



# Cooperatives Organizational Directive

**Addis Ababa**

**2022**

## **Cooperatives Organizational Directive No. 896/2022**

Cooperatives play an irreplaceable role in economic and social development. There are many different types of cooperatives organized in our country. The economic potential of both rural and urban populations is low. Cooperatives play an important role in alleviating the needs of the community, and there is a need to strengthen the existing federal and state governments that provide and register extension services for cooperatives.

To provide a clear overview of the current and future types of cooperatives and organizational standards, feasibility study, business plan and bylaws. Cooperatives need to be modernized with a uniform organization, registration and operating system. Improving the role and responsibilities of members, management, and employees by making members and executives aware of it and serve as a work guide.

Due to the need for cooperatives to be informed about capital formation and alternative financing and the distribution of dividends and loan management, mergers, disbursements and disbursements and special rights.

Due to the need to establish clear procedures for cooperatives' interactions with members, the appropriate authority, stakeholders, capacity building, and each other.

“The Ethiopian Cooperative Commission has issued this directive in accordance with the authority given to it by Article 76 (3) of the Cooperatives Proclamation No. 985/2009.

## **PART ONE**

### **GENERAL**

#### **1. Short title**

This Directive may be referred to as "Cooperative Organizational Directive No. 896 / 2014".

#### **2. Definitions**

“Unless the context of the word gives a different meaning, read in this article;

- 1) The definitions of Proclamation No. 985/2009 shall apply to this Article. ”
- 2) `Proclamation` means cooperatives proclamation 985/2009
- 3) “Micro Insurance” means a system that prevents or protects members of a cooperative from the risk of losses incurred through charging a reasonable amount of premium
- 4) "Incentive" means a kind of reward given in cash or in kind or recognition or appreciation given in a form of financial or in-kind recognition or appreciation to increase the motivation and morale of the members, management and employees who have made a significant contribution to the success of the cooperative's purpose; and also includes payments given in cash or in kind or promotion to the hiered employees of cooperatives for additional accomplishment based on the purpose and plan of the cooperative.
- 5) “Cooperative Marketing Linkage” means a marketing system in which cooperatives interact with members through product or service or product and service delivery and sell members' products or services to the consumer or customers, the linkage also includes financial transactions.
- 6) “Financial Marketing Linkage” means an effective and sustainable financial transaction when there is a shortage of funds or unused deposits or to meet the credit needs of members, financial cooperatives have the ability to lend to banks, microfinance institutions, lease financing institutions, similar financial cooperatives, and non financial cooperatives and other mutually beneficial institutions.
- 7) “Representation of micro- insurance” means a power of attorney agreement between the members of the cooperative who wish to take out insurance under the contract and must pay a certain amount to the insured member in the event of an accident.
- 8) “Cooperatives Technical Advisory Committee” means a committee comprised of professionals and volunteers who provide technical advisory service on the purpose and function of cooperatives.

- 9) "Fixed Assets" means long-term value-added property that has a substantial existing value determined by individual the cooperative, including those that have a useful life of more than one year and are in service such as plants, goods and property, and include assets registered in the accounts
- 10) "A checking account" means a bank account in which nominated auditors collect and the cooperative's assets and property and converts them into cash and make expenditures.
- 11) `Marging of cooperatives` means the unification of two or more strong cooperatives, who have more than one legal entity with property ownership, administration, workplace, designation, and practice in order to create a strong cooperative and to avoid unnecessary competition with one another.
- 12) `Division of Cooperatives` means working to ensure the interest and benefit and accessibility of members by dividing the coopertives of the same legal entities in ownership, administration, workplace, designation, and practice in to one or more different or same types of cooperatives.
- 13) " Chacking an account" means collecting the assets of a cooperative that has been decided to dissolve or merging, converting the cooperative's assets into cash, identifying and paying of its debts, closing down the entire activities of the cooperatives and notifying the accounting position.
- 14) "Auditors" means Professionals who are assigned by the appropriate authority to conduct activities of checking cooperatives accounts
- 15) Cooperative Extension Service: means providing professional advice and understanding, education and information on the concept and philosophy of cooperatives to ensure that the products or services produced by members of cooperatives meet the market demand and quality standards.
- 16) Founding committee means a group of people comprised from the interested parties in cooperative, the appropriate authority and other relevant stakeholders who perform the activities of establishing the cooperatives by identifying those who are interested in organizing, identifying local resources available, studying feasibility studies, developing business plans and bylaws.
- 17) Multi-purpose Cooperative maens a cooperative established for the production and service that is essential members with an objective to achieve various goals based on the needs and objectives of its members, including the provision of loans, improved seed supply, agricultural equipment, fertilizers and chemicals, sanitation and environmental hyegne health services, and other similar activities.
- 18) Representative means an individual person elected by the general assembly who casts a ballot on behalf of the members of the primary cooperative in accordance with the bylaws of the cooperative or elected by the general assembly of the cooperatives union or the cooperatives federation.
- 19) `Operational area of Cooperatives` means a working area determined by any baylaw of a cooperative and registered with the appropriate authority.

- 20) Capacity Building : means governmental or non-governmental organizations or organizations that build capacity to support the development, improvement, and modernization of cooperatives by filling the knowledge, financial, technological and operational gaps.
- 21) In this directive any gender expression also applies to any female gender.

### **3. Scop of application**

This directive applies nationally to all cooperatives organized in various forms and levels in accordance with the Cooperatives Proclamation No. 985/2009.

### **4. Cooperative principles**

Any cooperative that is organized in accordance with this organizational directives must be organized and run in accordance with the principles of cooperatives listed below.

- 1) **Voluntary and Open Membership:** Cooperatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.
- 2) **Democratic Member Control:** Cooperatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives members have equal voting rights (one member, one vote) and cooperatives at other levels are also organised in a democratic manner.
- 3) **Member Economic Participation:** Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.
- 4) **Autonomy and Independence:** Cooperatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

- 5) **Education, Training, and Information:** Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their co-operatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of co-operation.
- 6) **Cooperation among Cooperatives;** Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.
- 7) **Concern for Community:** Cooperatives work for the sustainable development of their communities through policies approved by their members.

## **5. Cooperatives values and ethical values**

- 1) Any cooperative organized in accordance with this organizational directives shall have the following values.
  - a) self-help,
  - b) self-responsibility,
  - c) democracy,
  - d) equality,
  - e) equity,
  - f) solidarity.
- 2) Individuals who are members of any cooperative in accordance with this guideline shall have the following ethical values:
  - a) honesty,
  - b) openness,
  - c) participacion
  - d) Accountability
  - e) social responsibility
  - f) caring for others

## **6. Cooperatives Objectives**

- 1) Cooperatives to be established in accordance with the Cooperatives Proclamation, Regulations and Directives shall have the following objectives:

- a) To collectively overcome, withstand and solve economic and social problems which members cannot individually achieve;
- b) To achieve a better result by coordinating members' knowledge, resource and labor; making them competitive, modern and effective;
- c) To promote self-reliance among members;
- d) To reduce production and service costs and to offer inputs and services to members with lower costs and finding better market prices to their products or services;
- e) To expand the conditions by which technical knowledge could be put into practice and promote entrepreneurship;
- f) To develop and promote a culture of saving among members;
- g) To provide loan service to members and promote investment;
- h) To provide loan-life- insurance coverage to members;
- i) To minimize and reduce damage and lose by sharing the damage and losses that the members would have suffered if they had worked independently;
- j) To develop the social and economic capacity and culture of the members through education and training.

## **PART TWO**

### **ABOUT THE ORGANIZATION OF COOPERATIVES AND REQUEST FOR ORGANIZATION**

#### **7. Organizing Cooperatives**

Without prejudice to the provisions of Articles 7, 14 and 15 of the Cooperatives Proclamation No. 985/2009, the decision to form a cooperative shall apply to the appropriate authority in the following conditions:

- 1) People with similar interests should submit their request for organization.
- 2) The name, address, age, occupation and signature of the applicants must be provided on the application.
- 3) Calling the informants within a week ensures that it is in their interest according to their request;
- 4) Establish a founding committee, confirming the need for organization,
- 5) Provide duties and responsibilities and give aware to the founding committee members.
- 6) The founding committee shall conduct the necessary feasibility study, prepare business plans and by-laws;
- 7) Publishes documents and stamps necessary for the job, must open a bank account.
- 8) When the founding committee confirms that the necessary issues have been met, conduct the founders' conference convenes and approves the documents prepared.
- 9) The Executive Committee, members of the Regulatory Committee and other members of the sub-committees shall be elected in accordance with the criteria for the selection of the committees which shall be elected on the same day by the Nominating Committees.
- 10) The founding committee submits all the documents and assets used by the founding members to the newly elected executive committee. Provides support by attending the hand over provides support
- 11) Once the applicants have met the requirements for organizing, the newly elected leadership of the cooperative will meet the requirements for registration and will apply for registration after the activities of organizing .
- 12) The feasibility study will focus on the basics of the basin, as community-based basins are governed by baseline boundaries.
- 13) The Cooperative shall begin its regular business within six months of receiving the Certificate of Registration. Any cooperative that does not start its normal activities without good reason shall be punished in accordance with Article 19, Sub-Article 2 of Proclamation 985/2009.

## **8. Application process to organize a cooperative**



- 1) The application process for individual members to form a primary cooperative is as follows.
  - a) Individuals who wish to be organized in the area of residence, workplace, or similar profession go to the appropriate authority in their area and make their request in person or through their representatives.
  - b) More than 50 individuals with similar interests and common problems,
  - c) All organized individuals must sign a photocopy, a list of names and signatures in accordance with the form prepared by the appropriate authority.
  - d) Any professional member to be organized in cooperatives must provide proof of professional competence with the relevant competency certification.
  - e) The professional qualifications referred to in sub-article 4 of Article 9 of this Directive shall apply only to fields in which they are required by law to be certified.
  - f) Cooperatives organized in a specialized field must have a quality assurance certificate for their products or services from the relevant body.
  - g) The appropriate authority will hold a joint discussion to understand the short and long term goals of individuals.
  - h) When a consensus is reached on the question of organization, a founding committee is formed.
  - i) Individuals who are willing to perform their duties will be asked to submit their application in accordance with the membership application form prepared by the appropriate authority.
- 2) An individual membership application form will have the following contents
  - a) The full name, gender, and age of the member
  - b) Education level,
  - c) Address:
  - d) Type of work,
  - e) The purpose for which it is organized,

- f) The date and signature of the application;
- 3) If there is an application for membership in a pre-organized primary cooperative, it will be based on the membership application form prepared by the primary cooperative.
- 4) The application process for cooperatives who have applied to form a Cooperative Union or Cooperative Federation is as follows.
- a) Copy of certified minutes Certified by seal, approved by the General Assembly special resolution,
  - b) Application Form with the name and signature of the Chairman or Representative by the relevant authority to which the applicant is registered.
  - c) They must provide the application with the latest audit report for profit and loss.
  - d) Upon receipt of a written request, the appropriate authority shall review the application and begin the formation process by verifying the validity of the request.
  - e) After reviewing the application, the appropriate authority shall verify that the request was approved in accordance with the general decision of the General Assembly.
  - f) If the appropriate authority refuses to accept the request for organizing, it must respond to the request within five days to the enquiry, either orally or in writing as needed.
  - g) Any cooperative requesting to organize must be three years old since its inception.
  - h) After its formation, other primary or cooperative unions with similar interests and who are willing to accept the obligations of the bylaws may join as membership.
  - i) Subject to the provisions of sub-article 1 to 7 of Article 10 of this Directive, other primary cooperatives and cooperative unions that may fulfill their membership obligations, may apply for membership upon the formation of the Savings and Credit Cooperatives Union and Federations.

## **9. Organization based on community basin development**

- 1) Community Basin User Cooperatives shall be organized and certified in accordance with the requirements set out in both Cooperatives Proclamation No. 985/2009 and Basin Cooperatives Development and Utilization Proclamation No. 1223/2012 Article 11 of sub-Article 1-5.

- 2) Those who meet the relevant criteria in accordance with Article 11, Sub-Article 5 of the Basin Community Development and Management Proclamation No. 1223/2012 may be members of the Cooperative.
- 3) Subject to the provisions of Article 9, Sub-Article 2 of this Directive, based on the principles and values of the Cooperative, it can support them by paying special attention to women, persons with disabilities and the elderly living in the basin
- 4) Special attention to women, persons with disabilities and the elderly in the basin development regarding their benefits and dignity and the improvement of their livelihoods in a sustainable manner shall be done in accordance with the provisions of the bylaws of the Cooperative.

#### **10. Membership through a guardian**

- 1) Any citizen over the age of 18 may be organized in accordance with the provisions of the Cooperatives Proclamation 985/2009. However, in accordance with Article 11 (4) of the Community Basin Development and Management Proclamation No. 1223/2012, young people under the age of 18 may be organized into cooperatives by community basin users through their guardians.
- 2) The collection of any savings and other similar matters will be handled by guardians until they reach the age of membership.
- 3) To be membership in cooperatives through a guardian, does not provide special benefits for a member
- 4) Membership in the cooperative shall be registered the name of the minore, but not in the name of the guardian.
- 5) Any contract or action to be taken in the name of the member shall be in accordance with the laws and procedures As prescribed in the country regarding the administration of guardianship.
- 6) Any young person under the age of 18 who is a member of a cooperative through his or her guardian, they may take over full membership from their guardian in accordance with the rules and regulations of the Cooperative, and may continue to be a member of the cooperative, depending on their willingness.
- 7) The issue of membership through guardian should be included in the bylaws approved by the general assembly of cooperatives.

## **11. Honorary membership in the Cooperative**

- 1) In accordance with Articles 12 and 13 of the Basin Development Administration and Utilization Proclamation No. 1223/2012, in order to strengthen and support the cooperatives of the basin users, the government and other bodies shall be organized as honorary members to provide non-voice professional technical advice, financial and other support to the cooperative.
- 2) Subject to the provisions of sub-article 1 of Article 11 of this Directive, there will be no benefit generated from profit or interest earning for honorable membership. However, the cooperative may be recognize for their contribution as honorary members.
- 3) When the Honorable Members resign from the membership, they may leave all or part of the share amount paid to the Cooperative. Any money provided on this basis will be registered under the title of gift in an indivisible property.
- 4) The honorable members can withdraw all or part of their money paid when they terminated their membership in the Cooperative.
- 5) Any affiliated member who terminates from the cooperative shall receive the money in accordance with the agreement made that will not be endanger the cooperative.
- 6) It should be included in their by-laws regarding honorary membership.

## **12. Procedural Request for the organization of Cooperative League**

- 1) Establish a national cooperative league representing all cooperatives in Ethiopia.
- 2) The request to organiz cooperative league be submitted to the appropriate authority by cooperatives in the following procedures:
  - a) Organizing decision minutes, which was approved and sealed by the General Assembly special resolution
  - b) Application for organization request
  - c) Applicants' cooperatives shall make inquiries through their representative.
  - d) On the basis of the application for membership of the Cooperative League will be handled by the appropriate authority.
  - e) Other co-operatives formed after the inception may eventually become members by fulfilling their obligations in accordance with the rules of the Cooperative League.

