeks to vote by proxy. Action on all other matters shall be by any
185 manner that will truly and correctly reflect the decision of the
186 membership.

187 Section 11. Board of Director and Number — The business of the
188 cooperative shall be administered by the Board of Directors. The
189 Board of Directors shall be composed of not less than 5 or more than
190 15 in odd numbers.

191 Section 12. Qualification of, and Disqualifications for Directors —
192 The cooperative may determine the qualifications and
193 disqualifications of members of the Board of Directors.

194 Section 13. Election of Directors — Guided by indigenous traditions,
195 customs, knowledge systems and practices, the general assembly
196 may determine the manner of election of members of the Board of
197 Directors. The term of office of the Board of Directors shall however
198 be determined in accordance with existing laws, rules and
199 regulations.

200 Section 14. Directors Meeting; Election of Officers — The members of
201 the Board of Directors may determine the manner by which they will

202 elect from among themselves a Chairperson and Vice-Chairperson.
203 The Treasurer and Secretary who must not be members of the Board
204 may be chosen by the general assembly or Board of Directors.
205 Officers of the Board may be elected or appointed without any
206 restrictions involving relationships either by affinity or
207 consanguinity. The Board of Directors may determine the term of
208 office of such elective or appointive officers. The Board may likewise
209 determine the manner by which special and regular meetings of the
210 Board are called.

211 Section 15. Quorum of Directors' Meeting — Quorum may be
212 determined by the Board according to indigenous traditions,
213 customs, knowledge systems and practices; Provided, however, that
214 action on all matters shall truly and correctly reflect the decision of
215 the membership of the Board, communicated in writing or any other
216 traditional system of communication.

217 Section 16. Vacancies — The cooperative shall determine the
218 manner of filling up all vacancies in the board and elective
219 committees in accordance with indigenous traditions, customs,
220 knowledge systems and practices.

221 Section 17. Removal of Directors and Committee Members — After
222 having been given the opportunity to be heard, any elected director or
223 committee member may be removed from office for cause by the
224 general assembly.

225 Section 18. Powers and Duties of the Board — The Board of Directors
226 as a body shall exercise general supervision of the affairs of the
227 cooperative. It shall prescribe policies consistent with law,
228 customary laws, the by-laws and resolutions of the general assembly.

229 Section 19. Audit and Inventory Committee — The general assembly
230 shall determine the number, term of office and elect the members of

231 an Audit and Inventory Committee.

232 Section 20. Qualifications and Disqualifications of Committee

233 Members — The qualifications and disqualifications provided for
234 Directors shall apply to the members of the various committees.

235 Section 21. Other Committees — The cooperative may form and/or
236 create other committees and determine their powers and functions
237 as the cooperative operations may require.

238 Section 22. Officers and Their Duties — The cooperative shall
239 determine the duties of its officers which may include the following:

240 • Chairperson

241 a) Preside over meetings of the Cooperative and the Board of
242 Directors;

243 b) Perform the duties usually done by a presiding officer;

244 c) Sign share and revolving fund certificates, contracts and such
245 other papers of the cooperative which the Board may authorize and
246 direct him/her to sign; and

247 d) Perform such other duties as the Board of Directors may
248 prescribe.

249 • Vice-Chairperson

250 In the absence or disability of the Chairperson, the Vice-Chairperson
251 shall perform the duties of the Chairperson; provided, however, that
252 in case of death, resignation or removal of the Chairperson, the
253 Board may decide to elect his/her successor.

254 • Treasurer

255 a) Take custody of all moneys, securities and financial papers of the
256 cooperative;

257 b) Keep a complete record of its cash transactions which would serve
258 as proof of his/her cash position at any given time and date;

259 c) As authorized by the Board of Directors, pay all money

260 transactions and certify to the correctness of the cash position of the
261 cooperative in all financial statements and reports submitted to the
262 Board, General Assembly or the Authority; and
263 d) Turn-over all moneys, securities, papers, book and all properties
264 belonging to the cooperative that he/she may have in his/her
265 possession upon election of his/her successor. Post an adequate bond
266 or guarantees determined in accordance with indigenous traditions,
267 customs, knowledge systems and practices, to assure the faithful
268 performance of his/her duties. Perform the duties of the Secretary in
269 the latter's absence or inability to perform his/her duties.

270 • Secretary

- 271 a) Keep a complete list of all members and maintain a correct
272 record/minutes of all meetings of the Board and the General
273 Assembly;
274 b) Give notice of all meetings called;
275 c) Keep and maintain the stock and transfer book and serve as a
276 custodian of the corporate seal of the cooperative;
277 d) Turn-over to his/her successor all books and properties in his/her
278 possession belonging to the cooperative; and
279 e) Perform the duties of the Treasurer, in his/her absence or inability
280 to perform his/her duties.

