

# THE PHILIPPINE CO-OPERATIVE ENTERPRISES TOWARDS SUSTAINABLE DEVELOPMENT: A PERCEPTION STUDY

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## ABSTRACT

*In the International Co-operative Alliance 2020 Vision, co-operatives are envisioned to become the acknowledged leader in economic, social and environmental sustainability, the model preferred by people, and the fastest growing form of enterprise by 2020. With less than a decade left for this vision, it is important to realize where the co-operatives are now in terms of promoting progress towards sustainable development. This country study aimed to examine the contributions and impacts that co-operatives in the Philippines have created to advance sustainability in the four pillars of development – “people, planet, prosperity, and peace”, at micro level. Key findings showed that the co-operatives have carried out initiatives promoting sustainability among its members and their communities. However, the extent of such impacts was perceived to be limited due to some constraints, which include inadequate support services, weak organizational structure, and inadequate or lack of entrepreneurial and managerial skills. In view of these problems, strategic actions recommended were: (i) developing a definite policy framework for co-operative enterprise development; (ii) improving access to support services with focus on financial services; (iii) enhancing human resource skills through education and professionalization; and (iv) strengthening networks and linkages of the co-operative sector.*

**Key words:** *co-operatives, enterprise development, sustainable development*

## INTRODUCTION

Co-operatives are member-driven business enterprises that seek to strike a balance between pursuing profit and meeting the economic, social, and cultural needs and aspirations of members and their communities. With the end goal of improving the standards of living and welfare of the people, the co-operative sector works to contribute to employment generation, social integration, and ultimately, poverty reduction. In a number of ways, it has made significant efforts to help address key development issues such as environmental degradation, unstable financial sector, increasing inequality, growing global governance gap, seemingly disenfranchised younger generation, and loss of trust in political and economic organizations (International Co-operative Alliance, 2013). These development contributions are expected to continue with the increasing success of co-operatives as a viable model of sustainable socio-economic enterprises.

By 2020, the International Co-operative Alliance (ICA) (2013) envisions co-operatives to become: (1) the acknowledged leader in economic, social and environmental sustainability, (b) the model preferred by people, and (c) the fastest growing form of enterprise. In its pursuit of the 2020 Vision, building sustainability has been identified as one of the key strategies for the success of co-operative enterprise development. The multidimensional nature of co-operatives has enabled these enterprises to serve as builders of sustainability. To maintain such role, the co-operative movement has made a global effort to mainstream sustainability in co-operative development and therefore, to commit to contribute to all aspects of sustainable development, which include economic, social and environmental dimensions.

In the Philippines, sustainable development has also been emphasized as a key commitment of the co-operative sector. In line with ICA's 2020 Vision, the country's main agency for co-operatives, the Co-operative Development Authority (CDA), has crafted its corresponding national goals for its local co-operatives under the theme "Transformative Co-operatives for People, Planet, Prosperity and Peace", of which one of the main goals is to increase public awareness about co-operatives and their contributions to advance sustainable development in the country (Santiagué, 2012). While the success of co-operatives in pursuing the goal for 2020 have been showing impressive progress in developed countries in Europe, North America, and Asia, co-operatives in developing countries like the Philippines still need to demonstrate more convincingly its positive contribution to all aspects of sustainability. With only less than a decade left before 2020, realizing whether and how far the co-operatives have adhered and contributed to the pillars of sustainable development is warranted.

In view of the foregoing, this study was undertaken to examine the contributions and impacts that the co-operatives in the Philippines have created to advance sustainable development of the country at micro level. Specifically, it sought to:

1. describe the general characteristics and financial condition of the co-operatives;
2. assess the perceived impacts of the co-operative initiatives on its members and their communities; and
3. determine the key problems and constraints confronting the co-operative enterprises.

From here, strategic directions for promoting sustainable co-operative enterprise development and for fully exploiting the role of co-operatives as builders of sustainability were identified.

## CONCEPTUAL FRAMEWORK

In the new era of development, a sustainable progress with equity and inclusiveness is generally seen as the development path for the international community. It is often associated with the concept of sustainable development, which has been defined by the World Commission on Environment and Development (1987) as development that meets the needs of people today without compromising the ability of future generations to meet their own needs. As such, sustainable development requires that the economy and society operate as a system over time and space involving multidimensional development in terms of social, economic, and environmental progress.

During the 2012 Rio+20 Conference, the need to achieve sustainable development was reaffirmed under the UN Resolution, “The Future We Want” (A/RES/66/288), which calls for advancing sustainability by “promoting sustained, inclusive and equitable economic growth, creating greater opportunities for all, reducing inequalities, raising basic standards of living, fostering equitable social development and inclusion, and promoting the integrated and sustainable management of natural resources and ecosystems.” In this resolution, the role of co-operatives and microenterprises, especially in developing countries, in contributing to social inclusion and poverty reduction through sustainable development was emphasized. Co-operative enterprises have been likewise regarded as the key to sustainable economic and social progress during the 2012 International Year of Co-operatives Conference.<sup>1</sup>

In line with the above concept of sustainable development, the Philippine co-operative sector through CDA’s Philippine International Year of Co-operatives (IYC) 2012 Steering Committee has defined sustainable development in relation to co-operatives as an integration of interconnected and mutually reinforcing pillars of development – “prosperity”, “people”, “peace” and “planet” (4Ps). The 4Ps of sustainable development are concerned with the development initiatives that a co-operative advances, which relate to economic, social, cultural and environmental progress (Table 1). These pillars, which are further discussed below, served as the main framework of the study for assessing the contributions and impacts of co-operatives on sustainable development.

<sup>1</sup> The International Year of Co-operatives Conference was held on 8-10 November 2012 in the Philippines, which was spearheaded by the Institute of Co-operatives and Bio-Enterprise Development (ICOPED), College of Economics and Management (CEM), University of the Philippines Los Banos (UPLB). The conference proceedings was published as a commemorative book entitled “Co-operative Enterprises: Key to Sustainable Economic and Social Progress” (Pabuayon, Sumalde, & Abarquez, 2013).

