



COOPERATIVE DEVELOPMENT AUTHORITY

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SUBJECT: GUIDELINES FOR EMPOWERING MICRO AND SMALL COOPERATIVES THROUGH STRATEGIC PARTNERSHIP WITH MEDIUM AND LARGE COOPERATIVES AND COOPERATIVE BANKS FOR INCREASED PARTICIPATION IN THE CREDIT SURETY FUND (CSF) PROGRAM

I. BACKGROUND

Micro and Small Cooperatives (MSCs) play a pivotal role in driving local economic growth and development, particularly in rural areas, where they contribute to employment, community development, and the empowerment of grassroots organizations. Despite their potential, many MSCs face significant challenges in accessing traditional sources of financing. Their limited access to credit is often due to factors like insufficient credit histories, lack of collateral, and the high risk perceived by financial institutions.

The Credit Surety Fund (CSF) is an innovative program of the government designed specifically to address these financing challenges. By providing credit enhancement support, the CSF helps MSCs secure loans from banks without the need for collaterals. The CSF Program can serve as a critical support mechanism for cooperatives, helping them grow and sustain their operations. However, despite the substantial benefits offered by the program, many MSCs struggle to participate due to the high entry requirements. Specifically, the need for an initial contribution of one hundred thousand pesos (Php100,000) can be prohibitive for MSCs with limited financial resources. Without the ability to join, MSCs miss out on the advantages of increased access to credit and the potential for business expansion that the CSF Program offers.

In response to the aforementioned challenge, the Cooperative Development Authority introduces the strategic partnership of MSCs with the Medium and Large Cooperatives (MLCs) and Cooperative Banks (CBs). These MLCs which have more robust financial resources, are encouraged to use their Community Development Funds (CDF), Optional Fund (OF) or treat financial assistance/donations as Social and Community Service Expenses, to support MSCs in joining CSF Cooperatives. These funds shall be administered and managed by the CBs. By offering these in the form of loan to cover the initial contribution, MLCs and CBs can help MSCs overcome barriers, hence fostering greater participation in the CSF Program.

The partnership is built on the cooperative principle of "Cooperation Among Cooperatives," which emphasizes the importance of collaboration and mutual support within the cooperative movement. This principle is one of the core values that define cooperatives worldwide, ensuring that stronger cooperatives support their smaller counterparts to create a balanced and inclusive cooperative sector. The program exemplifies this principle by encouraging larger cooperatives to take an active role in uplifting smaller ones, ensuring that no cooperative is left behind due to financial constraints.

Through this initiative, MLCs and CBs can play a crucial role in promoting financial inclusion, sustainability, and community development. Their support helps MSCs access the CSF Program's benefits, allowing these smaller entities to secure credit, strengthen their businesses, and make meaningful contributions to local economies. In turn, MSCs can



leverage this support to grow their operations, enhance their competitiveness, and ultimately become self-sufficient.

Overall, the partnership aims to build a more resilient and inclusive cooperative sector. By addressing the financial barriers faced by MSCs and fostering cooperation between different types of cooperatives, the program contributes to the creation of a more equitable and thriving cooperative ecosystem. This collective effort not only strengthens the cooperative movement but also supports broader national goals of economic empowerment, poverty reduction, and sustainable development in the Philippines.

II. TITLE

This Guidelines shall govern the "Empowering Micro and Small Cooperatives Through Strategic Partnership with the Medium and Large Cooperatives and Cooperative Banks for Increased Participation in the Credit Surety Fund (CSF) Program".

III. LEGAL BASES

1. **Article II, Section 9 of the 1987 Philippine Constitution**, states that:

"The State shall promote a just and dynamic social order that will ensure the prosperity and independence of the nation and free the people from poverty through policies, adequate social services, promote full employment, a rising standard of living and an improved quality of life for all."

2. **Section 2, Republic Act No. 11364**, An Act Reorganizing and Strengthening the Cooperative Development Authority Repealing for the Purpose of Republic Act No. 6939, Creating the Cooperative Development Authority, states that:

"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 xxx."