## **13. Establishment of a founding committee**

- 1) A founding committee of 5-7 members will be set up to facilitate the formation process.
- 2) 3-5 members of the founding committee shall be elected directly from among the founding members. However, the founding committee will include 2-3 women and youth members of the elected founding committee.
- 3) The remaining 2 members of the founding committee shall be directly represented by the relevant stakeholder and the appropriate authority.
- 4) The elected founding committee shall have a chairman, a deputy chairperson, a secretary and other members.
- 5) The members of the founding committee shall be motivated by the decision to form a cooperative, shall have the right to make decisions and shall be accepted by the community, the chairperson of the committee shall be elected or represented among the members of the founding committee.
- 6) The founding committee to be formed in accordance with sub-article 1 of Article 13 of this Directive shall have members of the founding committee to be established in the same way as organizations above the primary cooperatives.
- 7) For organizations above the primary cooperatives, there shall be a founding committee of members or representatives of all the founding cooperatives.
- 8) The founding committee will cover the expenses of the founding members and will be replaced by information and evidence provided to the cooperative after its formation.
- 9) In collaboration with various local bodies, facilitate temporary workplaces to perform the work of the founding committees.

#### **14. Duties and responsibilities of founding committee**

The founding committee established to form cooperatives has the following duties and responsibilities.

- 1) Confirms the members 'and members' information on the basis of their request;
- 2) Provides information and awareness to individuals and cooperatives who have applied for membership.
- 3) Registers individuals or cooperatives who are interested and willing to become member;

- 4) Conducts socio-economic feasibility study
- 5) Develop and approve a 3-5 year business plan led by the Cooperative.
- 6) Prepare a draft by-laws in accordance with the model bylaws prepared by the appropriate authority;
- 7) Convenes a meeting of the founding committee of the individuals registered to become members or executive committee or representatives of the registered members;
- 8) Elects a three-member nominating committee from among the members of the Executive Committee, the Control Committee and other sub-committees attending at the founding conference;
- 9) Approves the registration, the amount and price of the share based on feasibility study
- 10) Approves the name and address of the cooperative provided by naming it at the conference;
- 11) Determines the bank on which the cooperative's deposit account will be opened.
- 12) Submitting the feasibility study, business plan, bylaws, minutes and other documents to the selected cooperative management committee or board.
- 13) Carries out fundraising activities for the establishment;
- 14) Prepare to hold a National Cooperative League conference;
- 15) Invites all cooperatives in the country to join membership in the upcoming Cooperative League through various media outlets.

## **15. Inviting members to hold a founding meeting**

- 1) In accordance with the provisions of Articles 13 and 14 of this Directive, The founding committee shall convene a meeting of the founding members in the presence of registered members or representatives within five working days of the completion of the preparatory work
- 2) At least two-thirds of the individuals who have applied for membership in the primary cooperatives must attend the founding members' meeting.
- 3) At least two-thirds of the members of the cooperatives who have applied for membership to form the Cooperative Union and the Cooperatives Federation must attend the founding members meeting.

- 4) Decisions made at the founding meeting must be handled properly in the minutes
- 5) A representative of the appropriate authority must attend at the founding meeting.

## **16. Issues to be decided at the founding meeting**

- 1) Issues to be decided and approved on the founding meeting include:
  - a) Type of cooperative
  - b) feasibility study,
  - c) Business plan;
  - d) bylaws
  - e) Description of the operational areas
  - f) The name and logo of the cooperative;
  - g) Election of the Executive Committee, Control Committee and other sub-committees;
  - h) Determining the amount of registration fee,
  - i) Determining the amount of share capital for sale, the price of one share, the amount of share sold, the amount of share promised and the time when the share will be sold.
  - j) The amount of capital from another source,
- 2) The convening of the founders meeting calls must be communicated to the public through accessible means of communication.
- 3) The relevant governmental and non-governmental bodies may be present at the conference. However, they cannot vote in the decision.
- 4) In accordance with the provisions of Article 16 of sub-article 3 of this Directive, the decisions regarding the Cooperative shall be made in the order in which they are presented in the minutes.
- 5) The appropriate authority shall attend the founding meeting in person and provide professional support.

## **17. Organization of primary Cooperatives**

- 1) Subject to the provisions of sub-article (1) of Article 24 of the Cooperatives Proclamation No. 985/2009, any Ethiopian may be organized into a cooperative.

- 2) Subject to the provisions of sub-article (1) of Article 17 of this Directive, persons living outside of Ethiopia Cannot be organized by representative on their behalf.
- 3) The official who receives the application of the founding members shall convene a meeting of the founding members within 15 days.
- 4) The duties and responsibilities of the founding committee shall be in accordance with sub-article 1-15 of article 14 of this Directive.
- 5) The members of the founding committee shall, after fulfilling their duties and responsibilities, submit their request in writing to the appropriate authority for registration of the cooperative.
- 6) The appropriate authority who has received the application for registration of the cooperative shall be properly examined their request within 5 days.
- 7) The appropriate authority shall, examine the reasons for non-registration and respond to the request within 5 days,
- 8) Unless it is stated in writing that it is not registered as a cooperative within 5 days, the cooperative shall be deemed to be registered and may carry out the activities specified in the bylaws and work plan.
- 9) The appropriate authority shall provide the necessary professional support from the date of receipt of the request from the cooperative in writing to the date of registration.
- 10) Primary cooperatives that perform the similar functions cannot be established in the same operational area. If so, it should be merged based on research.
- 11) Any full-time worker in government or non-governmental organizations may not be organized into cooperatives in which members are directly involved in production.
- 12) Any member of a cooperative who is directly involved in the joint production of products or service provision may not hire another person on his behalf.
- 13) It is not possible to establish a cooperative with only one family member.
- 14) Women or youth or people with disabilities may be organized independently in various fields based on socio-economic feasibility study to solve their problems.



- 15) Any person who is an employee of a primary cooperative may fulfill his or her membership obligations and become a member of a primary cooperative. However, he cannot be elected by any committee member; If elected, he will resign
- 16) No employee may be a member of a cooperative in which he or she cannot actively participate in person.

## **18. The organization of cooperatives union**

- 1) Without prejudice to the provisions of Article 14 of the Cooperative Proclamation No. 985/2009, more than two primary cooperatives having the same function and purpose may establish a cooperative union by ensuring its economic viability
- 2) To establish a cooperatives union, the following must be completed:
  - a) A request for an organization approved by the General Assembly shall be made.
  - b) There should be two or more primary cooperatives willing to organize
  - c) The feasibility study should be done to ensure that they are able to grow their businesses or achieve the goals of modern investment that require high capital.
  - d) It should be confirmed that there are problems identified in the study that are beyond the capacity of the primary cooperatives.
  - e) Primary cooperatives must each be willing to purchase share amount of 25% of their total capital.
  - f) They primary cooperatives should be with the same purpose and function;
  - g) Must be organized by the Cooperative Proclamation and have been certified by a relevant authority and have received a certificate of legal entity.
  - h) To become a member of cooperative union, the primary cooperative must be three years old since its inception.
    - a. Cooperatives that comply with the membership provisions in accordance with the Cooperatives Proclamation, Regulations and this Directive may become members of the primary cooperatives.
- 3) In the event of a request for the establishment of a Cooperative Union in accordance with the provisions of sub-article 2 (a-h) of Article 16 of this Directive, the appropriate authority shall conduct a feasibility study prior to its establishment.
- 4) Two or more cooperatives with the same purpose and function may form a cooperatives union.

- 5) The primary cooperatives decisions, which are willing to form a cooperatives union must be approved by a special resolution of the General Assembly. The special resolution of the General Assembly shall be submitted to the appropriate authority at the time of the registration of the Union.
- 6) The primary cooperatives, which are willing to form the Cooperative Union, will submit the special resolution approved decision by the General Assembly and their request for organization to the appropriate authority in writing.
- 7) Within 10 days of receipt of the request, the appropriate Authority shall convene the members of the management Committee of the primary Cooperatives and elect a founding committee consisting of 3-7 members to work on the preparation for the establishment of the cooperatives union. Selection of committee members shall be in accordance with Article 12, Sub-Articles 1, 2 and 3 of this Directive.
- 8) The founding committee, together with the appropriate authority, shall convene the founding General Assembly of the union after completing the preliminary activities of the Union.
- 9) At the founding meeting, the board of directors of the cooperatives, the control committee and other sub-committees are elected; after the plan and bylaws are approved the formation of the cooperative becomes a reality.
- 10) The application for registration shall be submitted to the appropriate authority through the established Union Board of Directors.
- 11) After the formation of the union, another cooperative with the similar interests and has accepted the purpose of the union may become a member.
- 12) It is not possible to establish more than one cooperative union with the same purpose and function in the same area..

## **19. Organization of Cooperatives Federation**

- 1) Subject to the provisions of Article 15 of the Cooperative Proclamation No. 985/2009, the Cooperatives Federation shall be organized by two or more affiliated cooperative unions with similar functions and objectives.
- 2) Cooperative unions interested in forming a Cooperatives Federation must fulfill the following:

- a) Request for organizational interest approved by a special resolution of their general assembly;
  - b) A letter stating that each of the cooperative unions is willing to purchase 30% share amount of its total capital.
  - c) Letter of support from the registrar body describing that they are cooperatives unions of the similar purpose and function.
  - d) Organized and registered by the Cooperative Proclamation, registered with the appropriate authority and received a certificate of legal entity
  - e) To become a member of cooperative federation, the cooperatives union must be three years old since its inception.
  - f) Cooperatives that comply with the membership provisions in accordance with the Cooperatives Proclamation, Regulations and this Directive may become members of the Federation.
  - g) G) Primary cooperatives engaged in the same purpose and function as a non-union member of the Federation
- 3) The cooperatives unions and the primary cooperatives that are willing to form a cooperative federation must first submit a request to the appropriate authority approved by a special resolution of their general assembly.
  - 4) In the event of a request for the establishment of a Cooperative Federation, the appropriate authority shall be informed of the existence and feasibility study of the Cooperative Union before its establishment.
  - 5) Within 5 days of receipt of the request, the appropriate Authority shall convene the members of the management board of the Cooperatives union and elect a founding committee consisting of 3-7 members to work on the preparation for the establishment of the cooperative federation..
  - 6) When a study confirms that there are activities beyond the capacity of the cooperatives union, it may establish a cooperative federation based on the needs of the appropriate authority. The organizational process shall be in accordance with Article 18 of the the formation of of cooperatives union.
  - 7) The appropriate authority may organize the cooperatives federation at the regional and national levels on the basis of their social and economic feasibility.
  - 8) More than one federation engaged in similar activities may not be organized at the state or federal level. However, the cooperative federations to be organized will be the same as the cooperatives.

- 9) Primary cooperatives that are organized at the state level or unable to join a cooperative union due to their unique resources in terms of local resources, occupation and purpose may become members by fulfilling the membership obligations of the federation or the federation established at the state level.

## **20. Duties and Responsibilities of Cooperatives**

- 1) Every cooperative shall submit a quarterly and annual general work report to the appropriate authority. The content and form of the report shall be prepared by the appropriate authority.
- 2) Any cooperative shall submit its annual work plan to the appropriate authority after it has been approved by the General Assembly.
- 3) Any cooperative shall notify the appropriate authority 15 days prior to the emergency general meeting.
- 4) Any cooperative shall be notified in writing to the Registrar within 5 days from the date of dismissal or termination of the members of the governing board for various reasons.
- 5) The new Board of Directors of any cooperative shall be notified within 3 days of the election of the appropriate authority.
- 6) Any cooperative that has a legal entity shall have its own address and territory.
- 7) The Cooperative shall notify the appropriate authority within 30 days of changing its permanent address. He must inform the media to let others know;
- 8) Any cooperative who wants to audit its accounts by an external auditor must first obtain the approval of the appropriate authority.
- 9) Cooperatives should mobilize member products to create better markets and prices.
- 10) Collecting the products of the members and converting them into different products (adding value) to keep them standardized and packaged and market them to get more value
- 11) To create more market conditions for their products by establishing various small and medium enterprises that use raw materials as raw materials.
- 12) Eliminate the additional cost to the members by providing a variety of modern inputs at the right time, quantity and location at an affordable price.

- 13) Promote and promote the use of modern technology products from various institutions to increase the productivity and productivity of members.
- 14) To provide the necessary support for the production of quality and standardized products for the domestic industry and foreign markets;
- 15) Negotiate with various financial institutions and lend capital from the cooperatives so that members can purchase and use the various inputs they want to produce.
- 16) Develop a saving culture and provide savings services that members will not be able to take full advantage of the income they do not get from their produce.
- 17) Conduct research and training on topics critical to the growth of member production and productivity;
- 18) Enabling cooperatives to be more effective by increasing access to extension services for members by increasing production and productivity and reducing waste;
- 19) Cooperatives to participate in the protection and conservation of natural resources;
- 20) The issue of disposal of cooperatives that do not provide services to cooperatives should be addressed
- 21) Expanded chemicals focus on the issue of disposal of non-service assets in order to create cooperatives that are costly, costly, and labor-intensive.
- 22) Cooperatives should pay their taxes on time according to their size and characteristics.
- 23) Other functions shall be determined in accordance with the by-laws of the Cooperative.