**Table 1: The Four Pillars (4Ps) of Sustainable Development**

People	Planet	Prosperity	Peace
<ul style="list-style-type: none"> <li>Does it promote social justice, equity, gender, sensitivity, participation, full human potential. cultural, moral and spiritual sensitivity, self-determination, sustainable population?</li> </ul>	<ul style="list-style-type: none"> <li>Does it advance ecological conservation, respect for biodiversity, use of appropriate technology, promotion of community based resource management for environmental soundness and favourable work environment?</li> </ul>	<ul style="list-style-type: none"> <li>Does it endorse food security, economic viability, growth with equity and greater access to opportunities of marginalized communities?</li> </ul>	<ul style="list-style-type: none"> <li>Does it encourage respect for cultural diversity, national sovereignty, unity and global cooperation?</li> </ul>

*Source: Santiaguel (2012)*

Economic growth (“Prosperity”) is one of the most important goals of any enterprise. Co-operative as an enterprise therefore seeks to maintain economic viability at all times to be able to improve the standards of living of its members by adequately helping them to have access to better sources of economic opportunities and to increase their incomes, thereby giving them more purchasing power for basic goods and services. Towards this end, co-operatives are expected to deliver prosperity with equity to all its members.

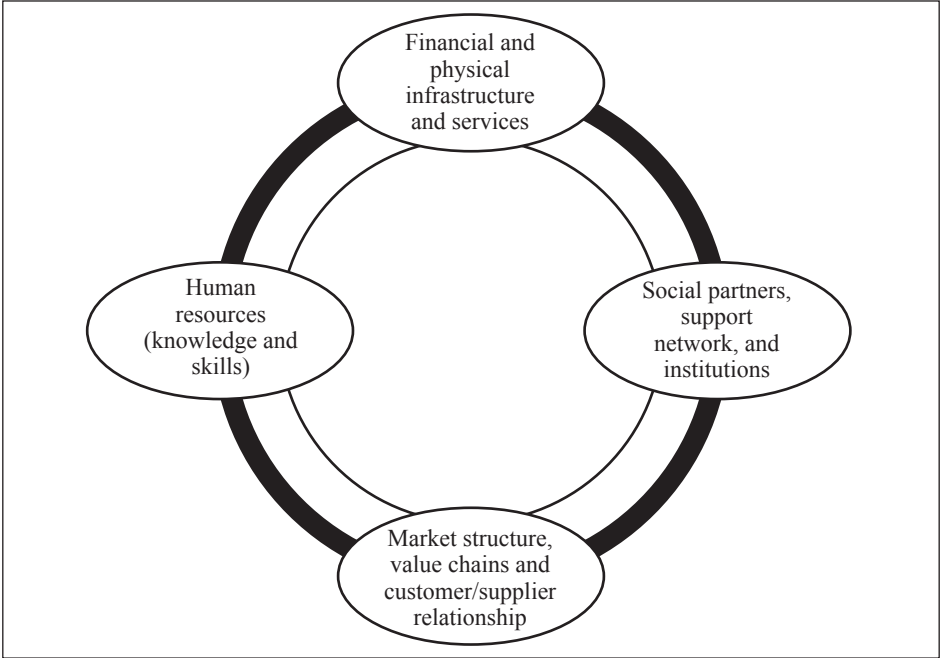
While economic affluence is often the ultimate goal of every individual and community in a society, the need to equally achieve social, environmental and cultural development goals cannot be overlooked, given their strong link with economic growth both at macro and micro levels. A basic resource for economic development is human capital (“People”). Investing in people by enhancing their knowledge and skills and enabling them to reach their full human potential will therefore give greater potential for faster socio-economic growth.

Another is the protection and conservation of the limited natural resources and the changing environment (“Planet”). Lack of collective initiatives on such component can pose serious threats to all aspects of development and thus, can impede the productivity of an enterprise, especially if it is heavily dependent on natural resources. Some of the best practices for environmental conservation and natural resource management identified by CDA include waste management, sustainable agricultural practices, reforestation, mangrove rehabilitation, tree planting, and power management (Santiaguel, 2012).

Lastly, the spirit of cooperativism (“Peace”) also plays a significant role in advancing development. Among the root causes of poverty are political conflict, instability and social unrest, which acutely prevent growth both in economic and human development. It is during this obscurity that community and global cooperation should thrive best.

In terms of analyzing the problems and constraints in the business operations of the co-operatives, the framework for sustainable enterprise development at micro level developed by the International Labour Organization (2007) has been the main basis of this study. As defined, sustainable enterprises are business entities that create a sustainable society through business activities comprehensively reflecting economic, social and environmental aspects of sustainability (Japan Business Federation, 2006 as cited in ILO, 2007). At micro level, a sustainable enterprise is one that, (i) has human resources with adequate entrepreneurial and management skills and competencies and with good workplace practices; (ii) carries out value-adding business activities, is operating in efficient value chains, and has good customer and supplier relationships; (iii) has financial and physical infrastructure and services to support its activities and management of resources; and (iv) has linkage or partnership with stakeholder support networks and institutions from the government and the private sector (Figure 1).

Given that sustainable enterprises are highly associated with sustainable development, problems and constraints hindering co-operative enterprises from operating sustainably can directly affect their ability or capacity to contribute to sustainable development. The extent of co-operative’s sustainability impacts particularly in terms of delivering its intended benefits to its members and their communities can therefore be explained by the performance of a co-operative as a sustainable enterprise.



Source: Adopted from ILO (2007)

**Figure 1:** Conceptual Framework Depicting an Integrated Approach to Sustainable Enterprise Development at Micro Level

## METHODOLOGICAL APPROACH

Primary data on the general characteristics of co-operatives in the Philippines, their impacts on the 4Ps of sustainable development, the problems and challenges they face, and their needs at policy level were gathered through a conduct of a nationwide co-operative survey. A two-stage stratified random sampling was adopted in selecting the survey respondents. At the first sampling stage, the total number of all CDA-registered co-operatives in each of the 16 Philippine regions was determined by type of service provided, using CDA's official database as of December 2011. From the total population of each co-operative type per region, a sample size of 5% was set and randomly selected to participate in the survey. At the second stage, five co-operative members (2 officer and 3 non-officer members) from the sample co-operatives drawn for each type per region were then selected at random to answer the questionnaire.

Given the sampling frame, at least 1,000 co-operatives or 5,000 member-respondents were expected to participate in the survey. However, since the questionnaire was self-administered, only 66% response rate was achieved due to refusal or failure to complete the survey of some co-operatives. In the end, the sample size included 686 co-operatives with 3,430 co-operative member-respondents. This size remained reasonable enough to well-represent all the major types of co-operatives in the Philippines.