The State also recognizes Cooperative Development Authority (CDA) as primary responsible for the institutional development and regulation of cooperatives through partnership with cooperative sectors. Accordingly, the State recognizes the right of cooperatives to initiate and foster within their own ranks cooperative promotion, organization, training, information gathering, audit and support services, with government assistance where necessary."

3. **Section 4, Republic Act No. 11364**, also states that:

Powers, Functions and Responsibilities. The Authority shall have the following powers and functions:

(i) Promulgate and issue guidelines on the specific use and utilization of statutory funds and obligations that will achieve the real intent and spirit of establishing such funds and obligations for the benefit of the cooperatives and communities they serve;

4. **Section 6, Republic Act No. 11364**, likewise states that:

"The Board as collegial body shall be responsible for policy formulation, strategic planning and direction setting of the agency and shall exercise the following powers and functions:

- a. *Formulate policies, rules and regulations consistent with the provisions of Republic Act No. 9520 and this Act".*

5. **Chapter I, Article 4 of Republic Act No. 9520** otherwise known as the Philippine Cooperative Code which provides:

Cooperative Principles. *Every cooperative shall conduct its affairs in accordance with Filipino culture, good values and experience and the universally accepted principles of cooperation which include, but are not limited to the following:*

6. **Cooperation among Cooperatives.**- *Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.*

6. **Chapter X, Article 86 of Republic Act No. 9520** which provides:

Allocation and Distribution of Net Surplus. "(3) An amount for the community development fund, which shall not be less than three per centum (3%) of the net surplus. The community development fund shall be used for projects or activities that will benefit the community where the cooperative operates.

"(4) An optional fund, a land and building, and any other necessary fund the total of which shall not exceed seven per centum (7%).

7. **Chapter XII, Article 103 of Revised rules and Regulations Implementing Certain and Special Provisions of the RA 9520**, states that:

"Assistance to Cooperative Banks. *In accordance with existing policies, government agencies, government owned or controlled corporations and financial institutions shall provide assistance, technical or otherwise to cooperative banks to permit them to grow, develop and perform their role in countryside development towards a sustainable national economic development".*

8. **Chapter XII, Article 97 Republic Act No. 9520**, which provides:

"Organization, Membership and Establishment of a Cooperative Bank. (1) *Cooperative organizations duly established and registered under this Code may organize a cooperative bank, which shall likewise be considered a cooperative registrable under provisions of this Code subject to the requirements and requisite authorization from the BSP. Only one cooperative bank may be established in each province: Provided, That an additional cooperative bank may be established in the same province to cater to the needs in the same province to cater to the needs of the*

locality depending on the economic conditions of the province as may be determined by the BSP: Provided, further, That the additional cooperative bank shall be located in the City or municipality other than the city or municipality where the first cooperative bank is located”.

9. Section 101 of Manual of Regulations for Banks, which provides that:

Classifications, Powers, and Scope of Authorities of Banks

“b. Powers and scope of authorities. The following are the powers and scope of authorities of banks

(5) Coop Banks. A Coop Bank shall primarily provide financial, banking and credit services to cooperatives and their members, although it may provide the same services to non-members or the general public. In addition to the powers granted to Coop Banks under existing laws, any Coop Bank may perform any or all of the banking services offered by rural banks under Items “4.a” to “4.h” above. A Coop Bank may likewise perform any or all of the banking services offered by rural banks under Items “4.(i)” to “4.(n)” as well as any or all of the banking services offered by other types of banks, subject to prior approval of the Bangko Sentral.”

10. Section 53. Republic Act No. 8791 or “The General Banking Law of 2000”, which provides that:

Other Banking Services. — In addition to the operations specifically authorized in this Act, a bank may perform the following services:

53.1. Receive in custody funds, documents and valuable object...

The bank shall perform the services permitted under Subsections 53.1, 53.2, 53.3 and 53.4 as depositary or as an agent. Accordingly, it shall keep the funds, securities and other effects which it receives duly separate from the bank's own assets and liabilities.

11. Section 2 of Republic Act No. 10744, Credit Surety Fund Cooperative Act of 2015, states that:

“...the State shall encourage and assist in the creation and organization of Credit Surety Fund Cooperatives (CSF Cooperatives) which shall be primarily tasked with administering their respective Credit Surety Fund (CSF). The CSF is designed to provide MSMEs, cooperatives, and nongovernment organizations (NGOs) with more inclusive access to bank credit, thereby enhancing their sustainability and growth.

