



# **THE COOPERATIVES RULES AND REGULATIONS OF BHUTAN, 2010**

**Department of Agricultural Marketing and Cooperatives (DAMC)  
Ministry of Agriculture and Forests  
Royal Government of Bhutan  
Thimphu**

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## FOREWORD

It is a policy of the Royal Government to promote Farmers Groups and Cooperatives as a strong and sustainable pillar of the economic development of the Bhutanese society. Cooperatives will be basically focused on enhancing the economic benefits which will inevitably contribute positively to the development of the social capital and strengthening of the democratic process that has recently started in our country.

The Royal Government took the first steps to create an enabling legal environment for Cooperatives ten years ago and in 2009 with the enactment of the Cooperatives (Amendment) Act of Bhutan (CAB 2009), the responsibility to implement the Act was mandated to the Ministry of Agriculture and Forests (MoAF). This was followed by the establishment of the Department of Agricultural Marketing and Cooperatives (DAMC) in the MoAF to exercise the mandate.

Today we have about 400 plus farmers groups in varying states of success and maturity. However, most of these groups have been voicing out the need to have their entity legalized to take their groups to the next higher level for organizational and socio-economic efficiency. Finally this Cooperatives Rules and Regulations of Bhutan 2010 (CRB 2010) will give the much awaited and long overdue tools to register Farmers Groups and Cooperatives thus recognizing them as legal entities. I am also happy that the implementation of the CAB 2009 is happening this year which is timely for our country to join the world in celebrating the UN International Year of Cooperatives in 2012.

I would also like to point out here the cross sectoral scope of the CAB 2009. This means that in addition to the RNR sector based cooperatives, cooperatives may be also formed in any other sectors such as tourism, arts and crafts, financial services and housing and transport. Accordingly as envisioned in the CRB 2010, a multi -sectoral Farmers Groups and Cooperatives Task Force is already in place to ensure the execution of this cross sectoral spirit and intent of the CAB 2009. Also the designation of the Dzongkhag Planning Officers (DPOs) and the Gewog Administrative Officers (GAOs) as the Cooperatives Registrars at the Dzongkhag and Gewog levels respectively will uphold this cross cutting mandate of the CAB 2009.

I congratulate the Department of Agricultural Marketing and Cooperatives for ably leading the task of preparing the CBR 2010. I also like to express my deep appreciation and thanks to all those who have been involved in the process.

Finally I would like to wish the Cooperative Movement in our Country a great future and bring unparalleled socio-economic development in all parts of our country thereby contributing to our national vision of the Gross National Happiness.

Tashi Delek.

Dated 23<sup>rd</sup> July 2010

Lyonpo (Dr) Pema Gyamtsho  
Hon'ble Minister,  
Ministry of Agriculture and Forests

## **PREAMBLE**

In exercise of the authority granted by Article 5 and Article 28 of The Cooperatives (Amendment) Act of Bhutan 2009, the Ministry of Agriculture and Forests hereby formulates and adopts The Cooperatives Rules and Regulations of Bhutan 2010 to facilitate the implementation of the provisions contained therein.

## **PART I: GOVERNANCE OF COOPERATIVES**

### **CHAPTER I: PRELIMINARY**

#### **Title**

1. These Rules and Regulations shall be called The Cooperatives Rules and Regulations of Bhutan, 2010.

#### **Authority**

2. The Rules are adopted under The Cooperative (Amendment) Act of Bhutan, 2009.

#### **Extent and Commencement**

3. The Rules shall extend to the whole of Kingdom of Bhutan and shall come into effect on the 23<sup>rd</sup> day of July 2010 corresponding to 13<sup>th</sup> day of sixth month of Iron Male Tiger Year of the Bhutanese calendar.

#### **Definitions**

4. For the purposes of the Rules:
  - 4.1 **Age of majority** means the age limit for children to be considered an adult which is 18 years as per the existing law of the land and shall be deemed to change as amended by the legislature.
  - 4.2 **Consolidation of Cooperatives** means combining or uniting of two or more Cooperatives to form a new, single Cooperative.
  - 4.3 **Co-operative Focal Persons** means the focal persons responsible for all matters related to Cooperatives in the Ministry or Sector, in addition to the mandate, functions, responsibilities that focal persons may have within their respective Ministry or Sector.
  - 4.4 **Dissolution of Cooperatives** means the termination and liquidation of a Cooperative and its business activities.
  - 4.5 **Division of Cooperatives** means breaking up of a Cooperative into two or more independent units to form new Cooperatives.

- 4.6 **DT** means Dzongkhag Tshogde which is the decision making body at Dzongkhag level.
- 4.7 **Dzongkhag Cooperative Registrar** means the Cooperative authority at the Dzongkhag level that shall have power to undertake all functions related to Cooperatives in the Dzongkhag as delegated by the Registrar of Cooperatives.
- 4.8 **Farmers Group** means a group of not less than three members deriving economic benefits from one or more economic enterprises related to the Renewable Natural Resource Sector.
- 4.9 **Gewog Cooperative Registrar** means the Cooperative authority at the Gewog level that shall have power to undertake all functions related to Cooperatives in the Gewog as delegated by the Registrar of Cooperatives.
- 4.10 **GT** means Gewog Tshogde which is the decision making body at Gewog level.
- 4.11 **Household** means a household registered in accordance with the household registration system as maintained by the Department of Civil Registration and Census, Ministry of Home and Cultural Affairs (MoHCA).
- 4.12 **Member** means the owner and patrons of a Cooperative who hold shares in the Cooperative.
- 4.13 **Merger of Cooperatives** means the absorption of a Cooperative by another Cooperative to continue the purposes of the merged Cooperatives.
- 4.14 **Natural Bhutanese Persons** means the human beings having Bhutanese citizenship as opposed to the artificial, legal or juristic persons, that the law treats for some purposes as if it were a person distinct from its members.
- 4.15 **Office Bearers** means the Chairperson, Vice Chairperson, Treasurer, Board of Directors, Secretary and members of other committee elected by the Cooperative.
- 4.16 **Optional Fund** means a fund created by the Cooperative to acquire property and to contribute to the economic and educational advancement of communities.
- 4.17 **Primary Co-operative** means the first level of co-operative under this Act formed either by individual farmers, individual non farmers, or Farmers' Groups, whose main purpose is the provision of quality products and services to satisfy the economic needs of the members and their communities.
- 4.18 **Registrar of Cooperatives (ROC)** means the Head of the Department of Agricultural Marketing and Cooperatives who is ex-officio final national

authority on all matters related to Cooperatives in the Kingdom of Bhutan, notwithstanding any delegation of such authority that may have been given to another person or institution.

- 4.19 **Registration certificate** means the document evidencing the formal registration of a Cooperative under the Cooperatives (Amendment) Act of Bhutan, 2009.
- 4.20 **Reserve Fund** means a buffer fund of the Cooperative to provide for its financial obligations that may be brought about by economic or business activities and to meet losses that occur in its business operations.
- 4.21 **RNR** means the Renewable Natural Resources Sector.
- 4.22 **Special session of the General Assembly** means an additional session of the General Assembly of a Cooperative called for a specific purpose by the Chairperson.
- 4.23 **The Act** means the Cooperatives (Amendment) Act of Bhutan 2009 as amended from time to time.
- 4.24 **The Rules** mean the Cooperatives Rules and Regulations of Bhutan 2010

## **CHAPTER II: COOPERATIVE AUTHORITIES AND MANAGEMENT**

### **STRUCTURE Cooperative Authorities**

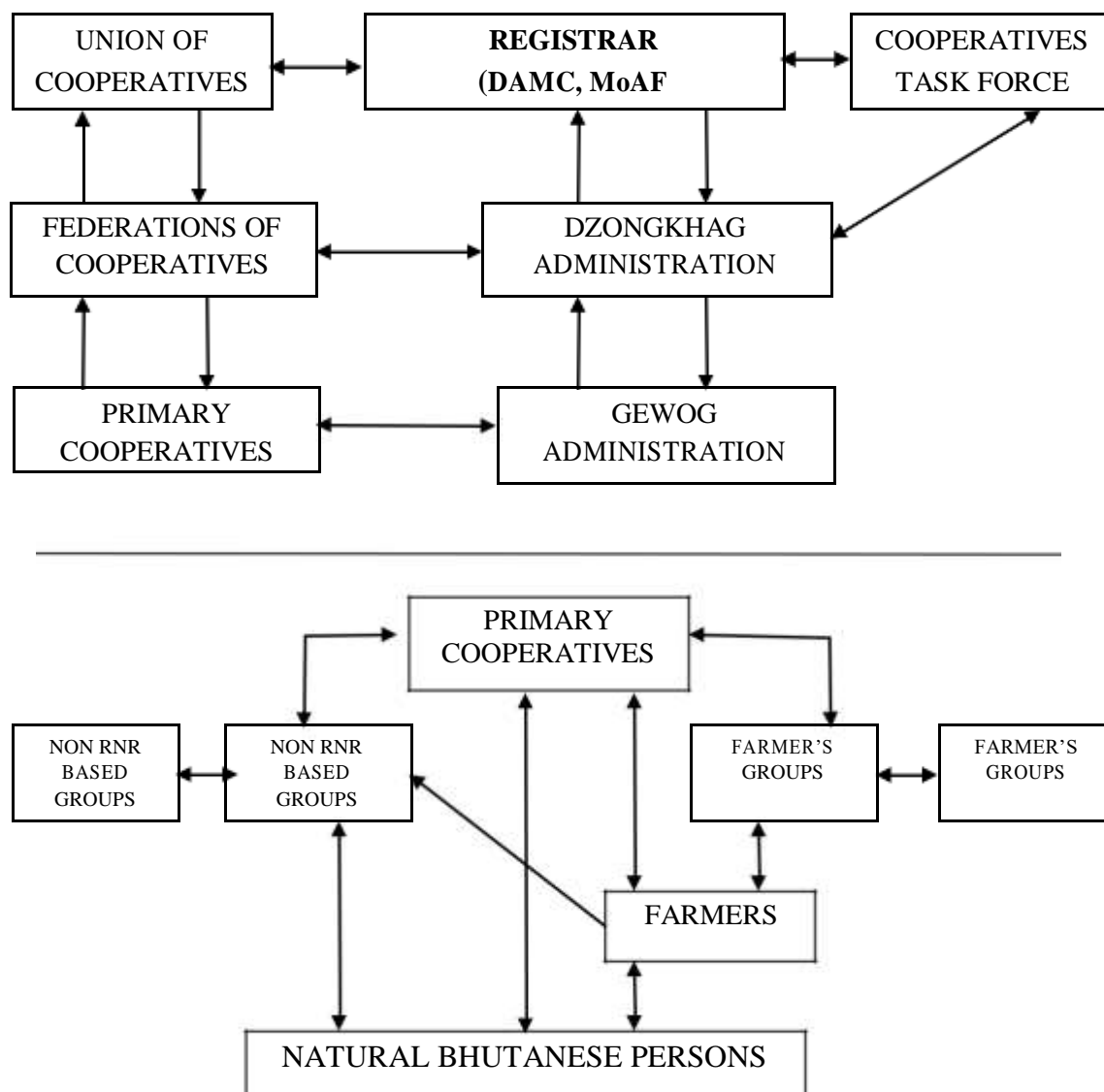
- 5. The Head of the Department of Agriculture Marketing and Cooperatives (DAMC) of the Ministry of Agriculture and Forests (MoAF) shall be ex-officio the Registrar of Cooperatives and the national regulatory authority for both RNR and non-RNR based Cooperatives.
- 6. The Registrar of Cooperatives may delegate certain relevant functions and authority to RNR and non-RNR based sector agencies or Ministries to facilitate their actions in Cooperatives within their domains.
- 7. The framework of national Cooperatives management shall be as presented in chart 1. Each line connecting the boxes represents authority and communication interaction.

