

**PARTE PRIMA**  
**ATTI LEGISLATIVI ED AMMINISTRATIVI**  
**FIRST PART**  
**ADMINISTRATIVE AND LEGISLATIVE ACTS**

**LAW No. 40 of 4 October 1973.**

**On Cooperative Development in the Somali Democratic Republic.**

**THE PRESIDENT**  
**OF THE SUPREME REVOLUTIONARY COUNCIL**

**TAKING NOTE** of the joint approval of the Supreme Revolutionary Council and the Council of Secretaries;

**HEREBY PROMULGATES**

the following Law:

**Chapter I.**

**AIMS AND TASKS OF COOPERATIVES WITHIN THE**  
**ECONOMY OF THE SOMALI DEMOCRATIC REPUBLIC**

**Article 1**

Cooperatives are important and vital institutions to realize the goals of the 21st October Revolution in the various sectors of our economy, especially in agriculture, small industries, handicrafts, fisheries and retail trades.

The foundation of Cooperatives as outlined within this Law, will be an essential condition for economic, social and cultural progress and for the establishment of a cooperative based on social justice, equality and better life. Together with the State sector, the cooperative sector shall be the bases of the future socialist pattern of the economy of the Somali Democratic Republic.

**Article 2**

By the formation of cooperatives the farmers, craftsmen, fishers and small traders of Somalia will combine their efforts and their resources to boost up production and services and to modernize production technology in order to realize our declared policy of national self-sufficiency, import substitution, expansion of exports and improvement of domestic supply.

Article 3

The types of Cooperative organization in the various sectors of our economy have to correspond to the different stages of our Revolution. The State, therefore, promotes at first lower type Cooperatives (semi-collective cooperatives) while the transition to higher type cooperatives (collective cooperatives) shall be the final stage of our cooperative development.

Notwithstanding the provisions of this Article, Collective Cooperative may be established where conditions permit the establishment of such cooperatives without necessarily going through the various stages.

Article 4

All cooperatives formed under this Law have to be true organizations of the working farmers, craftsmen, fishers and small traders. The penetration or domination of the cooperatives by feudalists, tribalists, capitalists, userers, big private merchants and reactionaries is prohibited.

Article 5

The State will guide, promote and protect all Cooperatives formed according to the provisions of this Law. All cooperatives are bound to carry out their activities in close cooperation or in contract with the competent State Organizations.

Chapter II.

COOPERATIVES IN AGRICULTURE

Article 6

In agriculture, the State promotes at first the establishment of production oriented multipurpose cooperatives (Farmers Cooperative) and the development of group farms of semi-collective type.

The establishment of cooperative farms shall be the final stage of cooperative development in Agriculture.

Article 7

The production oriented multipurpose cooperatives shall supply production credits and agricultural inputs, to the farmers; it shall participate in agricultural marketing, provision of service, farmers orientation and training and shall establish and assist group farms of their members.

Within the Cooperative Farms, the farmers pool their labour and all their other resources for collective large scale production by employment of modern technologies.

#### Article 8

The Secretary of State for Agriculture shall issue special decrees and model by-laws for the foundation, development, management and assistance of agricultural cooperatives.

### Chapter III.

#### COPERATIVE DEVELOPMENT IN FISHERY

#### Article 9

Within the fishery sector, the state promotes the establishment of Fishery Service and Marketing Cooperatives as well as the establishment of Fishery Production Cooperatives. Within the Fishery Service and Marketing Cooperatives the Fishermen join together for cooperative marketing, processing and storage of their catches and for joint purchase of improved equipment. These cooperatives shall have a joint administration, joint investment funds and shall get credits for cooperative investments.

Within the Fishery Production Cooperatives, the fishermen combine their labour and their equipment (boats, nets, etc.) for collective fishing. Within these cooperatives work shall be organized collectively and the income shall be distributed according to the work done by the members.

Purchase of inputs and marketing of the catches shall be done collectively either to state organization or by cooperative shops.

### Chapter IV.

#### COOPERATIVES IN SMALL INDUSTRIES AND HANDICRAFTS

#### Article 10

In the Sector of small industry and handicraft, the State promotes the establishment of Cooperatives for cooperated production (stage I) as well as the formation of cooperatives for collective production (stage II).

#### Article 11

Within the cooperatives for cooperated production, the production takes place in the individual workshops of the members but shall be organized by a joint production programme in accordance with production contracts with the competent state organizations. The cooperatives for cooperated production shall have a joint administration, joint funds for investment and other purposes and shall get credits for joint investments. These cooperatives shall have joint purchasing of inputs and joint marketing of their products.

Within the cooperatives for collective production, the production takes place in cooperative workshops and the means of production (machinery, equipment, buildings for production) shall be contributed to the cooperative pool. The work shall be done collectively and the net income shall be distributed according to the work done by the members.

