

PRIME MINISTRY

No. 860

Date: 9/8/1353 (31 October 1974)

To: Mr. Ghulam Jeelani Bakhtary
Minister of Agriculture and Irrigation

The Council of Ministers at its meeting held on 7/8/1353 (29 October 1974) considered the explanatory letter of the Ministry of Agriculture and Irrigation No. 3718 dated 4/6/1353 (26 August 1974) concerning the "COOPERATIVE LAW" and made the following Resolution No. 714 :-

1. "The Cooperative Law composed of fifty-one Articles sealed by the Secretariat is hereby approved."
2. "The Department of Cooperative Development shall now remain within the Ministry of Agriculture and Irrigation. As the establishment of non-Agricultural Cooperatives expands, this Department shall come within the Prime Ministry".

This Resolution of the Council of Ministers has been brought before His Highness, the President of the Republic of Afghanistan who has approved it by Decree No. 2034 dated 8/8/1353 (30 October 1974). This Decree is forwarded to you for your information, application and implementation.

Dr. Mohammed Hasan Sharq Deputy Prime Minister	
Signature	ENF 75/8/11
A 366	

Signed:

Dr. Mohammed Hasan Sharq
(DEPUTY PRIME MINISTER)

Enclosures: One cover enclosing a Law sealed by the Seal of the Secretariat.

THE COOPERATIVE LAW

CHAPTER ONE

GENERAL PROVISIONS

ARTICLE ONE: This Law is enacted to regulate the organization and functions of Cooperative Societies.

ARTICLE TWO: In this Law, the following terms shall indicate:

1. "Department" - the Department of Cooperative Development established within the Ministry of Agriculture and Irrigation.
2. "Registrar" - the person who is appointed by the authority concerned to be the Chief of the "Department".
3. "Cooperative" - an association of persons who have voluntarily joined together to achieve a common social and economic end through the formation of a democratically managed and controlled organization,
4. "Primary Cooperative" - a "Cooperative" formed by at least eleven individuals.
5. "Secondary Cooperative" - a "Cooperative" formed by at least three Cooperatives.
6. "Member" - an individual member or a member-Cooperative participating in the foundation of a Cooperative, or who is admitted to the membership of a Cooperative in accordance with its bye-laws.

CHAPTER TWO

DEPARTMENT OF COOPERATIVE DEVELOPMENT

ARTICLE THREE: The Department of Cooperative Development shall have the following responsibilities and powers:

1. To apply this Law and the Regulations, and to control the application of the bye-laws of Cooperatives.
2. To register Cooperatives, their bye-laws and the amendments of these bye laws.
3. To provide assistance, guidance and advice relating to the organization, management, coordination and integrated functioning of Cooperatives.
4. To audit the accounts of Cooperatives.
5. To draft Regulations, bye-laws and directives for regulating the activities of Cooperatives.
6. The Department shall represent the Afghan Cooperative Movement locally, and abroad as approved by the Government, until a National Cooperative Federation with such objective is established.
7. To undertake all other duties empowered to this Department.

CHAPTER THREE

REGISTRATION OF A COOPERATIVE

ARTICLE FOUR: An application for the registration of a Cooperative shall be made to the Registrar. The application for the registration of a Primary Cooperative shall be signed by at least eleven individuals. The application for the registration of a Secondary Cooperative shall be signed by the duly authorized representatives of at least three Cooperatives.

The application for registration and three copies of the proposed bye-laws duly signed by the founding members shall be submitted to the Department.

ARTICLE FIVE: Each Cooperative shall have its registered bye-laws which must comply with the provisions of this Law and must contain the following:

1. Name, Address and Area of Operations.
2. Objects and Kind of Activities.
3. Membership qualifications and relations.
4. Financial affairs and Liability of Members.
5. Management and Scope of business.
6. Any other provisions necessary to facilitate a sound functioning of the Cooperative.

ARTICLE SIX: A Cooperative shall register in accordance with the provisions of this Law. If the Registrar declines to register a Cooperative, he must notify the applicants, in writing, his justified decision within sixty days.

ARTICLE SEVEN: The Registrar shall issue, under his signature, a Certificate of Registration to a Cooperative after it is registered. As soon as a Cooperative is registered, it becomes a Legal Corporate body. The registration of the Cooperative shall be published in the Official Gazette.