### **General Cooperatives Management Structure**

- 8. The general structure of Cooperatives governance shall be as presented in Chart 2 below wherein the General Assembly of members of the Cooperatives shall be the supreme authority over other Cooperative management structures within each Cooperative.

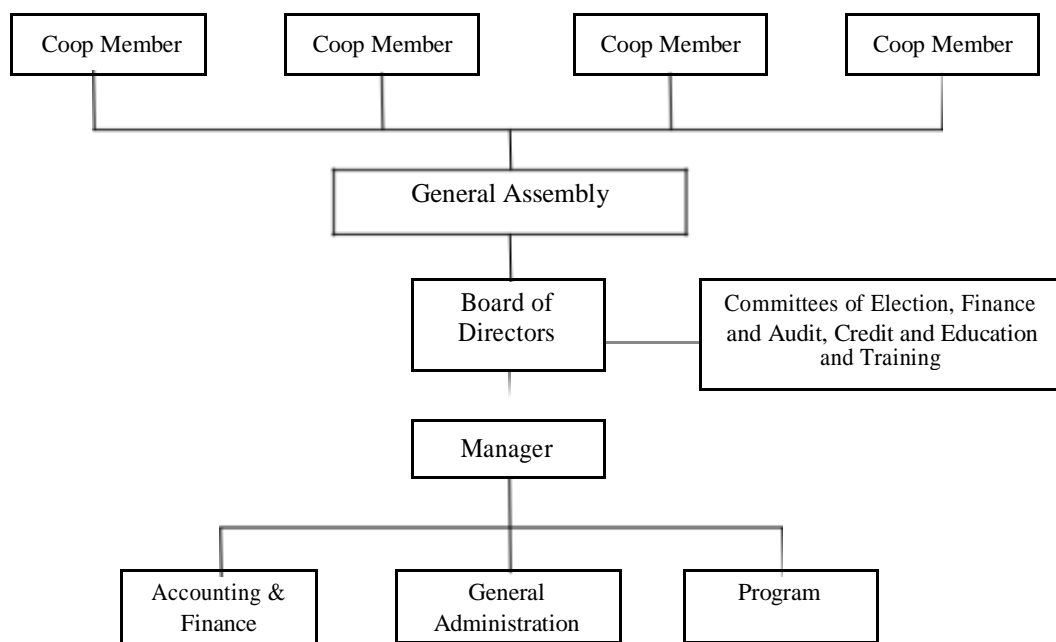
9. The number of professional personnel required for the management of the Cooperatives shall be determined by the Board of Directors in its own right based on the scale, scope and area of operations of the Cooperative concerned.
10. Whereas Cooperatives may initially be organized and managed as member owned and operated enterprises, they shall endeavor to move gradually towards being professionally managed business enterprises capable of sustaining their operations and providing increased benefits to their members. Cooperatives that do not reach a level of activities sufficient to adequately maintain their operations profitably may be advised by support agencies on the professional operation of the Cooperative.

**Chart 1: Cooperative Development Structure**





**Chart 2: Structure of Cooperatives Governance**



### **Determination of qualifications for Cooperative Membership**

11. The membership of a Primary Cooperative shall be based on individuals and not on households. Any numbers of members from the same household are eligible to be members of a same Cooperative.
12. All members of a Cooperative shall be Bhutanese citizens who shall have attained the age of majority.
13. An individual convicted of a crime and currently serving his sentence as determined by a court of Law is not eligible to be a member of a Cooperative.
14. An individual cannot be a member of a Cooperative whilst absent from the Gewog in which the Cooperative is located. However if the participation of a member is not required in activities of the Cooperative which is agreed upon by a simple majority of the members, an individual therefore can be a member but needs to comply with member's obligations as prescribed in their by-laws.
15. An individual shall express in writing his willingness and desire to become a member of a Cooperative.
16. Individuals aspiring to become members of a Cooperative shall be made fully aware of the benefits and risks of being a member of that Cooperative by the existing members and the Cooperative management.

### **CHAPTER III: RIGHTS AND DUTIES OF A MEMBER**

17. A member of a Cooperative shall have the following rights and duties:
  - 17.1 To participate in the activities of the Cooperative and be eligible for election to or to elect the office bearers;
  - 17.2 To attend the General assembly meeting, ask questions, make suggestions and vote;
  - 17.3 To make suggestions for convening of special sessions of the General Assembly;
  - 17.4 To voluntarily resign from membership and but seek to restore membership into the Cooperative;
  - 17.5 To receive the minutes of the General Assembly meetings;
  - 17.6 To make enquiries, and access information or examine any of the records of the Cooperative including the financial records of the Cooperative;
  - 17.7 To participate personally in the management of the Cooperative following an election or upon being employed in the Cooperative; and
  - 17.8 To obey and abide by the provisions of the Cooperatives Rules.

### **CHAPTER IV: ELECTION PROCEDURE FOR OFFICE BEARERS**

18. The office bearers of a Cooperative shall be elected from amongst its members by the General Assembly through secret ballot with a simple majority. A simple majority shall be any percentage of members' as agreed upon in their General Assembly. Using the Form CR No. I (as in Annex 1), the election results for office bearers are declared.
19. A minimum of two prospective candidates may be nominated for each of the posts of office bearers and put to the vote at a General Assembly or Special Meeting, or by ballot by mail.
20. If there is only one nomination for a position, the Chairperson of the General Assembly may call for further nominations at the Annual Meeting. If within a period of 30 days no further nominations are received for the position, the Chairperson shall declare the nominee elected unopposed.
21. In case of a tie between the two leading candidates, there shall be a second round of voting, and if the result is again a tie, the decision shall then be made by drawing of lots by any one of the member.
22. The General Assembly shall, during its annual meeting, elect members of the Board of Directors of the Cooperatives for a term of one year. The Board of Directors shall

comprise of a minimum of five and a maximum of fifteen members as described under Article 13 of the Act.

23. The Board of Directors in turn shall elect a Chairperson, a Vice-Chairperson, a Secretary and a Treasurer from among the elected board members.
24. The General Assembly shall also elect three members each for the Finance Committee, the Audit Committee and the Election Committee of the Cooperatives. If the said Cooperative provides loans, the General Assembly shall also elect three members to form the Credit Committee. The members of the committees shall be elected for a term of two years.
25. The members of both the Board of Directors and Committees can stand for re-election on any number of occasions but the members of the Committees shall not be elected for more than two consecutive terms.
26. The Office Bearers of the Cooperative may resign from their position subject to one month's written notice.
27. Office Bearers may be dismissed by reason of insolvency, incapacity, insanity, refusal to perform the duties of the office to take effect immediately or following such period as may be determined by a decision of the majority of the members of the Board, or failure to abide by code of conduct but such action shall not be taken unreasonably or without due consideration of the facts pertaining to the relevant matter
28. Office bearers shall be suspended if there is an accusation of fraud or financial malpractice brought by a member until the matter is investigated following which the Office Bearer shall be restored to office if cleared or dismissed if the matter is proven to the satisfaction of a majority of Board Members, or as a result of action in any Court of Law having jurisdiction in the Kingdom of Bhutan
29. In case of dismissal, resignation or death of a member of the Board with specific responsibilities, the Chairperson may assign his responsibilities to another member of the Board until the election of a new Board member during the next session of the General Assembly. In case of dismissal or death of a chairperson, the vice chairperson shall take over the office of chairperson and a new chairperson shall be elected in the next session of the General Assembly.
30. The elected members of the Board and Committees shall assume their office and begin to perform their responsibilities within one week of their election.

## **CHAPTER V: CODE OF CONDUCT OF OFFICE BEARERS**

31. The office bearers of the Cooperatives including the Chairperson and members of the Board of Directors and Committees shall, to the best of their knowledge and capacity, conduct the business of the Cooperatives with utmost loyalty, dedication and sincerity.

32. The members of the Board and Committees shall strive to work and serve in the best interests of the general members and the Cooperative during their tenure as office bearers of the Cooperative. They shall not be involved in anything that is contrary to the interests of the Cooperative and the provisions of its Constitution and by-laws.
33. The office bearers shall maintain confidentiality about the business of the Cooperative and its operations to protect the interests of the organization and its members.
34. They shall record their undertaking and commitment by completing and signing the form CR No. II (as in Annex 2)

## **CHAPTER VI: TERMINATION OF MEMBERS**

35. Cooperatives shall comply with the specific conditions for termination of their members as described under Article 15 of the Act.
36. Reasons for termination shall include death, insanity, disability and financial insolvency.
37. If a member or office bearer is terminated from membership of a Cooperative, he shall forfeit all his rights and claims including contributions and fees paid to the Cooperative except in case of death, insanity and permanent disability. However, in case of death, insanity and disability, his immediate heir or relative shall receive any benefits to which he is ordinarily entitled for the operational year in which the membership is terminated. To this the immediate heir shall be the spouse and if in case of death of the spouse, the immediate heir for receiving the benefits shall be one of the relative from within the household members as agreed upon by all members of the households through an agreement.
38. The Chairperson of the Cooperative shall submit a copy of the termination order to the Dzongkhag Cooperative Registrar in cases of Primary and Federation of Cooperatives, and to the Registrar of Cooperatives in case of a Union of Cooperatives, for their information and records.
39. The process for implementation of the termination of membership provisions of the Act shall be incorporated in the respective Cooperative By-laws.
40. If a Member who is terminated shall apply to the Board for information as to the reason for his termination such information may not be unreasonably withheld.

## **CHAPTER VII: GENERAL ROLES AND FUNCTIONS OF THE GENERAL ASSEMBLY AND THE BOARD OF DIRECTORS**

41. The general roles and functions of the General Assembly, Board of Directors and Committees are described under this Chapter. Specific and detailed roles and functions of these bodies as provided under Article 13, Chapter V of the Act shall be described and included in the respective Constitutions and By-laws of each Cooperative.

## **Roles and Functions of the General Assembly**

42. The General Assembly shall meet at least once annually with a quorum of at least two-thirds of the total members, and shall:
  - 42.1 Elect the Board of Directors and members of the Committees;
  - 42.2 Adopt and amend the Constitution and By-laws;
  - 42.3 Approve the terms of reference of office bearers including the Board of Directors and Committees;
  - 42.4 Review and approve the annual budget and reports;
  - 42.5 Review and approve business plans including major investment activities of the Cooperative undertaken on the advice of the Board of Directors. Each and every Cooperative shall set the limits for investments to be approved by the General Assembly and Board of Directors in their respective by-laws.
43. All decisions of the General Assembly shall require a two-thirds majority of members present and voting.

## **Roles and Functions of the Board of Directors**

44. The Board of Directors (BoD) shall meet at least twice a year.
45. The BoD shall monitor and evaluate routine activities of the Cooperative, and shall:
  - 45.1 Receive, accept and invite applications for Cooperative membership from individuals in the case of Primary Cooperatives; from Primary Cooperatives in the case of the Federation of Cooperatives; and from the Federation of Cooperatives in case of Union of Cooperatives;
  - 45.2 Prepare, review and implement long and short term business plans of the Cooperative;
  - 45.3 Prepare annual work plans for submission to the General Assembly for approval and implementation;
  - 45.4 Obtain and mobilize funds for the Cooperative;
  - 45.5 Seek and obtain advice from support agencies whenever and wherever it is deemed necessary.
  - 45.6 Prepare and present an annual performance report of the Cooperative to the General Assembly;
  - 45.7 Call special sessions of the General Assembly as and when required;
  - 45.8 Appoint a manager and/or staff to manage the activities of the Cooperative with specific terms of references as and when required;
  - 45.9 Decide salary scales and allowances of the management staff, and such honoraria as shall be received by the Office Bearers and BOD members;
  - 45.10 Ensure proper maintenance of the records of the Cooperative; and

- 45.11 Ensure that an Annual Audit is carried out by qualified Auditors registered with the Royal Audit Authority.
- 46. The Board shall establish an Education and Training Committee chaired by the Vice-Chairperson to plan and/or implement and arrange educational and training activities for members as provided under Article 25 of the Act.