#### Chapter V.

### CONSUMER COOPERATIVES

#### Article 12

To improve retail trade services to the consumer and to reorganize retail trade on socialist lines, the State promotes the establishment of consumer cooperatives. Consumer cooperatives shall keep cooperative shops which carry out their business in contract with the government wholesale trade organizations. Small private shopkeepers shall be encouraged to join consumer cooperatives, that is to contribute their shops, against compensation, into the cooperative pool and to become employees of the consumer cooperatives.

#### Article 13

#### *Other fields of cooperative development*

Also in other branches of the Somali economy as for instance housing, transportation, production of charcoal and other cooperatives may be established following the principles laid down in this Law. The competent Secretaries of State shall issue special decrees or regulations for cooperatives in these economic branches.

#### Chapter VI.

### COOPERATIVE LEGISLATION AND REGISTRATION

#### Article 14

Special rules and definitions for foundation, development, management and assistance of cooperatives are provided within an annex attached to this Law.

The rules and definitions given within this annex shall be the bases to elaborate the by-laws of each cooperative.

The competent Secretaries of State shall be entitled to issue additional decrees or regulations for development, management and assistance of cooperatives.

#### Article 15

All Cooperatives formed under this Law are subject to registration by their respective Ministries.

After registration, the particular cooperatives obtain its legal status as a juridical personality and its by-laws become valid

#### Article 16

All cooperatives established before the promulgation of this Law shall apply for re-registration by the competent Secretary of State as stated in Article 1. This re-registration shall be given to those cooperatives only which are in conformity with the rules of this Law.

#### Article 17

Guidance, inspection and auditing of the Cooperatives shall be within the responsibility of the competent cooperative offices of the respective Ministries.

The task of auditing can be delegated to the Regional Cooperative Councils or the National Development Bank of Somalia.

#### Article 18

The competent Ministries shall promote and assist cooperatives in the political, technical and economic fields.

The competent Ministries shall also assist cooperatives in the:

- orientation of the people on cooperative policy;
- organizational work for foundation of the cooperatives;
- technical assistance to establish cooperative production; organization of work, planning of production, financial management and distribution of income;
- development of internal democracy;
- guidance and training of the chairman, the members of the managing board and auditing committees;
- precedently supply of modern inputs and production credits.

All autonomous state organizations are bound to provide its services in top priority to the cooperatives.

### Chapter VII.

#### THE COOPERATIVE COUNCILS

#### Article 19

On the regional level representative bodies (Regional Cooperative Councils) of the cooperatives shall be established consisting of elected representatives of the primary cooperatives and District Cooperative Councils as well as delegates of the State.

The tasks of the Regional Cooperative Councils are to supervise and to guide all cooperative bodies within the particular region and to coordinate their activities with the regional state administration and the competent technical offices.

On the District level representative bodies of the primary cooperatives, (District Cooperative Councils) shall be established consisting of elected representatives of the primary cooperatives and delegates of the State. The tasks of the District Cooperative Councils are to supervise and to guide the primary cooperatives and to coordinate their activities with the district state administration and the competent technical offices.

The appointment of State delegates and full or part-time officers to the Regional and District Cooperative Councils will be made by the Secretary of State for Interior on suggestion of the competent Secretaries of State.

#### Chapter VIII. ABROGATION AND ENTRY INTO FORCE

##### Article 20

The present Law shall come into effect immediately. It shall be included into the official compilation of Laws and Decrees of the Somali Democratic Republic and shall be published in the Official Bulletin.

All persons shall be required to observe this Law and to realize its aims and rules.

##### Article 21

Any other provisions contrary to or inconsistent with this Law are hereby abrogated.

Mogadishu, 4 October 1973.

*Major General Mohamed Siad Barre*  
PRESIDENT  
of the Supreme Revolutionary Council

ANNEX TO THE LAW ON COOPERATIVE DEVELOPMENT  
IN THE SOMALI REPUBLIC  
*TERMS AND REGULATIONS FOR COOPERATIVES*

Part I.

GENERAL RULES

Article 1

*Membership*

Member of a Cooperative can be any Somali citizen having attained the age of 18 years residing in the area of the particular Cooperative.

The membership of Cooperatives in agriculture, small industries and handicrafts and in fishery shall be limited to such persons who are engaged in this particular profession and who are ready to take part personally in cooperative work.

Within the cooperatives, wives and adult children of a member also can obtain full membership without paying shares but paying entry fee only.

Article 2

*Rights and duties of cooperative members*

All members of a Cooperative are entitled:

- to use all services provided by the Cooperative;
- to take part in the discussions and the decisions of the general meeting by equal rights (one member — one vote);
- to stand for election for all cooperative bodies as described in this Annex.

In addition to this rights, member of production cooperatives as mentioned in Part IV, V and VII of this Annex, are entitled:

- to work in the cooperative enterprise against payment according to the rules provided in this Annex and in the by-laws;
- to get compensation for means of production contributed in to the cooperative pool according to the rules outlined in this Annex and in the by-laws;
- to keep a homestead plot or a small herd as personal property, according to the provisions of this Annex and the by-laws;
- to get assistance out of the mutual help funds in case of need.