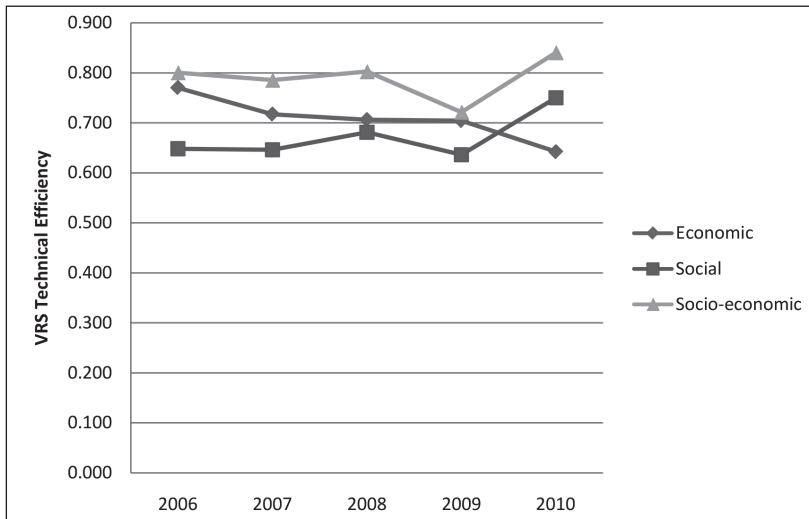
From the data gathered, descriptive analysis was employed to describe the general profile of the participating co-operatives. To assess the sustainability impacts of the co-operatives, the study adopted the participatory impact assessment (PIA). In PIA, the beneficiaries (i.e., in this case, the co-operative members) are the ones involved in assessing the impacts of their own organization since they are acknowledged as experts who are capable of identifying and measuring their own indicators of change (Catley, 1999). PIA investigates whether and to what extent the activities benefited the recipients, what problems co-operatives encounter, and what policy directions they need based on their own opinions or perceptions. These were evaluated against a set of qualitative indicators through the use of participatory ranking method and simple scoring method.

## MAJOR FINDINGS

### General Characteristics of Co-operative Respondents

Among the 686 co-operatives surveyed across the Philippines, 42% were considered micro co-operatives since their assets amount to not more than Philippine pesos (PhP) 3.0 million; 27% were medium co-operatives, having asset size between PhP15.0 million and PhP100.0 million; 22% were small co-operatives, with total assets amounting to more than PhP3.0 million but not exceeding PhP15.0 million; and only 9% were classified as large co-operatives or those with an asset size of more than PhP100.0 million (Figure 2).<sup>2</sup>

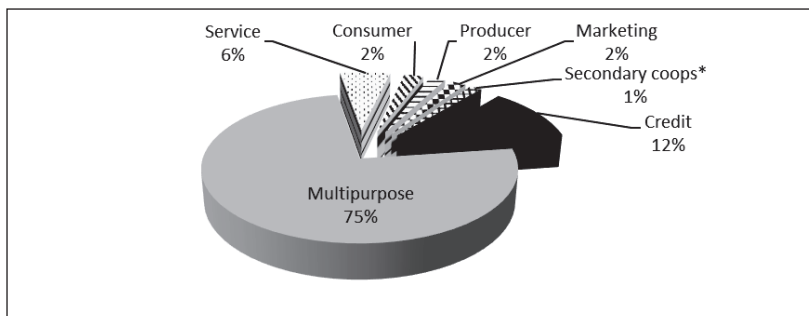
<sup>2</sup> Average exchange rate in 2011 of Philippine pesos (PhP) per U.S. dollar (US\$) was PhP43.31 (Bangko Sentral ng Pilipinas, 2014).



\*Secondary co-operatives

**Figure 2:** Distribution of Co-operative-Respondents, by Asset Size, Philippines, 2011

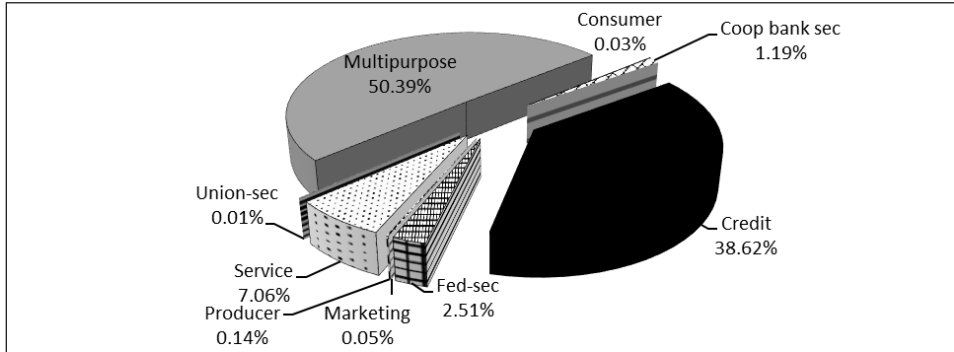
In terms of type of co-operative by product or service provided, majority of the participating primary co-operatives were multipurpose co-operatives (75%), which is expected since it is the most common type of co-operative in the country (Figure 3). Others (24%) were classified as credit, service, consumer, producer and marketing co-operatives. Secondary co-operatives were also represented well in the study, with a total of 10 co-operatives categorized as co-operative federations, co-operative unions and co-operative banks.



\*Include co-operative bank, federation and union

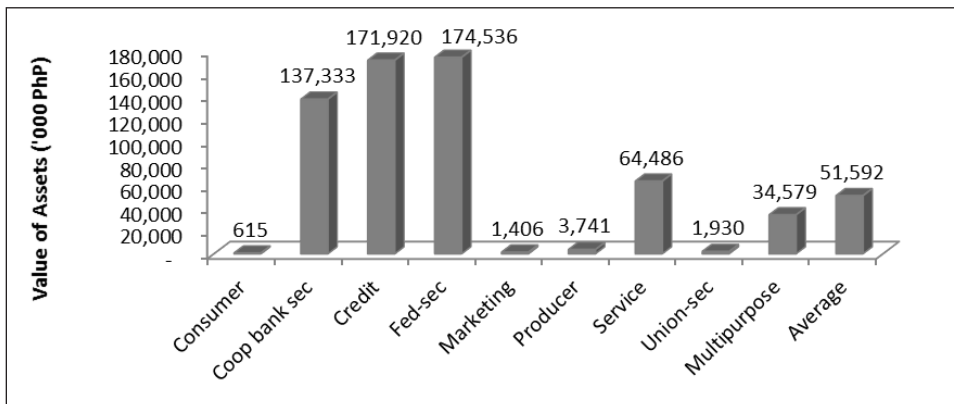
**Figure 3:** Distribution of Co-operative-Respondents by Type, Philippines, 2011

Being the highest in number, multipurpose and credit co-operatives contributed close to 90% or PhP15.2 billion to the total combined assets of all the co-operatives surveyed (Figure 4).