#### **Roles and Functions of the Finance and Audit Committee**

- 47. The functions of the Finance and Audit Committee are to:
  - 47.1 Ensure judicious, effective and efficient utilization of the Cooperative financial resources;
  - 47.2 Mobilize and ensure financial resources for the Cooperative are obtained as required;
  - 47.3 Assess and monitor the financial status of the Cooperative on a continuing basis;
  - 47.4 Advise the Board of Directors on financial issues; and
  - 47.5 Ensure that Annual Audit is carried out by qualified Auditors registered with the Royal Audit Authority.

#### **Roles and Functions of the Election Committee**

- 48. The Election Committee shall:
  - 48.1 Organize and conduct election of the various office bearers of the Cooperative;
  - 48.2 Monitor and ensure strict compliance of election procedures as provided for under Chapter One, Part V of the Act;
  - 48.3 Ensure fairness and transparency during elections;
  - 48.4 Investigate and reassess the election results if cases of fraud and malpractices are brought to its notice and conduct fresh elections;
  - 48.5 Certify and issue election results by completing Form CR No. I (as in Annex 1) on the same day of elections and;
  - 48.6 Determine time and schedule of elections for the office bearers and ensure all members are informed accordingly.

#### **Roles and Functions of Credit Committee**

- 49. The Credit Committee shall:
  - 49.1 Advise the Board in regard to savings, credit and investment;
  - 49.2 Determine credit worthiness of member and clients; and
  - 49.3 Monitor and report on credit operations of the Cooperative to the BoD and to the General Assembly.

## **Roles and Functions of Education and Training Committee**

50. The Education and Training Committee shall:
- 50.1 Identify training needs for the members and staff;
  - 50.2 Receive, and subject to policy and authorization of the BoD seek to fulfill requests for training from Members and Office Bearers; and
  - 50.3 Coordinate, assist, organize and facilitate training relevant to the Cooperative.

## **CHAPTER VIII: TASK FORCE FOR COOPERATIVES**

### **Creation and functions of the Task Force for Cooperatives**

51. Following the mandate derived from article 30 of the Act, Ministries and Agencies of the Royal Government of Bhutan and other stakeholders shall enter into partnership, based on mutual respect and understanding, for more effective and coordinated planning, implementation and review of Cooperative development plans and programs.
52. The Department of Agriculture Marketing and Cooperatives (DAMC) of the Ministry of Agriculture and Forests (MoAF) as the national coordinating agency for administration of Cooperatives shall, in consultation with the Ministries and Agencies concerned, call for the creation of a Task Force which requires appointment of a Cooperatives Focal Person (CFP) in each of the relevant Ministries, Agencies and sectors.
53. A Task Force comprised of relevant Ministries and Agencies of the Royal Government of Bhutan and other stakeholders shall be created with the responsibility for providing information and undertaking coordination in all matters related with the regulation, promotion, development, support planning and monitoring of Cooperatives and registered Farmers Groups in Bhutan. Functionally, this task force shall operate through a group of focal persons, representing their respective Ministry or Agencies.
54. The Agencies initially invited to appoint a Cooperatives Focal Person to form the Task force are:
- Ministry of Agriculture and Forests;
    - Department of Agriculture.
    - Department of Livestock.
    - Department of Forest and Park Services.
  - Ministry of Economic Affairs;
  - Ministry of Finance;
  - Gross National Happiness Commission;
  - Ministry of Home and Cultural Affairs;
  - Ministry of Labour and Human Resources;
  - Ministry of Works and Human Settlement;

- Royal Monetary Authority;
  - Bhutan Development Finance Corporation Limited;
55. Once Cooperatives have become organized into second and third tier structures (Federations and Unions), the Task Force shall invite one or more organizations to become part of the task force, appointing one or more Focal Persons for this purpose. The Task force shall arrange all matters needed to ensure the participation of this focal person in terms of information, communication and possible costs such as transportation and lodging that might be required.
  56. Each agency participating in the Task force shall appoint a Cooperatives Focal Person (CFP) for the purpose of coordination and liaison between the participating agencies for all matters directly and indirectly related with Cooperatives.
  57. The Head of the DAMC is ex-officio the chairperson of the Task Force. In his absence or unavailability, he shall appoint a deputy to act in his place, selected from the CFPs
  58. In its first official meeting, the Task Force shall define procedures and requirements for meetings and other activities to be undertaken. The Task Force Chairperson shall seek consensus among all parties for the approval of the task force operational requirements. If consensus cannot be reached, procedures and requirements under consideration shall be approved by vote of two thirds of the members.
  59. In subsequent meetings, general business shall be passed by consensus or by vote of a simple majority i.e. 50 % plus 1, subject to a veto by the Chairperson.
  60. The Task Force shall initiate and maintain an online database to provide a basic tool for information and administration among partners in all matters related with Cooperatives. This database shall be designed by DAMC and the Policy and Planning Division of the MoAF in consultation with all Agencies and Sectors involved.
  61. All relevant information needed for the work and analysis of the Cooperatives registration, planning, monitoring, operations, business relations, financial and managerial arrangements and projects shall be uploaded in this data-base, which shall have a set of information accessible to the general public and a second set of information accessible only to the task force members and their operational units within each Ministry and Agency and other bodies as determined by the Chairperson.

#### **Responsibilities of the agencies participating in the Task Force**

62. Each agency participating in the Task Force is responsible for providing the information agreed to be part of the database, ensuring proper information and coordination.
63. Each agency participating in the Task Force shall ensure the proper formulation and coordination of Cooperatives strategies and guidelines of each Ministry and Sector Cooperative are prepared and communicated to the Task Force members in a timely manner.



64. Each agency participating in the Task Force shall nominate specific personnel who shall have the functions, responsibilities, capacities and resources needed to implement those strategies and guidelines mentioned in the subparagraph 63.
65. Each agency participating in the Task Force shall make arrangements to ensure that the required Cooperatives Focal Persons are appointed by their agency and that the appointees receive a mandate and are given responsibilities and functions that shall allow them to perform their duties in an efficient and timely manner as Cooperatives Focal Persons.
66. Each agency participating in the Task Force shall review their respective policies, strategies and guidelines and ensure that they are in line with the Act, with these Rules and that there are no conflict between the different sectors in terms of duplication of activities.

### **Responsibilities of Cooperative Focal Persons (CFPs) in the Sectors**

67. The CFPs in the ministries/sectors shall serve as the focal person responsible for liaison for all matters related to Cooperatives in the Ministry and Sector.
68. The CFPs is the liaison person promoting the coordination of Ministry and Sector Cooperatives policies, strategies and guidelines formulated by his participating agency.
69. The CFPs shall liaise closely with the Dzongkhag Cooperative Registrars and sector staff at the Dzongkhag level for promotion of Cooperatives in the Dzongkhags.
70. The CFPs shall interact directly on behalf of the Ministry and sector with the Registrar of Cooperatives on matters related to Cooperatives policies, coordination, strategies and any legal issues.
71. In consultation with the Registrar of Cooperatives, the CFPs shall promote and monitor support for capacity building of Cooperatives within his sector, in consultation with the DAMC.
72. The CFPs shall undertake those activities agreed by the Task Force that can be performed under his responsibilities and functions in his post.
73. A CFP shall arrange to delegate his functions to a Deputy to represent him in duties and meetings within then Task Force context should he be unable to attend in person.

## **PART II: REGISTRATION OF COOPERATIVES**

### **CHAPTER IX: REGISTRATION**

#### **National Level**

74. With endorsement at Gewog and Dzongkhag level on the fulfillment of criteria, the registration of Primary and Federation of Cooperatives shall be done at National Level by the Registrar of Cooperatives.
75. The Union of Cooperatives shall apply for registration directly to the Registrar of Cooperatives.

#### **Dzongkhag Level**

76. The Dzongkhag Cooperative Registrar shall be the Cooperatives registration authority at the Dzongkhag level.
77. The Dzongkhag Cooperative Registrar shall receive application in Form CR No. III and Form CR No. V (as in Annexure 3 and 5) for registration from the Primary and Federation of Cooperatives respectively for necessary scrutiny of the criteria as fulfillment for registration by Registrar of Cooperatives.
78. The Dzongkhag Cooperative Registrar shall process it with the Registrar of Cooperatives by completing and submitting Form CR No. IV (as in Annex 4) duly endorsed by the DCR and Dzongda.

#### **Gewog Level**

79. The Gewog Cooperative Registrar shall be the Cooperatives registration authority at the Gewog level.
80. The Gewog Cooperative shall receive application in Form CR No. III for registration from Primary Cooperatives for necessary scrutiny of the criteria as fulfillment and endorsement by the Gup and GCR.
81. The Gewog Cooperative Registrar shall submit the endorsed application to Dzongkhag Cooperative Registrar for further processing and endorsement for registration.

#### **Responsibilities of the Registrar of Cooperatives, Gewog and Dzongkhag Cooperatives Registrar**

##### **Registrar of Cooperatives (RoC)**

82. The Registrar of Cooperatives shall register and issue or authorize issuance of registration certificates to Cooperatives including: Primary, Federation and Union of Cooperatives and Farmers Groups.

83. He shall participate actively in the formulation of national Cooperatives development policies and strategies.
84. He shall endeavor to coordinate Ministries and Agencies in planning and providing support to the Cooperatives sector, especially through the operation of the Task Force.
85. He shall closely monitor and evaluate Cooperative development and organization.
86. He shall initiate and jointly prepare and finalize Memoranda of Understanding (MoUs) with the Ministries and Agencies regarding coordination and support to Cooperatives on a nationwide basis.
87. He shall arrange to obtain and implement a nationwide database and information system drawing together all relevant information including registration of Cooperatives and Farmers Groups
88. He shall produce Cooperatives Review Reports on regular basis and submit them to the Government for information and to seek policy directives.

#### **Dzongkhag Cooperative Registrar (DCR)**

89. As delegated by the Registrar of Cooperatives, the Dzongkhag Planning Officers (DPOs) shall operate as Dzongkhag Cooperative Registrars (DCRs) at the Dzongkhag level for each Dzongkhag. However the relevant sectors (Renewable Natural Resources Sector Heads or any other Sector Heads in the Dzongkhag) shall fully support the DPOs in the conduct of DCR's responsibilities.
90. The DCR shall receive applications for registration from the applicant Cooperatives in Form CR No.III for registration of Primary Cooperative and in Form CR No.V for Federation of Cooperatives. The DCR shall process them in line with requirements and processes in Form CR No.IV and submit to the Registrar of Cooperatives for award of certificate of registration.
91. The DCR shall maintain all records relating to registration of Cooperatives and Farmers Groups in the Dzongkhag.
92. The DCR shall monitor and evaluate the operations and management of each Cooperative in their Dzongkhag on a regular basis and submit relevant information to the Registrar of Cooperatives, annually. However the respective sectors (Renewable Natural Resources Sector Heads or any other Sector Heads) shall fully support the DPOs in monitoring and evaluation.
93. The DCR shall undertake Cooperatives promotion and development activities, and shall ensure that any applications for registration for Cooperatives or Farmers Groups are based on genuine "bottom up" desires of the potential members.
94. The DCR shall also ensure coordination between sectors for the promotion, development and registration of Cooperatives and Farmers Groups in the Dzongkhags.

## **Gewog Cooperative Registrar (GCR)**

95. As delegated by the Registrar of Cooperatives, the Gewog Administrative Officers (GAOs) shall operate as Gewog Cooperative Registrars (GCRs) at the Gewog level for each Gewog. However the relevant sectors (Renewable Natural Resources Extension Sectors or any other Sector in the Gewog) shall fully support the GAOs in the conduct of GCR's responsibilities.
96. The GCR shall receive applications for registration from the applicant Farmers Groups and Primary Cooperatives in Form FGR No. I and Form CR No. III respectively and process them in line with requirements and processes and submit to the Dzongkhag Cooperative Registrar (DCR).
97. The GCR shall liaise with the Dzongkhag Cooperative Registrar and follow procedures that are established including management and timely updating of Farmers Groups and Cooperatives database processes.
98. The GCR shall maintain all records relating to registration of Farmers Groups and Cooperatives in the Gewog, and shall upload such records to the Farmers Group and Cooperatives database.
99. The GCR shall also ensure coordination between sectors for the promotion, development and registration of Farmers Groups and Cooperatives in the Gewogs.