ARTICLE EIGHT:

1. The amendment of the bye-laws shall be effected in accordance with Articles 21 and 22 of this Law.
2. If the Registrar declines to register the amendments of the bye-laws of a Cooperative, he must notify the Cooperative, in writing, his justified decision within sixty days.
3. An amendment of the bye-laws which changes the name of a Cooperative shall not affect any rights or obligations of the Cooperative.
4. An amendment of the bye-laws shall take effect from the date of its registration and the Department shall cause such amendments to be published in the Official Gazette.

CHAPTER FOUR

MEMBERSHIP

ARTICLE NINE: To qualify for membership of a Primary Cooperative, a member shall:

1. Be a citizen of the Republic of Afghanistan.
2. Have full legal rights.
3. Have an occupation in line with the activities of the Cooperative.
4. Meet any other qualifications specified in the bye-laws.
5. No member of a Primary Cooperative shall hold membership in another Primary Cooperative with the same objects and functioning in the same area of operations.

ARTICLE TEN: Qualifications for membership of a Secondary Cooperative shall be specified in its bye-laws.

CHAPTER FIVE

TERMINATION OF MEMBERSHIP

ARTICLE ELEVEN: Membership in a Cooperative may be terminated for the following reasons and in the described manner:

1. The membership of a deceased member shall be considered terminated at the end of the Fiscal Year in which his death occurred. The Managing Committee shall provide a full written account of the deceased member and hand it over, against receipt, to his heirs or legal representatives.
2. A member may resign his membership in a Cooperative by giving a written notice six months before the end of the Fiscal Year. The withdrawal of a member shall not be effected until he has paid all his loans and other obligations to his Cooperative.
3. If it is determined by competent medical authority that the individual member is not legally capable or responsible for conducting his affairs with the Cooperative due to total mental incapacity

the sick member shall be dealt with as in the case of a deceased member.

4. A member shall be expelled from the membership of a Cooperative if:
 - a) he ceases to possess any one of the membership qualifications;
 - b) he commits an act prejudicial to the interest of the Cooperative;
 - c) he intentionally fails to meet his obligations as specified in the bye-laws of the Cooperative.

ARTICLE TWELVE:

1. Expulsion of a member shall be effected by the decision of the Managing Committee. Notice of decision, in writing, shall be given to the expelled member within thirty days from the date of the decision.
2. A member so expelled may appeal to the next legally convened General Meeting. The General Meeting shall consider the appeal and the decision, by secret or open ballot of the majority of members present shall be final.

ARTICLE THIRTEEN:

1. A Cooperative shall pay to the terminated member, or to his legal representative, the value of his paid-up shares and any outstanding dues within two years from the date of claim.
2. A terminated member shall remain responsible for the liabilities of his Cooperative for a period of two years from the date of the termination of his membership, provided that such liabilities had occurred while he was a member.

ARTICLE FOURTEEN:

1. An individual member of a Primary Cooperative shall have only one vote regardless of the number of shares held by him.
2. The number of the representatives of a member Cooperative to the General Meeting of a Secondary Cooperative shall be specified in the bye-laws of the Secondary Cooperative, provided such number shall not exceed five representatives with one vote each.

CHAPTER SIX

MANAGEMENT AND ORGANIZATION

ARTICLE FIFTEEN: The organs of a Cooperative must consist of:

1. The General Meeting
2. The Managing Committee

ARTICLE SIXTEEN: A Cooperative shall have a Supervisory Committee set up in accordance with its bye-laws.

CHAPTER SEVEN

THE GENERAL MEETING

ARTICLE SEVENTEEN: 1. The General Meeting is the supreme authority of a Cooperative.

2. The General Meeting shall be composed of all the individual members of a Primary Cooperative or all the authorized representatives of member-Cooperatives of a Secondary Cooperative.

ARTICLE EIGHTEEN: The General Meeting shall convene in two forms - either an Ordinary or an Extraordinary Meeting.

ARTICLE NINETEEN: The Ordinary General Meeting shall convene once a year within 120 days from the end of the Fiscal Year and shall discuss and decide upon the following:

1. Election or dismissal of members of the Managing Committee.
2. Election or dismissal of representatives to Secondary Cooperatives.
3. Consideration and decision upon financial accounts, balance sheets and reports concerning the activities of the Cooperative.
4. Determination of ceilings for borrowing, extension of loans to the members and related procedures.
5. Disposal of the net annual surplus of the Cooperative.
6. Consideration of all other matters on the agenda of the meeting.