**Figure 4:** Asset Shares of Co-operative-Respondents, by Type, Philippines, 2011

But in terms of average asset size per individual co-operative, multipurpose co-operatives did not post the highest amount, averaging only at Php34.6 million per co-operative mainly because more than 60% of them were micro and small co-operatives<sup>3</sup> (Figure 5).



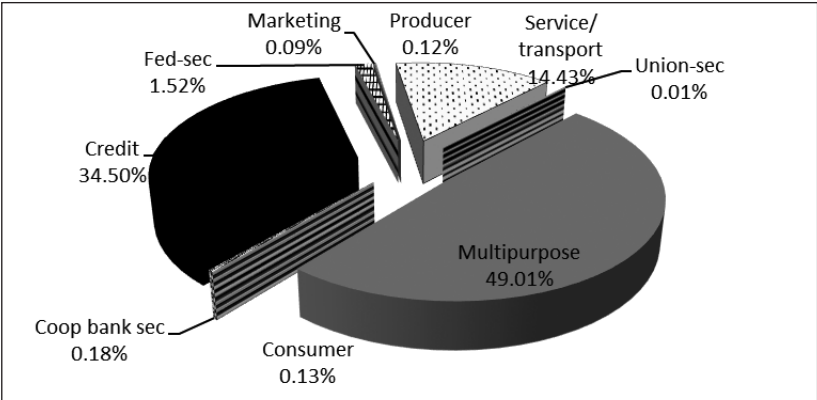
**Figure 5:** Average Assets of Co-operative-Respondents, by Type, Philippines, 2011

The credit co-operatives and co-operative banks, which are both engaged in financial services and of which only about one-third were considered micro co-operatives, were the types of primary co-operative that posted the largest average asset size per co-operative (Figure 2). For secondary co-operatives, co-operative federations had the highest average asset value among all types of co-operatives (Figure 5). On the other hand, consumer, marketing and producer co-operatives had much smaller asset size of less than Php4.0 million per co-operative, as most of them were only micro co-operatives (Figure 2).

<sup>3</sup> According to Philippine Co-operative Code of 2008 (Republic Act 9520), a co-operative is categorized as micro co-operative if its total value of assets is not greater than Php3 million; as small co-operative if between Php3 million and Php15 million; medium co-operative if more than Php15 million but not greater than Php100 million; and large co-operative if the total amount of assets is more than Php100 million.

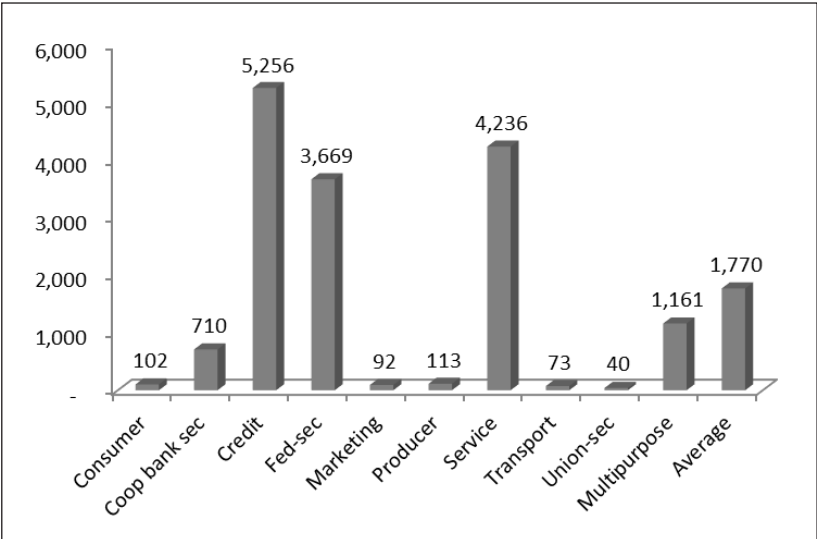


In terms of share of co-operatives to the combined total membership size of 1,203,606 of all co-operatives, multipurpose, credit and service co-operatives were the dominant types, with their respective shares of 49%, 35% and 14% (Figure 6). Other types contributed less than 1% to the total membership, except co-operative federation (secondary) with 2% share.



**Figure 6:** Membership Shares of Co-operative-Respondents, by Type, Philippines, 2011

Looking at the average membership size per co-operative, credit co-operatives had the largest membership size of 5,256 (Figure 7). This was followed by service co-operatives and co-operative federations with an average membership base of 4,236 and 3,669 members per co-operative, respectively. Co-operative union, transport, marketing, consumer and producer co-operatives were relatively smaller with only 40 to 113 members, on the average.

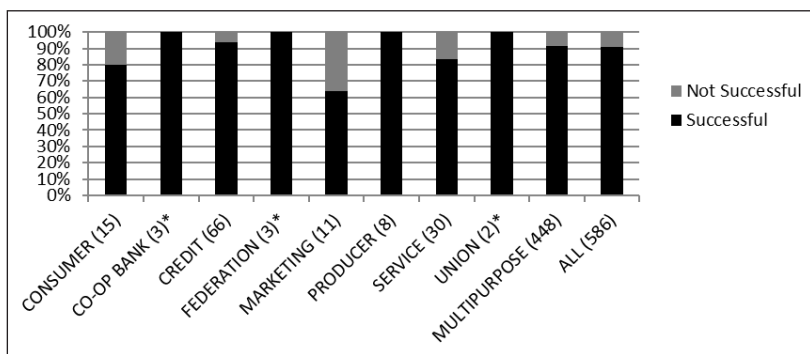


**Figure 7:** Average Membership of Co-operative-Respondents, by Type, Philippines, 2011

Financial Condition of Co-operative Respondents

A very basic and direct measure of the financial stability of a co-operative is its ability to generate net surplus. Based on the definition used in the Philippine Co-operative Code of 2008 (Republic Act 9520), net surplus is the excess of payments made by the members for their business transactions with the co-operative, including other inflows of assets resulting from its other operating activities. As it should not be construed as profit, net surplus is distributed as general reserve funds and as returns to the members as prescribed in the law.