IV. OBJECTIVES

This Guidelines aims to provide a framework for the implementation of the “Empowering Micro and Small Cooperatives Through Strategic Partnership with Medium and Large Cooperatives and Cooperative Banks for Increased Participation in the Credit Surety Fund (CSF) Program”. The following are the main objectives of this guidelines:

1. Align the guidelines with regulatory frameworks, such as those governing the Community Development Fund (CDF) and Optional Fund (OF);

2. Establish clear eligibility criteria and requirements to ensure that funds reach MSCs that are truly in need;
3. Fosters transparency and accountability in how funds are managed, disbursed, and reported;
4. Protect the sustainability of the partnership;
5. Set clear roles, responsibilities, and expectations for Medium and Large Cooperatives (MLCs), Cooperative Banks (CBs), Micro and Small Cooperatives (MSCs) and Credit Surety Fund Cooperatives (CSFCs); and
6. Emphasize cooperative principles of collaboration, social responsibility, and community development by supporting MSCs in joining CSFCs.

V. SCOPE AND COVERAGE

This program applies to the following:

1. Medium and Large Cooperatives (MLCs) which are willing to participate by offering financial assistance/donations sourced from their CDFs, OFs or part of their Social and Community Service Expenses;
2. Cooperative Banks which shall administer and manage the funds provided by the MLCs;
3. Micro and Small Cooperatives (MSCs) which seek to join CSFCs but are lacking membership contribution; and
4. CSF Cooperatives (CSFCs) which are willing to admit MSCs as members provided that these MSCs are meeting the entry requirements.

VI. DEFINITION OF TERMS

Cooperation Among Cooperatives – refers to the cooperative principle that cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures;

Community Development Fund (CDF) – refers to the amount which shall not be less than three percent (3%) of the net surplus of the cooperative. It shall be used for projects or activities that will benefit the community where the cooperative operates;

Cooperative Bank (CB) – refers to a cooperative which was organized for the primary purpose of providing a wide range of financial services to cooperatives and their members;

Credit Surety Fund Cooperative (CSFC) – refers to a LGU-partnered cooperative comprised of well- capitalized and well-managed member-cooperatives/NGOs that meet the criteria and

qualifications prescribed by the CDA, LGUs, GFIs, PGC and GAs, all of which shall make contributions to the CSF as defined and prescribed by the CSF Act. A CSF Cooperative shall be established for the primary and exclusive purpose of administering the CSF as provided for in the CSF Act and its IRR;

Koop Kapatid Program – refers to the program of the CDA wherein the “Partner-Cooperative” extends assistance to “Beneficiary-Cooperative”. All assistance arising from this program shall be covered by a Memorandum of Agreement between a partner-cooperative and beneficiary-cooperative to assist the latter in accelerating its development;

Large Cooperative – refers to a cooperative with a total asset base of Php100,000,001.00 and above, exclusive of the land on which the cooperative’s office, plant and equipment, if any, are situated.

Medium and Large Cooperatives (MLCs) – refer to the contributors of the program;

Micro and Small Cooperatives (MSCs) – refer to the beneficiaries of the program;

Medium Cooperative – refers to a cooperative with a total asset base of Php15,000,001.00 to Php100,000,000.00, exclusive of the land on which the cooperative’s office, plant and equipment, if any, are situated;

Micro Cooperative – refers to a cooperative with a total asset base of Php3,000,000.00 and below, exclusive of the land on which the cooperative’s office, plant and equipment, if any, are situated; and

Small Cooperative – refers to a cooperative with a total asset base of Php3,000,001.00 to Php15,000,000.00, exclusive of the land on which the cooperative’s office, plant and equipment, if any, are situated.

VII. PROGRAM MECHANICS

This initiative expands the concept of the Koop Kapatid Program as its core framework. By embracing this concept, the program shall create a collaborative and supportive environment where MLCs and CBs act as “Big Brothers” to MSCs. This likewise outlines a comprehensive strategy to increase the membership of MSCs to the CSF Cooperatives by leveraging the financial resources of MLCs and utilizing the bank services of CBs. This initiative creates a sustainable framework to help MSCs access the CSF program.