### **PART THREE**

## **TYPES OF COOPERATIVES, FISIBILITY STUDY, BUSINESS PLAN AND BYLAW;**

## **21. Types of Cooperatives;**

- 1) A cooperative may be established to engage in production or service rendering activities or both in production and service rendering activities.
- 2) Cooperatives types to be organized in agricultural production include livestock and livestock products, cereal production and forestry.
- 3) Without the prejudice to the provision of Article 21 sub-article 2 in this directive cooperatives organized in livestock and livestock products may include the following.
  - a) Livestock Cooperative,
  - b) Animal fattening Cooperative,
  - c) Dairy farming Cooperative,
  - d) Fishery Cooperative,
  - e) Beekeepers Cooperative,
  - f) Poultry Farming Cooperative,
  - g) Animal Feeding producers Cooperative,
  - h) Civet Producers Cooperative,
- 4) Without the prejudice to the provision of Article 21 sub-article 2 in this directive cooperatives organized in cereal and forestry product may include the following.
  - a) Cereal producers Cooperative,
  - b) Seed producers Cooperative,
  - c) Coffee producers Cooperative,
  - d) Sugarcane producers Cooperative,
  - e) Vegetables and Fruit producers Cooperative,
  - f) Spices producers Cooperative,

- g) Resins and gum producers Cooperative,
  - h) Forestry and forest product producers Cooperative,
  - i) Irrigation development Cooperative,
- 5) Small and medium level cooperatives organized under construction materials producers' cooperative may include the following.
- a) Traditional mining producers Cooperative,
  - b) Construction materials producers Cooperative,
- 6) Small and medium level cooperatives organized under the producers of industry and handicraft products may include the following.
- a) Weaving products producers cooperative,
  - b) Office and home furniture producers Cooperative,
  - c) Pottery and clay products producers Cooperative,
  - d) Soap and cleaning materials producers Cooperative,
  - e) Jewelry producers Cooperative,
- 7) Cooperatives established in areas of service provision may include consumers, saving and credit, housing, hygiene and beauty, homemade food staffs, catering, rural electrification, transportation and different vocational and professional services.
- 8) Without the prejudice to the provision of Article 21 sub-article 7 in this directive types of consumer cooperatives include the following.
- a) Institution based organized Consumer cooperatives.
  - b) Community based organized consumer cooperatives.
- 9) Without the prejudice to the provision of Article 21 sub-article 7 in this directive types of saving and credit cooperatives include the following.
- a) Institution based organized saving and credit cooperatives.
  - b) Community based organized saving and credit cooperatives

- 10) Without the prejudice to the provision of Article 21 sub-article 7 in this directive types of housing cooperatives include the following.
- a) Workers' housing service cooperative.
  - b) Urban residents' housing service cooperative.
  - c) Rural residents' housing service cooperative.
- 11) Without the prejudice to the provision of Article 21 sub-article 7 in this directive types of hygiene and beauty cooperatives include the following.
- a) Waste picker service cooperatives.
  - b) Car washing service cooperatives.
  - c) Laundry service cooperatives.
  - d) House and compound cleaning services cooperatives.
  - e) Beauty salon service cooperatives.
- 12) Without the prejudice to the provision of Article 21 sub-article 7 in this directive the following cooperatives may organized.
- a) Value addition of agricultural and industry raw materials, homemade food staffs service cooperatives.
  - b) Catering service cooperative.
  - c) Rural electrification service cooperative.
  - d) Transportation service cooperative.
- 13) Without the prejudice to the provision of Article 21 sub-article 7 in this directive types of cooperatives organized in vocational and professional include the following.
- a) Health profession service cooperative.
  - b) Accounting professionals' service cooperative.



- c) Education and training professionals service cooperative.
  - d) Electrical maintenance professionals service cooperative.
  - e) Plumber's professional service cooperative.
  - f) Consultancy service cooperative.
  - g) Engineering profession service cooperative.
  - h) Contractor and carpenters service cooperative.
  - i) Lawyer's profession service cooperative.
- 14) Includes multidisciplinary farmers' cooperatives organized in production and service delivery.
- 15) Without the prejudice to the provision of Article 21 sub-article 14 in this directive types of cooperatives organized both in production and service rendering activities include the following.
- a) Multipurpose farmers' cooperative.
  - b) Includes multidisciplinary farmers' cooperatives organized in production and service delivery
- 16) The numerous tasks of multipurpose cooperatives will include the following.
- a) Provide access to credit services for its members to support them in developing agricultural practices, business activities and others;
  - b) Provide agricultural supplies and tools by promoting agricultural technics and methods to improve agricultural product.
  - c) Market through value added agricultural and other commodities produced by members as a result of the cooperatives intervention.
  - d) Improving the livelihood and lifestyles of cooperative members through improving their economic situation by establishing additional businesses and small and medium industries from their agriculture or other related activities;
  - e) Cooperatives can solve their problems by enhancing the members 'saving culture, accessing credit services for members' health, education and leisure.
  - f) Provide different items with fair price for members.
  - g) Try to address members' disagreement issues through arbitration and judgment.

- 17) Regarding the activities of any cooperative engaged in production, all members may be able directly to execute production activities collectively together.
- 18) Subject to the provisions of sub-article 16 of this Article, the appropriate authority may organize cooperatives in other fields, in particular, by examining the economic and social significance of special requests.

## **22. Conducting cooperatives' feasibility study**

- 1) Any cooperative shall not be organized unless confirmed by feasibility study.
- 2) Feasibility study shall be conducted by members of founder committee which is designated by appropriate authority.
- 3) The feasibility study should show the economic and social benefit, community's lifestyle and opportunities of the organized cooperative within the community.
- 4) The intended cooperative shall be decided whether to organize or not based on the conformation in the feasibility study.
- 5) Without the prejudice to the provision of Article 22 sub-article 2 in this directive the feasibility study conducted to organize cooperative include the following points.
  - a) Members' situation
  - b) The future potential members
  - c) Local resources
  - d) Major tasks of cooperatives
  - e) The state of economic feasibility
  - f) Local product and service situation
  - g) Members production and services situation
  - h) Demand and supply situation
  - i) Technical feasibility

- j) Forecasting financial feasibility
  - k) Market situation analysis
- 6) Without the prejudice to the provision of Article 22 sub-article 2 in this directive the feasibility study conducted to organize cooperative union and federation include the following points.
- a) Members status
  - b) The future potential members of cooperatives
  - c) Local resources
  - d) The resources of the cooperative
  - e) Current and fixed asset, balance sheet,
  - f) The major tasks of cooperatives to be implemented
  - g) Economical feasibility (market situation)
  - h) Local product and service condition
  - i) Production and services condition of members of cooperatives
  - j) Demand and supply situation
  - k) Technical feasibility
  - l) Forecasting financial feasibility
  - m) Social impact

### **23. Develop a business plan for cooperatives**

- 1) The business plan of the cooperatives shall be prepared by the founding committee. However, it is impossible to be organized without a business plan.
- 2) The business plan will serve as future roadmap for the cooperative.

- 3) Without the prejudice to the provision of Article 23 sub-article 1 of this directive business plan contains the following contents:
  - a) The vision and mission of Cooperatives
  - b) The purpose and function of the cooperative
  - c) Situation analysis
  - d) Product or service plan
  - e) Market Analysis
  - f) Market (buyer and seller) plan
  - g) The human resource plan
  - h) Financial Plan

## **24. Cooperatives Bylaw**

- 1) Founder committee shall prepare cooperative bylaw based on the draft model bylaw given by the appropriate authority.
- 2) The founding committee may use feasibility study as an input when drafting bylaws.
- 3) Approve the draft bylaws prepared by the founding committee and submit them to the newly elected executive committee.
- 4) The by-laws approved in accordance with sub-article 3 of Article 24 of this Directive shall be binding and applicable to the members.
- 5) The bylaws shall be the supreme law of the cooperative and shall serve as the basis for various procedures, procedures, organizations, internal rules and regulations.
- 6) The by-laws of cooperatives shall have the following principles:
  - a) Transparency
  - b) Consistency
  - c) Continuity/consecutive

- d) Inclusiveness
  - e) Actionable
- 7) Subject to the provisions of Article 12, Sub-Article 1 (A-M) of the Cooperatives Proclamation No. 985/2009, the bylaws of any cooperative shall also include the following.
- a) Description of the cooperative's operational area and location
  - b) Organizing a members' record.
  - c) Members' acceptance, registration and suspension from the Cooperative
  - d) Organizational structure of Cooperatives'
  - e) Issues that require regular, urgent and special resolution of the General Assembly;
  - f) About registration fee, share and share certificate issuance.
  - g) About cooperative's capital formation
  - h) Accounting and financial management.
  - i) Loan and loan administration.
  - j) Payment and incentive system.
  - k) The direct and horizontal relationship of the cooperative with other parties;
  - l) Cooperatives Fiscal year.
  - m) Inspection and certification of performance.
  - n) Conditions for the division or merger or dissolution of cooperatives
  - o) Means of resolving disputes arised in cooperatives
  - p) About the establishment and management of cooperatives fund
  - q) About the establishment, functions and responsibilities of the Cooperative Advisory Council

- r) Providing education and training to members, management bodies and employed staffs;
  - s) Contents of cooperative's internal regulation
  - t) The by-laws must contain the effective date, month and year.
- 8) A copy of the by-laws of the cooperative registered with the appropriate authority shall be returned to the cooperative.

## **25. Amendments to the bylaws of cooperatives**

- 1) Any cooperative registered under the Cooperatives Proclamation 985/2009 and in accordance with this directive shall amend its bylaw when it change its name.
- 2) The amended bylaws of any cooperative shall not be valid until it has been approved by the General Assembly and submitted to the registrar.
- 3) Any amendment of the bylaw shall coincides with cooperative proclamation 985/2016 and with this directive and the registrar body confirm that the amendment does not preclude it from registering may register it.
- 4) If the registrar does not register any amendments on the bylaws, he must notify the registrar in writing. Accordingly, any cooperative who has a complaint shall submit a complaint with the appellate court at all levels within 30 days.
- 5) The appropriate authority at all levels shall provide the cooperative with a copy of the approved amended bylaw while it registering the amendment. This will be good proof that the amendment is properly registered.
- 6) For the purposes of this Directive, the term "amendment" includes the issuance of new bylaws and the replacement or repeal of the the existing bylaws
- 7) The name of any cooperative:
  - a) Shall not have the same name as with any other cooperative name.
  - b) The use of the same name should not be confusing or misleading by the registrant's opinion;
  - c) It should not be the same as the name of the other cooperative registered under this directive.
  - d) Shall not be prohibited by law.
  - e) Shall not indicate or show a relationship with a political party or a political party leader.

## **PART FOUR**

### **COOPERATIVES' NAMING AND MEANING OF LOGO, DESCRIPTION OF OPERATIONAL AREA AND WORK PLACE AND ACCOUNTING AND FINANCIAL MANAGEMENT**

#### **26. Cooperatives' naming and meaning of logo**

- 1) Any cooperative organized in accordance with this organizational guideline shall have its own name. The designated name cannot be more than one name in a registration area
- 2) Name of any cooperative given before within the operational area shall not be named for other cooperative organized within the same operational area.
- 3) Subject to the provisions of Article 9 of cooperative proclamation number 985/2016, any cooperative shall have its own logo, logo meaning and seal, which shall be decided by a special decision of the General Assembly.
- 4) The name, logo and seal of any cooperative shall be used only if it is confirmed by law that it has not been complaint by a third party.
- 5) The seal of any cooperative shall bear the name and logo of the cooperative and may be round at the bottom and rectangular at the top in shape.
- 6) Regarding the use of language on the seal, it may vary depending on the type and level of cooperatives, but may decide their national and international use.
- 7) Subject to the provisions of Sub-Article 5 of this article, the full name of the upper part of the seal shall be the working language of the cooperative, the federal working language at the bottom and the center shall bear the logo of the cooperative.
- 8) The seal of the cooperative which is involved in international relations, shall be the full name of the cooperative with the local working language at the top and in English language at the bottom, and the middle one bearing the of the cooperative.

- 9) The logo of the cooperative shall have clear meaning and used to describe its activity, culture, history, value and reflecting future hope.
- 10) Any cooperative shall use its logo and seal to show the legality of products and service provision. But logo and seal of any cooperative shall not be the same and misleading.
- 11) The logo and seal of any cooperative shall be stamped on the cooperative notices, letters, other statements and documents signed in the name of the cooperative.
- 12) The name, logo and seals of cooperative shall be changed by a special decision of the general assembly and when it registered with the appropriate authority.
- 13) When a cooperative requests for a change of logo or seal, the appropriate authority shall verify it and publish it in a widely covered newspaper. If the opposition does not file a petition within thirty days from the date of its publication, it shall approve the name change within two consecutive working days.
- 14) No one may use the name "Cooperative" on names, logos and seals without the permission of the appropriate authority.

## **27. Cooperatives operational area**

- 1) Operational area of any newly organized or dividing or merging cooperative shall be determined in accordance with the provisions of the By-Laws in the registered field of work, objective and bylaws.
- 2) Cooperatives with the same feild of work, purpose, and function may not be established in the same operational area.
- 3) The operational area may also be determined by the residence in which members live or work.
- 4) Any cooperative can open different branches to make accessible to members with in the operational area.
- 5) Any cooperative cannot open main office or branches out of operation area. However, the head office can be opened with the permission of the appropriate authority out of operational area for the sake of efficiency.
- 6) Without the prejudice to the provision Article 27 sub-article 5 cooperatives engaged on marketing may open to facilitate marketing linkage case management or service delivery office or shop out of operational area in different corridors for the sake of efficiency.



- 7) When opening service delivery branch within operational area or case management or service delivery office or shop out of operational area; any cooperative shall:
  - a) Shall be accepted by the General Assembly.
  - b) Shall be included in bylaw well.
  - c) Shall be notified and accredited to the appropriate authority
- 8) Without the prejudice to the provision Article 27 sub-article 7 in this directive the case management or service delivery office or shop or branch of the cooperative when deciding close or stop with different reasons.
  - a) Shall be accepted by the General Assembly.
  - b) Shall not have third party claim and ensured by law.
  - c) Shall be notified with letter to appropriate authority within fifteen days.
- 9) Anyone can be a member of a cooperative organized in different fields of work, purpose and function in the same operational area.
- 10) The operational area of cooperative organized by this directive shall be based on economic benefit of the cooperative. The details will be determined by the cooperative's bylaws.

## **28. Description of operational area**

- 1) When a cooperative is organized in accordance with the nature of its work, it shall have a place of work by allocation, purchase or rental or donation to operate its task.
- 2) Any cooperative shall declare and register its legal description of working area to the appropriate authority
- 3) A cooperative shall declare address change of workplace to the appropriate authority within 15 days with official letter through confirmation of no third party claim.

## **29. Accounting and financial management Of cooperatives**

- 1) A cooperative shall record its income and expenses on appropriate vouchers on a daily basis.
- 2) Cooperatives shall receive evidence for their payment and provide timely receipts for any income collected.
- 3) Without the prejudice to the provision Article 29 sub-articles 1 and 2 on this directive under the consideration of type and level of cooperative's shall have the following vouchers.
  - a) Income voucher,
  - b) Expense voucher,

- c) Daily Sales voucher,
  - d) Credit Sale voucher,
  - e) Cash receipts vouchers,
  - f) Payroll,
  - g) Good receiving vouchers
  - h) Store issue vouchers
- 4) The management body of a cooperative that authorize finance does not collect any finance, does not perform accounting records.
  - 5) The cashier shall record the income and expense transaction on the control journal and report to accounting head daily basis.
  - 6) Individual shall not engage on cash collecting activities on behalf of the cooperative unless he or she has been officially delegated by the cooperative.
  - 7) A cooperative shall perform its income and expenses only in accordance with the budget approved by the General Assembly.
  - 8) Donation and support from governmental or non-governmental organization shall record and kept properly by the cooperative.
  - 9) Without the prejudice to the provision Article 29 sub-article 8 in this directive if the donation is in cash, the cooperative shall provide income receipt and deposited in the savings account.
  - 10) If the donation is in kind, it shall be valued in cash and record on good receiving voucher and recorded in the asset register. The donation shall be decided by the General Assembly and registered.
  - 11) Every cooperative must have the following records to operate its activities:
    - a) Revenue registration book,
    - b) Expenditure registration book,
    - c) Accounting Ledger registration book,
    - d) Accounting reconciliation registration book,
    - e) Cash control registration book

- 12) Cash collection vouchers and other accounting documents shall keep carefully. If lost for various reasons, shall immediately report it to the appropriate legal entity and notify to the communication media in addition.
- 13) Members of the Cooperatives' Special Committee shall not be charged for the services they provide to their cooperatives and their members. However, in the case of a cooperative, if they travel more than five kilometers from the cooperative, they will be paid a living allowance as determined in their by-laws. Transportation costs will also be covered by your legal receipt
- 14) The cooperative shall record their accounts daily, close monthly and annually and make ready for audit.
- 15) A cooperative shall submit accounting report to executive committee and appropriate authority monthly, quarterly and annual basis. They need to have professional to do this task.
- 16) Depending on the type of cooperative, it may have the following different accounting formats that are helpful for operations.
  - a) Application form for new and re-membership.
  - b) Good receiving voucher.
  - c) Store issue voucher.
  - d) Loan agreement format.
  - e) Price analysis format.
  - f) Perdiem request and settlement formats.
  - g) Payment format for which does not have voucher.
  - h) Advance payment voucher.
  - i) Other forms, as determined by their by-laws.
- 17) Any cooperative may have the following various formats used to support its operation.
  - a) Purchase request form.
  - b) Loan application form
  - c) Application form for new membership.
  - d) Application form for re-membership.
  - e) A form to be completed when a member resigns.
  - f) Inheritance nomination form.
  - g) Other forms, as determined by their by-laws.