In this study, a co-operative was described as a successful economic enterprise if it has generated a net surplus during the last 5 years or last years of operation, if less than 5 years old. Based on this indicator, findings showed that 91% of the 586 co-operatives that shared their financial data in the survey were considered successful economic enterprises while only 54 co-operatives (9%) were found to be not successful (Figure 8). All secondary co-operatives were rated successful but for primary co-operatives, only the producer co-operatives reported a 100% success rate. Marketing co-operatives posted the largest proportion of unsuccessful co-operatives (36%), followed by consumer (20%) and service co-operatives (17%). For credit and multipurpose co-operatives, less than 10% were not financially successful.



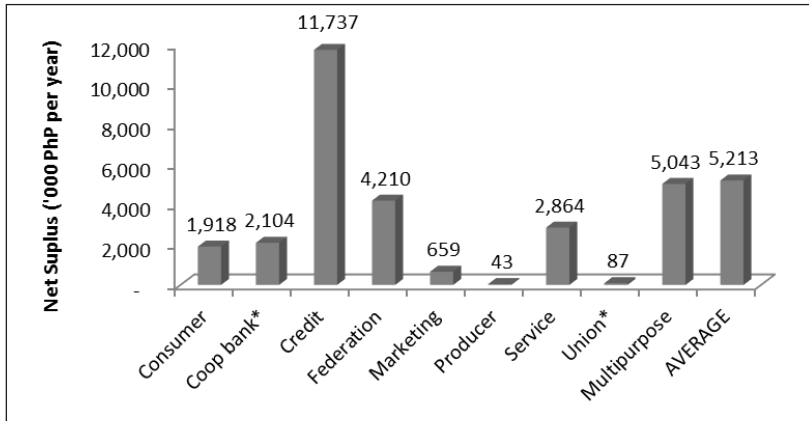
Note: Values in parentheses are total number of co-operative-respondents

\*Secondary co-operatives

**Figure 8:** Proportion of Successful Co-operatives Based on Net Surplus, by Type of Co-operative, Philippines, 2011 (586 co-operative-respondents)

The relatively lower rate of success in marketing and service co-operatives could be explained by the fact that these types of co-operative are more directly involved in business transactions such as buying and selling of products and services compared to other types of co-operative. Thus, they are often more exposed to market risks, which affect the financial stability of the co-operative.

The successful co-operatives had a combined total net surplus of PhP2.77 billion or an average of PhP5.21 million per co-operative (Figure 9). By type of co-operative, credit co-operatives had the highest average net surplus of PhP11.7 million per co-operative in 2011.

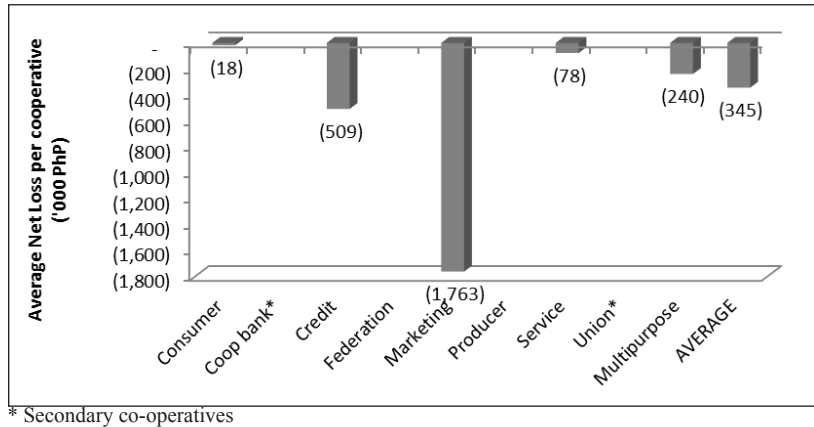


\* Secondary co-operatives

**Figure 9:** Average Net Surplus of Successful Co-operatives, by Type, Philippines, 2011 (532 co-operative-respondents)

This denotes the large volume of profitable business transactions in credit co-operatives, which is expected, since almost half of them are categorized as either medium or large co-operatives. Besides, credit co-operatives had the largest membership base among all types of co-operatives, hence, great economic participation in their co-operative could be expected. Multipurpose co-operatives and federations followed with an average net surplus of PhP5.0 million and PhP4.2 million, respectively. The rest, which are mostly micro co-operatives, if not all, generated a relatively smaller net surplus, especially the co-operative unions, producer and marketing co-operatives, which earned less than a million pesos in 2011.

In contrast, the combined total net losses of the 54 co-operatives that were considered financially unsuccessful amounted to PhP18.65 million in 2011 or an average of PhP345,000 net loss per co-operative (Figure 10). Marketing co-operatives reported the highest net loss, averaging PhP1.8 million while service and consumer co-operatives had the least with respective losses of PhP78,000 and PhP18,000 during the same year.

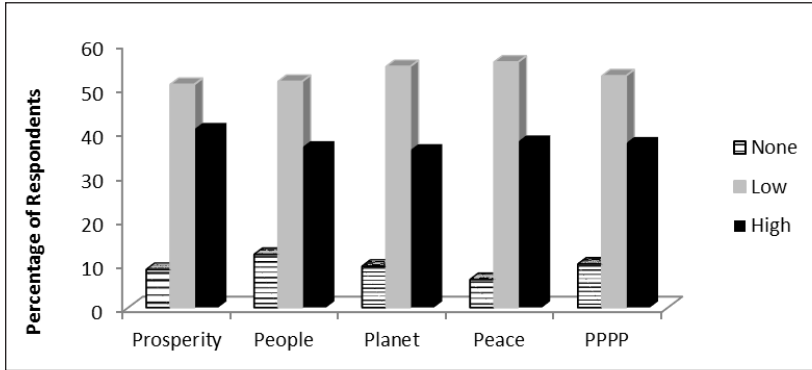


**Figure 10:** Average Net Loss by Type of Co-operative, Philippines, 2011  
(n=54 co-operatives)

### Perceived Impacts of Co-operatives on People, Planet, Prosperity and Peace

Using a set of indicators for the 4Ps of sustainable development – People, Planet, Prosperity, and Peace (PPPP), members from the participating co-operatives were asked to rate the development impacts or contributions of their co-operatives at micro level or at the level of its members and their communities. The following impact ratings were used: “high” (high impact) if the co-operative is undertaking major activities that create significant impact on the indicator considered; “low” (low impact) if the co-operative has very limited activities contributing to the indicator considered; and “none” (no impact) if the co-operative does not undertake any related activity.