All members of a Cooperative are bound to:

- act according to the aims and tasks of the Somali Cooperative Movement as described in this Annex and to observe the rules of the by-laws as well as the decisions of the general meeting, the managing board, the chairman of the supreme cooperative bodies;
- fulfill their duties as elected members of any cooperative body strictly in accordance with this Annex and to the rules of the by-laws;
- participate in managing affairs of the Cooperative, to strengthen, to protect and guard cooperative property.

In case of production cooperatives, all members are bound to take active part in cooperative work as long as they are physically able to do so, to observe working discipline and to master progressive methods of production.

### Article 3

#### *Procedure of Foundation*

The minimum number of members for foundation of a primary Cooperative shall be:

Farmers Multipurpose Cooperatives	100 members
Consumer Cooperative	100 members
Cooperative Farms	30 members
Group Farms	20 members
Fishery Production Cooperatives	20 members

#### *Small industries and handicrafts:*

Cooperatives for Cooperated Production (Stage I)	30 members
Cooperatives for Collective Production (Stage II)	20 members

To prepare the foundation of a Cooperative, an organizational committee shall be formed which makes the necessary arrangements for the organizational general meeting in cooperation with the competent Government Offices.

The organizational general meeting shall elect the chairman, the managing board and the auditing committee and shall adopt the by-laws of the Cooperative. A representative of the competent government office shall attend the organizational general meeting.

Immediately after foundation of a cooperative, the chairman has to apply for registration to the competent Secretary of State as stated under Article 12 of the Law on Cooperative Development.

For registration, the chairman has to submit to the cooperative office of the competent Ministry:



- the application for registration;
- the by-laws of the Cooperative adopted by the general meeting;
- the proposed name and address of the Cooperative;
- a list of the elected members of the managing board and the auditing committee.

#### Article 4

##### *The General Meeting*

The supreme authority of the cooperatives shall be vested in the general meeting of the members which has to decide all essential matters of the Cooperative.

Only the general meeting is competent to:

- adopt and to modify the by-laws;
- elect the Chairman, the managing board, the auditing committee and the representatives to supreme cooperative bodies;
- vote officers of the cooperative out of office;
- admit or expel members;
- approve programmes and reports on production, on long term development and on financial affairs of the Cooperative;
- decide on the distribution of income and on the allocation and application of cooperative funds;
- approve contracts with other enterprises;
- decide on proposals for amalgamation with other Cooperatives.

The general meeting shall be competent to pass resolutions if at least two third of the members are present. Decisions are made by majority vote. A two third majority shall be necessary only to vote officers of the Cooperative out of office or to decide on amalgamation issues.

The decisions of the general meeting have to correspond to the laws of the Somali Democratic Republic and to the by-laws of the Cooperative. Resolutions contradicting to the law or to the by-laws shall be cancelled by the competent Secretary of State.

In case of production Cooperatives, at least four general meetings shall be held per year. In the other Cooperatives, general meeting shall be held twice a year.

#### Article 5

##### *Executive Organs of the Cooperatives*

Each Cooperative shall have a chairman, a managing board, an accountant and an auditing committee. All these officers shall be elected

by the general meeting and shall be responsible to it. The election term shall be two years.

The number of members of the managing boards shall correspond to the number of members of a Cooperative.

In Cooperatives with less than 30 members, the Managing Board shall have three members (including the Chairman). In Cooperatives with more than 30 members, the managing board shall have *five to eleven* members (including the chairman).

The chairman and the managing board are entitled to represent the Cooperative to the public and to act on behalf of the cooperative in their juridical and financial operations.

For financial transactions exceeding a value of So. Shs. 1,000/-, the Chairman needs the approval of the general meeting.

Within the production Cooperatives, the chairman and the managing board are responsible for the organization of the production process, for daily working operations and for the fulfilment of the production and financial plans of the Cooperative.

The chairman and the managing board can appoint group managers to head the working groups within the Cooperative.

The Accountant will be responsible for proper book-keeping. He has to assist the chairman and the managing board in all financial affairs of the Cooperative. An financial documents of the Cooperative need the co-signature of the accountant.

The auditing committee of a Cooperative shall have three to nine members according to the number of membership. The auditing Committee shall exercise control over the economic and financial activities of the Cooperative and the observation of the rules of the by-laws by all members. The auditing committee shall be responsible directly to the general meeting.

## Article 6

### *Protection of Cooperative Property*

All shares paid by the members, all means of production contributed into the cooperative pool and all assests acquired by a cooperative out of its own funds are joint and indivisible property of the cooperative. This cooperative property is protected by the State.

Anybody who violates cooperative property shall be liable to compensate the damage in full. If a serious violation of cooperative property has been committed, the case shall be transferred to the local Court or the High Court of the Somali Democratic Republic.

## Article 7

### *Inheritance*

In case of the death of a member of a production cooperative as mentioned in Parts IV, V and VII of this Annex, his shares contributed into the cooperative pool, his eventual pretensions for compensation of contributed means of production and due payments for work shall be transferred to his legal heirs.