## **CHAPTER X: REQUIREMENTS AND EFFECTS OF REGISTRATION OF PRIMARY COOPERATIVES**

### **Registration Requirements**

100. All Farmers Groups, community organizations and other organizations who wish to become Cooperatives shall fulfill the following requirements prior to applying for registration in coordination with the agencies concerned both at the Gewog and Dzongkhag levels:
  - 100.1 A minimum of fifteen Bhutanese citizens from a minimum of fifteen different households and having a common bond of interest in the area of operation of the Cooperative;
  - 100.2 Three copies of duly accomplished Constitution and By-laws; (Model constitution and by- laws as in Annex 6)
  - 100.3 A business plan evidencing that the proposed Primary Cooperative is organized based on a) the members' common needs or demand, and b) the economies of scale and requirements of the market of its business under takings (format for simple business plan as in Annex 7)
  - 100.4 Proof of bank account.
  - 100.5 Members have met and elected a group of key people as their office bearers for the formation of a Cooperatives as evidenced by an agreement or minutes of meeting, or by signed Form CR I (as in Annex 1)

100.6 Bond of undertaking by the office bearers as evidenced by the signed Form CR No II (as in Annex 2)

### **Effects of Registration**

101. A Cooperative upon registration under the Act and the Rules acquires a juridical personality refer to the ACT and rephrase accordingly issuance of certificate. Accordingly a Cooperative so registered are conferred the following powers and responsibilities:

101.1 To adopt or amend its constitution and by-laws;

101.2 To use the word “Co-operative” in its official name;

101.3 To sue and be sued in its name;

101.4 To engage in any lawful business transaction with and for the interest of members and the communities in its area of operation;

101.5 To engage in any lawful business transactions with and for the interest of members and the communities in its area of operation;

101.6 To enter into division, merger or consolidation of Cooperatives;

101.7 To join Federation, in case of Primary Cooperatives and join the Union, in case of Federations and special types of Cooperatives;

101.8 To accept and receive grants, donations and assistance from foreign and domestic sources, prior approval is required from the Ministry of Finance;

101.9 To exercise other related powers and responsibilities as outlined in its constitution and by-laws.

## **CHAPTER XI: REGISTRATION PROCEDURES**

102. As provided under Article 7 of the Act, the Rules recognizes four categories and levels of Cooperatives viz. Primary Cooperatives, Federation of Cooperatives, Union of Cooperatives, and special types of Cooperatives.

### **Primary Cooperatives**

103. As delegated by the Registrar of Cooperatives, the Gewog Cooperative Registrar and the Dzongkhag Cooperative Registrars shall have the authority to process and recommend the registration of the Primary Cooperatives within their jurisdiction. This responsibility shall be executed in coordination with and support of the relevant Dzongkhag sector officials.

104. The Primary Cooperatives, after having fulfilled the registration requirements described under Chapter XI, Part II, shall complete the Cooperatives Registration Application Form CR No. III (as in Annex 3) and obtain recommendation of the relevant authorities where applicable and submit it to the Gewog Cooperative Registrar along with other documents as specified in the form.

105. The Gewog Cooperative registrar shall review the application and the documents for fulfillment of criteria. Upon endorsement by the Gup and Gewog Cooperative Registrar, the application shall be submitted to Dzongkhag Cooperative Registrar.
106. The Dzongkhag Cooperative Registrar shall review and analyze the registration application and complete the Form CR No. IV (as in Annex 4) upon fulfillment of registration requirements. Upon the endorsement by the DCR and the Dzongda, the filled and endorsed Form CR No. IV shall be submitted to the Registrar of Cooperatives for issuance of registration approval, registration number and award of registration certificate.
107. An application for registration may be rejected by the Dzongkhag Cooperative Registrar if:
- 107.1 The application is incomplete;
  - 107.2 The proposed Cooperative has not fulfilled the registration and feasibility requirements; or
  - 107.3 The proposed Cooperative does not meet the five requirements as specified under Article 8 of the Act.
108. The normal registration process of the Primary Cooperatives shall be completed within 40 working days from the date of receipt of the application as follows:
- 108.1 The Gewog Cooperative Registrar shall process and submit the application to DCR within 15 working days from the date of receipt of the application. Similarly, the Dzongkhag Cooperative Registrar shall analyze and process the application with the Registrar of Cooperatives within 15 working days;
  - 108.2 The Registrar of Cooperatives may issue certificate of registration or reject the application within 10 working days from the date of receipt of the completed CR Form No. IV from the Dzongkhag Cooperative Registrar; and
  - 108.3 The Registrar of Cooperatives may reject an application if the Sub-Clauses under Clause 100 of the Rules are not fulfilled.
109. The initial registration certificate of Primary Cooperatives shall be valid for five years and can be renewed provided the Cooperative still meets the initial registration requirements, particularly the minimum membership requirement of 15 persons from a minimum of 15 different households.
110. If the membership of a Cooperative at any time falls below the minimum of 15 persons from 15 different households required to remain and function as a Cooperative, the Chairperson shall inform the Dzongkhag Cooperative Registrar in writing, who shall in turn, inform the Registrar of Cooperatives.
111. The Registrar of Cooperatives, through the Dzongkhag Cooperative Registrar, shall issue a notice to the Cooperative concerned to satisfy the minimum membership requirement within one month of the date of issue of the notice.

## **Federation of Cooperatives**

112. The application for registration of Federation of Cooperatives shall be processed through the Dzongkhag Cooperative Registrar where the office of the Federation is located. The Chairperson of the Federation shall complete Form CR No. V and submit it to the Dzongkhag Cooperative Registrar along with other required documents as specified in the form CR No.V (as in Annex 5)
113. The Dzongkhag Cooperative Registrar shall complete Form CR No. IV in respect of the proposed Federation of Cooperatives and submit to the Registrar of Cooperatives for issuance of registration certificate upon fulfillment of requirements specified in the form CR No. IV
114. The registration of Federation of Cooperatives shall be completed within 25 working days after the receipt of application for registration by Dzongkhag Cooperative Registrar as follows:
  - 114.1 The Dzongkhag Cooperative Registrars shall process and submit the application to Registrar of Cooperative within 15 working days after receipt of the application; and
  - 114.2 The Registrar of Cooperatives shall issue registration certificate or reject the application within 10 working days after receipt of the application from the Dzongkhag Cooperative Registrar in Form CR No. IV.
115. The initial registration for Federation of Cooperatives shall be valid for a period of three years, and it can be renewed subject to satisfactory performance and fulfilling the minimum membership requirement of five Primary Cooperatives subscribing to the Federation.
116. If the membership of the Federation at any time falls below the minimum of five Primary Cooperatives required to remain and function as Federation of Cooperatives, the Chairperson shall inform the Dzongkhag Cooperative Registrar in writing, who shall in turn inform the Registrar of Cooperatives.
117. The Registrar of Cooperatives, through the Dzongkhag Cooperative Registrar, shall issue a notice to the Federation concerned to satisfy the minimum membership requirement within one month of the date of issue of the notice. If the concerned Federation fails to comply with the notice or is not able to prove its required membership strength, the Federation shall be dissolved as per the provisions of Part VII, Chapter XXV of this Rule.

## **Union of Cooperatives**

118. The registration of the Union of Cooperatives shall be applied and processed directly with the Registrar of Cooperatives by submitting a duly completed Form CR No. VI. All the requirements for registration of Federation of Cooperatives shall apply to the Union of Cooperatives except the requirement of a letter of endorsement from the Gup / Dzongda concerned.

119. The application shall also include a duly completed Form CR No. VII, indicating agreement between the proposed Union of Cooperatives and the incorporated Federations of Cooperatives.
120. After receipt of Form CR No. VI and VII, the Registrar of Cooperatives shall either issue registration certificate to the proposed Union of Cooperatives or reject fuse registration under the following circumstances:
- 120.1 If the Form CR No. VI is incomplete; or
- 120.2 The applicant has not fulfilled the requirements under Article 10 of the Act.
121. The registration process for the Union of Cooperatives shall be completed within 21 working days from the date of receipt of application.

### **Special Types of Cooperatives**

122. Article 11 of the Act recognizes Cooperative Banks, and Insurance Cooperatives as Special Types of Cooperatives.
123. Licenses for the operation of Cooperative Banks shall be obtained from the RMA in accordance with Article 11 (1) of the Act.
124. License for the operation of an Insurance Cooperative shall be obtained from the Ministry of Finance in consultation with DAMC and the sectors concerned in accordance with the Article 11 (2) of the Act.
125. After receipt of operational licenses from the respective authorities, the Special Cooperatives shall process their application for registration to the Registrar of Cooperatives by submitting a duly completed Form CR No. III.
126. The Registrar of Cooperatives shall issue a Registration Certificate to the applicant Cooperative within 7 working days from the date of receipt of application.



## **PART III: FINANCIAL MANAGEMENT OF COOPERATIVES**

### **CHAPTER XII: FINANCIAL MANAGEMENT**

#### **Sources of Funds**

127. **Share capital** – all members of a Cooperative shall make mandatory contributions to the share capital. The amount of share capital to be raised and the contributions to be made by the individual members shall be decided by the General Assembly and shall be described in detail in the by-laws of the Cooperatives. However, as provided under Article 20 of the Act no individual member except the Cooperative itself can hold more than 10% of the total amount of shares of the Cooperative.
128. **Membership fee** - the Cooperatives shall impose membership fees on its members. The membership fee shall be considered as payment for the services rendered by the Cooperative and shall be collected annually during the General Assembly session. The membership fee shall be used to meet operational expenses of the Cooperative and shall not be refundable.
129. **Fines** - There shall be a system of levying fines by the Cooperatives which shall be described in their respective by-laws, in order to facilitate their smooth functioning and proper management.
130. The Cooperatives may also explore financing from external sources in terms of loans, donations, subsidies and grants depending upon the availability of funds. However, as provided under Article 18(4) of the Act it shall obtain prior approval from the Ministry of Finance to mobilize funds from any local or external sources.

#### **Accounting System/Framework**

131. Cooperatives shall maintain the books of accounts as required under the ‘double entry book-keeping’ principles to facilitate auditing and better financial management.
132. As the representative of the BOD, the Chairperson shall present the audited financial statements to the General Assembly.
133. The Registrar of Cooperatives, in consultation with the sectors concerned, the Royal Audit Authority and the Ministry of Finance, shall prepare and circulate a standard Handbook on Cooperatives Financial Management.

#### **Financial Powers**

134. The General Assembly of a Cooperative shall have the following financial powers:
  - 134.1 To approve an annual work plan and budget;
  - 134.2 To approve the use and management of the Reserve Fund by the Board of Directors in accordance with the provisions of Article 25 of the Act, regarding Reserve Funds;

- 134.3 To create and approve the use of Optional Fund by the Board of Directors as per the provisions of Article 25 of the Act, relating to Optional Funds;
  - 134.4 To approve investment schemes proposed by the Board of Directors; and
  - 134.5 To discuss and approve payment of net surpluses to the members as interest on capital contributions and refunds for their patronage of the Cooperative products and services.
135. The Board of Directors shall have the following financial powers:
- 135.1 Operation and use of the Optional Fund with prior approval of the General Assembly;
  - 135.2 Operation and use of 50% of the Cooperative Training and Education Fund (CTEF) with program approval from the General Assembly;
  - 135.3 Power to approve operational costs up to the maximum ceiling fixed in the Constitution and By-laws of the Cooperative concerned; and
  - 135.4 Fix and approve the staff salaries.
136. The Manager of a Cooperative shall have powers to disburse staff salaries and minor operational expenses as determined in its By-laws.