### **30. Opening an account**

- 1) Any cooperative, with the support of the appropriate authority, shall open open block account, current and saving account number at the nearest legal and viable financial institution or bank
- 2) Without the prejudice to the provision Article 30 sub-article 1 in this directive cash shall not kept on safe or on hand more than the amount stated on the bylaw.
- 3) Payments collected for rregistration and share by members of the founding committee shall be kept in a block saving account opened by a financial institution or bank until the cooperative is registered with the appropriate authority. However, the registration fee can be used to cover various expenses incurred during the formation and registration process.
- 4) Without the prejudice to the provision Article 30 sub-article 1 in this directive the money collected from registration and share may save in interest free account for those cooperative engaged on interest free practices.
- 5) Without the prejudice to the provision Article 30 sub-article 3 in this directive to act the permanent executive committee elected by the general assembly through their co-signature of the members shall be receive appropriate support from the appropriate authority
- 6) In the event of any a change in the composition of any financial institution or bank account of any cooperative, the mobile and savings account number shall be activated by a joint signature of the newly elected Executive Committee and its representatives.
- 7) Depending on the nature of the work, the scope of the work, the members and the market, any cooperative may be opened by a special decision made by the General Assembly from a variety of financial institutions or bank numbers.
- 8) Subject to the provisions of sub-article 7 of Article 30 of this Directive, When it believes that opening different accounts in different banks will endanger the cooperative and may delay until it is deemed appropriate by the appropriate authority.

## **PART FIVE**

### **REGISTRATION OF COOPERATIVES AND CERTIFICATE OF**

### **REGISTRATION**

### **31. Cooperative Registration System**

- 1) Requirements for registration of any cooperative to be submitted for registration, various directives issued by the appropriate authority; They must understand and fulfill the principles and values of international cooperation.
- 2) No Cooperative shall be engaged in any business unless it is registered in accordance with Cooperative law.
- 3) Any application for registration in accordance with sub-article (2) of Article 31 of this Directive shall be submitted in the prescribed form and in the manner determined by the appropriate authority.
- 4) Subject to sub-article 2 of Article 10 of the Cooperatives Proclamation No. 985/2009, any primary Cooperative shall submit the application for registration in addition to the following documents:-
  - a) Bylaw signed by the members of the General Assembly;
  - b) Name and address of the members of the cooperative;
- 5) According to Article 31, Sub-Article 2 of this Directive, any Cooperative above the level of Primary Cooperative shall submit the application for registration in addition to the following documents:
  - a) Meeting minutes of the founding member Cooperatives,
  - b) Balance sheet of the Cooperative
  - c) Short, medium, and long term plan approved by the General Assembly;
  - d) Written Professional Testimonials and Comments of the Cooperative promoter
  - e) A stamp must be affixed to the legal document submitted for registration;
  - f) Attach a copy of the Bank receipt for payment for the registration certificate on behalf of the Cooperative.

- 6) The registrar may specifically allow a child under the age of 18 to remain a member of a cooperative via his/her guardian until he or she reaches the age of majority. However, any Cooperative may decide in its bylaws on the performance of a guardianship.
- 7) The appropriate authority shall have a protocol record of registering Cooperatives. A sample of the protocol is attached in the annex to this Directive.
- 8) Any Cooperative pays a registration fee. The amount of pay is attached in the annex to this Directive.
- 9) Any Cooperative applying for registration must meet the requirements for registration.
- 10) The requirements for Cooperatives registration by the appropriate authority should be placed where the customer accessed easily.
- 11) Cooperatives shall be properly monitored and supported by Cooperative promoters before they can be registered.
- 12) The Cooperative Promoter shall provide a written statement of professional testimony and comments regarding the proper support and follow-up to the Cooperative following the request of Cooperative and the benefits of establishing the Cooperative.
- 13) Based on the information provided by the Cooperative, which was reviewed by the Organizing Expert to register in accordance with the Cooperatives Organization Guidelines, the Registrar will clear the following issues:
  - a) Cooperatives applying for registration must provide a complete and verified registration form;
  - b) The cooperative shall transfer the information to the legal entity registration register
  - c) Identification of register number by region or city administration or zone or sub-city must be given in order
  - d) The type of Cooperative, identification number, or code must be given:
  - e) Registration pay information must be attached;
  - f) The registrar must certify by signing in the date on which the information is given;
  - g) Prepare the certificate and along with bylaws shall be submit with covering letter to the Cooperative;

- h) The stamp must be attached or affixed to the proposed bylaws when applying for registration.

### **32. Registrar of Cooperatives**

- 1) The registrar shall inform the applicant in writing of the reasons for non-registration when it is determined that he does not register a cooperative.
- 2) The legal existence of any Cooperative shall be effective from the date of registration.
- 3) A Cooperative that has been prepared a feasibility study and has considered as feasible, and able to operate in an environment where they are organized shall be submitted to the appropriate authority and registered.
- 4) Primary Cooperatives; Cooperative unions and Cooperatives Federations shall be registered and registered with the Cooperative Promotion bodies at woreda or Zonal or Sub-city or Region or Federal level depending on their characteristics.
- 5) Primary Cooperatives or Cooperative unions to be established between two woredas shall be registered with the Cooperatives Promotion body at the zonal or sub-city level.
- 6) Any Cooperative to be established between two zones or sub-cities shall be registered with the Cooperatives at the Regional or City Administration level.
- 7) Any Cooperative formed by two or more cooperatives which cannot be registered at the regional level due to their special nature and is formed by two or more Cooperatives located in two regions or City Administrations shall be registered at the level of the Federal Cooperative Agency.
- 8) The Cooperative League will be registered at the national level. At the national level, the Cooperative League, which represents all Cooperatives, is registered nationally. A legal certificate will be issued for confirmation of registration.
- 9) Among the requirements that must be met when registering Cooperative League:
  - a) Bylaws
  - b) A five year strategic plan on the matters that they can accomplish;
  - c) The names and signatures of the leaders represented by the General Assembly of the cooperative League.
- 10) Subject to the provisions of Article 10 of the Cooperatives Proclamation No. 985/2009, the relevant authority shall certify the registration application submitted by the Cooperative in

accordance with the registration form or format by the bylaws and business plan. 1 copy of the bylaws certified by the Registrar shall be provided to the Registrar's Cooperative.

- 11) The basic information of any Cooperative being collected in the form or format prepared by the appropriate authority and shall be renewed at least every three years.
- 12) When Cooperatives meet the required criteria and the institution at all levels shall issue a permanent certificate of legal identity.
- 13) Certificates issued to Cooperatives may have the same or different format and content as required.
- 14) Any registrar who registers Cooperatives shall prepare a checklist for evaluation based on the documents submitted for registration.
- 15) Prior to the issuance of a registration certificate, any registrar should physically evaluate the proposed Cooperative in accordance with the prepared checklist.
- 16) Cooperative Promoters and the registrar shall jointly conduct evaluation and weighting process for eligible Cooperatives for registration.
- 17) A certificate of registration shall be issued upon verification of eligibility for registration in accordance with the registration checklist.

### **33. Certificate of Registration**

- 1) Any Cooperatives shall obtain a registration certificate from the appropriate authority in accordance with the provisions of Proclamation No. 985/2009 before being organized and operational.
- 2) All members of the newly formed Cooperative, through management committee members elected by the General Assembly, shall apply to the appropriate authority for certification of legal status by meeting the requirements for registration.
- 3) Any person or cooperative that is prepared to work together being organized shall be registered with the appropriate authority and receive a certificate of legal identity in order to fulfill the purpose for which it was established and to be accepted before the law.
- 4) any cooperative shall obtain a certificate of the permanent legal entity authorized by the appropriate authority by meeting with registration requirements ahead of time
- 5) A certificate of registration shall be issued to any Cooperative in accordance with this Directive when it meets the registration requirements. The contents of the registration certificate are annexed to this Directives.



- 6) Subject to the provisions of sub-article (1 and 2) of Article 11 of the Cooperatives Proclamation No. 985/2009, any cooperative's legal identity certificate shall be kept in a transparent place that is easily seen in the workplace or office.

### **34. Certificate of Temporary Registration**

- 1) If Cooperatives are organized at all levels and do not meet the required criteria, they will be issued a one-year temporary legal identity certificate.
- 2) Any cooperative that has received a temporary certificate will have the rights and obligations within the timeframe of registration.
- 3) Subject to the provisions of Article 10 (8) of the Cooperatives Proclamation No. 985/2009, an additional 3 months notice may be given if the Cooperative does not meet the requirements within nine months and receive a permanent certificate.
- 4) If the Cooperative meets the unfulfilled requirements within the stipulated time, after appropriate payment a permanent certificate shall be issued and the temporary registration certificate shall be returned.
- 5) A cooperative that has received a temporary registration certificate in accordance with this Directive shall be legally unacceptable after a year if it does not meet the required criteria within one year. The Cooperative shall be dissolved by the appropriate authority and ends its legal existence.
- 6) Subject to the provisions of Article 10, Sub-Article 2 (a) to (e) of Proclamation No. 985/2009, the appropriate authority in accordance with Article 33, Sub-Article 3 (a)–(h)) of this Directive, Cooperative that does not fully comply with the requirements for registration shall be provided a temporary registration certificate for a period not exceeding one year and meet the rest of the requirements within the stipulated time frame.
- 7) Any Cooperative that does not meet the remaining requirements within the one-year deadline shall be deemed to have ceased to exist and shall have to return the temporary registration certificate received on time.
- 8) In accordance with this Directive, any process of dissolution of a Cooperative shall be in accordance with the provisions of Articles 55 to 60 of Proclamation No. 985/2009.

### **35. Issuance of replacement registration certificate**

- 1) Requests for a replacement of certificate of registration of Cooperatives shall be made only when the registration certificate has been lost or damaged or the name has been changed if the following found fulfilled:
  - a) When any cooperative loses its registration certificate, it shall notify the appropriate authority within seven consecutive working days and the appropriate authority shall verify the availability of information verified by the law and approve the replacement certificate within two consecutive working days.
  - b) Proof of legal identity if the certificate of registration is damaged, the appropriate authority shall issue the defective certificate replacement registration certificate within two consecutive working days.
  - c) When a cooperative requests a name change approved by the General Assembly, it shall be investigated by the appropriate authority and published in a wide-ranging newspaper. If no objector is present within 30 days from the date of publication of the newspaper, it shall approve the change of name and issue a replacement registration certificate within two consecutive working days.
  - d) If the request for a replacement registration certificate is not convincing, the appropriate authority shall notify the Cooperative in writing stating the reasons why it will not be issued within two consecutive working days.

### **36. Issuance of standard-based registration certificate**

- 1) Any cooperative submitted for registration shall be given a colorful certificate indicating its level of performance in accordance with the established criteria.
- 2) Cooperatives may receive the following colored certificates, depending on the type of result as recorded:-
  - a) Certificate with a “green” color that identifies as “A”
  - b) Certificate with a “yellow” color that identifies as “B”
  - c) Certificate with a “red” color that identifies as “C”

- 3) They will receive a standard benefit and support package that fits their standards on the certificate issued to them.
- 4) Cooperatives that receive a green certificate;
  - a) Achieve the highest level the basic purpose and function to which they were established;
  - b) Able to benefit the members to a great extent
  - c) Solve the basic economic and social problems of the members;
  - d) Significantly contributing to the local development by alleviate the problems of the community.
  - e) Those who are significantly contributing to the success of the government's economic and social goals;
  - f) The relationship and connection between the members and the strong commitment of the members to work together;
- 5) The basic purpose of establishing Cooperatives with yellow certificates shall be at the intermediate level as set out in Article 36, Sub-Article 4 (a-f) of this Directive.
- 6) Any Cooperative that remains at the lowest yellow point of no more than two consecutive terms in accordance with Article 36, Sub-Article 5 of this Directive shall be deemed to be red next.
- 7) Cooperatives that fail to achieve their basic objectives will be given a red certificate.
- 8) Any Cooperative holding a red certificate that has not been amended for more than two consecutive times may decide to dissolve or consolidate it based on the study of the appropriate authority at all levels.
- 9) Subject to the provisions of sub-article 8 of Article 36 of this Directive, the decision to dissolve or merge cooperatives with red certificates shall be made;
  - a) If the cooperative is found to be inactive in accordance with the requirements;
  - b) Dissolved by itself but not by law;
  - c) When it is proved that it is not in the purpose for which it was established;
  - d) Provides no economic benefits to the members;
  - e) When it is impossible to improve performance,

- f) When there is no alternative to strengthening;
- g) When it is proved that it has no contact with the members;
- h) If the members of the Management Committee are not working,

### **37. Renewal of Registration Certificate**

- 1) Any Cooperative organized in accordance with the Cooperatives Proclamation No. 147/91 shall renew its registration within 1 year from the date of its publication in accordance with Article 20, Sub-Article 1 of Proclamation No. 985/2009.
- 2) Subject to the provisions of sub-article (1) of Article 37 of this Directive regarding the renewal of registration certificates, the registration certificate issued to Cooperatives shall be renewed every three years.
- 3) Subject to the provisions of sub-article (2) of Article 37 of this Directive, a valid certificate shall not be valid for more than three years after its establishment or renewal.
- 4) The registration certificate must be renewed by the appropriate authority at each level no later than one month after the expiration date.
- 5) Any Cooperative that is not renewed within this time limit will not be legally recognized. Therefore, the registration certificate may be revoked by the appropriate authority.
- 6) In order to renew the registration certificate of any Cooperative, the following must be completed.
  - a) Three copies of the amended bylaw of the Cooperative
  - b) Three year strategic plan,
  - c) A brief statement of the past three years outlining the general position of the cooperative. The description is shown in the appendix.
  - d) A copy of the updated profit and loss statement and certified copy of balance sheet statement of the latest audit report approved by the General Assembly;
  - e) Certification of competency
  - f) The next three year plan, the three year plan format is shown in the appendix.
  - g) Receipt of payment for renewal

- h) Information on the number of members,
  - i) Evidence that the cooperative has not shown losses for the last three consecutive years.
  - j) Data showing that the average member's marketing engagement has improved over the past three years.
- 7) Any Cooperative that has not renewed its registration certificate in accordance with sub-article (6) of Article 37 of this Directive shall be subject to the following measures by the appropriate authority:
- a) Suspended any support from the government;
  - b) Any terms and conditions entered into agreement by the Registration Certificate shall not apply;
  - c) The appropriate authority may announce the registration certificate invalid using various means of communication.
- 8) Subject to the provisions of Article 37 Sub-Article 7 (A-C) of this Directive, any Cooperative who refuses to renew a registration certificate following an action shall not be accepted. The appropriate authority shall, in accordance with the law, return the registration certificate.
- 9) In accordance with the Cooperatives Organization Directives, the appropriate authority shall inform through media or in writing of the conditions and deadlines for the re-registration of existing Cooperatives.
- 10) Renewal of registration certificate in accordance with the requirements of the relevant authority;
- a) Make calls using various means of communication
  - b) Any Cooperative who receives a call or letter must appear and renew the certificate.
  - c) Must submit a renewal request in writing through the Cooperative Management Committee.
- 11) Establishes a 3-member of renewal committee to renew the registration certificate of the appropriate authority.