If the heirs are members of the same cooperative or ready to join it, the shares, pretensions for compensation and due payments for work of the testator will be considered to be theirs.

If the heirs are not members of this cooperative and not ready to join it, the managing board of the cooperative shall make arrangements for their compensation in terms of money out of the cooperative funds.

In case of Farmers Multipurpose Cooperatives, and Small Industries and Handicrafts Cooperatives for cooperated production (stage I) and Fishery Service and Marketing Cooperatives, the shares paid by the members are not returnable.

Inheritance on personal property of the members of cooperatives (homestead plots, personal herd) is not subject to this Annex.

## Article 8

### *Cessation of Membership*

Membership within a Cooperative shall cease in case of:

- death of the member;
- transfer of the shares to another person;
- resignation;
- expulsion.

In case of the death of a member, Article 7 of this Annex shall be applied. Transfer of shares to another person which is or becomes a member of the particular cooperative can be implemented only after the general meeting agrees to such application. In this case, the rights of membership shall be transferred to the other (or new) member.

Resignation of a member has to be declared officially to the managing board and shall come into effect only at the end of the fiscal year or at the end of the agricultural season, if there is no other decision of the general meeting.

In case of production cooperatives as mentioned in Parts IV, V and VII of this Annex, the resigning member shall get compensation for his shares, due payments for work or other rightful pretensions within a suitable time fixed by the managing board.

Expulsion of a member shall be made only if he seriously violated his duties described in this Annex and in the by-laws and if he neglects repeated instructions by the executive organs of the cooperative or the general meeting.

The expelled member shall get compensation for his shares and other rightful pretension only after restitution of the damage he caused to the cooperative.

#### Article 9

##### *Dissolution of Cooperatives*

A Cooperative may be dissolved by a joint decision of the Cooperative Council and the competent Secretary of State as mentioned under Article 12 of the Law on Cooperative Development, if the particular Cooperative does not keep the stipulations of this Annex inspite of repeated instructions by the competent government offices or the supreme cooperative bodies.

In such a case, the property of this cooperative shall be taken over without compensation by the Cooperative Councils or its subordinate bodies and shall be used for other cooperative purposes.

#### Article 10

##### *Amalgamation of Cooperatives*

Any two or more Cooperatives may amalgamate for their economic or social interests if a two third majority of the members of those cooperatives agrees to this proposal. All assets and liabilities of the amalgamating cooperatives will form the assets and liabilities of the amalgamated cooperative. Any credit outstanding against one of the amalgamating cooperatives shall be transferred to the amalgamated cooperative.

Any person or organization whose interest may be effected by the amalgamation shall be notified before the registration of the amalgamated cooperative takes place.

After thorough examination of the purpose and prospects of the amalgamation by the cooperative office, the competent Secretary of State, as stated under Article 12 of the Law on Cooperative Development, may register the amalgamated cooperative.

#### Part II.

### THE PRODUCTION ORIENTED AGRICULTURAL MULTIPURPOSE COOPERATIVES

#### Article 11

##### *Aims and Tasks*

The production oriented agricultural multipurpose cooperatives, hereafter briefly called «Farmers Cooperative» (FACO) are democra-

tic cooperatives of the working peasants destined for cooperative activities to increase production, to modernize agricultural technologies, to protect the farmers against any sort of exploitation and to provide favourable conditions for the development of farmers holdings.

The farmers cooperative shall develop cooperative spirit among their members and create psychological and economic conditions for the transition to cooperative farming.

All activities of these cooperatives are to be carried out in close cooperation or in contract with the competent state organizations.

## Article 12

### *Area of operation*

Farmers Cooperatives (primary cooperatives) shall be located in the centres of agricultural areas. A Farmers Cooperative shall cover, subject to the local conditions, an area of approximately 2-6 villages or 500-1500 farmers families.

## Article 13

### *Activities*

The Farmers Cooperatives shall undertake the following activities:

- a) supply of production credits (mainly in kind) to their members in contract and according to the rules of the National Development Bank of Somalia. The appropriate use and timely repayment of the credits by their members shall be supervised by the cooperatives;
- b) supply of agricultural inputs to their members in contract with the Agricultural Development Agency of Somalia and in accordance with the agricultural development programmes;
- c) participation in marketing of agricultural products of their members in contract with the Agricultural Development Agency of Somalia or in contract with the State owned processing factories;
- d) provision of productive services (hiring of tractors, pumping sets, plant protection equipment, etc.) to their members in contract with the National Tractor Organization (ONAT) or other government organizations;
- e) participation in agricultural extension work and village development planning in cooperation with the competent government offices;
- f) establishment and promotion of group farms by their members in cooperation with the competent government bodies;

- g) participation in orientation, training, alphabetisation and cultural activities among their members in cooperation with the competent public organizations.

#### Article 14

##### *Financial Resources*

The financial resources of the Farmers Cooperative may consist of:

- the entry fee to be paid by each member amounting to So. Shs. 5/-;
- the shares of the members as described in Article 15 of this Annex;
- funds accumulated by the cooperatives according to the provisions of this Annex;
- credits obtained by the National Development Bank of Somalia for financing of cooperative activities;
- shares or grants paid by the government of the Somali Democratic Republic.