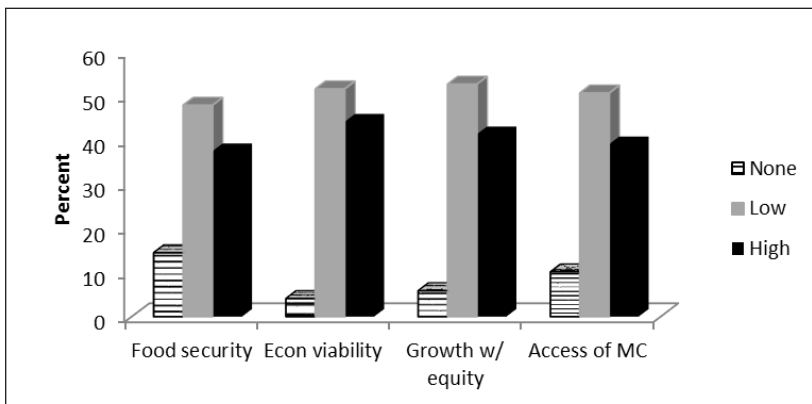
About 90% of the co-operative members perceived that their co-operative has created positive impacts in terms of PPPP while only 10% believed that their co-operative has no contribution to sustainability (Figure 11). Among those who recognized the contributory initiatives of their co-operatives, 37% gave their co-operatives a high rating. However, 53% of the respondents believed that the activities implemented by their co-operatives to promote sustainable development are still very limited.



**Figure 11:** Perceived Prosperity-People-Planet-Peace (PPPP) Impacts of Selected Co-operatives, Philippines, 2011

Particularly, among the PPPP indicators, the co-operative members recognized the high impact of their activities on prosperity (41%) followed by peace (38%), and lastly, on people (36%) and planet (36%). This shows that the co-operatives remain more focused on its role as business enterprise and still consider net surplus generation as the key driver for improving the living standards of its members. Surprisingly, the co-operatives were relatively less concerned on shaping the members’ social well-being, as reflected in the largest proportion of respondents (12%) who indicated no impact on ‘people’ development.

Looking at each development pillar, Figure 12 shows that at least 86% of the respondents recognized the contribution of their co-operatives to ‘prosperity’, particularly in terms of advancing economic viability, promoting growth with equity, providing access to opportunities of marginalized communities, and improving food security. However, overall, more than half of them perceived that their contributions are still limited.

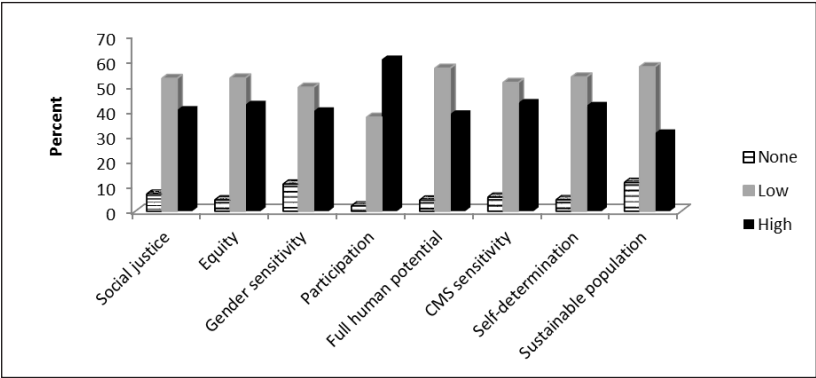


Note: Access of MC = access to opportunities of marginalized communities

**Figure 12:** Perceived Prosperity Impacts of Selected Co-operatives, Philippines, 2011

Similarly, majority of the respondents (49%-58%) acknowledged positive but limited impacts of their co-operatives in terms of ‘people’ indicators, except for “promoting member participation” which received a high impact rating from 60% of the respondents. This implies that co-operatives remain to be more concerned about adhering to the principles of democratic member control and member economic participation but tend to overlook the other aspects of molding full human potential (Figure 13).

On the other hand, activities specifically aimed to maintain sustainable population and gender sensitivity were relatively not a major focus of the co-operatives, possibly because it already naturally happens, given the nature of the co-operatives as an open and voluntary



Note: CMS sensitivity = cultural, moral and spiritual sensitivity

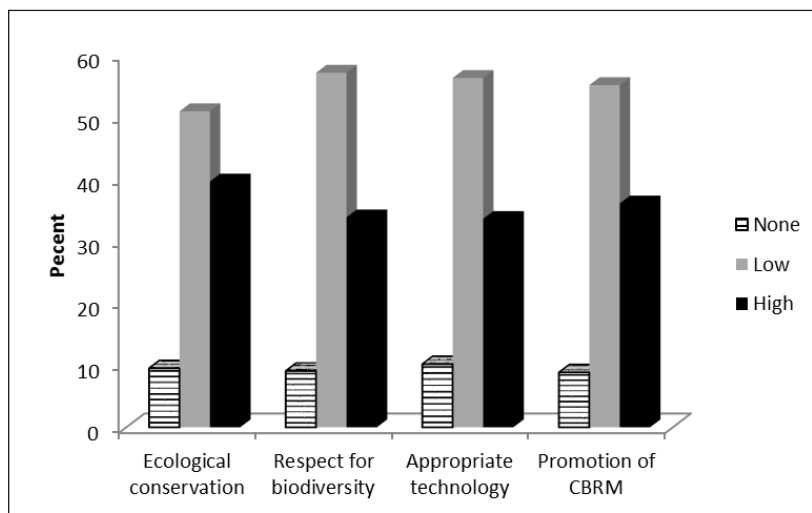
**Figure 13:** Perceived People Impacts of Selected Co-operatives, Philippines, 2011

member-driven enterprise. Thus, these indicators received the most “no impact” ratings (11-12%) and the least “high impact” ratings (40%). Contribution of the co-operatives in promoting social justice was also found to be relatively limited.

The same trend was observed for the ‘planet’ indicators. More than half of the respondents perceived that their co-operatives have positive but limited contribution to advance environmental (planet) sustainability while at least 9% of them did not see any ‘planet’ impact (Figure 14). In particular, across the four indicators of ‘planet’ development, ecological conservation received a “high impact” rating from the most number of respondents (40%). This was followed by “promotion of community-based resource management for environmental soundness and favorable work environment”, receiving a “high impact” rating from 36% of the respondents; and “respect for biodiversity” and “use of appropriate technology”, which both got “high impact” rating from 34% of the respondents.