### **38. Reoles and responsibilities of the Renewal Committee**

- 1) Ensures that the cooperative's accounts are audited;
- 2) ensure that the general Statement of balance sheet information of the cooperatives that are being renewed is verified;
- 3) Ensures that the information of the members of the cooperative is verified.

- 4) Ensures and records the information provided to the Cooperative on fixed and current assets;
- 5) Ensure that the by-laws of the Cooperative prepared in a new way.
- 6) Ensures the preparation of a draft business plan to assist the cooperative.

### **39. Payment for obtaining a certificate of registration**

- 1) When the registration of any Cooperative is submitted under the Cooperatives Proclamation No. 985/2009 and the registration fee to be paid in accordance with the regulations shall include:
  - a) Birr 100.00 to obtain a permanent registration certificate for a newly formed cooperative
  - b) B) Birr 200.00 to obtain a replacement registration certificate
  - c) Birr 50.00 to obtain a temporary registration certificate
  - d) Birr 100.00 for registration certificate renewal
- 2) Any cooperative must attach a copy of the receipt deposited to the bank in its name.

### **40. Condition for rejection of registration certificate**

- 1) Registration of any cooperative is rejected for the following reasons:
  - a) If there is already a cooperative registered with the same name and logo in the area;
  - b) Does not have its own project study as required;
  - c) If it does not meet the requirements for registration in accordance with Proclamation No. 985/2009 and this Directive;
  - d) If the objective is contrary to the Cooperatives Proclamation No. 985/2009 or the directives issued by the relevant authority, it may not be registered and certified.

### **41. Suspension of Registration Certificate**

- 1) Any cooperative registered in accordance with this Directive may be suspended or canceled by the appropriate authority upon proving that it is not operating in accordance with Proclamation 985/2009. However, it shall inform the General Assembly of the reasons for the suspension and cancelation of the certificate.

- 2) Any cooperative issued a Certificate of Registration shall be suspended in accordance with Proclamation No. 985/2009 for the following reasons:
  - a) If it is determined during the monitoring and evaluation that the previous criteria were fraudulent or incomplete;
  - b) Failure to provide accurate information to the registrar;
  - c) If the proclamations, rules and regulations are not complied with;
  - d) If it is proved that it harms the rights and interests of the members or the economy of the country;
  - e) When the government does not comply with the policy and decides to suspend it;
  - f) Has not completed the renewal period with due support or not fulfilled its obligations;
- 3) A cooperative who complains about the ban in accordance with the provisions of sub-article 2 (a-f) of Article 41 of this Directive shall, within one month, submit the request to the appropriate authority. If he does not present the suspension in time, the appropriate authority will start the cancellation process;
- 4) The registration certificate cannot be issued until the defects of the Cooperative have been rectified. In this case, any terms of agreement and procedures used by the Registration Certificate will not apply.
- 5) The appropriate authority shall notify in letter the suspended Cooperative within 15 days with the reasons for the suspension of the registration certificate and any defects observed.
- 6) The suspended Cooperative shall, within one month from the date of receipt of the letter stating the reasons for the suspension, correct any deficiencies observed;

#### **42. Cancellation of Certificate of Registration from the Register**

- 1) Any cooperative registration certificate may be cancelled from the register for the following reasons:
  - a) When it is discovered that the Cooperative obtained the registration certificate through fraud or forgery.

- b) If the Certificate of Registration is used for any purpose other than the purpose for which it was given, or if it is found to have been transferred to another body for use;
  - c) If it is not renewed in accordance with the provisions of Article Cooperatives Proclamation 985/2009 and Article 37 of this Directive;
  - d) If found to be operating outside of the Cooperatives Proclamation, regulations, and Directives;
  - e) If the suspension is found more than twice,
  - f) Confirmed by the appropriate authority that the cooperative has ceased to exist.
- 2) Any Cooperative shall be required to return the registration certificate upon confirmation by the appropriate authority if one or more of the acts listed in sub-article 1 (a - d) of Article 42 of this Directive have been committed by the appropriate authority.
  - 3) Any Cooperative shall be required to return the registration certificate upon cancellation in accordance with the law of dissolution by the appropriate authority.
  - 4) Subject to the provisions of sub-article 3 of Article 42 of this Directive, it shall be notified in writing to the Cooperative that the registration certificate will be canceled.
  - 5) Any Cooperative shall be notified by the appropriate authority on the date of cancellation of the registration certificate.
  - 6) Any Cooperative who returns the certificate must return the top and bottom stamps used.
  - 7) Any cooperative who returns the certificate must close any bank account one that has been used for in its name. The Cooperative must provide proof of closure.

#### **43. Registration of Community Watershed users Cooperatives**

- 1) Subject to the provisions of Article 10 of the Cooperatives Proclamation No. 985/2009 on the registration of cooperatives, in addition to those organized in the community watershed, a register shall be registered in accordance with Article 10 of the Community Watershed Development and Management Proclamation No. 1223/2013.
- 2) In accordance with the provisions of Article 139, Sub-Article 18 of the Directive on Community Watershed user Cooperatives, Community Watershed beneficiaries.



- a) Must be registered in a separate register.
- b) A separate registration certificate must be issued.
- c) If they do not meet all the requirements, they will be issued a temporary registration certificate in accordance with Proclamation 985/2009.

**PART SIX**  
**COOPERATIVE MEMBERSHIP REQUIREMENTS, RIGHTS, AND**  
**OBLIGATIONS**

**44. Membership Requirments**

- 1) Subject to the provisions of Article 24 of the Cooperatives Proclamation No. 985/2009, the membership requirements of cooperatives include the following:
  - a) Not deprived of his legal rights and not mentally disturbed;
  - b) Resides or works in the operation area of the Cooperative;
  - c) Willing to implement the by-laws, internal rules, various Directives and decisions approved by the General Assembly;
  - d) Not a member of another similar Cooperative;
  - e) Not engaged in activities that are in conflict with the interests and activities of the former cooperative.
- 2) Subject to the provisions of sub-article 1 of this Article, a non-union member who is a former member of the Federation may become a member of the Federation of Cooperatives.
- 3) Subject to the provisions of sub-article 2 of this Article, shall provide supporting evidence for this purpose from the appropriate authority;

**45. Rights of members of Cooperatives**

- 1) Subject to the provisions of Article 25 (1) of the Cooperatives Proclamation No. 985/2009, every member shall have the following rights.
  - a) Voluntarily and democratically promote the position of the General Assembly;
  - b) Members to obtain the necessary information from their cooperatives

- c) To submit and receive any questions, complaints and comments on matters pertaining to the Cooperative.
  - d) Members to participate in the trainings provided by the Cooperative without discrimination;
  - e) To re-imburse of the nominal value of paid-up shares upon termination of membership;
  - f) To appoint a representative where necessary;
- 2) Without prejudice to the provisions of sub-article 1 of this Article, any member shall exercise his / her rights granted by law through himself or his representatives.

#### **46. Obligation of members of Cooperatives**

- 1) Subject to the provisions of Article 25 (2) of the Cooperatives Proclamation No. 985/2009, any member shall have the following obligations.
- a) Be present in time for the decisions of the General Assembly and participate appropriately;
  - b) Members to provide better and better quality products or services to their Cooperatives in a timely manner;
  - c) Pay back the members' loans from their Cooperatives before the expiration date;
  - d) To Support and monitor the completion of projects planned by the members of the General Assembly on time.
  - e) To fulfill the duties and responsibilities assigned to them by any member of the staff.
  - f) To share the losses of the cooperative;
  - g) To ensure the internal peace of the Cooperative.
  - h) To understand and respect the by-laws of the cooperative;
  - i) To avoid any conduct or omissions that may affect the interest, appearance, operation or performance of the Cooperative;
  - j) To offer maximum cooperation to the leadership of the cooperative;

- k) To honor the terms of any contract with cooperative faithfully;
  - l) To protect the properties of the cooperative society;
- 2) Subject to the provisions of sub-article 1 (a-l) of this Article, any member who fails to perform his duties shall be liable in accordance with the provisions of the by-laws.

#### **47. Dismissal of members of Cooperatives**

- 1) Subject to the provisions of Article 26, Sub-Articles 1 and 2 of the Cooperatives Proclamation No. 985/2009, a member may be dismissed from the Cooperative in addition to the following matters:
- a) When a member dies
  - b) When the cooperative is dissolved;
  - c) Lack of discipline,
  - d) If the member is unwilling to payback the loan,
  - e) Has not participated in three consecutive regular meetings without good reason;
  - f) Has committed any act contrary to the objective and function of the cooperative;
  - g) To sell or buy or sell below the market value for the personal benefit of the property purchased or sold by the Cooperative;
  - h) Made to use or used the property of the cooperative for personal gain;
  - i) Gives or receives bribes in the name of Cooperatives;
  - j) Deliberately misappropriating or facilitating conditions for misappropriating of the Cooperative;
  - k) Improperly or reduced quality of the product or service offered to the Cooperative.
- 2) Subject to the provisions of Article 47, Sub-Article 1 (d) of this Directive, if he/she refuses to repay the debt, he/she shall be required to repay the debt by the State High Court or at the Federal Court of First Instance.

#### **48. Acceptance of new members and Re-acceptance of former members**

- 1) The former members may submit the request to the members of the Management Committee in accordance with the membership application form prepared to return to the Cooperative.
- 2) At the request of the member, the following matters shall be before becoming a member:
  - a) The presence of the applicant in the Cooperative operation area;
  - b) Providing evidence on debt settlement of other Cooperatives;
  - c) Fill in the details of the reason for his dismissal from the Cooperative by comparing the details according to the prepared form.
  - d) Fill in the form provided for the reason for returning to the cooperative.
- 3) The Management Committee of the Cooperative may decide whether or not to join the body that applied for membership.
- 4) Subject to the provisions of Article 26, Sub-Articles 4 to 7 of the Cooperatives Proclamation No. 985/2009, when the former members are allowed to return by Management Committee and must pay the registration fee and the minimum share amount specified in the Cooperative's bylaws.
- 5) Subject to the provisions of Article 48, Sub-Article 4 of this Directive, the registration fee for new or returned members shall be determined only by the General Assembly.
- 6) From the date of acceptance and registration of a new member of the cooperative, his/her rights and obligations shall be protected and he/she shall be able to use the services provided by the Cooperative as any other member;

#### **49. Determining the minimum number of members of the primary Cooperatives**

- 1) Subjected to the provisions of Article 7, Sub-Articles 2 and 3 and Article 8, Sub-Article 1 of the Cooperative Proclamation No. 985/2009, the minimum number of members of Cooperatives engaged in production or service or production and service shall be as follows:
  - a) The minimum number of members of Cooperatives organized in animal and animal products will be 80 people.
  - b) The minimum number of members of Cooperatives organized in crop and forest products will be 100 people.

- c) The minimum number of members of Consumer cooperatives organized locally will be 250 people.
  - d) The minimum number of members of consumer Cooperatives organized on an institution basis will be 100.
  - e) The minimum number of members of the Savings and Credit Cooperatives organized on a local basis shall be 100 people.
  - f) The minimum number of members of a Savings and Credit Cooperative based on an institution will be 80 people.
  - g) The minimum number of members organized by Housing Cooperatives shall be 50 in rural areas and 24 in urban areas.
  - h) The minimum number of members of the Multi-Purpose Farmers' Cooperatives will be 250.
  - i) The minimum number of members who will organized in horticulture and irrigation cooperatives will be 50 people
  - j) Cooperatives, which are organized on the basis of various fixed and depleting resources, will be assigned by the appropriate authority based on the resources and feasibility study. However, the minimum starting number cannot be less than 10 people.
- 2) Subject to the provisions of sub-article 1 of Article 49 of this Directive, the appropriate authority shall monitor and support the increase in the number of members in accordance with the rationale of the number of members organized prior to Proclamation 985/2009.

## **50. Organizing a Membership Register**

- 1) Subject to the provisions of Article 28 of the Cooperatives Proclamation No. 985/2009, the membership register also contains the following:
  - a) Marital status,
  - b) Family size,
  - c) Regular work,

- d) The share bought in kind or in cash,
  - e) If it is more than a Primary Cooperative, a member cooperative; Name, number of individual members, gender, family size, capital, savings, date and year of establishment and dissolution. The Membership Registration Form is attached in the Appendix section.
- 2) Other details specified in the bylaws.

## **51. Representation of members of vote by proxy**

- 1) Subject to the provisions of Article 29, Sub-Article 3-6 of the Cooperatives Proclamation No. 985/2009, the members of the General Assembly of the Primary Cooperatives, Cooperatives Union and Cooperatives Federation vote by proxy.
- 2) Subject to the provisions of Sub-Article 1 of Article 51 of this Directive, the members who participate in the General Assembly shall be represented on the basis of their own full interests and beliefs, such as the loyalty, decision-making, active participation, example and other related criteria.
- 3) Subject to the provisions of Article 29, Sub-Article 3 of the Cooperatives Proclamation No. 985/2009 if the number of members of the Primary Cooperatives is more than 500, a General Assembly meeting may be convened. However, the maximum number of members represented by one representative in a Primary Cooperative may not exceed 500.
- 4) Subject to the provisions of Article 51, Sub-Article 3 of this Directive on the Representation of the General Assembly, the total number of members of the General Assembly of any Primary Cooperative shall not exceed a maximum of 1000 members.
- 5) The delegates to the General Assembly shall be determined by the size of the members of the cooperatives and should be transparent, convincing and based on research.
- 6) If the number of members of any Cooperative exceeds the specified number, a general assembly may be convened by the development of technology and the use of such technology. They may decide in their by-laws about its implementation and use.
- 7) The details of the process of delegation shall be determined by the General Assembly on the basis of the actual circumstances of the Cooperative and shall be included in their bylaws.
- 8) Subject to the provisions of Article 51, Sub-Articles 6 and 7 of this Directive, the General Assembly of any Cooperative shall be made up of one representative from each of the basic cooperatives and shall have an additional representative depending on the number of members of the Cooperative. A list of additional representatives is also attached in the appendix.