### **CHAPTER XIII: AUDITING**

137. As provided under the Act and the Audit Act of Bhutan, 2006, the BoD/Audit Committee of the Cooperatives shall ensure that the annual audit is carried out by qualified auditors as certified by RAA.
138. It shall be the responsibility of the Board of Directors and the Audit and Finance Committee of the Cooperative concerned to ensure annual auditing of its financial operations.
139. The Audit and Finance Committee of the Cooperatives shall ensure proper maintenance of financial records for auditing.
140. Auditing of financial records of the Cooperatives shall be carried out within 90 days of the close of the financial year.
141. The auditing agency shall furnish its reports within two months of the completion of the audit of the Cooperative and a copy of its report shall be submitted to the Registrar of Cooperatives.
142. The Audit and Finance Committees of the Cooperatives shall submit its comments on the Annual Audit Reports to the General Assembly.

## **CHAPTER XIV: FINANCIAL MANAGEMENT TRAINING**

143. The Office of the Registrar shall coordinate with the Union of Cooperatives in assessing the training needs of the Cooperatives.
144. The Office of the Registrar shall promote and monitor the auditing of Cooperatives and organize necessary training.
145. The Union of Cooperatives, is the apex body of the Cooperatives, and shall organize financial management and accounting training for staff and members of the Cooperatives.

## **PART IV: MONITORING OF COOPERATIVES**

### **CHAPTER XV: MONITORING**

#### **Monitoring at Cooperative Level**

146. The General Assembly shall have the following monitoring functions:
  - 146.1 Ensure the Cooperative management does not implement discriminatory membership practices;
  - 146.2 Ensure the Cooperatives policies and programs are beneficial to the community;
  - 146.3 Ensure the Cooperative is meeting its Primary purpose through review of Annual Performance and Audit Reports; and
  - 146.4 Seek external advice and assistance if deemed necessary for training GA and BoD to perform the task specified above.
147. The Board of Directors of the Cooperative shall implement the following monitoring functions:
  - 147.1 Ensure equitable member contributions by designing and operating an appropriate system of receiving and recording share capital contributions and membership fees as provided in its by-law;
  - 147.2 Ensure the progress of all Cooperative activities are included in the Annual performance Report for submission on time to the General Assembly and other relevant agencies/ authorities as and when required;
  - 147.3 Ensure provision of legal advisory services to the Cooperatives by liaising with the relevant agencies of the Government;
  - 147.4 Ensure safety of Cooperative records including Directory of Members, Constitution and By-laws, Minutes of the Meeting of General Assembly and Board of Directors, financial records and Annual Reports;

- 147.5 Ensure proper management of the Cooperative with regular supervision of its committees and management staff;
- 147.6 Ensure there is equal voting right among its members;
- 147.7 Conduct timely monitoring of election procedures and results;
- 147.8 Ensure the relevant members receive appropriate training; and
- 147.9 Ensure the Cooperative pursues prudent financial management practices and there is proper utilization of Cooperative resources for the common benefit of its members.

#### **Monitoring at Gewog Level**

- 148. The Gewog Cooperative Registrar shall monitor implementation of the Constitution and By-laws of the registered Farmers Groups and Primary Cooperatives through site visits, document review and consultations with Cooperatives personnel.
- 149. The Gewog Cooperative Registrar shall ensure that the Cooperatives submit their annual audited reports to DCR and the Registrar of Cooperatives.
- 150. The Gewog Cooperative Registrar shall ensure the Gewog sectors concerned provide the necessary support to the Cooperatives.

#### **Monitoring at Dzongkhag Level**

- 151. The Dzongkhag Cooperative Registrar shall monitor implementation of the Constitution and By-laws of the Primary Cooperatives through site visits, document review and consultations with Cooperatives personnel.
- 152. The Dzongkhag Cooperative Registrar shall ensure that the Cooperatives submit their annual audited reports to DCR and the Registrar of Cooperatives.
- 153. The Dzongkhag Cooperative Registrar shall ensure the Dzongkhag sectors concerned provide the necessary support to the Cooperatives.

#### **Monitoring at National Level**

- 154. The Registrar of Cooperatives shall be responsible for the overall monitoring of Cooperative sector.
- 155. The Registrar of Cooperatives shall monitor implementation of Cooperative promotion and development by concerned ministries and agencies.
- 156. The Registrar of Cooperatives shall be solely responsible for monitoring of activities related to the Union of Cooperatives and Federation of Cooperatives at national level.

## **CHAPTER XVI: SANCTIONS FOR NON-COMPLIANCE OF THE COOPERATIVES ACT AND REGULATION**

### **Sanctions on Cooperatives**

157. A Cooperative shall be subjected to the following sanctions for non-compliance with the various provisions of the Act and the Rules:

157.1 If any Cooperative violates any of the provisions of either the Act or the Rules its status shall be reviewed and resolved by the Gewog Cooperative Registrar. Those unresolved cases beyond the scope of GCR shall be forwarded to the Dzongkhag Cooperative Registrar who shall review and resolve. Similarly, those unresolved cases beyond the scope of DCR shall be forwarded to the Registrar of Cooperatives, who shall take necessary action against the Cooperative concerned;

157.2 If any Cooperative violates the provisions of its constitution or by-laws, the Registrar of Cooperatives or the Dzongkhag Cooperative Registrar shall direct such Cooperative to be dissolved in accordance with the provisions of Part VII, Chapter XXV of the Rules;

157.3 If any Cooperative fails to submit its Annual Audit Report to the Registrar of Cooperatives for two consecutive years, such Cooperative shall be dissolved involuntarily and its registration revoked through a court of law, as provided under Part VII, Chapter XXV of the Rules.

### **Sanctions on Other Agencies/Organizations**

158. No agency/organization shall be allowed to incorporate the word ‘Cooperative’ as part of its name unless it is registered as a Cooperative with the Registrar of Cooperatives. Any agency/ organization found violating this section shall be fined Nu. 10,000 and anybody involved shall be sentenced to a term of three to six months imprisonment.

## **PART V: DIVISION, MERGER AND CONSOLIDATION OF COOPERATIVES**

### **CHAPTER PART XVII: CRITERIA AND PROCESS FOR DIVISION OF COOPERATIVES**

#### **Criteria for Division of Cooperatives**

159. Division of a Cooperative may take place under the following criteria:

159.1 There shall be an area of diversification in the objectives, services and product lines of the Cooperatives;

159.2 There shall be potential for increased profitability and tangible economic benefit to the divided Cooperatives;

159.3 There shall be at least 15 members from 15 different households in each of the divided Cooperatives; and

- 159.4 The proposal for division shall be approved by the General Assembly and endorsed by the Federation/Union of Cooperatives to which it is a member.

### **Process for Division of Cooperatives**

160. Any Cooperative that meets the criteria set above for division shall undergo the following process:
- 160.1 Group members of the Cooperative concerned shall submit their proposal for division to the Board of Directors;
  - 160.2 The Board of Directors shall study the feasibility for division and submit its recommendations to the General Assembly; and
  - 160.3 The General Assembly shall approve or reject the proposal.
161. If the proposal is approved by the General Assembly, the divided Cooperatives shall:
- 161.1 Elect their respective office bearers including the Chairperson, Vice-Chairperson, members of the Board of Directors and members of the Committees;
  - 161.2 Draw up new constitutions and by-laws;
  - 161.3 Apply for new registration certificates through the Gewog and Dzongkhag Cooperatives Registrars;
  - 161.4 A copy of the endorsement shall be submitted with the registration application; and
  - 161.5 Inform the Federation and Union of Cooperatives on the General Assembly's decision.
162. The registration certificate of the original Cooperative shall be surrendered to the Registrar of Cooperatives through the Dzongkhag Cooperative Registrar by submitting the completed Form CR No. VIII (as in Annex 10), duly signed by the Chairperson of the parent Cooperative.

## **CHAPTER XVIII: CRITERIA AND PROCESS FOR MERGER OR CONSOLIDATION OF COOPERATIVES**

### **Criteria for Merger / Consolidation of Cooperatives**

163. Two or more Cooperatives desiring to merge or consolidate into a single Cooperative shall meet the following criteria:
- 163.1 There exists commonality of objectives, products and services;
  - 163.2 There is a common understanding and willingness to merge or consolidate, expressed in the form of a written agreement between/among the Cooperatives signed by the Chairpersons of the Cooperatives; and

- 163.3 The merger or consolidation agreement is approved by their respective General Assemblies by completing the Form CR No VIII and endorsed by the Federation and Union of Cooperatives to which they belong.

### **Process for Merger and Consolidation of Cooperatives**

164. Cooperatives shall process for merger or consolidation as follows:
- 164.1 Based on the mutual interests of the Cooperatives concerned, the Boards of Directors or their representatives shall meet and consult each other on the proposal to merge or consolidate;
  - 164.2 Once a common understanding to merge or consolidate is reached between/among the Boards of Directors of the Cooperatives, the Boards shall apprise and submit their proposals for merger or consolidation to their respective General Assemblies;
  - 164.3 The respective General Assemblies shall either approve or reject the proposal for merger or consolidation;
  - 164.4 If the proposal to merge or consolidate is approved by the respective General Assemblies of the Cooperatives concerned, the Boards of Directors shall meet and consult each other to draw up a merger or consolidation agreement based on the directives of the respective General Assemblies. The merger or consolidation agreement shall be signed by the Chairperson of the respective Cooperatives.
  - 164.5 The merged or consolidated Cooperative shall assume a new name, and shall:
    - 164.5.1 Elect office bearers including members of the Board of Directors and of the Committees;
    - 164.5.2 Draw up a new constitution and by-laws;
    - 164.5.3 Apply for cancellation of their old registration certificates by using Form CR No. VIII; and
    - 164.5.4 Request for a new registration certificate through the Dzongkhag Cooperatives Registrar by using Form CR No.III.

## **PART VI: MEDIATION AND CONCILIATION OF COOPERATIVE CONFLICTS**

### **CHAPTER XIX: MEDIATION AND CONCILIATION OF DISPUTES AND CONFLICTS AMONG MEMBERS**

165. Disputes and conflicts between members of a Cooperative relating to the policies and operation of the Cooperative shall be mediated/ conciliated by the Board of Directors.
166. In order for the Board to intervene and initiate any mediation/ conciliation, the dispute/conflict shall be brought to its attention by the aggrieved member through a letter addressed to the Chairperson of the Board of Directors.

167. If the aggrieved member does not receive any response from either the Chairperson or the Board of Directors within 30 days of submission of his grievances, he shall inform the Dzongkhag Cooperative Registrar about the matter, and if again no response is received within 30 days, he may file a case with the Court.
168. The Board of Directors may also forward the case to a Court if:
- 168.1 The nature of case requires formal adjudication; or
- 168.2 The parties are not satisfied with the decision of Board's mediation/reconciliation.
169. In the event of a successful mediation/conciliation by the Board, the decision of the Board shall be incorporated in a written agreement, signed by the parties concerned and the Board members, and a copy of such agreement shall be maintained by the Board for future reference.

## **CHAPTER XX: MEDIATION AND CONCILIATION OF DISPUTES AND CONFLICTS BETWEEN MEMBERS AND OFFICE BEARERS**

170. An aggrieved party, whether individual members or office bearers, may express grievances for discussion in the next session of the General Assembly through a letter addressed to the Chairperson with a copy to the Dzongkhag Cooperative Registrar.
171. The General Assembly shall discuss and appoint a Committee of members to mediate and reconcile the dispute/conflict between the member(s) and the office bearers concerned.
172. The Committee shall carryout two to three meetings with the aggrieved parties to mediate and reconcile.
173. The Committee shall recommend to the General Assembly to forward the case to the Court for adjudication if:
- 173.1 The nature of case requires formal adjudication; or
- 173.2 The parties are not satisfied with the decision of the Committee's mediation/conciliation.
174. In the event of a successful mediation/conciliation by the Committee, the decision of the Committee shall be incorporated in a written agreement, signed by the parties and the Committee members, and a copy of such agreement shall be submitted to the Dzongkhag Cooperative Registrar for record.



