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Afghan Co-operative Act

CHAPTER I:

General Considerations

Article 1

in view of the economic, and ^{social} human values of cooperatives the present act is promulgated.

Article 2

Voluntary associations aiming at the promotion of the business or the management of the affairs of their members by means of joint transactions obtain the rights of a cooperative society pursuant to this law.

Article 3

Associations of cooperative societies aiming at the promotion of the business of their member societies are recognized as Co-operative Unions.

Article 4

Co-operative Societies and Co-operative Unions established under present law will have the status of a legal personality.

CHAPTER II:

Establishment

Article 5

Any co-operative society shall consist of at least 11 members

Article 6

Any co-operative society will have to adopt a set of bylaws in accordance with this Co-operative Act.

Article 7

Bylaws will be in writing, signed by all member founders and will be forwarded to the authority concerned for approval and registration.

Article 8

Each set of co-operative bylaw must contain the following items:

- I) Name of the co-operative society
- II) Type of activities
- III) Place and adress
- IV) Rights and obligations of members
- V) The value of each share and procedures of payment
- VI) The maximum number of shares a member can obtain
- VII) The amount of admission fee
- VIII) Membership, withdrawal, and expulsion procedures
- IX) Administrative set-up
- X) Business with non-members
- XI) Establishment of reserve funds and distribution of annual surplus
- XII) Distribution of profits and losses
- XIII) Procedures of disbursing loans and their repayment
- XIV) Convocation of general meetings and methods of election

Article 9

in case the duration of a co-operative society is not fixed in the bylaw, it is unlimited

Article 10

The establishment of a co-operative society or a co-operative union respectively is completed with the registration at the registrar's office and upon receipt of a written confirmation.

Article 11

Applications for registration have to contain the following items:

- a) Name of the co-operative society
- b) Place and address of the co-operative society
- c) A list of members
- d) A set of by-laws
- e) The names of the elected representatives of the co-operative society or the co-operative union respectively and a copy of the minutes proving their authorization (minutes of the founder's meeting).

Article 12

The registration will be accomplished at the Register's office within the National Co-operative Board (NCB) to be established in conformance with Article 69 of present act.

CHAPTER III): Membership

Article 13

Members of the co-operative society must:

- a) be Afghan nationals
- b) enjoy all legal rights in full,
- c) have direct economic interest in the business of the co-operative society,
- d) have paid in the required number of shares and/or admission fees,
- e) declare their knowledge and acceptance of the co-operative society's bylaw.

Article 14

Membership is requested in writing in accordance to what is stipulated in the bylaws and acceptance or rejection must also be notified in a written form within 30 days.

Article 15

Should the co-operative society's managing committee reject the application for membership, the reason for rejection must be given in writing. The rejected applicant has the right to appeal to the General Meeting of the co-operative society whose decision shall be final.

Article 16

Nobody can be at the same time a member of two co-operative societies competing in the same field.

Article 17

Each member has the right to withdraw from the co-operative society by written notice to the managing committee. A written and personally signed notice of withdrawal must reach the managing committee not later than three months before the expiration of current financial year. Withdrawals become effective only at the forthcoming end of the financial year.

Article 18

Membership ceases automatically:

- a) If a member no longer complies with the requirements set forth in Article 18,
- b) If he becomes a member of a competing co-operative society,
- c) If a member dies.

Article 19

A member can be expelled:

- a) If he acts against disposition of present law and/or the obligations deriving from the bylaws of his co-operative society,
- b) If he fails to repay loans fallen due received from the co-operative society without reasonable justification. At least 2/3 of the members of the managing committee have to agree on proposals for expulsion. Expulsion become effective only after ratification of 51 $\frac{1}{2}$ of the total number of members in the course of a general meeting.

Article 20

In the case of the death of a member he is considered as withdrawn from the co-operative society with the end of the financial year in which the death occurred. Rights and duties of the deceased member except to vote are taken care of by the legal representative of the heirs.

CHAPTER IV:

Administration and Management

Article 21

The statutory organs of the co-operative society or co-operative union respectively are the following:

- a) the general meeting,
- b) the managing committee,
- c) the supervisory committee.

A. General Meeting

Article 22

The general meeting is the supreme organ of the co-operative society,

Article 23

The general meetings consist of the members of the co-operative society only.

Article 24

Each member has one vote irrespective of the number of shares owned.

Article 25

The quorum for the annual general meeting is at least 60% of all members of the co-operative society. In case the quorum is not present at a duly convened meeting, a second meeting shall be held within one week with those members who will be present.

Article 26

The participation at the general meeting is assured personally by each member of the co-operative society.

Bylaws may in recognized urgent cases authorize voting by proxies, provided that:

- a) a proxy is voted by a member of the co-operative society
- b) the urgent case and the written proxy are recognized and approved by the General Meeting.

A member cannot represent more than one person at the general meeting. Members holding administrative positions within the co-operative society cannot vote proxies.

Article 27

General meeting shall be called by the managing committee at least two weeks in advance by announcing date, place, and time through local newspapers and/or through announcements to co-operative centres and/or through other adequate means.