281 Section 23. Council of Elders/Leaders — The Council of
282 Elders/Leaders refers to the indigenous leadership structure of the
283 community composed of bonafide leaders acting individually or in a
284 council depending on the prevailing indigenous traditions, customs,
285 knowledge systems and practices. The Council of Elders/Leaders
286 shall perform advisory functions to the cooperative in matters
287 concerning customs, traditions, beliefs and mores. A member of the
288 Council of Elders/Leaders may simultaneously serve as an elected

289 officer or member of the Board.

290 Section 24. Liabilities of Directors, Officers and Committee Members

291 — Directors, officers and committee members may be sanctioned in
292 accordance with existing laws or customary laws for willful acts
293 which are prejudicial to the interest of the cooperative.

294 Section 25. Management Staff and Other Personnel — The Board of
295 Directors shall appoint the general manager and the latter may
296 appoint the other members of the management staff subject to Board
297 confirmation. The Board shall likewise determine their functions,
298 tenure and compensation.

299 Section 26. Compensation — During the initial stage of the operation
300 of the cooperative, where the cooperative has not yet established its
301 financial capability, the concept of volunteerism in terms of
302 rendering service to the cooperative may be adopted.

303 CAPITAL STRUCTURE

304 Section 1. Sources of Funds — The cooperative may derive funds
305 from whatever legal source which may include the share capital,
306 revolving capital, capital reserves, loan capital, subsidies, grants and
307 donations from local or foreign sources, savings in cash or in kind
308 and other sources as may be authorized by law or indigenous
309 traditions, customs, knowledge systems and practices.

310 Section 2. Share Capital and Stock Certificate — The par value of
311 each capital share may be determined by the cooperative which shall
312 not however be lower than P1.00 per share. Serially numbered
313 Certificate of Stock may be issued to each member upon full payment
314 of the subscription in cash or in kind. The Certificate shall contain
315 the shareholder's name, number of shares owned and the par value
316 and shall be signed by the Chairperson and the Secretary of the
317 cooperative. All issues and transfers shall be registered in the stock

318 and transfer book. Shares of stock may be purchased, owned or held
319 by persons who are eligible for membership. Earnings, which may
320 be in cash or in kind, may be paid in the manner prescribed by the
321 cooperative. Such earnings may be credited towards payment of
322 subscriptions, outstanding accounts or additional shares or to the
323 revolving fund of the cooperative.

324 Section 3. Transfer of Shares — The cooperative may determine the
325 mechanics for transfer of shares taking into consideration
326 indigenous traditions, customs, knowledge systems and practices.
327 Transfer of shares, however, may not be binding to the cooperative
328 until such transfer has been registered in its Stock and Transfer
329 Book and the old certificates have been surrendered. The cooperative
330 may likewise determine the conditions for replacement of certificates
331 which have been lost or destroyed.

332 ALLOCATION AND DISTRIBUTION OF NET SURPLUS

333 Section 1. The cooperative may determine the distribution of net
334 surplus at the end of the fiscal year. Portions of the net surplus may
335 however be set aside as reserve fund, education and training funds
336 and cultural facilities and activities fund. The remaining amount
337 may be made available to the members in the form of earnings on
338 share capital and patronage refund.

339 MISCELLANEOUS

340 Section 1. Investment of Capital — The Board of Directors may
341 determine the manner by which its capital may be invested
342 considering the opportunities within the locality and other easily
343 accessible places.

344 Section 2. Books of Accounts — The cooperative shall keep a book of
345 accounts presented in a manner which is understandable to the
346 members.

347 Section 3. Audit — The record of accounts of the cooperative shall be
348 audited at least once a year by the Audit and Inventory Committee.

349 The cooperative shall arrange an external audit at least once a year.

350 Section 4. Annual Report — The cooperative shall present a
351 simplified annual report of its affairs to the general assembly,
352 together with the audited financial statements, and submit a copy
353 thereof to the Authority preferably within 90 days from the end of the
354 fiscal year.

355 Section 5. Accounting System — The cooperative may adopt an
356 accounting system taking into consideration the indigenous
357 traditions, customs, knowledge systems and practices and generally
358 accepted accounting principles.

359 Section 6. Settlement of Disputes — The cooperative, in consultation
360 with the Council of Elders/Leaders, may adopt an acceptable system
361 for the settlement of cooperative disputes in accordance with
362 ITCKSPs and existing rules and regulations.

363 AMENDMENTS

364 Section 1. Amendments — Amendments to the Articles of
365 Cooperation and By-Laws of the cooperative may be adopted by a
366 majority vote of regular members with voting rights present during a
367 general assembly called for the purpose.