#### Article 15

##### *Payment of shares*

All members of a Farmers Cooperative have to pay shares. One share amounts to So. Shs. 10/-.

The number of shares to be paid by the members shall be in accordance with the area they are cultivating.

For each hectare of cultivated dry land, one share has to be paid. For each hectare of irrigated land, two shares has to be paid. Additional shares can be paid by the members.

The shares are not returnable. The number of shares held by a member does not affect his rights of equal vote nor his rights and duties as a member of the cooperative as described in this Annex.

The liability of the members is limited to the value of their shares.

#### Article 16

##### *Distribution of profits*

The net profit made by the Farmers Cooperative shall be distributed as follows:

— Reserves funds	25 %
— Funds for cooperative investment	30 %
— Mutual help funds	15 %
— Funds for social and cultural activities	15 %
— Central funds of the Cooperative Councils	15 %

All assets acquired by the Farmers Cooperatives or the other cooperative bodies out of their cooperative funds shall be indivisible property of these cooperative organizations.

## GROUP FARMS

### Part III.

#### Article 17

##### *Aims and Tasks*

Group farms are cooperative agricultural enterprises established by a number of farmers or landless workers on jointly reclaimed field blocks for collective or semi-collective cultivation employing modern technologies like tractor ploughing, fertilization, plant protection, etc.

The traditional holdings of the farmers remain under individual management.

On the joint block, an integrated crop rotation shall be implemented. The agricultural operations on the joint blocks can be carried out collectively either fully or partly. In the later case, a gradual extension of the collective operations shall be aspired.

#### Article 18

##### *Group Farms and Farmers Cooperatives*

The Group Farms shall be attached to the local Farmers Cooperatives. All group farm members shall be members of the local Farmers Cooperative at the same time.

The local Farmers Cooperative shall be responsible for organizational technical and administrative assistance to the group farms and shall keep its financial accounts. The local Farmers Cooperative shall supply the input to the group farms and market their agricultural products.

#### Article 19

##### *Working Regulations*

In addition to the by-laws of the local Farmers Cooperative, the members of the Group Farms shall adopt working regulations to manage their internal affairs.

These working regulations are subject to registration by the Secretary of State for Agriculture. After registration, the group farm shall be entitled to obtain credits for collective purposes by the National Development Bank of Somalia or the local Farmers Cooperative.

Each member of a group farm is bound to take part in the working operation on the joint blocks in accordance with the working regulations and the necessities of the production process.

## Article 20

### *Marketing and joint funds*

All agricultural products grown in the group farm shall be sold by the local Farmers Cooperative to ADC or to the State owned processing factories.

Out of the net income of the group farm, 20% shall be allocated into a joint fund for collective investment. The rest of the net income shall be distributed to the members of the group farm according to their work on the joint block.

## Article 21

In addition to the government assistance as outlined in article 18 of this Annex, the Ministry of Agriculture shall appoint agricultural officers who assist the group farmers in selecting appropriate area for the joint blocks, in organization of joint cultivation, in elaboration of production programmes and in the implementation of joint investments.

## Part IV.

### COOPERATIVE FARMS

## Article 22

### *Aims and Tasks*

Cooperative Farms are the highest type of cooperative organization and shall be the final stage of cooperative development in Somali agriculture.

Cooperative Farms are, cooperative enterprises of the working farmers to use the land collectively and to pool their labour and all the other resources for joint production.

Cooperative farms shall implement large scale production, employing modern technologies to increase and to rationalize agricultural production. Cooperative Farms are democratic organizations of the working farmers. All members shall share equal rights and the income shall be distributed according to the work done by them.

## Article 23

### *Cooperative Land Usage*

The land of the cooperative farms as all land in the Somali Democratic Republic is in the ownership of the State.

The state will lease land for agricultural usage to the cooperative farms free of charge for the period that such cooperative exists.



The particularities of the area leased by the State to a cooperative farm (place, acreage, boundries, water resources, etc.) shall be fixed up within a contract on cooperative land usage signed by the local government within a contract on cooperative land usage signed by the local government council, the Ministry of Agriculture and the chairman of the cooperative farm.

The land leased by the State to a cooperative farm can not be rented, sold or mortgaged to another person.

The cooperative farm shall have the unlimited right to use the land leased by the State for any agricultural purpose including establishment of buildings, irrigation facilities, perennial crops etc.

The cooperative farm is bound to utilize the land leased by the State in the fullest and most proper way to raise its fertility and to achieve the highest possible yields.

Restoration of land of a cooperative farm for public purpose shall be carried out by the Ministry of Agriculture. In this case, the State will provide new land to the cooperative farm and compensate any investment made by the cooperative farm on this area.

Land used by the members as individual holding has to be contributed into the cooperative pool and shall be integrated into the cooperative field management.