Article 28

If the managing committee fails to convene the meeting the advisory committee has to convene it without further delay.

Article 29

The chairman or, in his absence, the vice-chairman of the managing committee normally presides the general meeting unless participating members decide otherwise.

Article 30

General meeting shall elect a secretary. Minutes of meeting have to be recorded by the secretary and have to be signed by the chairman, the secretary, and at least three members present. Resolutions passed by majority vote are binding for all members of the co-operative society.

Article 31

Notice of convocation of the general meeting has to be given due time to the National Co-operative Board which at its discretion can decide to send to the meeting one of its members as observer and adviser who can participate in discussions but shall have no right to vote.

Article 32

General meeting shall be held once a year within three months after the end of the financial year and has to transact the following business:

1. To examine the annual reports and to decide on actions to be taken,

2. To approve or to reject the balance sheet and profit and loss account,

3. To consider and approve the allocation of annual surplus or loss,

- d) to elect or dismiss members of the managing committee or the supervisory committee respectively,
- e) to decide on the re-integration of the co-operative society's capital,
- f) to decide on cases of expulsion (Art. 20) or nonadmittance (Art. 15),
- g) to discuss and decide on the working programme for the forthcoming year and to fix sealings in the various of activities if necessary,
- h) to decide on any remuneration to be paid to members of the executive organs.

Article 33

Decisions shall be passed by majority vote of all members present and represent.

Article 34

Extraordinary General Meetings have to be convened by the managing committee without delay

- a) on request of at least 20% of the total number of members, but not less than seven members,
- b) on request of the supervisory committee,
- c) on request of two thirds of the members of the managing committee,
- d) on request of the National Co-operative Board.

Article 35

The following matters need decisions to be taken by the extraordinary general meeting:

- a) alteration and amendments of the bylaw,
- b) dissolution or extension of the duration of the co-operative society,
- c) amalgamation with other co-operative societies,
- d) adhesion to or withdrawal from membership in co-operative unions,
- e) any other matters whose importance may request convocation of an extraordinary general meeting.

Article 36

The quorum for an extraordinary general meeting shall consist of 75% of all members of the co-operative society. In case the quorum is not present at a duly convened meeting, a second meeting shall be held within one week with those members who will be present. Decisions of an extraordinary general meeting have to be passed by a majority of two thirds of members present and represent.

Article 37

Should the extraordinary general meeting be requested to decide on matters normally decided by an ordinary annual meeting it will apply the procedure, quorum, and majority foreseen for the ordinary annual meeting.

B. The Managing Committee

Article 38

The co-operative society shall have a managing committee consisting of at least three members of the co-operative society elected by the general meeting for a period of three years. The bylaws may fix a higher odd number of members of the managing committee and may also provide for the election of substitute.

Article 39

The managing committee shall be responsible for the execution of decision of the general meeting and the conduct of all business affairs of the co-operative society. In particular, it shall assume the following duties:

- a) legal representation of the co-operative society,
- b) preparation of balance sheet, profit and loss account, and annual report,
- c) establishment and maintenance of accounts and other records,
- d) to keep a list of members up to date,
- e) to co-operate with the co-operative organizations and NCB,
- f) pursue all other objectives set forth in the bylaw.

Article 40

The responsibility of the managing committee is of a collegial and/or individual nature as case may be by decision of the general meeting.

Article 41

The managing committee shall elect a chairman, a vice-chairman, and a secretary among themselves.

Article 42

All deeds, documents, letters and other instruments committing the co-operative society have to be signed by the chairman and one other member of the managing committee duly authorized by the committee.

Article 43

A member of the managing committee of the co-operative society or the manager cannot simultaneously be a member of the supervisory committee and vice versa or be involved in competing business.

Article 44

Meetings of the managing committee have to be held regularly at least once a month and whenever necessary. The majority of the member of the managing committee has to be present and has to carry the decision.

Article 45

If stipulated in the bylaw the Managing Committee may appoint a treasurer being a member of the Co-operative Society and a full-time manager, not necessarily a member, having no other official duties in the Co-operative Society. The manager would be fully responsible to the Committee for the day-to-day operations and may take part in meetings of the Managing Committee but shall have no right to vote.

Article 46

Members of the managing committee cannot receive any other remuneration from the co-operative society than decided by the general meeting.

C. The Supervisory Committee

Article 47

The co-operative society shall have a supervisory committee of at least three members of the co-operative society elected by the general meeting, for a period of one year.

Article 48

The supervisory committee has to supervise and control the affairs of the co-operative society and shall have to this respect the right:

- a) to inspect books, accounts, cash, letters and contracts of the co-operative society,
- b) to check the balance sheet, the profit and loss account and the annual report,
- c) to make recommendations for the distribution of surplus or losses.

The supervisory committee has to present annual reports on its activities and findings to the general meeting.

Article 49

The supervisory committee is obliged to give true and correct statements to the general meeting and has to convene general meetings in accordance with Article 27 of present law.