ARTICLE TWENTY:

1. The quorum for an Ordinary General Meeting of a Primary Cooperative shall be formed by the presence of at least fifty-one percent of all its members.
2. The quorum for an Ordinary General Meeting of a Secondary Cooperative shall be formed by the presence of at least fifty-one percent of the representatives of the member-Cooperatives.

If a quorum is not present, a Second General Meeting shall be summoned within one month and the presence of at least ten members other than the members of the Managing Committee shall then constitute a quorum

3. Decisions of an Ordinary General Meeting shall be taken by the simple majority of the members present. In case of equal votes, the Presiding Chairman shall have a casting vote.

ARTICLE TWENTY-ONE:

An Extraordinary General Meeting shall be summoned upon the decision of the Managing Committee, or at the request of 20% of all the members or at the order of the Registrar to decide upon the following matters:

1. Amendment of the bye-laws.
2. Amalgamation or merger of the Cooperative.
3. Applying or withdrawing from the membership of a Secondary Cooperative.
4. Any other matters as specified in the bye-laws.

ARTICLE TWENTY-TWO:

1. The quorum for an Extraordinary General Meeting of a Primary Cooperative shall be formed by the presence of at least seventy-five percent of its members.
2. The quorum for an Extraordinary General Meeting of a Secondary Cooperative shall be formed by the presence of at least seventy-five percent of the representatives of the member-Cooperatives.

If a quorum is not present, a Second Extraordinary General Meeting shall be convened within one month and the presence of two-thirds of the members shall then constitute a quorum. If a quorum is not then present the subject to be considered shall

be deferred for three more months for the consideration of another Extraordinary General Meeting to be summoned for the purpose. If the Extraordinary General Meeting fails to constitute a quorum for the third time, the matter shall be referred to the Registrar to order an inquiry in accordance with Article Forty-one and to take legal action in accordance with Article Forty-four of this Law.

3. Decisions of an Extraordinary General Meeting relating to amendment of bye-laws, merger or amalgamation of a Cooperative shall be made by two-thirds majority of the members present at the meeting.
4. Decisions relating to other matters are made by a simple majority of the members present.

- ARTICLE TWENTY-THREE:
1. Every member present at a General Meeting shall have the right to express his views. The decisions of a duly convened General Meeting of a Cooperative taken in accordance with this Law shall be binding on all its members.
 2. A General Meeting shall convene in accordance with the provisions of this Law and the bye-laws of the Cooperative.
 3. Proceedings of a General Meeting shall be recorded in the Register of Minutes of the Cooperative and be signed by the Chairman of the Meeting, the Secretary and at least three members present at the meeting.
 4. A copy of these minutes shall be sent to the Department within thirty days after the meeting.

CHAPTER EIGHT

THE MANAGING COMMITTEE

- ARTICLE TWENTY-FOUR:
1. The General Meeting shall elect, from amongst the members, a Managing Committee of not less than five members for a period not to exceed three years. Members of the Managing Committee can be elected for one more term.
 2. The members of the Managing Committee shall be jointly and severally responsible to the General Meeting in matters concerning the affairs of the Cooperative.

3. The Managing Committee shall elect, from amongst its members, a Chairman, Vice-Chairman, Secretary and a Treasurer, whose duties and responsibilities shall be defined in the bye-laws of the Cooperative.

ARTICLE TWENTY-FIVE: The Managing Committee shall administer the affairs of the Cooperative in accordance with this Law, the bye-laws and the decisions of its General Meeting and shall, in particular, exercise the following responsibilities and powers:

1. To act as the legal representative of the Cooperative.
2. To prepare the Income and Expenditure Account, the Balance Sheet and the Annual Report of the Fiscal Year.
3. To keep and maintain the Accounts, Books and other properties of the Cooperative.
4. To undertake all other duties and powers as specified in the bye-laws of the Cooperative.

- ARTICLE TWENTY-SIX: 1. The Managing Committee shall hold a meeting at least once every month.
2. The presence of the simple majority of the members of the Managing Committee shall form a quorum for its meeting. Decisions shall be taken by the majority of all the members of the Managing Committee. In case of equal votes, the Chairman shall have a casting vote. The decisions of the Managing Committee shall be binding on the Cooperative so long as they are taken in accordance with the bye-laws and the decisions of the General Meeting of the Cooperative.

ARTICLE TWENTY-SEVEN: The Managing Committee may appoint the staff members necessary for running the day-to-day affairs of the Cooperative; their terms of appointment shall then be determined by the Managing Committee.