1. Creation of the Fund

The program is initiated with the creation of a Fund, which acts as the foundation for providing vital financial resources and support to MSCs. The following shall be observed to facilitate the smooth creation of a fund, ensuring all parties are aligned and informed throughout the process.

- a. Participating MLCs shall submit to the CDA Credit Surety Fund (CSF) Section of the CDA Extension Office (CEO) having jurisdiction of the Credit Surety Fund

Cooperative a copy of the General Assembly (GA) Resolution authorizing the financial assistance/donation to the Fund with the specified amount;

- b. CDA CSF Section shall notify the participating CB within or nearest area of operation of the MLCs within fifteen (15) calendar days upon receipt of the GA Resolution;
- c. MLCs, CBs, and CSFCs shall formalize their collaboration through a Memorandum of Agreement (MOA), which shall define the guidelines for the following aspects of the program:
 - c.1. Loan application process, requirements, loan terms and conditions and loan repayment mechanisms and monitoring which shall be enforced by the CBs;
 - c.2. Risk assessment and mitigation strategies in adherence to Section 143 of the MORB, particularly on credit concentration limits;
 - c.3. Management of non-performing loans, including remedial measures and enforcement actions;
 - c.4. Monitoring and reporting of Fund contributions, disbursements, repayments, beneficiaries, and other Fund activities;
 - c.5. Roles and responsibilities of all parties concerned;
 - c.6. Other provisions that shall be agreed upon by the parties.
- d. MLCs shall execute a Deed of Donation; and
- e. The MLCs shall turnover their financial assistance/donations to the CB which the latter shall place in a special account earmarked for the purpose mentioned under Section VII, 2.

2. Purpose of the Fund

The Fund shall be used exclusively to cover the initial contribution required for eligible MSCs to join CSFCs.

3. Sources of the Fund

The contribution shall be in the form of financial assistance/donation. It shall be sourced from one (1) or a combination of the following:

- a. CDFs;
- b. OFs; and
- c. from the operation under Social and Community Service Expenses

The utilization of the CDF and OF shall be in accordance with Article 86, Chapter X of Republic Act No. 9520 and Memorandum Circular No. 2021-01 or the Revised Policy Guidelines Governing the Allocation and Utilization of the CDF of Cooperatives.

Participating MLCs are required to provide an initial contribution of at least Five Hundred Thousand Pesos (Php500,000.00) to the Fund. Subsequent contributions to the Fund are encouraged, with the amount determined at their discretion.

The contribution to the Fund shall be considered as part of their social service initiatives aimed at providing lasting social and economic impact, hence, must be reflected in the Social Development Plan and Budget to be approved by the General Assembly. This shall likewise be accounted for in the Cooperative Annual Progress Report (CAPR) submitted to the CDA.

The accounting entries for the disbursement of CDF and OF and incurrence of Social and Community Service Expenses are shown in Annex A.

4. Management of the Fund

The CBs shall act as conduits for the Fund. The Fund shall be placed in a special deposit account, exclusively for providing loans to MSCs. The revolving nature of the Fund allows for its replenishment as MSCs repay their loans, making the funds available for other MSC applicants.

Participating CBs must demonstrate the following:

- a. Support the program's objectives of helping MSCs and alignment with its objectives;
- b. Stable financial performance and adequate capital and liquidity with Supervisory Assessment Framework (SAFr) rating of at least "3" from the Bangko Sentral ng Pilipinas (BSP);
- c. No history of serious regulatory violations or financial issues, including its directors;
- d. Ability to manage funds at low administrative costs; and
- e. Appropriate policies in place that are sound, comprehensive and clearly defined as well as processes and procedures consistent with prudent standards, practices, and relevant regulatory requirements adequate for the size, complexity and scope of its operations that are consistent with Section 143 of the BSP Manual of Regulations for Banks (MORB).