Article 50

Members of the supervisory committee cannot receive any other remuneration from the co-operative society than eventually decided by the general meeting.

Article 51

The supervisory committee may at any time call on the NCB to advise on issues, which are deemed to be beyond the committee's powers and authorities.

CHAPTER V. Financial Provisions

Article 52

The financial year shall be the Afghan calendar year.

Article 53

The balance sheet and the profit and loss account have to be prepared in accordance with established accounting procedures as recognized by NCB.

Article 54

The managing committee is responsible for the accuracy of all financial documents and statements.

Article 55

At least 25% of the annual net surplus will be allocated to a compulsory reserve fund.

Other funds to be at the disposal of the managing committee for business and social purposes may also be established in accordance with bylaw provisions upon decision of the general meeting.

Article 56

The distribution of the net surplus after allocation to the various funds and reserves shall be decided by the general meeting in accordance with the principles of patronage refund. Interest on shares, if so decided by the general meeting, shall in no case exceed 5%. The general meeting also has to decide on ways and means of covering losses.

Article 57

The liability of members might be limited or unlimited as stipulated in the bylaw. Members of a co-operative society with limited liability are financially responsible for the obligations of the society up to the value of the share(s) they own individually.

Members of a co-operative society with unlimited liability are financially responsible for the obligations of the society with all their individual property.

Article 58

Reserve funds cannot be distributed to members. In case a member loses membership under the provisions of Chapter III of present law, the claim of the member is limited to the share(s) only.

Article 59

Shares are nominal and cannot be transferred; their original value is in no case subject to variation.

CHAPTER VI:

Auditing

Article 60

In order to evaluate the economic situation of the co-operative society and the correctness of the management, at least once in two years all property, the financial position and the administration of the co-operative society have to be examined by auditors provided by NCB.

An extraordinary examination may be ordered by the NCB at any time.

Article 61

When auditing the co-operative society's affairs, the auditors may inspect all accounts and documents, cash in hand, stocks, real estate etc. The manager and/or the managing committee have to give any information requested. All facts given to the auditor(s) have to be kept confidential.

Article 62

The result of the examination has to be reported to the co-operative society in written form, explaining the auditing procedures, all objections to the accounts and a statement on the business conduct. This report together with eventual recommendations has to be read to the next general meeting; the auditors may prepare a summary of their report and agree that only this summary has to be read to the general meeting.

Article 63

The auditors are liable for all damages to the co-operative society caused by negligence, indulgence or not fulfilling duties assigned. They have to consider themselves as trustees of members in order to safeguard their interest.

CHAPTER VII

Dissolution and Liquidation

Article 64

A co-operative society may be dissolved following the decision of the extraordinary general meeting. A decision on the dissolution requires a majority of three quarters of all members of the co-operative society at an extraordinary general meeting.

Article 65

An extraordinary general meeting has to decide on dissolution of the co-operative society:

- a) if the number of members falls below eleven
- b) if the co-operative society has lost 50% of the share capital without possibility of re-integration
- c) if the duration of the co-operative society as determined in the bylaw has expired and no action has been taken to extend it.

Article 66

Becomes a co-operative society liable for illegal actions or defaults jeopardizing public welfare, the principles of co-operation or provisions of present law and bylaws the NCB may dissolve and liquidate the society.

Article 67

The liquidation in any case is the responsibility of NCB.

Article 68

After completion of liquidation and payments of all debts the remaining assets will be at the disposal of NCB for co-operative education and promotion. A distribution among members is excluded.

National Co-operative Board

Article 66

The Government is herewith requested to establish within six month after enforcement of present law a National Co-operative Board (NCB) which will have the following main duties

- a) promotion of co-operative societies all over the country
- b) placement at the disposal of co-operative societies, co-operative unions and their members, legal, economic and technical advice
- c) registration of co-operative societies and co-operative unions (Art. 12)
- d) supervision of their correct management through auditing, inspections etc. (Art. 60).
- e) liquidation of co-operative societies and co-operative unions (Art. 66)
- f) other functions as may be defined by its Charter

Article 70

The establishment of the NCB for an initial period of five years is the responsibility of the Prime Minister, a charter has to be approved by the Cabinet.

Article 71

After the expiration of the first five years, the co-operative movement will elect the members of the NCB in accordance with its charter.

Article 72

The government is herewith requested to provide the necessary budgetary funds out of the Development Budget for an initial period of five years.

Article 73

The charter of NCB will make provisions for contributions from co-operative societies and their unions in order to become an independent National Co-operative Organization as soon as possible, controlled and supported by the member societies.

CHAPTER IX:

Final Provisions

Article 74

Each co-operative society and co-operative union established under present law shall be exempted from all taxes and duties for the initial period of ten years.

Article 75

Any dispute arising from the business of the co-operative society, disputes between members and their society and from organization in co-operative unions shall be submitted to the NCB for arbitration prior to any legal action in court.

Article 76

Any item not covered by present law or within bylaws will be subject to jurisdiction in accordance with established laws of the country.

Article 77

This law in 77 Article will become effective with the promulgation and publication in the Official Gazette.