The members also shall contribute their means of production suitable for cooperative usage (irrigation facilities, agricultural equipment, buildings, animals, seeds, etc.) into the cooperative pool on the conditions described in article 24 of this Annex.

#### Article 24

##### *Contribution of Shares*

All members of a cooperative farm shall contribute shares to the cooperative pool either in terms of money or by the contribution of means of production suitable for cooperative usage.

The amount of contributions in terms of money to be paid per member shall be fixed up in the by-laws according to the local conditions. However, it shall be not less than So. Shs. 100/- in the rainfed areas, and not less than So. Shs. 200/- in the irrigated areas.

By agreement of the auditing committee, the managing board may grant a respite for payment of shares in justified instances. However, even in such a case, the member has to discharge a down payment of at least 20%.

If the contributions into the cooperative pool are made in kind (means of production), the value of these assets has to correspond to the value of money contribution mentioned above.

If the value of the means of production contributed by one or some of the members exceeds the average value contributed by the other members, those members shall get compensation out of the cooperative funds within a suitable time.

In this case, the valuation of the contributed means of production shall be made by the managing board and the auditing committee of the cooperative farm together with a competent officer of the Department of Agriculture.

#### Article 25

##### *Cooperative work*

Within the cooperative farms collective management of production and collective organization of work shall be implemented.

Production shall be organized according to production programmes for each season and each year. The long-term development of the cooperative farm shall be outlined in development plans.

All work in a cooperative farm shall be done by the members themselves. Employment of non-members shall be allowed only in exceptional cases e. g. (technicians not available among the membership).

The employment of agricultural labourers within the cooperative farm is prohibited. The Agricultural labourer who joins the cooperative farm shall get full membership rights.

The members of the cooperative farm shall be organized within production groups (e. g. for field work, irrigation work, animal husbandry horticulture, etc.) according to the economic structure of the particular cooperative farm.

#### Article 26

##### *Cooperative funds and distribution of income*

For proper management, all material and financial resources of a cooperative farm shall be held in the following funds:

- the funds for current expenditure;
- the investment funds;
- the reserve funds;
- the funds for mutual help and social activities;
- the funds for training, cultural activities and bonus.

The distribution of the yearly total income of a cooperative farm shall be done on the following line:

- payment of current production expenditures;
- payment of taxes, insurances, or other levies to the state;
- allocation to the cooperative funds;
- distribution of net income to the members (in cash or in kind) according to the working days spent on the cooperative farm.

The yearly allocation to the funds of the cooperative farm shall amount to at least:

— Investment funds	10%
— Reserve funds	10%
— Funds for mutual help and social activities	2%
— Funds for training, cultural activities and bonus	3%

The amount to be paid per working day shall be calculated by division of the net income of the cooperative farm by the total number of working days spent by all members during one year.

Members who carry out very hard, difficult or responsible work shall get bonus out of the cooperative funds in addition to their regular payments.

If the chairman or other officers of the cooperative farm - due to their management duties, are not able to take part in manual work, the general meeting shall stipulate reasonable rates of payment to them.

Advance payments to the members on account of their total payment per year, can be made monthly.

Products of the cooperative farm which are not sold to the market or not needed for cooperative production (seeds, forage, etc.) shall be distributed to the members in relation to the working days they spend on the cooperative farm.

## Article 27

### *Personal property of Cooperative Farmers*

A member of a cooperative farm (including his family) shall be entitled to keep a homestead plot of 0.5 hectare in the rainfed areas or of 0.2 hectare in the irrigated areas. The place of the homestead plot shall be determined by the managing board of the cooperative farm in accordance with the cooperative field management. On his homestead plot, the member may have his dwelling house, poultry, livestock and small agricultural implements.

## Article 28

### *Cooperation with State Organizations*

All cooperative farms shall cooperate closely with the agricultural State organizations, State owned processing factories and with the Farmers Cooperative.

The relations between the cooperative farms, and the agricultural State organizations shall be stipulated in contracts based on the production programmes and development plans of the cooperative farms.

The agricultural State organization shall provide its services in top priority to the cooperative farms.

Part V.

COOPERATIVES IN SMALL INDUSTRIES AND HANDICRAFTS

Article 29

*Aims and Tasks*

Cooperatives in handicrafts and small industries are democratic organizations of the craftsmen, workers and small manufacturers destined to increase quantity and quality of production and to modernize and to rationalize technology by cooperative management.

All activities of these cooperatives are to be carried out in close cooperation with the competent state organizations.

Article 30

*Stages of Cooperative Development*

Cooperatives in handicrafts and small industries may develop in two stages.

In stage I (cooperatives for cooperated production) production takes place in the individual workshops of the members and with their own equipment, machinery, etc.

The general meeting of these cooperatives may stipulate to use fees for cooperative usage of those means of productions.

The production within the individual workshops shall be organized according to a joint production programme and shall be directed by the Chairman and the managing board.