5. Participation in the Program

To encourage the participation of MSCs in the program, the CDA, through the CSF Section in the CEOs, shall actively promote the initiative. MSCs interested in joining the program must meet the following eligibility criteria:

- a. Must meet the criteria of a well-managed cooperative with a valid Certificate of Compliance (COC);
- b. Must qualify as a Micro or Small Cooperative as defined by the Philippine Cooperative Code, which typically indicates a certain asset threshold;
- c. Has a minimum operational history of at least one year;
- d. Must be earning;
- e. Should express a willingness to participate in training programs and capacity-building initiatives offered by MLCs and CSFCs;
- f. Must be open to collaborating with MLCs;
- g. With intention to become a member of a CSFC and apply for surety cover for loans to be availed from a lending bank; and
- h. Must clearly outline the intended use of any funds or loans availed through the CSFC.

Qualified MSCs must submit the following to the CSFC:

- a. Letter of intent to join the program;
- b. Approved General Assembly Resolution;
- c. Latest Audited Financial Statements;
- d. Copy of Certificates of Registration with CDA and BIR;
- e. Certificate of Compliance from CDA;
- f. List of current Board of Directors, Manager and Credit or Loan Officer with Curriculum Vitae or Information Sheet; and
- g. Duly Accomplished CSF Membership Application Form

The CSFC shall evaluate the application and if found in order, shall notify the applicant MSC within fifteen (15) calendar days from receipt of the application. The CSFC, shall thereafter issue a certification of eligibility of the MSC to the CB.

VIII. ROLES AND RESPONSIBILITIES

1. Medium and Large Cooperatives (MLCs)

- a. To allocate a portion of their CDF, OF or part of their Social and Community Service Expenses for this partnership;
- b. Collaborate in the creation of the Fund dedicated to assisting MSCs with meeting membership requirements of CSFCs; and
- c. Enter into a MOA with CBs and CSFCs to clearly define the terms of agreement, roles, and expectations.

2. Cooperative Banks (CBs)

- a. To allocate a portion of their CDF, OF or part of their Social and Community Service Expenses for this partnership;
- b. Act as conduit for the Fund;
- c. Enter into a Memorandum of Agreement (MOA) with MLCs and CSFCs to clearly define the terms of the agreement, roles, and expectations;
- d. Provide interest-free loans to MSCs according to the specified terms and conditions;
- e. Collection of service fees as necessary;
- f. Evaluate and approve applications for financial loans;
- g. Monitor fund use and loan status;
- h. Maintain records of all transactions related to the Fund and make these available for CDA review;
- i. Adhere to the capital adequacy requirements of BSP; and
- j. Submit regulatory reports on fund utilization, loan disbursements, and risk exposure

3. Micro and Small Cooperatives (MSCs)

- a. Submit pertinent documents relative to participation in the program to CSFC and loan application to CB;
- b. Use loan proceeds exclusively for membership contributions to CSFCs as outlined in the Loan Agreement;

- c. Adhere to repayment terms as agreed with CBs, ensuring timely repayment to maintain fund sustainability; and
- d. Cooperate with the CDA and CBs in monitoring activities, providing necessary information to evaluate the effectiveness of the program.

4. Credit Surety Fund Cooperatives (CSFCs)

- a. Enter into a Memorandum of Agreement (MOA) with MLCs and CBs to clearly define the terms of the agreement, roles and expectations;
- b. Provide MSCs with the opportunity to join the CSFC;
- c. Issue certification to MSC once eligibility requirements are met;
- d. Notify the CB of the approval of the membership and subsequent loan availment of the MSCs;
- e. Offer training and workshops to MSC members on financial management, cooperative governance, risk management and other areas critical for sustainable growth;
- f. Regularly monitor the financial performance and progress of MSCs benefiting from the Fund; and
- g. Work closely with MSCs and CBs to enforce agreed-upon loan repayment schedules and ensure compliance with financial commitments

5. Cooperative Development Authority

- a. Promote the program to MLCs, CBs, and MSCs;
- b. Oversee the implementation of the partnership, ensuring that MLCs, CBs, and MSCs comply with these guidelines;
- c. Provide technical assistance to MLCs, CBs, and MSCs as needed;
- d. Review and assess CAPR submitted by MLCs on CDF and/or OF utilization;
- e. Conduct periodic audits and onsite visits to ensure adherence to program guidelines;
- f. Provide comprehensive capacity-building training programs to MSCs targeted for financial inclusion which are focused on enhancing their financial management skills, improving operational practices, and ensuring their readiness to meet regulatory and membership requirements.