CHAPTER NINE

CAPITAL AND FINANCIAL AFFAIRS

- ARTICLE TWENTY-EIGHT:
1. The number of shares of a Cooperative shall be unlimited and the value of a share shall be specified in its bye-laws.
 2. Every member shall hold at least one share; no one member of a Primary Cooperative can hold more than ten percent of its paid-up shares; a member of a Secondary Cooperative can hold the number of shares as specified in its bye-laws.
 3. Shares of a Cooperative shall not be divisible, negotiable or transferable.
 4. Shares of Cooperative members are not subject to seizure by any creditor except by the Cooperative.

ARTICLE TWENTY-NINE: The surplus of a Cooperative made in a Fiscal Year shall be distributed in the following manner:

1. Not less than 25% of the surplus shall be allocated to the Reserve Fund of the Cooperative to cover any losses from which the Cooperative may suffer.
2. Not more than 20% of the surplus may be allowed as interest on shares paid in full, provided that interest of a share shall not exceed 5% of its value.
3. Not less than 30% of the surplus shall be allocated as patronage returns to members proportionate to the volume of their business done with the Cooperative.
4. The remaining surplus shall be disposed of in accordance with the bye-laws and as decided by the General Meeting.

ARTICLE THIRTY: The Reserve Fund shall be composed of the following:

1. Appropriations made from the annual surplus in accordance with Article Twenty-nine of this Law.
2. Any grants made in cash or in kind to the Cooperative to obtain fixed assets.

3. Surplus resulting from dealing with non-members.
4. Dividends or patronage returns of members who may voluntarily decline to receive them within three years of date due.
5. Any other allocations made in accordance with the bye-laws.

ARTICLE THIRTY-ONE:

1. No single member shall have any personal right in the Reserve Fund of his Cooperative.
2. In case of losses resulting from the liquidation of a Cooperative, the Reserve Fund shall be used to cover such losses and other remaining debts of the Cooperative.
3. The Reserve Fund may be utilized to expand the activities of the Cooperative as may be decided by its General Meeting and approved by the Registrar.

ARTICLE THIRTY-TWO: The liability of members of a Cooperative shall be limited.

ARTICLE THIRTY THREE:

1. Monies due to a Cooperative shall be collected in the same manner as Government debts.
2. A Cooperative may deduct from funds it owes to a member any amounts owed to the Cooperative by that member.

ARTICLE THIRTY-FOUR:

1. A Cooperative shall extend loans only to its members as prescribed in its bye-laws. A Cooperative may also make loans to another Cooperative as may be decided by its General Meeting and approved by the Registrar.
2. A Cooperative may do business, other than lending, with non-members provided that such business is in the interest of the Cooperative and its members.
3. The Managing Committee shall decide the rate of interest on loans and establish procedures for collecting such interest in accordance with its bye-laws and the decisions of the General Meeting.
4. Obtaining credit, lending, supervision and recovery of loans, and determining the guarantees required for loans extended to members and other Cooperatives shall be undertaken in accordance with the bye-laws and within the policies established by the General Meeting.

ARTICLE THIRTY-FIVE: A Cooperative shall be exempted from the following fees and taxes for a period of ten years from the date of its registration:

1. All fees and taxes in connection with its registration, or with the sales, purchase, rent and mortgage of its properties.
2. Fifty percent discount of Income Tax levies.
3. Fees and expenses of courts.
4. Audit and Supervision fees required by the Department.
5. Other privileges may be decided by the Government.
6. In case a Cooperative changes its name, merges or amalgamates with other Cooperatives, the time lag during which the privileges mentioned in this Article shall not be renewed or extended.

CHAPTER TEN

ACCOUNTS AND AUDIT

ARTICLE THIRTY-SIX: A Cooperative shall keep and maintain the following accounting books and registers which are required by this Law:

1. A Journal
2. Register of Members' Shares and Accounts
3. Membership Register
4. Inventory Register
5. Register of Minutes
6. Any other books, registers or documents as needed.

ARTICLE THIRTY-SEVEN: The Fiscal Year of a Cooperative shall be the calendar year of the Republic of Afghanistan.

ARTICLE THIRTY-EIGHT: All documents, records, accounts and the Balance Sheet of a Cooperative shall be audited once a year within ninety days from the closing date of the Fiscal Year in accordance with the procedures established by the Registrar.