In stage II (cooperatives for collective production) production takes place in cooperative workshops based on collective management. All members contribute their machinery, equipment and production buildings, suitable for cooperative usage into the cooperative pool. The cooperative shall compensate the contributed means of production within a suitable time as fixed by the general meeting. The value of the contributed means of production shall be recorded by a competent officer of the department of Industry together with the managing board and the auditing committee of the cooperative.

Contributions of means of production into the cooperative pool can be made partly also in stage I if one or some of the members wish to do so.

All means of production contributed into the cooperative pool becomes cooperative property and shall be recorded in the book cooperative assets.

Article 31

*Membership of workers and employees*

In stage I and stage II workers or employees of the joining enterprises shall obtain full and equal membership. Owners of workshops employing more than 10 workers or employees as well as factory owners, big merchants and money lenders are not allowed to become members of these cooperatives.

Article 32

*Shares*

All members of cooperatives in handicrafts and small industries (stage I and II) have to pay at least one share. One share shall be equal to a two-month average income of the particular member in the cooperative but not less than So. Shs. 100/-. The share can be paid in instalments as fixed by the general meeting. The shares shall be allocated to the accumulation funds and will not be returnable.

Additional shares can be paid by the members. However, the number of shares held by a member does not affect his rights of equal vote nor his rights and duties as a member as described in this Annex.

Article 33

*Remuneration of work*

All members of cooperatives in handicrafts and small industries (stage I and II) shall be remunerated for their work in accordance with the working time (working days or hours) he spent in cooperative production or in accordance with their output (piece work).

The general meetings shall adopt rates of payment for the different types of work in conformity with the Law of the Somali Democratic Republic (Labour Code) and the economic resources of the cooperative.

The payment of use fees for machinery, equipment or buildings or the payment of compensation for means of production contributed into the cooperative pool as described under Article 30 of this Annex shall be made separately from the payment for work.

Article 34

*Cooperative funds and distribution of income*

All products produced in the cooperatives of stage I and II, shall be sold cooperatively by either the competent state organizations or by cooperative shops to the consumer. The proceedings of cooperative marketing as well as the proceedings for services rendered by the cooperative are to be pooled into the account of the cooperative.

The total income of the cooperative shall be used as follows:

- payment of current production expenditures;
- payment of remuneration of the members for work;
- payment of taxes, insurances or other state levies.

The remaining net income shall be allocated to the cooperative funds namely:

- 60% to the accumulation fund;
- 40% to the distribution funds.

The accumulation fund shall be used only for investments including compensation of means of production contributed by the members and repayment of investment credits.

The distribution fund shall be used for payment of production bonds to the members as well as for mutual help and social, educational and cultural activities.

#### Part VI.

### FISHERY SERVICE AND MARKETING COOPERATIVES

#### Article 35

##### *Aims and Tasks*

Fishery Service and Marketing Cooperatives are democratic cooperatives of the fishermen to carry out joint marketing, processing and storage of their catchings and joint purchase of improved inputs without exploitation by middlemen. These cooperatives also shall provide production credits to their members and shall make joint investments out of their own funds or by credits and grants obtained by the State. The boats and other equipment remain in individual ownership and management of the fishers families.

The Fishery Service and Marketing Cooperatives shall develop cooperative spirit among their members and create the psychological and economic conditions for transition to Fishery Production Cooperatives.

#### Article 36

##### *Activities*

Fishery Service and Marketing Cooperatives shall undertake the following activities:

- a) purchase of the landed catches of their members by correct weight and grading and fair prices;
- b) processing and storing of fish;
- c) marketing of fish and fish products by cooperative shops or to government wholesale trade organizations;
- d) joint purchase of improved inputs (boats, nets, etc) and supply to the members on credit or cash payment;

- e) accumulation of own funds for joint investments (cooperative shops, storage and cooling facilities, maintenance workshops, etc.);
- f) participation in orientation, training, alphabetisation and cultural activities among their members in cooperation with the competent public organizations.

#### Article 37

##### *Financial Resource and Distribution of Profit*

The financial resources and the distribution of net profits shall be the same as described under Articles 14 and 16 of this Annex except the provision on payment of shares (art. 14).

#### Article 38

##### *Shares*

All members of a Fishery Service and Marketing Cooperative have to pay at least one share. One share shall be equal to So. Shs. 100/. Otherwise, the rules described in Article 32 of this Annex shall be applied also to the Fishery Service and Marketing Cooperatives.

### Part VII.

#### FISHERY PRODUCTION COOPERATIVES

#### Article 39

##### *Aims and Tasks*

Fishery Production Cooperatives are cooperative enterprises of the working fishermen to pool their labour and their equipment (boats, nets, etc.) for collective fishing as well as marketing, processing and storage of their catches.

Fishery Production Cooperatives shall establish joint boat fleets and joint marketing facilities and shall introduce modernized and rationalized technologies. All members of these cooperatives shall have equal rights and the income shall be distributed according to the work done by them.

#### Article 40

##### *Contribution of Equipment and Compensation*

All members of a Fishery Production Cooperative contribute all their boats, nets, processing and storage facilities and other means of production suitable for cooperative usage into the cooperative pool.