## **CHAPTER XXI: MEDIATION AND CONCILIATION OF DISPUTES AND CONFLICTS BETWEEN COOPERATIVES**

175. The Gewog Dzongkhag Cooperative Registrar, together with the officials of the relevant sector agencies and where applicable, the Federation/Union of Cooperatives to which the Cooperatives concerned belong, shall hear any grievances by a Cooperative against another Cooperative.
176. The aggrieved Cooperative shall submit its grievances in writing to the Dzongkhag Cooperative Registrar duly signed by its Chairperson.
177. The Dzongkhag Cooperative Registrar shall respond to the grievances within 30 days, failing which the aggrieved Cooperative may file the case before the Court.
178. The Dzongkhag Cooperative Registrar may also direct that the case be filed before a Court if:
  - 178.1 The nature of case requires formal adjudication; or
  - 178.2 The parties are not satisfied with the decision of the Dzongkhag Cooperative Registrar.
179. In the event of a successful mediation/conciliation by the Dzongkhag Cooperative Registrar, the decision of the Dzongkhag Cooperative Registrar shall be incorporated in a written agreement, signed by the parties concerned and the Dzongkhag Cooperative Registrar, and a copy each of the agreement shall be sent to the following:
  - 179.1 The Registrar of Cooperatives;
  - 179.2 The Dzongkhag Court, if applicable;
  - 179.3 The Dzongkhag Administration;
  - 179.4 The Federation of Cooperatives, if applicable; and
  - 179.5 The Union of Cooperatives, if applicable.

## **CHAPTER XXII: MEDIATION AND CONCILIATION OF DISPUTES AND CONFLICTS BETWEEN COOPERATIVES AND OTHER ORGANIZATIONS/INSTITUTIONS**

180. The Dzongkhag Cooperative Registrar shall hear grievances by a Cooperative against other organizations/institutions located within jurisdiction of the Dzongkhag.
181. Where the Dzongkhag Cooperative Registrar fails to respond to a grievance submitted within 30 days, the aggrieved Cooperative may file the case before the Court in the Dzongkhag/ Dzongkhag where it is located.
182. The Dzongkhag Cooperative Registrar shall also recommend that the case be filed before a Court for adjudication if:
  - 182.1 The nature of case requires formal adjudication; or

- 182.2 The parties concerned are not satisfied with the decision of the mediation/conciliation by the Dzongkhag Cooperative Registrar.
183. In the event of a successful mediation/conciliation by the Dzongkhag Cooperative Registrar, the decision of the Dzongkhag Cooperative Registrar shall be incorporated in a written agreement, signed by the parties concerned and the Dzongkhag Cooperative Registrar, and copies of it shall be sent to the following:
- 183.1 The Registrar of Cooperatives;
  - 183.2 The Dzongkhag Court;
  - 183.3 The Dzongkhag Administration;
  - 183.4 The Federation of Cooperatives, if applicable; and
  - 183.5 The Union of Cooperatives, if applicable.
184. Where the dispute/conflict is between a Cooperative and a national organization/institution, the case shall be filed with the Registrar of Cooperatives. In such a case, the Union of Cooperatives, where applicable, shall take up the matter on behalf of the Cooperative involved, whether it is a Primary Cooperative or a Federation of Cooperatives.
185. The Registrar of Cooperatives, in coordination with the Union of Cooperatives where applicable, shall commence mediation/conciliation between the aggrieved Cooperative and the organization/institution.
186. If the Registrar of Cooperatives fails to resolve the dispute, the case may be submitted to the Court for formal adjudication.
187. In the event of a successful mediation/conciliation by the Registrar of Cooperatives, it shall be entered into an agreement, signed by the parties concerned and the Registrar of Cooperatives, and copies of it shall be sent to all relevant agencies and organizations.

## **PART VII: DISSOLUTION AND INSOLVENCY OF COOPERATIVES**

### **CHAPTER XXIII: DISSOLUTION OF**

#### **COOPERATIVES Voluntary Dissolution**

188. A Primary Cooperative or Federation/Union of Cooperatives may voluntarily dissolved if:
- 188.1 The Cooperative has achieved its primary purpose and objective;
  - 188.2 The Cooperative does not have any outstanding dues and has obtained credit clearance certificates from its creditors;
  - 188.3 All of its assets have been liquidated;

188.4 Its Reserve Fund has been utilized as per the provisions of Article 25 of the Act; and

188.5 Two-thirds of the members of the Cooperative have voted in favor of dissolution in the General Assembly.

189. The process for voluntary dissolution of a Cooperative shall be as follows:

189.1 The Board of Directors shall propose the dissolution of the Cooperative to its General Assembly;

189.2 The General Assembly shall approve the proposal for dissolution if two-thirds of the members present vote in favor of it;

189.3 The Board of Directors shall apply for dissolution with the Registrar of Cooperatives through the Dzongkhag Cooperative Registrar; and

189.4 The Chairperson and the Dzongkhag Cooperative Registrar shall submit a joint application to a court of law to revoke the Registration Certificate of the Cooperative.

### **Involuntary Dissolution**

190. A Primary Cooperative or Federation of Cooperatives shall be dissolved involuntarily if:

190.1 The Cooperative has violated or failed to meet its primary purpose and objectives;

190.2 The Cooperative does not have the minimum membership of 15 members required to remain and function as a Cooperative;

190.3 The Cooperative is heavily indebted and has no possibilities to cover the debts with income generated by the Cooperative activities.

190.4 The Cooperative has failed to submit its Annual Audit Report to the authorities for two consecutive years;

190.5 The Cooperative has violated the provisions of its constitution and by-laws, and the Act and the Rules; or

190.6 The General Assembly of the Cooperative has not been convened consecutively for the past two years.

191. The process for involuntary dissolution of a Cooperative shall be as follows:

191.1 The Chairperson and the Board of Directors of the Cooperative shall be served a notice by the Dzongkhag Cooperative Registrar with a copy to the Registrar of Cooperatives to prove its existence and functions within two months from the date of receipt of the notification;

191.2 If the Chairperson and the Board of Directors of the Cooperative fail to respond to the notification of the Dzongkhag Cooperative Registrar before the expiry of the notice period, a formal letter of dissolution of the Cooperative shall be issued by ROC;

- 191.3 The Chairperson and the Board of Directors of the Cooperative shall be required to clear all outstanding issues and dues within the next two months and surrender its registration certificate by completing and submitting Form CR No. IX (as in Annex 11); and
- 191.4 In the event of failure by the Chairperson and the Board of Directors of the Cooperative to comply with the order to dissolve the Cooperative, the Dzongkhag Cooperative Registrar shall request the court to revoke the registration certificate

## **CHAPTER XXIV: INSOLVENCY OF COOPERATIVES**

192. A Primary Cooperative or Federation/Union of Cooperatives shall be declared insolvent if:
- 192.1 It has accumulated debts beyond its ability to service within a time period of 12 months to fulfill its obligations to the creditors; and
- 192.2 The creditors have filed a complaint with the Dzongkhag Cooperative Registrar or the Registrar of Cooperatives for non-repayment of debts.
193. The process for declaring a Cooperative insolvent shall be as follows:
- 193.1 The Dzongkhag Cooperative Registrar or the Registrar of Cooperatives shall direct the Board of Directors of the Cooperative to discuss the issue of non-repayment of debt in a General Assembly;
- 193.2 The Board of Directors shall submit a report on the issue of non-repayment of debts to the General Assembly for its considerations and voting based on the proof of financial debts and non-repayment of debts;
- 193.3 Voting by two-thirds majority of the members present in the General Assembly shall be required to declare the Cooperative insolvent and to endorse the report on insolvent submitted by the BoD.
- 193.4 The Cooperative may apply for protection under the Bankruptcy Act of 1999; and
- 193.5 The Dzongkhag Cooperative Registrar or the Registrar of Cooperatives shall process cancellation/revocation of the registration certificate of the insolvent Cooperative through a court of law.

## **PART VIII FARMERS GROUPS REGISTRATION**

194. If a Farmers Group is unable to meet requirements to register as Primary Cooperative or voluntarily decides not to register as Primary Cooperative the Farmers Group can get registered as Farmers Group as per criteria and procedures described in the following chapters.

## **CHAPTER XXV: DEFINITION OF FARMERS GROUPS**

195. As per the Act, Farmers Group means a group of not less than three members deriving economic benefits from one or more economic enterprises related to Renewable Natural Resource Sector. Therefore a minimum of three members from three different households qualifies a group to be a Farmers Group for registration.

## **CHAPTER XXVI: SPECIFIC EXEMPTIONS FROM THE COOPERATIVES (AMENDMENT) ACT OF BHUTAN 2009**

196. The Act also recognizes Farmers Groups and provides for their registration. However the pre-registration and post registration requirements described below outlined for Cooperatives in the Act shall not apply to Farmers Groups. The paragraphs in the Act not applicable to Farmers Groups Registration are: Chapter IV Article 7 and Article 8; Chapter V Article 13 and 14; Chapter VI Article 18, 19, 20, 21, 22, 23, 24, and 25.

## **CHAPTER XXVII: AUTHORITIES TO REGISTER FARMERS GROUPS**

197. The Register of Cooperatives shall be also the registrar of Farmers Groups. The Registrar of Cooperatives shall delegate the power to register Farmers Groups to the Gewog Cooperative Registrar and Dzongkhag Cooperative Registrar.
198. Farmers Group so registered under provision of Part VIII of the Rules shall be juristic person. Accordingly a Farmers Group so registered is conferred with the following powers:
- 198.1 To adopt or amend its constitution and by-laws;
  - 198.2 To use the word “Registered” in parenthesis after its name;
  - 198.3 To sue and be sued in its name;
  - 198.4 To engage in any lawful business transaction with and for the interest of members and the communities in its area of operation;
  - 198.5 To accept and receive grants, donations and assistance from foreign and domestic sources, for which prior approval is required from the Ministry of Finance;
  - 198.6 To exercise other related powers and responsibilities as outlined in its constitution and by-laws.
199. A registered Farmers Group shall use the word “Registered” in parenthesis as an end part of the name, for example Mebisa Sanam Tshogpa (Registered)

## **CHAPTER XXVIII: REQUIREMENT FOR REGISTRATION OF FARMERS GROUPS**

200. A Farmers Group who wish to be registered shall fulfill the following registration requirements in collaboration with the agencies concerned both at the Gewog and Dzongkhag levels:
- 200.1 Present a basic business plan duly recommended by relevant sector authorities at Gewog levels (format for basic business plan as in Annex 7)
  - 200.2 Present a written constitutions and by-laws as per the guidelines set-up in this rules (model Constitution and By-laws as in Annex 12)
  - 200.3 List of office bearers and group members with their ID and signatures (as in Annex 14)

## **CHAPTER XXIX: FARMER GROUP REGISTRATION PROCEDURES**

- 201 At the Gewog level, the Gewog Administrative Officer (GAO) as the Gewog Cooperative Registrar (GCR) shall be the responsible to support, scrutinize the criteria fulfillment, endorse and forward the registration applications to the Dzongkhag Cooperative Registrar. At Dzongkhag level, the Dzongkhag Cooperative Registrar shall undertake scrutiny of the criteria fulfillment, endorse the application along with Dzongda and submit it to the Registrar of Cooperatives for registration approval and award of registration certificate.
- 202 The Regional Offices of the DAMC of the Ministry of Agriculture & Forests shall support the Gewog Renewable Natural Resources (RNR) extension staff to submit the application for Farmers Group(s) registration to the Gewog Administrative Officer in the Gup's office as prescribed in Farmers Group Registration Form FGR No. I.
- 203 Upon the fulfillment of the set criteria and other requirements, the GAO with endorsement of the Gup shall submit the registration application Form FGC No. I to the concerned Dzongkhag Cooperative Registrar.
- 204 The Dzongkhag Cooperative Registrar in consultation with the concerned Dzongkhag RNR Sector Head and endorsement from the Dzongda shall submit a copy of the endorsed application Form FGC No. I along with other documents to the office of the Registrar.
- 205 The office of the Registrar of Cooperatives, shall award the certificate of Registration under the seal and signature of the Registrar of the Cooperatives.
- 206 The registration process of a Farmers Group at the Gewog level shall be completed within 15 working days. Likewise the process at Dzongkhag shall be completed within 15 working days and at DAMC within 10 working days.
- 207 In case where Farmers Group is formed by two or more groups from two or more Gewogs, it shall be registered at any one preferred and agreed Gewog depending on the decision of the Farmers Group.