- 9) Subject to the provisions of Article 51, Sub-Article 7 of this Directive, the total number of delegates to the General Assembly of a Cooperative Union shall not exceed eleven.
- 10) Subject to the provisions of Article 51, Sub-Articles 6 and 7 of this Directive, the General Assembly of any Cooperative Federation shall consist of one representative from each member of the Cooperative Union and shall have an additional representative depending on the number of members of the Cooperative Union. Additional representations are also included in the appendix to the guide.
- 11) Primary Cooperatives that are directly affiliated with the Federation of Cooperatives shall have two representatives each.
- 12) The decision of any cooperative shall be made by a majority vote of the members and a quorum or quorum must be met. Regarding the quorum voting process, should be determined in their bylaws based on the type and level of cooperatives
- 13) Delegates shall vote at meetings, taking into account the rights of the persons represented.
- 14) In the process of electing delegates on important issues, the Cooperative Managment Committee may, in coordination with its representatives at its place of residence or work area, implement vote-gathering or other technology-based voting techniques.
- 15) Although the General Assembly may be represented by a representative of the Cooperatives, the Cooperatives must ensure that the voting process is conducted in a democratic manner.
- 16) Decisions made in any Cooperative shall be by majority vote. However, if the vote is equal, the vote of the Chair Person shall be of paramount importance.
- 17) Non-members working in various capacities with the Cooperative shall not have the right to vote.
- 18) The representative of the General Assembly may, at any time, be replaced by another, in accordance with the decision of the General Assembly.
- 19) Unless otherwise specified in the by-laws of the Cooperatives, the decisions of the regular or emergency meeting shall be decided by a majority of the members present at the meeting.
- 20) The selection of the members and the functions and responsibilities of the members shall be determined in the bylaws of the Cooperative.

**PART SEVEN**

**STATUSE OF THE COOPERATIVE GENERAL ASSEMBLY,  
MANAGMENT COMMITTEE, MANAGER AND HIRED  
PROFESSIONALS**



## **52. Status of the General Assembly**

- 1) The General Assembly of any cooperatives shall have the following status
  - a) General Assembly means a meeting of individual members or representative.
  - b) A decision passed by the General Assembly on cooperatives issue shall be final.
  - c) Every cooperative should have a regular meeting. However, it may have an emergency and special general assembly as needed
  - d) The general assembly may partially delegate the final decision-making power to the management committee.
- 2) No member of a cooperative shall participate in the election of the general assembly or the executive committee of a cooperative unless he has paid the required payments to the cooperative.
- 3) No cooperative society shall admit new members within fifteen days prior to the date of its annual general meeting.

## **53. Power and Duties of General Assembly**

- 1) Without the prejudice to the provisions of Article 32 of the Cooperatives Proclamation No. 985/2009, the powers and duties of the general assembly of any cooperative include the following:
  - a) Shall approve the report by hearing to the minutes of the last general assembly.
  - b) The case of those members who have grievances on the decision of the management committee shall be decided by the general assembly for a final decision. However, the complaint must be submitted in writing to the Secretary of the Management Committee at least two days prior to the General Assembly.
  - c) Elect and dismiss the Cooperative Advisory Council, Management Committee and Control Committees.
  - d) Make the right decision on the investment, assets and loan needs of the members of the cooperatives.

- e) On the basis of agreements that will be made during auditing, the audit documents of the auditors shall be approved by the general assembly. Though, job responsibilities of auditors and processings of their conditions of payment should be determined in the bylaws.
  - f) The auditor shall provide answers to questions rased by the General Assembly with regard to the findings of the audit and missed account titles.
  - g) Based on the management committee report submitted to it, it shall give a final decision to penalize and dismiss members who create mistakes on their cooperative.
  - h) Insures the provision of education and tranings for its members and employees
  - i) Approves the appointment of a cooperative manager.
  - j) Shall elect members from General Assembly to work as project committee members and shall pass decisions regarding the tasks they perform and their staying period.
  - k) Accepts new members, suspends those who have problems or needs to leave the cooperative;
  - l) Approves the cooperative's annual budget, business plans and strategic plans;
- 2) Subject to the provisions of sub-article 1 (a-b) of this Article, a member of a primary cooperative shall discuss and approved a head of time on the issues to be decided at the level of General Assembly of the Cooperatives Union.l
  - 3) Any primary cooperative who has a complaint against the decisions made in accordance with the powers and duties of the General Assembly of the Cooperatives Union may file a complaint.
  - 4) The General Assembly or Executive Committee shall announce and convene at least fifteen days in advance a clear summary of the date, venue, time and agenda of the meeting.

#### **54. Election Criteria and Accountability of the Management Committee**

- 1) Subject to the provisions of Sub-Articles 1 and 6 of Article 34 of the Cooperative Proclamation No. 985/2009, any cooperative may include the following: in addition to the selection criteria of the members of the management committee stated in its bylaws,
  - a) Members of the managment Committee shall to be a member of a Cooperative.

- b) Who can efficiently discharge the membership duties that are stated in the bylaws of the cooperative?
  - c) Who should properly perform the responsibilities assigned to him.
  - d) Shall have firm interest and feeling to support the people.
  - e) Who is free from charges of unethical conduct and unfaithful practices in the past?
  - f) Who at present is not in due process of the law for being accused of unethical conduct and unfaithful practices?
  - g) Education level for primary cooperative shall at least be a grade 8 complete, and for cooperative union he at least be a grade 10.
  - h) In case of absence of an educated person in the locality, for a primary cooperative he at least is required to know reading and writing /literate /and for cooperative union he at least is required to complete grade 8.
  - i) Voluntary to accept education and training given to them.
  - j) Who is being witnessed by members about his good character and loyalty
  - k) As management committee member they must properly understand the accountability that emanates decision making process
  - l) To be elected in a cooperative management committee, he/she must stay as a member for at least one operational year
  - m) Dedicated to implement the duty given to him.
- 2) Members shall be elected without any discrimination of their identity, economic capacity and political ideology.
  - 3) The general assembly elects three members of an election committee to carry out the election processes of the management committee.

- 4) The management committee who has been leading the cooperative previously shall return their power to the election committee, however, if an appropriate authority has no trust on the process of election, it may give the re-electing task to the election committee.
- 5) Members of the management committee who have completed their second term of office shall not be re-elected. However, after taking a rest for one physical year they can be re-elected for another term.
- 6) The appropriate authority shall make follow-up and provide supports to achieve the objective of the election process.
- 7) Based on concrete situation that exists in a cooperative, it is possible to add additional candidates in order to increase the number of candidates that run for election to be elected as committee member.
- 8) Total Number of members of a cooperative management committee shall be decided on the cooperative bylaws, however, the total number should be decided by considering the number and type of sub committees. Any management committee member, excluding the chairperson, can work as a chair-person of sub committees.
- 9) In order to make the right number of members in cooperative management committee and to create favourable condition for decision making the number of management committee members of a cooperative shall not exceed from 5 to 11, however, the management committee elected by the General Assembly shall elect 2 reserve management committee members to compensate missed committee members.
- 10) The general Assembly shall replace the committee who complete term of office or missed committee on yearly assembly meeting.
- 11) Without the prejudice of cooperative proclamation no. 985/2009 article 34 sub articles 3 and 6, it is necessary to elect and replace 1/3rd of the existing committee members every year starting from the beginning of the 3rd year term from the time of their election.
- 12) Subject to article 54 sub article 9 of this directive, a newly elected management committee members who have been elected starting from the first year of the second term are not replaced and can work as management committee up to the next third term.

- 13) Until the transfer is completed, the appropriate authority shall block the bank account makes the transfer of power between the dissolved and elected committees be accomplished within a period of not more than three days. However, the existing and newly elected management committee may hand over the work in the presence of the appropriate authority, employees and selection committee members.
- 14) When member of the management committee leave their office for whatever reason, they are obliged to train the new committee for one month and give detail data on their activities they performed during their term of office.
- 15) The term of office of any Management Committee is three years but he/she may be re-elected for a second term of three years if approved by the General Assembly. However, no one can be chosen respectively for more than two terms.

## **55. Duties and responsibilities of the management committee**

- 1) Without the prejudice of cooperative proclamation no. 985/2009 article 35, any cooperative management committee shall be having the following duties and responsibilities.
  - a) Any time and in any issues relating to the cooperative, representing the cooperative, he sues, signs agreements, and debates on behalf of the cooperative where as if the agreement and contract is made in monetary terms, the agreement he makes shall not exceed the amount set by the General Assembly in the by laws.
  - b) Shall make available the accounting documents of the cooperative.
  - c) Approve and control any cooperative income recorded on cooperative cash receipt voucher.
  - d) Shall approve the healthiness of the account and hear monthly and quarterly financial statement report of the cooperative.
  - e) The appropriate authority shall create favorable condition to facilitate the auditing work of the accounts of the cooperative by external auditor that is represented by it.
  - f) The management committee shall discuss on the audit report and will create favourable condition for its submission on General Assembly meeting.

- g) Shall take technical and administrative measures by receiving the recommendations given on the report by the general assembly and the auditor.
- h) Subject to the provisions of Article 26, Sub-4 of the Cooperatives Proclamation 985/2009, it shall examine and submit a new or renewal of membership application by dismissed members in accordance with the bylaws.
- i) It accepts the resignation request with the consent of the member and makes a decision, but submits it to the general assembly for a decision to be made by the member of the cooperative.
- j) Ensures that the members of the cooperative are properly discharging their rights and obligations as stated in the bylaws
- k) Prepares Ammendments of the by-laws, amendments of internal by-laws and other directives in accordance with the draft model prepared by the appropriate authority, and implements it after it gets the approval of the General Assembly.
- l) Submits the amended bylaws, internal regulation and other documents that are approved by general assembly to the appropriate authority for registration
- m) The appropriate authority shall, when notified, indicate that it has received and registered the amended article.
- n) It shall study and apply new procedures tuseful the Cooperative, and shall submit them to the General Assembly for approval.
- o) Ensures the sale of certain shares within the stipulated time, coordinates the purchase of members, and decides on additional shares for joint investment by the General Assembly.
- p) Ensures the sold additional share is being used for the achievement of its predetermined objective and for the benefit of its members.
- q) Members of the Management Committee agree on the necessity of having a manager, when the General Assembly allocates the necessary budget, it shall hire and dismisses a manager
- r) Borrows, distributes to members, and repays loans in a timely manner in accordance with the union's bylaws and bylaws.

- s) Supervises and ensures that managers and department heads are discharging their duties in responsible and accountable manner.
- t) Give education and training to members and management bodies to create awareness on bylaws, internal rules, and other directives and practices.
- u) The management committee shall be transfers the share and benefits or debts of deceased members to their legal heirs.
- v) In the event of a dispute between the cooperative and its members, it shall seek a conciliatory solution before proceeding to arbitration.
- w) The management committee of the cooperative shall be jointly and separately liable for any loss or damage caused to the cooperative as a result of its activities outside the scope of the proclamation, bylaws, and the decisions and responsibilities of the general assembly.
- x) It will impeach those who caused harm, loss and damage to the cooperative, monitors its performance,
- y) On the agreement documents when audit their accounts by external auditor that are found outside the appropriate authority.
- z) The Cooperative shall submit to the General Assembly for approval the acquisition or disposal of property in accordance with its bylaws.
- aa) Performs duties assigned to it by the General Assembly.

- 2) Subject to the provisions of sub-article 1 (a-p) of this Article, any cooperative may place additional duties and responsibilities in its bylaws, depending on the nature of its work.
- 3) No Cooperative may operate outside the scope of its duties and responsibilities set forth in Sub-Article 1 (a-P) of this Article and its by-laws

## **56. Duties and Responsibilities of the Chairman of the Management Committee**

- 1) The chairman of the cooperative shall be directly elected by the members of the General Assembly and shall be accountable to the General Assembly and the Management Committee.

- 2) Subject to the provisions of Article 35 of the Cooperatives Proclamation No. 985/2009 the Chairman of the Management Committee shall have the following functions:
  - a) Shall lead the general assembly, management committee and internal control committee
  - b) Signs jointly on accounting documents and checks,
  - c) On behalf of the cooperative, he is sued, prosecuted or responded to;
  - d) Enter in to contractual agreements on behalf of the cooperative.
  - e) Performs other functions and responsibilities determined by the bylaws and the functions assigned to it by the General Assembly;

### **57. Duties and responsibilities of Management Committee**

- 1) The Vice-Chairman of the Cooperative shall be elected by the members of the General Assembly and shall be accountable to the Management Committee.
- 2) Subject to the provisions of Article 35 of the Cooperatives Proclamation No. 985/2009 and Article 46 Sub-Article 1 of this Directive, the Vice Chairman of the Management Committee shall have the following duties and responsibilities:
  - a) In the absence of the chairman, he replaces the chairman and directs the work of the cooperative.
  - b) Member of the management committee of any cooperative, In addition to being a member, he shall be the chairperson of a sub-committee in accordance with the rules.
  - c) Perform other functions assigned to him by the Cooperative Management Committee;

### **58. Duties and Responsibilities of the Secretary of the Management Committee**

- 1) The Secretary of the Executive Committee of the Cooperative shall be elected by the members of the General Assembly and shall be accountable to the Executive Committee.
- 2) The Secretary of the Cooperative shall be elected by the members of the General Assembly and shall be accountable to the Management Committee and shall have the following duties and responsibilities.



- a) In consultation with the Chairman of the Cooperative, prepare a meeting agenda and gather agendas from other committee members.
- b) Shall forward meeting calls and agendas for members and confirms its arrival.
- c) Convenes the minutes of the General Assembly and the Executive Committee; Prepares,
- d) He carries out various secretarial activities of the Cooperative.
- e) Maintains the seal, minutes, records and documents of the cooperative in the absence of employees; organizes the office and bureau of the cooperative;
- f) In addition to being a member of the management committee of any cooperative, he shall be the chairperson of a sub-committee in accordance with the provisions of the bylaws.
- g) Copies the other functions assigned to it by the Cooperative Management Committee.

