



COOPERATIVE DEVELOPMENT AUTHORITY

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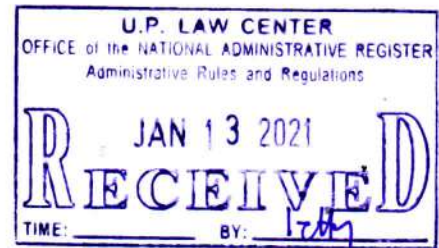
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MEMORANDUM CIRCULAR NO. 2021-01 Series of 2021

TO : ALL CONCERNED

SUBJECT : REVISED POLICY GUIDELINES GOVERNING THE ALLOCATION AND UTILIZATION OF THE COMMUNITY DEVELOPMENT FUND (CDF) OF COOPERATIVES



Pursuant to Article 86 (3) of Republic Act No. 9520 and Republic Act No. 11364, otherwise known as the "Cooperative Development Authority Charter of 2019," which empowers the Authority to 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 cooperatives and the communities they serve, this Revised Policy Guidelines Governing the Allocation and Utilization of the Community Development Fund (CDF) of Cooperatives is hereby issued.

Section 1. Title. This Guidelines shall be known as the "Revised Policy Guidelines Governing the Allocation and Utilization of the Community Development Fund (CDF) of Cooperatives".

Section 2. Legal Bases

Section 4 (RA No. 11364). 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."

Article 4. Cooperative Principles (R.A. No. 9520)

"7) Concern for Community - Cooperatives work for the sustainable development of their communities through policies approved by their members."

Article 5. Definition of Terms. (R.A. No. 9520)

"12) Social Audit is a procedure wherein the cooperative assesses its social impact and ethical performance vis-à-vis its stated mission, vision, goals and code of social responsibility for cooperatives to be

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established by the Authority in consultation with the cooperative sector. It enables the cooperative to develop a process whereby it can account for its social performance and evaluate its impact in the community and be accountable for its decisions and actions to its regular members.”

Article 86. Order of Distribution. (R.A. No. 9520)

The net surplus of every cooperative shall be distributed as follows:

“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.”

Rule 11 Social Audit of Cooperative, Revised Implementing Rules and Regulations of R.A. No. 9520

“Section 5. Scope of Social Audit. During a social audit, the cooperative shall look into the following key areas:

- a. xxx
- b. Impact of Cooperative Programs and Policies to the Community
- c. Uses of Community Development Fund

Section 3. Coverage

This Guidelines shall apply to all types and categories of cooperatives registered with the Authority, except unions.

Section 4. Definition of Terms.

a. Adopted Community – refers to a social group of any size whose members are residing or living together in a specific locality, such as barangay, sitio, or municipality, with a common characteristic, cultural and historical heritage or interest;

b. Area of Operation – refers to the area where the cooperative members come from as provided for in their Articles of Cooperation and By-laws;

c. Community – refers to a social group of any size whose members are residing or living together in a specific locality, with a common characteristic, cultural and historical heritage or interest, or within a larger society;

d. **Community Development** – refers to the process where community members are supported by organizations, to identify and take collective actions on issues which are important to them. It empowers community members and create stronger and more connected communities, such as but not limited to projects on environment conservation and protection, health and sanitation, infrastructure, disaster risk reduction and management, and support to the vulnerable sector of the society;

e. **Community Development Fund (CDF)** – refers to the funds allocated from the net surplus of the cooperative to be used for projects or activities that will benefit the community within the area of operation as provided for in its Articles of Cooperation;

f. **Fortuitous event** – refers to event which cannot be foreseen or which though foreseen cannot be avoided e.g. natural calamities, earthquake, fire, unusual flood;

g. **Net Surplus** – refers to the excess payments made by the members, which shall not be construed as profits, from the loans or goods and services availed of or the difference of the rightful amount due to the members for their products sold or services rendered to the cooperative. It includes other inflow of assets resulting from its other operating activities, which shall be returned to the members as prescribed in the Code;

h. **Programs, Projects and Activities (PPAs)** – refer to a series of tasks that need to be completed in order to reach a specific outcome. A project can also be defined as a set of inputs and outputs required to achieve a particular objective or goal;

i. **Social Development Plan and Budget** – refers to annual plan of programs, projects and activities with corresponding resources/fund approved by the General Assembly to be reported in the Social Audit Report submitted to the Authority. In the case of Representative Assembly, the plan shall be discussed in the sector/chapter/district assembly. Decisions of the latter shall be presented by the delegate/representative to the general assembly.