## **PART IX MISCELLANEOUS PROVISIONS**

### **Rule of Construction**

- 208 In these Rules, unless the context indicates otherwise, the singular shall include the plural and the masculine shall include feminine.

### **Separability**

- 209 If a part of these Rules is declared unconstitutional, the rest of the provisions shall remain in force and effect.

## ANNEXURES

### ANNEX 1: FORM CR No. I: DECLARATION OF ELECTION RESULT FOR OFFICE BEARERS OF COOPERATIVES

Mr./Ms. ....holding CID No.....have been elected as.....  
..... for a term of .....years beginning from  
.....during the .....session of the General Assembly of  
..... Cooperative held on  
..... He has secured a majority of .....% of .....votes cast by  
the members present and voting.

Names and signatures of three Election Committee members certifying the result of  
election:

1. Name..... Signature.....

2. Name..... Signature.....

Name..... Signature.....



**ANNEX 2: FORM CR No. II: BOND/UNDERTAKING OF OFFICE BEARERS**

I,.....holding CID No.....of .....village,  
under .....Gewog, as a member of .....  
Cooperative and being duly elected by the General Assembly in its ..... session held on  
..... for a duration of .....as an office bearer, shall work to achieve and fulfil the  
provisions of the Constitution and By-laws with dedication and sincerity and not be involved  
in any activity that contravenes the interest, Constitution and By-law of the Cooperative. I  
shall be held liable for any damages caused to the Cooperative, members and other persons  
directly or as a consequence of my actions as office bearer.

(Signature and affix legal stamp)

**ANNEX 3: FORM CR No. III: PRIMARY COOPERATIVE REGISTRATION APPLICATION FORM**

Name of Cooperative: 1.....

(Alternate name if any) 2. ....

Location:.....

Gewog:..... Dzongkhag:.....

Nature of business:

Area (s) of operation:

Key products/services:

Summary of business plan

Number of members:.....

---

**Registration documents included:** *(Tick in the box)*

- |                          |   |
|--------------------------|---|
| <input type="checkbox"/> | 2 copies of Form CR.No.II: Declaration of Election results for Office Bearers for Proposed Cooperative (or copies of minutes of the meeting or agreement that all members have elected the office bearers for formation of Cooperative) |
| <input type="checkbox"/> | 2 copies of the list of office bearers with ID and Signature (This also provides an agreement that all members agreed to cooperate for their economic benefits)   |
| <input type="checkbox"/> | 2 copies of duly accomplished Constitution and By-laws  |
| <input type="checkbox"/> | 2 copies of Bond of Undertaking from Office Bearers   |
| <input type="checkbox"/> | 2 copies of Proof of a Bank Account   |
| <input type="checkbox"/> | 2 copies of a Business Plan including a simple Financial Plan   |

...../...../.....  
Date of submission

**Signature & Name of the Chairperson**

---

**Endorsement at Gewog Administration**

**Signature (Gewog Cooperative Registrar)**  
Official Seal / Name / Date

**Signature (Gup, Gewog Administration)**  
Official Seal / Name / Date

**ANNEX 4: FORM CR No. IV: COOPERATIVES APPLICATION PROCESSING FORM**

Name of Cooperative:.....

Location:..... Gewog:..... Dzongkhag:.....

Nature of business:.....

Area(s) of operation:.....

Key products/services:.....

Summary of business plan:.....

.....

.....

Number of members:.....

Registration processed as follows: (**Please tick relevant box to endorse and request for approval of registration**).

- ☐ All members are 'natural persons' and bonafide Bhutanese citizens
- ☐ Have duly accomplished Constitution and By-laws
- ☐ Meets all other registration requirements as required by the Cooperatives (Amendment) Act of Bhutan 2009

...../...../.....

Date of submission

**Dzongkhag Cooperative Registrar**  
(Signature / Name / Official Seal)

**Dzongda**  
(Signature / Name / Official Seal)

**ANNEX 5: FORM CR No. V: FEDERATION OF COOPERATIVES REGISTRATION APPLICATION FORM**

Name of Federation:.....

Location:.....Gewog/Municipality:.....

Dzongkhag:.....

Nature of business:.....

Area(s) of operation:.....

Key products/services:.....

Summary of feasibility and business plan .....

.....

Number of member Primary Cooperatives: .....

Registration documents included: (Please tick relevant section only)

- ☐ The List of Primary Cooperatives joining as members of the Federation
- ☐ A copy each of agreements of incorporation for every Primary Cooperative incorporated (CR Form No. VII)
- ☐ Three copies of duly accomplished Constitution and By-laws
- ☐ Bond of accountable officers
- ☐ Proof of a bank account
- ☐ Letter of consent of Gup or Dzongda
- ☐ Board approved Business Plan and Progress Report for the past 2 years

...../...../.....

Date of submission

(Signature & Name of  
Cooperative Chairperson)

## ANNEX 6: MODEL CONSTITUTION AND BY-LAWS FOR COOPERATIVES

### 1. Title and Postal Address

The .....Cooperative is hereby constituted according to the Cooperative (Amendment) Act of Bhutan, 2009 and in line with the Cooperatives Rules and Regulations of Bhutan, 2010.

The .....Cooperative is located at .....(location area).  
Gewog..... Dzongkhag.....

The postal address is.....

### 2. Purpose of the Cooperative

Define an objective or the purpose for forming the Cooperative

### 3. Brief description of the activity / business under operation

A brief description of the activities carried out by the Cooperative starting from production to marketing or services if any provided by the groups

*e.g. This is a Cooperative of 20 women that produces organic as well the off seasons vegetables for a period of 3 months in a year and market the products in Europe at international market that generates the members income much higher than producing local vegetables all the year round and selling in local market.*

### 4. Overall System of Governance

The .....Cooperative is governed by the general Assembly (GA), which elects a Board of Directors (BoD) composed of .....(minimum 5, maximum 15). The members of the board form the following committees.

### 5. Membership

Every Bhutanese citizen with age of majority, permanently living in the operating area of the .....Co-operative can become member upon written application to the BoD - with the following exceptions: absent individuals, individuals serving a term after being convicted of crime, individuals who are already member of three other Cooperatives. Each member has to act according to the rules stated in these Constitution and by-laws and takes care for its prosperity.

A membership fee is levied yearly (during GA) to pay for the services rendered by the Cooperative. This fee is not refundable and does not earn interest.

The names and addresses of the Cooperative members and the elected members of the BoD are listed in Annex 1.

The liability of the members towards the co-operative is limited to the amount of their personal share.

The membership can be terminated:

- ◆ by withdrawal, giving thirty days of notice to the BoD
- ◆ by death or insanity or
- ◆ by majority vote of the BoD in case of failure of the member to comply with his obligations

In case of termination of the membership other than by death, insanity or permanent disability the member or his heirs forfeit all his rights and claims, including contributions and fees paid.

A copy of the termination order shall be submitted to the Dzongkhag Cooperative Registrar.

Fines for non-compliance with the rules and duties specified in these by-laws are levied from defaulting members as follows:.....

## **6. General Assembly (GA)**

The GA shall meet at least once a year. Additional (special) GA meetings can be called whenever needed. The BoD calls for the GA at least 7 days in advance furnishing the points of agenda as well as time and place of the meeting.

The quorum for the GA is the presence of the simple majority of all members .

Decisions taken in a GA meeting require a two-thirds majority of the members present and voting.

Every member has one vote in the GA

The ordinary agenda of the GA is (*minimum, additions can be made*): ....

- ◆ Control of presence and determination of the quorum
- ◆ Presentation and approval of the agenda
- ◆ Reading the previous minutes and information on the actions taken
- ◆ Election of the Chairman and the other members of the Board of directors (as and when necessary)
- ◆ Amend and/or modify the constitution or by-laws – if and as needed
- ◆ Approval of the terms of reference for the various committees
- ◆ Presentation and approval of the yearly report and the yearly accounts
- ◆ Self-evaluation of the internal performance
- ◆ Presentation and approval the business plan and the budget
- ◆ Information and decision on mayor investments
- ◆ Decision on amount and collection of membership fee
- ◆ Questions and suggestions
- ◆ Next assembly and tentative date

The Secretary shall write the minute of the GA and distribute it within ..... weeks after the meeting.

## 7. Board of directors (BoD)

The BoD is composed of ....members (*min. 5 max 15*) elected by the GA.

The members of the BoD are elected for a period of one years, and can be re-elected [*up to 2 terms only.*]

The BoD is headed by the chairperson. It is responsible for the smooth running of the Cooperatives activities. The BoD can contract a manager for this purpose. The members of the BD form the following committees:

- ◆ **Finance & Audit Committee**; 3 members, elected by GA for two consecutive years, possibility of re-election (max two consecutive terms)
- ◆ **Election Committee**, 3 members, elected by GA
- ◆ **Education and Training Committee**, 3 members: Vice- Chairperson as chair, two other members as appointed by BoD, for two consecutive years, possibility of re-appointment of the two members (*max two consecutive terms*)
- ◆ **Credit Committee** (*if Cooperative is giving credit only*) , 3 members

The election procedures and the functions of the committees are detailed in Cooperatives Rules and Regulations of Bhutan 2010

## 8. Conciliation of disputes between members

The conciliation of disputes shall follow the rules specified in the Cooperative Rules (*see chapter 4.3.10*).

In particular this means that in case of:

- ◆ disputes between members the BoD acts as mediators and, if the conflict cannot be handled, files a case with the court.
- ◆ disputes between the members and (the) office bearers, the complaint has to be sent to the chairman with copy to the Dzongkhag Cooperative Registrar (DCR). A committee of members, appointed by the GA, shall act as mediator and, if dispute cannot be solved, can suggest to GA to filing a case.
- ◆ disputes between the Cooperative and outside organizations, the DCR shall act as mediator and can refer the case to court, if needed.

## 9. Resource management

The Cooperative shall follow the accounting system and framework as specified in the Cooperative Act and Rules. At the closure of the financial year, the BoD contracts an external auditor certified by the RAA for audit of the accounts. The audited financial statements are presented to the GA for approval and information.

[*by-laws need to define who has what kind of financial powers:*

*Suggestion if no manager was appointed:*

All expenses and sales have to be authorized by the finance & audit committee.

The bank account shall have to be operated jointly by two members of this committee.

The committee submits every month a consolidated financial statement to the chairperson.



*If a manager was appointed:*

The Manager can approve and disburse the operational cost for staff salaries and operational expenses up to a limit of..... ]

The BoD has the power to decide on the use an investment of funds up to a limit of .....

The operational costs of the Cooperative are not to cross the ceiling of Nu..... per year/month.

The Cooperative shall generate additional funds from within the Cooperative and from outside of the Cooperative as follows: (*see chapter 4.3.7.2 for ideas*)

A **Reserved Fund** and A **Cooperative Education and Training Fund** shall be established and maintained as per the Cooperative Act and Rules (*or give details as provided in chapter 4.3.7.2*).