## **59. Executive committee Treasurer's Role and Responsibility**

- 1) The treasurer of the executive committee of the cooperative shall be elected by the members of the general assembly and shall be accountable to the executive committee.
- 2) The Treasurer shall be elected by the members of the General Assembly and shall be accountable to the Management Committee and shall have the following duties and responsibilities:
  - a) Those cooperatives that do not have hired employees shall collect revenues by using a cash receipt voucher.
  - b) Co-operatives that do not employ workers shall pay the costs of the work in writing by letter from the chairman and after approval of the cooperative cash payment voucher.
  - c) The Cooperative's member of Treasurer Committee shall monitor the day-to-day operations of the employee in accordance with the most recent list of job descriptions given to him.
  - d) Cooperative protects the money and documents of any cooperative;

- e) Ensures the existence of supportive expence and revenue documents during the expence and revenue processes;
  - f) The cooperative is obliged to carry out its accounting procedures in accordance with its bylaws, internal regulation and other directives.
  - g) In cooperative that has no hired employees, he shall sigen with the Chairperson on the financial statements and bank checks.
  - h) Member of the managment committee of any cooperative, In addition to being a member, he shall perform his responsibility by being the chair person of a sub-committee in accordance with the provisions of the bylaws.
  - i) Performs other duties assigned to him by the Cooperative managment Committee;
- 3) The management of the cooperative should be selected as the treasurer with the best financial experience and ethics acceptable to the members.

## **60. Duties and Responsibilities of the Accountant**

- 1) In the absence of a hired accountant, the accountant of the cooperative shall be elected by the members of the general assembly and shall be accountable to the executive committee and shall have the following duties and responsibilities:
  - a) Prepares and do follow up of the accounts of the cooperative
  - b) Fully document the Cooperative's fixed and movable assets, loans, capital, revenues and expences;
  - c) Maintains accounting records and other accounting documents;
  - d) Ensure that any expences are properly authorized with;
  - e) Submit the Cooperative Financial Report to the Management Committee within 3 to 5 days that follow the closing.date Of the Monthly Financial Report.
  - f) Working closely with the Treasurer, he will ensure the proper maintainance of the Cooperative funds

- g) Together with the Chairman and the Treasurer, he shall sign all the documents and checks;
  - h) A hired accountant shall monitor the day-to-day work according to the detailed list of job descriptions given to him.
  - i) Member of the management committee of any cooperative, In addition to being a member, he shall carryout his responsibility by being the chairperson of a sub-committee in accordance with the provisions of the bylaws.
  - j) Performs other functions assigned to him by the Management Committee.
- 2) The accountants of the cooperative should be selected with better accounting experience.
  - 3) Cooperatives shall maintain accounting documents and other records in the manner prescribed by the appropriate authority.
  - 4) Cooperative accounts should be closed as soon as possible after the closure of accounts, profits and losses, assets and liabilities and other financial statements.

### **61. Other members of the Management Committee**

- 1) Other members of the management committee of the cooperative shall be elected by the general assembly and shall be accountable to the Management committee of the cooperative.
- 2) Other members of the Management Committee shall be equally involved in the functions and decisions of any management Committee.
- 3) In addition to being a member of the management committee of any cooperative, he shall be the chair person of a sub-committee in accordance with the provisions of the bylaws.
- 4) Performs other functions assigned to him by the management Committee.

### **62. Criteria for the election of a member of the Internal Control Committee, Accountability**

- 1) Subject to the provisions of Article 36 of the Cooperatives Proclamation No. 985/2009, in addition to the criteria used for election of a control committee member, its accountability and term of office, the following are included:-
  - a) The members of the control committee must be members of the cooperative.
  - b) Effectively fulfills the membership obligations mentioned in the bylaws of the Cooperative;
  - c) Able to carry out the duties assigned to him by agreeing and collaborating with others.
  - d) Shall have good manners and caring,
  - e) Not previously charged with dishonesty or unethical practices;
- 2) It shall have a control committee, which shall be accountable to the General Assembly in accordance with its bylaws.
- 3) Any cooperative shall have a control committee of 3 or 5 members.
- 4) The general assembly may elect a reserve committee member to replace members who resign from membership due to reasons that are beyond their capacity
- 5) It shall have a chairman, a secretary and a member of the control committee;

### **63. Duties and Responsibilities of the Control Committee**

- 1) Subject to the provisions of Article 37 of the Cooperative Proclamation No. 985/2009, the control committee of any cooperative shall also include the following additional functions and responsibilities:
  - a) It shall, examine, and pass a decision orally or in writing and notify it to the management committee after raising the issues of the Cooperative as agendas on control committee meetings
  - b) Supervises managers and department heads in order to ensure the discharge of their in accountable and responsible manner
  - c) Ensures that the decisions and agreement made by the management Committee with various bodies shall be in accordance with the decisions of the General Assembly and its bylaws.

- 2) keep or cause to be kept precise and accurate accounts and a correct record of the assets and liabilities of the co-operative;

#### **64. Duties and Responsibilities of the Chairman of the Cooperative Control Committee**

- 1) The Chairman of the Cooperative Control Committee shall be directly elected by the members of the General Assembly and shall be accountable to the General Assembly and the Regulatory Committee.
- 2) Subject to the provisions of Article 37 of the Cooperatives Proclamation No. 985/2009 and Article 53 Sub-Article 1 of this Directive, the chairperson of the control committee shall have the following duties and responsibilities:
  - a) Attend management committee meetings and give suggestions without having a right to vote.
  - b) Make an effort to make issues related to the Cooperative to be raised as agenda on the Management Committee meetings
  - c) The issues raised at the management committee meetings will be recorded in the minutes.
  - d) Agendas raised and decisions made at the meetings of the management committee shall be submitted to members of the control committee at regular meetings of the control committee.
  - e) The Control Committee shall develop a schedule and monitor and control the activities and notifies the gaps it identified orally or in writing to the management committee.
  - f) Performs additional duties assigned to it others by the General Assembly.

#### **65. Criteria for election of other sub-committee members, accountability**

- 1) Subject to the provisions of Article 38 of the Cooperative Proclamation No. 985/2009, the sub-committees of any cooperative shall include the following additional requirements:
  - a) Members of sub-committees are required to be members of the cooperative and fulfill their membership obligations;
  - b) Ready to collaborate and understand the responsibilities assigned to them

- c) Has a strong desire to help people and has good manner.
  - d) Has sufficient knowledge and experience in the sub-committee he is elected;
  - e) Who at least can read and write
- 2) Sub-committees shall be formed by cooperatives in accordance with the type and characteristics of cooperatives and their by-laws.
  - 3) Excluding the chairman, members of the management committee of any cooperative shall serve as the chairpersons of each sub-committee.
  - 4) Any sub-committee in accordance with the articles of the by-laws of the cooperative. Shall have no more than 3 sub-committees with different functions and responsibilities
  - 5) Each sub-committee chairperson shall have a chairperson, secretary and member;
  - 6) In the by-laws of the Cooperative a reserve Committee member may be elected by the General Assembly in order to replace committee members who resign due to reasons that are beyond their capacity
  - 7) When a member of the sub-committee is absent due to reason that are beyond their capacity, any person elected to interim may be re-elected for one term only.

## **66. power and Duties of sub committee**

- 1) Sub-committees of any cooperative shall have the following duties and responsibilities, subject to the provisions of their bylaws;
  - a) Performs the functions and responsibilities assigned to the sub-committee in the bylaws and internal rule
  - b) Prepare the work plan of the cooperative sub-committee and submit it the approval of management committee.
  - c) In accordance with the plan; it shall decide the work schedule and regular meeting schedule and informs it to the Management Committee.
  - d) Discusses and implements the recommendations and guidelines given by the management committee on the role of the subcommittee.
  - e) Report to the management Committee the challenge encountered on activities of the sub-committee.

f) Ideas raised during sub-committee meetings shall be recorded in the sub-committee minutes.

g) Performs other duties assigned to it by members of the Management Committee.

2) The members of the executive committee of each cooperative shall chair the sub-committees.

## **67. Dismissal of members of the Management Committee or Control Committee or Sub committee**

1) Any member of the elected committee who wants to resign from the committee in the event of difficulty shall submit an application to the management committee or control committee or sub-committee.

2) The management or control committee or subcommittee must respond in writing within 30 days of the request.

3) If any committee member is found to have committed an act contrary to the rules of the cooperative, he shall be suspended by the management or the control committee or sub-committee and shall be presented to the general assembly for a decision.

4) After the reason for the absence of the missing committee members is known, they will be replaced by members who were previously elected by the general assembly.

5) A report of the annual meeting shall be submitted and election will take place regarding the re-election of those acting members of the committee or those who are irreplaceable previously and should be re-elected by it.

6) If a committee member is found to be absent for three consecutive terms without good reason, he/she shall be deemed to have resigned from the committee voluntarily and shall be replaced by a pre-elected member of the General Assembly. The General Assembly shall be notified.

7) In the event that it is not possible to replace the incumbent Management Committee or Control Committee or Subcommittee on behalf of the caretaker member or there is no replacement, the General Assembly may temporarily act on behalf of the best of the members. However, it is not possible to act on behalf of more than one year.

8) The General Assembly shall be notified of the member who is represented from other members due to incapacity of the other. The representation shall be stated in their bylaws

## **68. Recruitment , Duties and Responsibility of a Manager**

- 1) Subject to the provisions of Article 39 of the Cooperatives Proclamation No.985/2009, any manager of a cooperative shall have the following duties and responsibilities:
  - a) Prepares the Cooperative's draft strategic plan and budget as well as its annual plan based on the direction provided by the General Assembly and the management Committee.
  - b) When the plan is approved by the General Assembly, it will be implemented on its planned time and budget. He shall make it Executed.
  - c) Includes functions to be included in the bylaw and to-do list;
  - d) When a budget is approved by the General Assembly, he shall hire qualified and skilled professionals.
  - e) Ensures that the hired professionals are discharging their responsibilities according to their job description.
  - f) Develop and implement a code of conductt in line with the mission of the cooperative.
  - g) Will provide a professional explanation by attending the management Committee meeting with out voting.
  - h) Provides professional support for the development of issues that may lead to conflict of interest among cooperative members.
  - i) Provides up-to-date, reliable, and contines information to the appropriate authorities
  - j) Collect the internal and external audit report opinion submitted to the General Assembly and make further corrections.
  - k) The cooperative is required to keep a separate record of its activities with non-members.
  - l) Plan and implement activities that enhance members' sense of ownership;
  - m) Recommends to the Management Committee how to develop incentives for better-performing members. Applies when approved.
  - n) positioning provides strategic performance, financial and administrative performance to members in writing in a credible manner;



- o) Explain to the members about the general activities of the cooperative.
  - p) Provides appropriate assistance to address operational gaps by providing information to members of the Control Committee to improve internal control.
  - q) Provides quality work reports and financial statements to the Management Committee, the Regulatory Committee and the appropriate authority in quality, timeliness, and quantity.
  - r) Provides case studies and staff members who run the day-to-day operations of the association as needed; Permits hiring in accordance with staffing guidelines when authorized.
  - s) Creates detailed roles based on day-to-day operations using the technical skills of department heads and employees; regularly reviews or evaluates their performance;
- 2) Ensure the recruitment, recruitment, required educational preparation, level of education, required work experience, authority and duties, as well as their tenure, in accordance with the manpower management and development directive issued by the Cooperative.

## **69. Recruitment and management of department heads and employees**

The recruitment and management of cooperatives shall be carried out in accordance with the Cooperatives' Manpower Management and Development Guidelines and shall have the following functions and responsibilities:

- 1) Employers shall perform the technical and administrative duties of the cooperative.
- 2) Utilizing the skills and knowledge of employees of various professions and levels;
- 3) Work hard to increase the number of members; Working to ensure that sold shaers finish on time.
- 4) To increase the internal capital capacity of the members by their own members;
- 5) Search and organize market information to make it accessible to members of the cooperative.
- 6) By holding, properly document cooperativ information employees shall provide service
- 7) Recoerding daily the account of the cooperative by using modern accounting system
- 8) Closing every month and getting it ready for audit.
- 9) Increase the benefit of members by increasing the economic participation
- 10) accept all members as owner and provide equal treatment and fair service;
- 11) Know and respect the cooperative law and various internal procedures;
- 12) Understand the purpose of the cooperative, the needs of the members and the decisions of the management and create a sense of team sprit.

- 13) Make accessible reports and datas of the activities of the cooperative to the management, executive and stakeholders so that they can make the necessary decisions, support and assistance.
- 14) Properly protect the assets and property of cooperatives, organize and store information and prevent it from being used for any purposes of other than the purpose of the cooperative.
- 15) Working hard with management bodies to increase the participation and benefit of members;
- 16) Fulfill their responsibilities to ensure the growth of the cooperative and to make it compatible with the benefits of its members.
- 17) Provision of professional supports and recognize their ownership of the cooperative their role in controlling it and the role they have in decision-making;
- 18) Clearly identify and provide job descriptions and accountablities to the managers of the cooperatives and hired employees so that they perform the tasks assigned to them.
- 19) No member of the Board of Directors or a close relative of an employee shall be employed or appointed in any cooperative except by special decision of the Cooperative.
- 20)

## **PART EIGHT**

### **IMPROVEMENT OF COOPERATIVES ORGANIZATION, SYSTEM AND MODERNIZE BY CATAGORIZING IN TO LEVELS**

#### **70. Organaizational Structure of a cooperative**

- 1) Cooperatives can develop their organizational structures On the basis of research, and starting from the cocrete condition of the time, their development, and the needs of their members, the government and stakeholders.
- 2) The structural organization of any cooperative shall be done in a manner to achieve the stated purpose and function and shall be approved by a majority of the members of the General Assembly.

- 3) The organizational structure of the cooperative to be used in accordance with this directive may include committees at all levels and professionals required for the work, as well as vertical or horizontal accountabilities.
- 4) Cooperatives may occasionally improve their organizational structure depending on their field of work or service or their level of development.
- 5) Cooperatives use their organizational structures to make themselves achieve the overall goals expected from them at the desired level.
  - a) Based on knowledge and skills of a business;
  - b) Focused on the field of work flow and the needs of members and stakeholders
  - c) Linking professional excellence, with knowledge and skills and which issues based;
  - d) That confirms the leadership role and ownership of the governing body;
  - e) Ensure rapid and sustainable success by closely interacting with hired employees;
- 6) The organizational structure of cooperatives should not have redundant structural chains of command and it must encourage the creativity and transfer of knowledge
- 7) The structural organization of cooperatives should give the function and responsibility, accountability and decision-making authority to the management and employees.
- 8) The structural organization Cooperatives must conduct their activities with competent and skilled manpower in order to be competitive and exemplary.
- 9) Cooperatives can organise their own work forces by combining the organizational structures job descriptions with performance capacity, work processes and level of education
- 10) Cooperatives can solve the implementation constraints by modernizing their organizational structure to make it more convenient and attractive.
- 11) The organizational structure should be able to attract and retain qualified, experienced and motivated professionals who can carry out the mission;

- 12) The cooperative should create different kinds of organizations to be managing and administer the investment, mechanization, agro-industry and cooperative extension, education and training programs provided by cooperatives, and to conduct various studies.