It is impressive that the co-operative sector continues to recognize the importance of environmental sustainability although encouragement is still needed to make its contributory efforts more significant. Greater improvement is expected in the next few years, considering the

more aggressive promotion of environmental sustainability of co-operatives both at global and national levels. One of the significant initiatives of the country towards promoting



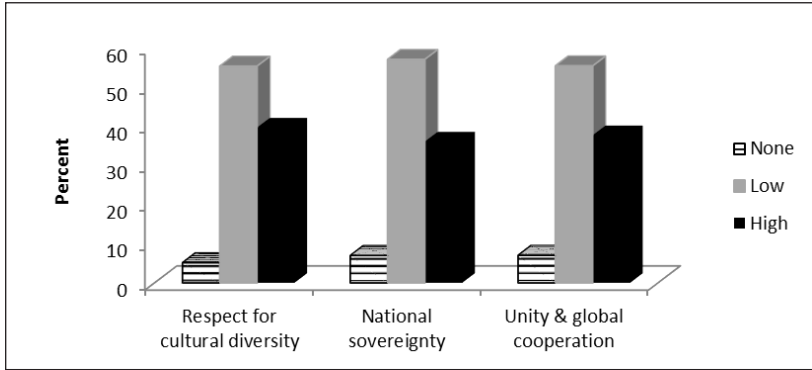
Note: Promotion of CBRM = Promotion of community-based resource management for environmental soundness and favorable work environment

**Figure 14:** Perceived Planet Impacts of Selected Co-operatives, Philippines, 2011

environmental sustainability was the conduct of the National Conference on Co-operatives<sup>4</sup> in 2012, which revolved around the theme “Green Co-operatives for Sustainable Bio-Enterprise Development.” The conference provided a venue for sharing and exchange of a wide range of knowledge and experiences on the importance of environmental aspect in sustainable co-operative development.

Lastly, for the ‘peace’ impacts, based on the three indicators shown in Figure 15, respect for cultural diversity was where co-operatives were perceived to contribute the most, which got a “high impact” rating from 40% of the respondents and a “no impact” rating from only 5% of them. For the other two indicators – unity and global cooperation and national sovereignty, about 7% perceived that their co-operative did not have any activity or contribution related to it while at least 36% of them believed that their co-operatives have high impact on ‘peace’.

<sup>4</sup> The First National Conference on Co-operatives (NCC) of the Philippines was held on 7 November 2013 at the University of the Philippines Los Banos (UPLB), College, Laguna and was spearheaded by the Institute of Co-operatives and Bio-Enterprise Development (ICOPED), College of Economics and Management (CEM).

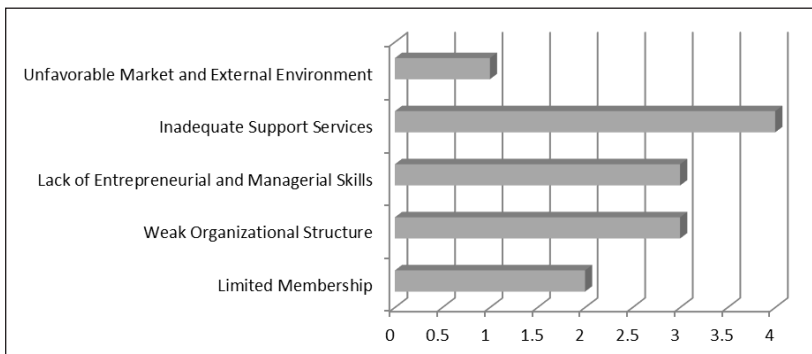


**Figure 15:** Perceived Peace Impacts of Selected Co-operatives, Philippines, 2011

### Problems and Constraints in Co-operative Business Operations

The Philippine co-operative sector has generally made positive impacts on its members and their communities in terms of all aspects of sustainable development. However, the extent and depth of its contribution were found to be still very limited. At macro level, co-operatives have a meager contribution to the gross domestic product of the country, having a share of only 4.87% as of 2012 (Geron, 2014). Reasons for this cannot be disassociated from the problems and constraints that the co-operative enterprises encounter. The most common reasons for the failure of co-operative enterprises revolve around the issues and constraints that hinder a co-operative from becoming a sustainable enterprise. Relating to the four elements of sustainable enterprise (Figure 1), the constraints identified concern the adequacy of support services, the skills and expertise in entrepreneurship and management, the organizational structure and membership, and the market and external environment.

The co-operative members from the 54 co-operatives that were found to be financially unsuccessful ranked the inadequate support services for financing, technology, markets and information as the most serious (ranking highest) constraint (Figure 16).



**Figure 16:** Ranking of Constraints in Co-operative Business Operations, high (4) to low (1) ranking Philippines, 2011



Although cooperativism aims to teach the value of self-responsibility and self-reliance, local co-operatives, especially the micro co-operatives can only do so much to support their activities and growth as business enterprises because of their limited financial capability. This was followed by the lack of entrepreneurial and managerial skills of the co-operative officers and staff and the poor leadership of the officers or more generally, the weak organizational structure, which all boils down to inadequate education, training and information – the most common reason for co-operative failure in the country (Sibal, 2011).

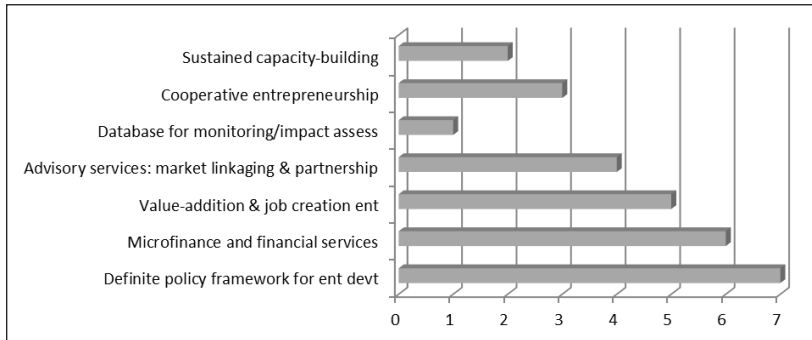
These results imply that the co-operative members were aware of their need for financial and physical infrastructure and services to facilitate and sustain their business operations. Human resources with adequate management skills and entrepreneurial mindset were also recognized as a critical factor that will enable a co-operative to operate efficiently and effectively. It should be noted that co-operative literacy and formal education system have likewise been identified by UN (2012), during the global forum on “Harnessing the Co-operative Advantage to Build a Better World” as highly important in the development of strong co-operatives.

In contrast, considered relatively less serious (ranking lowest) was the limited membership and scale of operation due to member recruitment difficulties. Having an unfavorable market and external environment was also relatively not a major concern for co-operatives since many of them are often not yet operating at high market levels, thus do not have too many market requirements and are not usually directly affected by macroeconomic and international market policies.