IX. MONITORING AND REPORTING MECHANISMS

The monitoring and reporting mechanisms are established to ensure that this initiative operates transparently and effectively.

1. Key Monitoring Areas

The following aspects of the program shall be monitored to ensure compliance and effectiveness:

- a. Inflows and outflows from the Fund, including contributions from MLCs, disbursements to MSCs, and repayments made by MSCs;
- b. MSCs use of the proceeds of the loans solely for the intended purposes, that is, meeting the membership contribution requirement for CSFCs;
- c. Financial performance and business growth of MSCs that received financial loans. This includes monitoring their compliance with the terms of loans, as well as assessing the impact of CSFC's membership on their access to credit; and
- d. All participating MLCs, CBs, MSCs and CSFCs' adherence to the program guidelines, including proper use of CDFs and OFs, fund disbursement processes, and repayment schedules.

2. Monitoring and Reporting

- a. CBs shall keep records and report to CDA EOs the following:
 - a.1. Contributions to the Fund;
 - a.2. Disbursements of loans to MSCs;
 - a.3. Number of MSCs supported;
 - a.4. Status of loan repayments; and
 - a.5. Utilization of funds and feedback from MSCs regarding the support provided
- b. MLCs and CBs, in collaboration with the CDA, may conduct periodic site visits to MSCs to directly assess the impact of the assistance provided and verify the utilization of funds. These visits shall include:
 - b.1. Verification of financial records and business performance of MSCs;
 - b.2. Assessment of the effectiveness of CSFC membership in enhancing MSCs' creditworthiness;
 - b.3. Collection of qualitative and quantitative feedback from MSCs regarding the challenges and benefits of the program;

- b.4. Documentation of success stories and best practices to improve program implementation.

X. SEPARABILITY CLAUSE

If any provision of this Guidelines is declared null and void or unconstitutional, the other provisions which are not affected shall continue to be in full force and effect.

XI. EFFECTIVITY

The Guidelines shall take effect fifteen (15) days after the filing of the copy hereof to the Office of the National Administrative Register (ONAR) and Official Gazette or newspaper of general circulation.

Approved per Board Resolution No. 218, s-2025 dated April 08, 2025.

Issued this 27th day May 2025, Quezon City

For the CDA Board of Directors:


USEC. ALEXANDER B. RAQUEPO
Chairperson

ANNEX A

Accounting Entries for the Disbursement of Community Development Fund (CDF), Optional Fund and Incurrence of Social & Community Service Expense

Relative to the Contribution to the Fund by the Medium and Large Cooperatives (MLCs) and Cooperative Banks CBs as Financial Assistance in the Form of Loans to Micro and Small Cooperatives (MSCs)

1. Accounting entry for the distribution of Net Surplus

To record distribution of Net Surplus

Net Surplus	xxx	
Reserve Fund		
Cooperative Education and Training Fund		xxx
Due to Federations and Unions		xxx
Community Development Fund		xxx
Optional Fund		xxx
Interest on Share Capital Payable		xxx
Dividend Payable		xxx

2. Accounting entries for the utilization of CDF

a. To set up the income account for the use of CDF

CDF	xxx	
CDF Subsidy		xxx

b. To record expenses funded by CDF

CDF Subsidized Expenses	xxx	
Cash in Bank /Other Funds and Deposits		xxx

c. To record social service expenses directly charge to expense once CDF is fully exhausted

Social Service Expenses	xxx	
Cash in Bank		xxx

3. Accounting entry for the utilization of Optional Fund

To record soft project expenses funded by Optional Fund

Optional Fund	xxx	
Cash in Bank /Other Funds and Deposits		xxx

4. Accounting entry for the charging of the financial assistance to the Fund as Social & Community Service Expense

To record financial assistance to the program fund

Social & Community Service Expense	xxx	
Cash in Bank		xxx