The value of these assets shall be estimated by the managing board and the auditing committee of the cooperative together with a competent officer of the fishery department and shall be recorded in the book of cooperative assets.

The cooperative shall compensate the contributed means of production within a suitable time as fixed by the general meeting.

#### Article 41

##### *Shares*

For payment of shares in Fishery Production Cooperative, the same rules shall be applied as mentioned under Article 32 of this Annex.

#### Article 42

##### *Membership of Workers and employees*

Within the Fishery Production Cooperatives, the workers or employees of the joining fishermen shall obtain full and equal membership. The payment of wages to workers in these cooperatives is not allowed.

Owners of fishery enterprises employing more than 10 workers or employees as well as big merchants, money lenders and factory owners are not allowed to become members of these cooperatives.

#### Article 43

##### *Cooperative work*

Within the Fishery Production Cooperatives collective management of production (fishing, maintenance of boats and nets, processing, marketing, etc) and collective organization of work shall be implemented.

Production shall be organized according to production programmes. The long-term development of the cooperatives shall be outlined in development plans.

All work in a Fishery Production Cooperative shall be done by the members themselves. Employment of non-members shall be allowed only in exceptional cases. (e.g. accountants or technicians not available among the memberships).

The members of a Fishery Production Cooperative shall be organized within working groups (e.g. for fishing, for processing, for marketing, etc.).



Article 44

*Remuneration of work, Cooperative Funds and  
Distribution of Income*

For remuneration of work, cooperative funds and distribution of income, the same rules shall be applied as mentioned under Articles 33 and 34, of this Annex, except the provision on use fees for machinery, etc. (Article 33).

Part VIII.

CONSUMER COOPERATIVES

Article 45

*Aims and Tasks*

Consumer Cooperatives are voluntary cooperatives of the consumers to achieve improved retail trade services at fair prices and to reconstruct retail trade on socialist lines.

Consumer Cooperatives may keep cooperative shops, restaurants, department stores, storage and cooling houses as well as local production enterprises like bakeries, butcheries and other service facilities.

Article 46

*Structure and Organization*

Consumer Cooperatives precedently shall be established in the centres of industrial or agricultural production, as well as in public units (administrative bodies, university, etc.).

A Consumer Cooperative (primary cooperative) may cover upto 3000 members.

All Consumer Cooperatives of a district or a municipality shall form a cooperative which is attached to the cooperative District Council.

Within the Consumer Cooperatives, each shop shall have a shop committee which controls the business activities of this shop and represents this particular group of members to the managing board of the Consumer Cooperative.

The number and type of shops, restaurants, service, enterprises, etc., to be established within a district shall be determined by the cooperative district council after obtaining permission by the supreme cooperative bodies.

#### Article 47

##### *Financial Resources*

The financial resources of a Consumer Cooperative may consist of:

- the shares paid by the members;
- profits from business activities;
- credits obtained by the National Bank of Somalia,
- credits or grants paid by the State.

The financial accounts and book-keeping for the Consumer Cooperatives, their shops and production enterprises shall be kept by the District Cooperative.

#### Article 48

##### *Shares and distribution of Profits*

Each member of a Consumer Cooperative shall pay at least one share. One share is equal to So. Shs. 30/-. The shares can be paid in instalments as fixed by the managing board.

The shares shall be repaid if the membership is ceased.

Net profits made by a Consumer Cooperative shall be distributed as follows:

Investment Fund	25%
Reserve Fund	15%
Central Fund of the Cooperative Councils	10%
Distribution to the members in relation to the value of goods they bought in any cooperative shop	50%

For each purchases in any cooperative shop, the member shall get buying stamps indicating the value of his purchase. The total number of buying stamps collected by a member entitled him to get his dividend when profits are distributed.

Any distribution of profit made in a Consumer Cooperative needs the approval of the Regional Cooperative Council.

#### Article 49

##### *Purchasing Credits*

A member of Consumer Cooperatives shall be entitled to buy on credit in his cooperative shop upto 50% of the value of shares he has paid but on the condition that he has paid at least one share in full.

The purchasing credits shall be free of interest and have to be repaid within 30 days. Granting of these credits and repayments shall be recorded on a credit card.

Article 50.

*Processing and Service Enterprises of  
the Consumer Cooperatives*

Local processing enterprises and other service enterprises of the consumer cooperatives like bakeries, butcheries, etc. shall be run by the district cooperative of the consumer cooperatives.

Net profits made by this cooperative enterprises shall be distributed in the same way as mentioned under Article 48. The part of net profit to be distributed to the members shall be divided equally to all consumer cooperatives of the particular district.

Article 51

*Integration of Private Shops*

Small private shopkeepers may contribute their shops into the cooperative pool of the consumer cooperatives. The value of the contributed assets shall be estimated by an officer of the department of domestic supply together with the managing board of the district cooperative of consumer cooperatives. The contributor shall be compensated out of the cooperative funds within a suitable time and may become an employee of the consumer cooperative.

To take over a private shop into property of a consumer cooperative, the approval of the district cooperative Council is needed.

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