Overall, the problems and constraints identified in this study coincide with the findings of Castillo et al. (2011) and Pabuayon (2012), which identified lack of budget for co-operative development, inadequate financing for co-operatives, and lack of entrepreneurial and managerial skills as some of the major problems facing the co-operatives.

### **Policy Directions for Co-operative Enterprise Development**

Given the issues and constraints confronting the co-operatives, the most important policy directions that can contribute to improving the prerequisites for attaining a sustainable co-operative enterprise were identified based on the respondents’ ranking. Among the suggested policy directions, the need to develop a definite policy framework for co-operative enterprise development were perceived as the most urgent need of co-operatives (Figure 17).



**Figure 17:** Suggested Policy Directions for Co-operative Enterprise Development, high (7) to low (1) ranking, Philippines, 2011

While the Philippine Co-operative Medium Term Development Plan for 2011-2016 aims to build integrated businesses imbued with co-operative values through a transformative co-operative system (CDA, 2011), there are no specific strategic actions identified yet towards co-operative development as a viable enterprise model, despite the stated policy directions on providing an enabling environment for the strengthening and development of co-operatives and on ensuring local and global competitiveness of co-operatives.

Other policy actions that were considered important include those relating to (1) microfinance and financial services, (2) developing co-operatives with focus on value addition and employment and wealth creation, and (3) advisory services for market linkages and business partnerships (Figure 17). Common to these three policy directions is their relation to the major constraint concerning the co-operatives, which is the inadequacy in support services, hence, could be the reason for its prioritization. It could also be related to the fact that the co-operatives were found to be most concerned about creating prosperity impacts, particularly on contributing to economic viability and growth with equity. Therefore, such policy suggestions, which have the potential to immediately improve net surplus generation, were regarded as important by the co-operative enterprises.

Despite pinpointing weak organizational structure and lack of entrepreneurial and management skills as critical issues in co-operative enterprise development, policy directions related to these were not found to be an immediate concern of the co-operatives. Likewise, database for monitoring and impact assessment were considered of relatively less importance. A plausible reason for this could be because strategic actions on these areas may not be capable of providing instant and tangible results in the short run.

## CONCLUSION AND RECOMMENDATIONS

This study set out to provide insights on the general trends and challenges of co-operative enterprises towards sustainable development. Being a descriptive research, the major findings in this study were based on the perceptions of co-operative members. Given this limitation, an in-depth investigation on the topic using quantitative analytical tools would be more appropriate if one has to achieve more specific and robust findings about the impacts and contributions of co-operatives to sustainable development.

This paper provides some evidence based on descriptive analysis that the Philippine co-operative sector is working towards sustainable development and is contributing to the pillars of sustainability goals of the country. It has shown that the multidimensional and flexible nature of co-operatives as a social and economic enterprise could allow the co-operatives to promote progress in terms of economic, social, cultural or environmental sustainability through its activities that create positive impacts on its members and their communities.

However, key findings showed that the Philippine co-operatives have not yet fully exploited their potentials in becoming sustainable enterprises and in making significant impacts on sustainable development as indicated by the perceived limited contribution of the co-operatives due to some problems and issues confronting them. While most of the co-operatives were found to be financially stable, many small co-operatives were still constrained by the problems identified related to inadequacy of support services to the co-operative sector, particularly from the government, weak organizational structure and lack of leadership, managerial and entrepreneurial skills of co-operative officers. To help address these constraints, the following strategic actions are recommended:

### **Developing A Definite Policy Framework for Co-operative Enterprise Development**

Emphasis on the urgent need for a definite policy framework for co-operative enterprise development is what emerges strongly from the survey. The policy framework is expected to set the pace for co-operative enterprise development by fostering responsible and sustainable practices in business operations and defining the respective roles of the government, the co-operative sector, and the private sector in this endeavor. In particular, fostering co-operative entrepreneurship as a new approach to enterprise development can be a major focus of the strategic plan. Such model that integrates social values of the co-operative system with the entrepreneurship and business development features of the capitalist system will help the co-operative enterprises to strengthen their contributions to employment generation, resource mobilization, innovation, and wealth creation for all sectors of the society.

## **Improving Access to Support Services with Focus on Financial Services**

Complementing the above is the need for enabling mechanisms that will put the strategic plans into actions. Co-operatives face a very dynamic business environment that requires more productive resources to develop them into a resilient and stable form of business. Hence, as the co-operative-respondents conveyed in the survey, particular attention should be given to improving the access of co-operatives to adequate support services, particularly financing, because more financial capital enables growth in human and social capital. Several credit facilitation services and microfinance programs already exist in the country, however, accessibility and affordability remain an unresolved issue for micro-co-operatives, particularly for agri-based co-operatives. Hence, revisiting the credit and financing policies may be necessary to determine new strategies for strengthening financial services and making them more conducive to micro co-operatives. Greater participation of private financial institutions in the financial markets, in collaboration with government banks should be encouraged further since public-private partnership has the potential to accelerate public financing mobilization for small enterprises like co-operatives.

## **Enhancing Human Resource Skills Through Education and Professionalization**

The new and evolving structures of the business environment demand a more adaptive and competitive co-operative enterprises, of which capable and responsive human resources are a critical element. Continuing education and training investments, particularly focused on enhancing capacity in management system, business development and entrepreneurship, are therefore essential for the survival and growth of co-operative enterprises. Professionalization of management and enterprise-specific skills will equip the co-operative leaders and managers with knowledge necessary for the enhancement of their co-operative business functioning and managerial efficiency, which short-term trainings can only provide to a limited extent. This is especially needed by medium and large co-operatives as they need to successfully compete with large corporations and private business enterprises. The ASEAN economic integration in 2015 brings to the fore an even more compelling reason for co-operative enterprises to be competitive. To this end, co-operative education system in the Philippines must therefore be aggressively developed and promoted as spearheaded by the government in cooperation with the educational institutions in the country. Review and restructuring of the existing co-operative training programs prescribed by CDA may also be needed to come up with a more flexible and conducive training design for micro and small co-operatives.

## **Strengthening Networks and Linkages of the Co-operative Sector**

All the previous action points are viewed to provide enabling conditions for sustainable co-operative enterprises and in implementing these, neither the government nor the co-operative apex organization can be the sole player. Responsibilities should be shared among the government, co-operatives, social partners and the private sector. Partnership with stakeholder support networks and public and private institutions is emphasized as a key element for sustainable enterprises, thus a strategic alliance and strengthening networking practices with key institutional players in the co-operative and business environment should be forged and strengthened.

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