Section 5. Allocation for the Community Development Fund (CDF)

The amount to be allocated for the CDF shall not be less than three per centum (3%) of the net surplus which shall be fixed in the by-laws: *Provided,*

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however, that the total amount allocated for the CDF and optional fund shall not exceed ten per centum (10%) of the net surplus.

Section 6. Utilization of the Community Development Fund (CDF)

The CDF shall be used for programs, projects or activities with social impact that will benefit a community within the area of operation of the cooperative through the adopt-a-community program. Adopt-A-Community Program is a program wherein the cooperative, in collaboration with its local government unit, will identify a community and determine what intervention the cooperative may provide for the said community using the allocated CDF. The cooperative may adopt more than one (1) community provided it is within its area of operation.

For medium and large cooperatives, the CDF shall be used for infrastructure projects, which must be at least 50% but not to exceed 60%, of the total CDF allocated, while the remaining amount shall be used for social services. For micro and small cooperatives, they shall use their CDF for infrastructure projects and social services at their desired percentage of allocation.

A cooperative may collaborate with other cooperatives and enter into partnership agreement(s) with their respective local government units (LGUs) and other organizations/institutions to plan and implement programs, projects or activities beneficial to the adopted community in order to have a greater and lasting social and economic impact.

These projects and activities shall be specifically provided in the Social Development Plan and Budget to be approved by the general assembly.

The CDF allocation for the current year shall be fully utilized for the adopted community on the following year. However, in case of fortuitous events or calamities within the area of operation, the cooperative may utilize not more than 10% of the balance of the CDF.

Section 7. Prohibitions in the Utilization of CDF

The following acts are prohibited:

- a. Creation or establishment of a foundation to manage or administer the CDF and to carry on the community development program of the cooperative;
- b. Management and administration of the CDF by existing foundations or organizations where the cooperative or any of its officers are directly or indirectly involved or connected with;
- c. Remittance of any percentage of the CDF to a federation or union or any organization;

- d. Use for political purposes and activities;
- e. Undertaking of activities which are not included in the Social Development Plan and are not approved by the general assembly, except for fortuitous events that may occur within the area of operation;
- f. Transfer or donation of the CDF of the parent cooperative to its subsidiary, cooperative and
- g. Other acts similar to the foregoing.

Section 8. Reporting of Social Development Activities of the Cooperative and the Utilized CDF

Social development activities conducted for the community and the funds utilized for each activity shall be included in the Social Audit Report of the Cooperative.

The amount of CDF utilized during the year shall be indicated in the Social Audit Report to determine the balance and the percentage of utilization. Any changes in the amount of CDF shall be reflected in the Statement of Changes in Equity.

Section 9. Unexpended Amount of CDF

Subject to the immediately preceding sections, the remaining balance of the CDF as of FY2018 shall be utilized upon the effectivity of this Circular as reflected in the Social Development Plan approved by the General Assembly, following the schedule below:

Remaining balance of CDF	Period of Utilization
Below 3,000,000	within three (3) years
Above 3,000,000 to 10,000,000	within five (5) years
Above 10,000,000	within ten (10) years

In case of dissolution of the cooperative, the unexpended balance of the CDF shall be executed as per Social Development Plan approved by the General Assembly, to be implemented by the Board of Liquidators.

Section 10. Sanctions

Any violation of the provisions of this Guidelines shall be subject to the following sanctions, after due notice and hearing:

- First offense - Imposition of fine equivalent to the amount of CDF
- Second offense - Non-issuance of Certificate of Compliance (COC) for the immediately succeeding year;

Third offense - Dissolution for willful violation of the lawful order of the Authority.

Section 11. Separability Clause


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

Section 12. Effectivity

This Guidelines shall take effect fifteen (15) days after the filing of the copy hereof to the Office of the National Administrative Register (ONAR).

Approved pursuant to Board Res. No. 354, S-2020 dated December 2, 2020.

For the CDA Board of Directors


ORLANDO R. RAVANERA
Chairman
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