In particular this means:

- ◆ The Reserve Fund shall be fed an build up with a minimum of 30% of the net surplus of the Cooperative each year. In case of dissolution of the Cooperative this fund shall be used to.....(*there are two possibilities provided by the Rules: a) establish a trust fund for the Federation or Union the Cooperative belongs to, or b) make donation for the communities within its area of operation – decision by the GA*)
- ◆ The Education and Training Fund shall be fed by 10% of the net-surplus of the Cooperative each year. 50% of the funds shall be used for training of members, 50% shall be remitted to the Union of Cooperatives.

The ..... Optional Fund (*not compulsory, but if established, name and purpose has to be mentioned here*) shall receive ..... (*max 10%*) of the net-surplus of the Cooperative each year.

An eventual **profit** has to be used in the following manner:

- ◆ 30% to the reserve fund
- ◆ 10% to the education fund
- ◆ .... % to the .....optional fund

The rest of the profit shall be distributed ..... (*Example: according to the share capital or refunded according to the bought services; or a mix of both*).

## 10. Commencement

The .....Co-operative shall commence its activities under these constitution and byelaws on the day of .....

## 11. Dissolution

**Voluntary dissolution** of the co-operative may be affected by a two thirds vote of the GA called for that purpose, if the dissolution does not prejudice the rights of any creditor having claims against it and if all assets have been liquidated and the Reserve Fund duly used.

**Involuntary dissolution** can be imposed on the Cooperative as per the provisions made in the Cooperative Act and Rules (violation or non-compliment of constitution and by-laws and Cooperative Act /Rules, heavy debts and/or insolvency).

## **12. Amendments and modifications of the constitution and the bylaws**

Amendments to and modifications of this constitution and these bylaws have to be accepted by .... (Example: .two thirds of all the members of the co-operative). [*This point can only be decided upon, if it has been mentioned in the agenda of the invitation to the GA*]

Dated..... ..

**Signature Chairperson**  
(Name)

**Signature concerned Sector Staff**  
(Name and Designation)

## ANNEX 7: FORMAT FOR UNDERTAKING SIMPLE BUSINESS PLANNING

1. Name of the Farmers Group .....
2. Gewog.....
3. Dzongkhag.....
4. What are the objectives / Purposes of forming the Farmers Group?  
(Define Objectives / Purposes as laid in the by-laws / explain how the group was formed and what were the reasons behind forming the group?)
5. What are the present activities carried out by the Farmers Group and what activities are planned for future?  
(Explain in a few sentences the types of activities such as production or marketing of what commodity; services if provided by the group; how the activity is carried out and by whom...etc)
6. Explain in a few sentences the operational pattern of the Farmers Group.  
(Explain how the operation and management of the group is to be undertaken, including the routine activities of the group; explain the financial book keeping and financial management of the group; explain any other routine management of the group)
7. Explain in a few sentences the marketing plan that the group is undertaking at present including the future plans.  
(Explain in relation to opportunities or markets availability or the products produced / services; ways it is sold; plans for future marketing....)
8. Explain in few sentences the benefits to the group as a whole and to the members.  
(Relate to the past performance in terms of volume of production and profit made by the group; profit shared by the members or payments made to the members...)  
  
*e.g. The benefits to the group members are that they receive regular income from sale of milk through group enterprise, whereby they need not spend time individually for selling milk or processing at home.....etc ...*

Then define the following volume and profits

Volume of Production (last year):.....

Net Income (last year) Nu.....  
 Total highest payment to a member (last year) Nu.....  
 Total lowest payment to a member (last year) Nu.....

9. Project a financial plan of your Cooperative enterprise (**Note: This is not required for Farmers Group but for Cooperatives registration only**)

Steps for preparing financial plan (format as below)

Financial statement for last two years		
Financial Heads	YEARS	
	.....	.....
<u>Revenue</u>		
1.	....	
2.	....	
3.	....	
<b>Total Revenue (A)</b>		
<u>Costs</u>		
1.	.....	
2.	.....	
3.	.....	
<b>Total Costs (B)</b>		
<b>Profit (A) – (B)</b>		

Financial plan (projection) for three years			
Financial Heads	YEARS		
	.....	.....	.....
<u>Projected Revenue</u>			
1.	....		
2.	....		
3.	....		
<b>Total Projected Revenue (A)</b>			
<u>Projected Costs</u>			
1.	.....		
2.	.....		
3.	.....		
<b>Total Projected Costs (B)</b>			
<b>Projected Profit (A) – (B)</b>			

**Signed by the Office Bearer**  
 Name / Designation / Date

**Endorsed by the concerned Extension Officer**  
 Name / Designation / Date

**ANNEX 8: FORM CR No. VI: UNION OF COOPERATIVES REGISTRATION APPLICATION FORM**

Name of Union:.....

Location:.....Gewog:.....

Dzongkhag:.....

Nature of business:.....

Area(s) of operation:.....

Key products/services:.....

Summary of feasibility:.....

.....

Number of member Federation of Cooperatives: .....

Registration documents included: (Please tick relevant section only)

- ☐ The List of Federation of Cooperatives joining as members of the Union
- ☐ A copy each of agreements of incorporation for every Federation of Cooperative incorporated (CR Form No. VII)
- ☐ Three copies of duly processed Constitution and By-laws
- ☐ Bond of accountable officers
- ☐ Proof of a bank account
- ☐ Board approved Business Plan and Progress Report for the past 2 years

...../...../.....

Date of submission

(Signature & Name of  
Cooperative Chairperson)

**ANNEX 9: FORM CR No. VII: COOPERATIVES INCORPORATION AGREEMENT**

As resolved by the General Assembly during its .....session convened on  
...../...../.....on the recommendation of its Board of Directors, the  
..... Cooperative, bearing Registration No.  
..... agrees to join as a member of the  
..... Federation/Union of  
Cooperatives as and when it is approved and registered.

(Signature and Name of Chairperson of  
Primary/ Federation of Cooperative  
Incorporated)

(Signature and Name of Chairperson of  
Incorporating Federation/ Union of  
Cooperative)

**ANNEX 10: FORM CR NO. VIII: SURRENDER OF COOPERATIVE REGISTRATION CERTIFICATE IN CASE OF  
DIVISION, MERGER OR CONSOLIDATION OF COOPERATIVES**

As resolved by the General Assembly during its .....session convened on  
...../...../.....on the recommendation of its Board of Directors and as endorsed by its  
Federation and Union, the .....  
Cooperative, bearing Registration No. ....agrees to  
divide/merge/ consolidate itself into the following new Cooperative(s):

1. ....

2. ....

and surrender its old registration certificate(s) enclosed herewith due to:

☐

Division

☐

Merger

☐

Consolidation

(Signature & Name of the Cooperative Chairperson)

**ANNEX 11: FORM CR No. IX: INVOLUNTARY SURRENDER OF COOPERATIVE REGISTRATION CERTIFICATE**

As notified and resolved by the General Assembly during its .....session convened  
on ...../...../.....on the recommendation of its Board of Directors and as endorsed by  
its Federation and Union, the .....  
Cooperative, bearing Registration No. ....agrees to dissolve  
and close all its operations by .....  
and surrender its registration certificate(s) enclosed herewith.

(Signature & Name of the Cooperative Chairperson)



## ANNEX 12: MODEL CONSTITUTIONS AND BY-LAWS FOR FARMERS GROUP

### 1. Name

The name of the Farmers Group is ..... (Registered)

### 2. Purpose

The purpose of the ..... (Registered)

### 3. Share Capital

Each member shall contribute a minimum Nu... As an initial share to the  
(Registered) capital.

### 4. Membership

The following persons are founding members of the ..... Farmers Group:

Name	Address
....	....

The membership can be terminated:

- ♦ by withdrawal, giving one month of notice to the Board
- ♦ by death or insanity or
- ♦ by decision of the General Assembly in case of failure of the member to comply with his obligations

In case of termination of the membership, the member or his heirs receive .... (Example:  
... the initial share capital contribution plus 50% of their part of the accumulated profit.)

### 5. General Assembly

The General Assembly meets at least one time a year. The Chairperson calls for the General Assembly at least 7 days in advance, furnishing the points of the agenda as well as the time and place of the meeting. The ordinary agenda of the General Assembly is: (Example:

- ♦ Control of presence and determination of the quorum
- ♦ Presentation and approval of the agenda
- ♦ Reading the previous minutes and information on the actions taken
- ♦ Election of the Chairperson and the other members of the Board (as and when necessary)
- ♦ Amend and/or modify the bye-laws
- ♦ Presentation and approval of the yearly report and the yearly accounts
- ♦ Information and decision on major investments
- ♦ Questions and suggestions
- ♦ Next Assembly meeting and tentative date)

Every member has one vote in the General Assembly. Decisions of the General Assembly require a two-thirds majority of the members present and voting..

#### **6. Executive Committee**

The Executive Committee shall consist of a minimum of three members, including (the Chairperson, Secretary, Treasurer/ Accountant). They are elected by the General Assembly. The members of the Board are elected for a period of 2 years and can be re-elected for up to 2 terms only.

#### **7. Resource Management**

All expenses and sales have to be authorized by the Board. The bank account will have to be operated jointly by two members of the Board.

The Board submits financial statement to every meeting of the General Assembly. At the closure of the financial year, the accounts are verified by an external person (e.g. extension agent) who shall give a report to the GA.

An eventual profit has to be used in the following manner:

(Example: Profit will be distributed in proportion to the share capital contributed by the members. Part of the profit may be utilized according to an agreed plan of investment following agreement during a General Assembly meeting)

#### **8. Commencement**

The ....(Registered) shall commence its activities under these byelaws on the day of .....

#### **9. Dissolution**

Voluntary dissolution of the Farmer Group may be effected by a two-thirds vote of the General Assembly called for that purpose.

#### **10. Amendments and modifications of the byelaws**

Amendments to and modifications of these by-laws have to be accepted by two thirds of all the members of Farmer Group. Amendments can only be decided upon if the issue is mentioned as an agenda item for the attention of the General Assembly.

This agreement was made in ....  
(Date )

**Signature Chairperson**  
(Name)

**Signature concerned Sector Staff**  
(Name and Designation)

**ANNEX 13: FORM FGR NO. I: FARMER GROUP REGISTRATION APPLICATION FORM**

Name of Group: .....

Location.....

Gewog..... Dzongkhag.....

Nature of business:  
.....

Areas of operation: .....

Key products/services: .....

Summary of the business plan: .....

Date of group formation..... Number of members.....

Date of submission of application .....

**Signature Chairperson**  
Name / Date

**Signature concerned Sector Staff**  
Name / Designation / Date

---

**Documents to be included: *(Tick in the Box)***

- |                          |   |
|--------------------------|---|
| <input type="checkbox"/> | 2 copies of list of office bearers and Farmers Group members with their citizenship ID numbers and signatures |
| <input type="checkbox"/> | 2 copies of Farmers Group's by-laws   |
| <input type="checkbox"/> | 2 copies of basic business plan   |
- 

**Endorsement at Gewog and Dzongkhag Administration**

**Signature (Gewog Cooperative Registrar)**  
Official Seal / Name / Date

**Signature (Gup, Gewog Administration)**  
Official Seal / Name / Date

**Dzongkhag Cooperative Registrar**  
(Signature / Name / Date /Official Seal)

**Dzongda**  
(Signature / Name / Date /Official Seal)

## El 14: SAMPLE FORM FOR LISTING OFFICE BEARERS AND MEMBERS WITH ID AND SIGNATURE

On this day \_\_\_\_\_ (date, month and year), we as the members of the \_\_\_\_\_ (name of the Farmers Group or Proposed Cooperative) hereby confirm the followings:

1. That we have voluntarily formed the group for the members' common economic needs
2. That we have voluntarily agreed for the registration of our group as a Farmers Group / Primary Cooperative.
3. That we as this group (Farmers Group / Primary Cooperative), will not engage in any unlawful activities and practices.

We hereby affix our confirmation with our name, ID number and signature.

[illegible]