CHAPTER ELEVEN

SETTLEMENT OF DISPUTES, INSPECTION AND INQUIRY

ARTICLE THIRTY-NINE: Disputes arising from the business of Cooperatives, involving Cooperatives or Cooperatives and their members, or past and present members of Cooperatives, shall be at first referred to the Registrar for arbitration. The Decree of arbitration, taken in the presence of the parties involved, shall be considered final if it is not challenged within thirty days from the date on which it is issued and reported to the parties concerned. The objecting party may appeal to any court of jurisdiction for judgement.

ARTICLE FORTY: The Registrar or persons authorized by him in writing shall have free access to inspect the books, documents, accounts, securities, cash and other properties belonging to a Cooperative. Such an inspection shall be made in accordance with the procedures established by the Department.

ARTICLE FORTY-ONE: The Registrar may on his own initiative, or on the request of the Managing Committee, the auditor, or one third of the members, issue a written order of inquiry into the constitution, working, technical and financial conditions of a Cooperative.

ARTICLE FORTY-TWO: 1. If the inquiry finds the Managing Committee culpable, the Registrar may dismiss the responsible members and appoint, from amongst the members or the staff of the Department, a Committee to manage the Cooperative until a new Managing Committee is duly elected. Any person found to be responsible of an offence or crime may be referred to the court.

2. A new managing Committee shall be elected by the General Meeting of the Cooperative within two years, otherwise the Registrar shall issue an order to dissolve the Cooperative.

CHAPTER TWELVE

AMALGAMATION, MERGER AND DISSOLUTION

- ARTICLE FORTY-THREE: 1. A Cooperative may amalgamate or merge with one or more Cooperatives.
2. Amalgamation and merger, of Cooperatives shall be effected in accordance with the provisions of the Regulations, bye-laws and the procedures established by the Registrar.

ARTICLE FORTY-FOUR: The Registrar may, with the approval of the Minister of Agriculture and Irrigation, issue a written order to dissolve a registered Cooperative for any of the following reasons:

1. If the Cooperative suffers losses equivalent to 80% or more of its share capital and reserve fund with no hopes of revival.
2. On receipt of an application signed by 75% of all the members of a Primary Cooperative or all the representatives of member-Cooperatives of a Secondary Cooperative.
3. If the number of members is reduced to less than the required minimum specified in Article Two of this Law.
4. If the General Meeting fails to elect a Managing Committee as required by Section 2 of Article Forty-two of this Law.
5. If the Extraordinary General Meeting fails to constitute a quorum for the third time as specified in Article Twenty-two and the Registrar decides to dissolve the Cooperative following an inquiry conducted in accordance with Article Forty-one of this Law.
6. In any other cases specified by the bye-laws.

- ARTICLE FORTY-FIVE: 1. The actions of a liquidator shall be undertaken in accordance with Regulations issued under this Law.
2. The decisions of a liquidator shall become final on the approval of the Registrar and the endorsement of the Minister of Agriculture and Irrigation

ARTICLE FORTY-SIX: The Registrar shall, on the completion of the liquidation of a Cooperative, issue a written order cancelling its registration. This order shall be published in the Official Gazette and be considered final from the date of this publication.

ARTICLE FORTY-SEVEN: On the liquidation of a Cooperative, no member shall have any rights to the properties of the Cooperative other than the value of his paid up shares, his deposits and any other amounts due to him personally from the Cooperative. The surplus resulting from liquidation shall be disposed of as may be decided by the Registrar and approved by the Minister of Agriculture and Irrigation for the development of the Cooperative movement in the Republic of Afghanistan.

CHAPTER THIRTEEN

MISCELLANEOUS

ARTICLE FORTY-EIGHT: No person or organization other than a registered Cooperative shall conduct business under the title "Cooperative". Unauthorized users shall be subject to legal action in accordance with the Laws of the Country.

ARTICLE FORTY-NINE: The decisions of the Registrar refusing the registration of a Cooperative, the amendments of the bye-laws of a Cooperative or the dissolution of a Cooperative may be subject to appeal to the Minister of Agriculture and Irrigation.

ARTICLE FIFTY: Any Cooperative Society in existence on the day this Law takes effect shall, within six months, approach the Department requesting its registration in accordance with this Law, failing which it shall not be recognized as a legal corporate body.

ARTICLE FIFTY-ONE: 1. This Law shall become effective from the date of its publication in the Official Gazette.
2. As soon as this Law becomes effective, the provisions of all other Laws and Regulations contradicting the provisions of this Law shall become invalid.