### **71. Improving the organization of a cooperatives;**

- 1) In order to achieve the mission of the cooperative the organizational reform shall be focus on;
  - a) Establish an organaizational structure that facilitates strong communication and coordination between activities and executors.
  - b) Maintain a system that enables efficient and interdependent activities with minimal manpower;
  - c) Using a department-based approach that enhances the quality and effectiveness of staffing skills.
  - d) In order to achieve the desired results their should be modify limited organizational structures completely or partially
- 2) Any cooperative shall specify the functions and responsibilities required for the organizational structures that established.

### **72. Improving the Working System of a Cooperatives;**

- 1) The cooperative should examine the problems that encountered in the system in terms of the level of development that it has reached and improve it with new modernization practices.
- 2) Based on cooperative principles and missions, should implement achiving tangible results, improving guidelines, rules, bylaws, ammend manuals
- 3) Should identify and develop new systems based on resaerch for creating healthy cooperatives.
- 4) Develop a system in which departments, groups and employees miually understad, coordinate, learn and develop principles of mutual growth and benefit.
- 5) It should examine and implement the various investment, mechanization, agro-industry and agricultural extension services required by members to make them widely available and quality.

### **73. Improving human resource management and development of cooperatives;**

- 1) The function of cooperatives should be applied by professionals who combine business knowledge with the concepts and unique characteristics of the cooperative have better educational preparation and work experience and are competitive.
- 2) Cooperatives should adopt a clear pay and incentive system based on their ability to retain and work hard.

#### **74. Classification of cooperatives**

- 1) Cooperatives shall be classified according to the criteria set by the appropriate authority in order to provide better service and attention to their mission and activities.
- 2) Cooperatives should be evaluated in accordance with the standard criteria by a team of experts established by the appropriate authority at each level.
- 3) The set of experts should vary according to the number of manpower of the organizing institution and should consist of three qualified assessor professionals.
- 4) The standards to be developed will vary from time to time depending on the type and level of cooperatives.
- 5) In the case of cooperatives who find it difficult to measure by the standard of their nature, the standard should be improved by submitting it to the appropriate body
- 6) Subject to the provisions of Article 74, Sub-Article 5 of this Directive, the gaps identified in the implementation of the Cooperatives Standards shall be reviewed and revised as necessary every three years.
- 7) Subject to the provisions of Article 74, Sub-Article 5 of this Directive, the gaps identified in the implementation of the Cooperatives Standards shall be reviewed and revised as necessary every three years.
- 8) Any cooperative will be evaluated after the end of the fiscal year and audit.
- 9) Any cooperative will be evaluated three years after the first assessment.

#### **75. Standards of Cooperatives and identification criterias for standerds**

- 1) Selected standards identification criteria for the identification of cooperatives are mainly:
  - a) Cooperative marketing participation;
  - b) The number of members they serve,
  - c) Scope of work,
  - d) value addition to a product,
  - e) Supply of agricultural technologies

- f) Access to financial services;
  - g) Lead their activities with an educated workforce,
  - h) Social participation,
  - i) Distribution of profits,
  - j) Modern accounting system
  - k) With their capital growth,
  - l) Other related activities
- 2) Some of the reasons why cooperatives need to be ranked are:
    - a) To provide support and follow-up based on their level of identification;
    - b) To provide standardized capacity building services;
    - c) To control their capacity;
    - d) To help them achieve their vision and mission in a special way;
    - e) Capacity builders and stakeholders who support cooperatives need support and services to be efficient, cost-effective and accessible.
  - 3) Cooperatives will be classified according to the results obtained based on the rating criteria.
  - 4) Any cooperative assessed in accordance with the standard classification criteria set out in sub-article 1 (a-t) of Article 75 of this Directive shall receive a grade "A" or a grade "B" or a grade "C". However, it is important to focus on improving each step.
  - 5) Those cooperatives identified on Level "C". Will be evaluated and upgraded from C to B and subsequently Support and follow up them to improve "A".
  - 6) Similarly, cooperatives classified as "B" will be supported and supervised to grow to Level A with their ongoing activities and support.
  - 7) Cooperatives at the "A" level will get focus on doing better and entering into greater excellence.

## **76. Description of standards for cooperatives**

- 1) A grade point average for cooperatives with a score of 80 percent or above in accordance with the standard classification criteria is "A".
- 2) Subject to the provisions of Article 71, Sub-Article 1 of this Directive, the total score of 55 --- 79.99% shall be "B" and the total score of 25 --- 54.99% shall be Rated "C".
- 3) The best practices of cooperatives who have achieved more than 90% of those identified in Level A will be compiled and expanded to other cooperatives.
- 4) Cooperatives with a score of less than 70 to 55% of those classified as "B" will be given special support by identify their basic problems in order to be effective.

- 5) Continued support and follow-up will be provided to those who scored less than 55% of those selected for grade C.
- 6) Subject to the provisions of sub-article 5 of Article 76 of this Directive, persons earning less than 25% shall not be allowed to remain a cooperative and shall be dissolved or merged in accordance with the law as determined by the appropriate authority.
- 7) Cooperatives that earn more than 95% of their results according to the set criteria will be classified as outlier.
- 8) Cooperatives that exceed the standards set by their performance should be able to stand on their own two feet without having to spend more resources and time.

### **77. Establishing a steering committee of cooperatives standardized.**

- 1) Five-member Steering Committees shall be established to classify cooperatives.
- 2) The members of the Steering Committee shall be established at the regional, zonal and woreda levels.
- 3) The members of the Steering Committee shall be selected from each of the technical working units.
- 4) Those who can be elected as the steering committee must have at least 2 years of experience in the area and are well acquainted with the cooperatives.
- 5) The steering Committee shall end its responsibilities after the cooperatives have been classified.
- 6) The Steering Committee shall be accountable for the appropriate authority of cooperatives at all levels.
- 7) The activities of the Steering Committee shall be considered as regular activities and shall be included in the plan.

### **78. Functions and responsibilities of the Steering Committee**

- 1) Cooperatives at all levels shall carry out the implementation plan and other preparatory work by the Standing identification steering committee,
- 2) Identifies primary, union and federation cooperatives that are classified into short, medium and long term

- 3) The Steering Committee to be established at each level will have its own joint implementation plan, which will be understood to each other.
- 4) The Steering Committee to be established at all levels will create awareness for the implementation committees established at the lower level;
- 5) Regular reports are submitted to the Steering Committee to be established at all levels;
- 6) Organizes information on cooperatives in selected regions or zones or woredas for the implementation of standardization;
- 7) Provides adequate orientation to the members of the Steering Committee at all levels participating in the classification, reaching a consensus and putting them to work;
- 8) Make them to be graded, the identified primary, union and federation cooperatives;
- 9) Attend the selected cooperatives and raise awareness prior to the implementation of the classification.
- 10) The Steering Committee will evaluate the implementation process and report the results to the appropriate person at each level.
- 11) Upon completion of its grading classification process, the Steering Committee shall submit the general information and documentation to the working unit who continuously monitor the receipt of support and services based on its standards.

## **PART NINE**

### **ABOUT COOPERATIVES MEETINGS**

#### **79. Calling of the general assembly and meeting ceremony**

- 1) Without the prejudice to the provision Article 33 of cooperative proclamation number 985/2016 any cooperative shall conduct general assembly regular meetings at the beginning and at the end of fiscal year.
- 2) The main agenda to be considered at the cooperatives General Assembly will include the following.



- a) The regular meeting conducted to listen annual and six months plan, budget and executive and controlling committee report and make decision.
  - b) Evaluate the performance of the cooperative; place directions for the future.
  - c) Makes elections to replace executive committee's and other committees' and missing committee members.
  - d) Shall discuss and made decision on amended bylaw, internal rule, directives and procedures.
- 3) Without the prejudice to the provision of Article 79 sub-article 2(A) in this directive general assembly meeting will be conducted after the end of fiscal year within 30 days; give comments and approve the audit report.
  - 4) The general assembly shall announce agenda, meeting date, place and time mentioned on the calling letters and deliver through communication media which is convenient for all before fifteen days in advance.
  - 5) Meeting calls can be made through a letter to the residence or place of work or by posting an advertisement in a public place or by means of accessible media and any other means of communication.
  - 6) The dissolution, merging and splitting of any cooperative shall be determined by a two-thirds majority of the members present at a special assembly meeting.
  - 7) Subject to the provisions of Sub-Article 4 (a and b) of Article 33 of the Cooperatives Proclamation No. 985/2009, if the quorum of the General Assembly was not fulfilled and the meeting was not held on time, the meeting could be convened for the second time in 15 days on the agenda of the meeting.
  - 8) The following are the means of communication for meeting calls.
    - a) Prepare and distribute meeting invitation letters to each member.
    - b) Posting meeting calls in public places and on places where possibly visible to read
    - c) Conduct meeting calls using existing government administrative structures.
    - d) Conduct meeting calls using telephone, newspaper, radio and television.

- e) Conduct meeting calls using loudspeakers.
- f) Depending on the circumstances of the cooperative, it may use other call options;
- 9) Executive committee, controlling committee and other sub-committees will have their own regular and emergency meeting, the detail procedure will be determined by the committee's internal regulations.
- 10) In the decision-making process of the meeting of the executive committee, when the members of the committee have an equal vote on both options, the opinion of the party supported by the chairman shall be accepted.
- 11) If the quorum is not re-convened for the second time, the appropriate authority shall be summoned for the last time by giving the appropriate notice to the regular general assembly or special assembly. If the quorum is not present at the meeting convened by the appropriate authority, it shall be convened by the members present at the end of the meeting.
- 12) The quorum at a committee meeting shall be one-third of total number of members of the committee.
- 13) The appropriate official or representative may attend any meeting of the Cooperative Executive Committee at any time, observe the proceedings, and provide technical support;
- 14) The General Assembly or Executive Committee shall announce and convene at least fifteen days in advance a clear summary of the date, venue, time and agenda of the meeting.

## **PART TEN**

### **CAPITAL FORMATION AND SOURCES OF FINANCE FOR COOPERATIVES SOCIETIES.**

#### **80. Collection and use of registration fees**

- 1) When a cooperative is formed, it determines the registration fee based on the feasibility study;

- 2) When a member joins a cooperative, he or she must pay registration fee at once.in accordance with the bylaws.
- 3) The registration fee shall be collected after conducting its first General Assembly meeting in accordance with sub-article 2 of Article 80 of this Directive.
- 4) The proceeds from the registration fee will be used to cover various expenses related to the formation and registration process of the cooperative.
- 5) Registration fee will not be refunded to the member for any reason and no benefit may be claimed.
- 6) Registration fee rates for new members will not change from time to time unless the bylaws have been amended.

## **81. Share Collected from the Members of the cooperative**

- 1) The share that members buy from their cooperatives can be done in cash or in kind, in any cooperative in accordance with the provisions of the bylaws.
- 2) Cooperatives may specify in their bylaws about the share purchased in kinde.

## **82. Share purchased payment in cash**

Subject to the provisions of Article 27 of the Cooperatives Proclamation no. 985/2009, share purchases in cash shall include the following.

- 1) Total number of shares declared for sale by the General Assembly meeting shall be devided into perscribed shares, paid-up shares, and sellable shares,
- 2) A start-up capital required to implement the societies planned activities shall be collected by selling one-fifth of the total declared shares to founding members on a paid-up basis.
- 3) In order to purchase the remaining paied up share immediately from the sale, the founding members must agree to purchase the promised perscribed share amount within the next four years
- 4) In accordance with Article 82, Sub-Article 2 of this directive, members who deposited money as payments made for their paid up shares in a bank account that is opened in the name of the cooperative society, can come with their payment receipts for registration.

- 5) The cooperative society shall send a written notice to members who failed to make their prescribed share payments according to their agreements six months prior to the final date specified for completing payments. If the specified payment period has ended without any payments by members, they will become accountantable on the basis of their agreements.
- 6) The cooperative must give written notice to members who have not paid their dues in accordance with their agreement six months prior to the expiration of the term. However, they will be asked if the deadline has expired without paying.
- 7) With out prejudice to the provisions of Articles 27 (5 and 6) of the Cooperatives Proclamation No. 985/2009, the members' purchases exceed the limits and the difference shall be returned to the member without interest after a through investigation of the records.
- 8) Without prejudice to the provisions of Article 27 (7) of the Cooperatives Proclamation No. 985/2009, unsold shares that are declared for sale to members by cooperative society but remained unsold due to low financial capacity of members shall be sold based on the decision of General Assembly meeting.
- 9) Cooperatives societies may collect sare through the leverage ratio as described in their bylaws.

### **83. Payment of share Purchased In kind**

- 1) Without the perjudice to the provisions of Article 27, Sub-Article 4 of the Cooperatives Proclamation 985/2009, when acooperative socity decides to sell shares in kind, it is necessary for the cooperative to take in to consideration the payment capacity of its members and the local situation of the area. Shares in kind are to be sold on the basis of the following conditions listed below:
  - a) Based on the feasibility study, members may decide to purchase lotteries that are of economic value, depending on the type and nature of the cooperative.
  - b) The type of property used for the share may include members' products, houses, warehouses, cars, small tools, livestock, and other items that are stated the bylows of the cooperatives society.

- c) In order to make a purchase payment in kind, the estimated value of the property must be fixed either by professional cost accountant or a committee that is formed by the cooperative society and the value fixed for the property shall be recorded as the current market value of the property.
- d) The value of the property may not be higher or lower than its estimated value and will not be subjected to price fluctuations that may occur on market value of the property at the time of market exchange
- e) Estimated value agreed upon by the cooperative and the owner of the property it must be kept in the minutes.
- f) Agreement for a member to convert the property he / she has transfer in the form of in kind to a share he or she must divide the estimated value of the property into estimated cost per share. Once identified, it must be recorded in the minutes and recorded in the accounts and property records.
- g) If the estimated value of the property is less than the value of the share he buys, then, the member must pay the difference in cash.
- h) If the value of the property is more than 10% of the share allowed to be purchased, the difference must be returned in cash to the member.
- i) If the difference cannot be made immediately, it must be paid in accordance with the terms of the agreement, which registered in the name of the member on the account as payable.
- j) If the property transferred by a member is a fixed asset, the ownership right and the owner's name must be transferred to the cooperative and transfer and ownership registration will take place in the name of the cooperative.
- k) The member must receive a receipt and a share certificate in exchange for the property he transferred.
- l) No member may claim ownership of the property transferring it for share payments.

#### **84. The sell of Additional share**

- 1) Without the prejudice of the provisions of Article 27, Sub-Article 3 of the Cooperatives Proclamation, No. 985/2009 if the Cooperatives have completed the sales previously declared share, the General Assembly may decide on a new share and sell the shares of equal value and quantity.
- 2) The additional share to be sold to the members shall be sold in full within the time limit specified in the Cooperatives Proclamation.
- 3) Without the prejudice of the provisions of sub-article 3 of Article 35 of the Cooperatives Proclamation No 985/2009, members may purchase additional share with their dividend payments they get from net profit based on their request.
- 4) The following are some of the reasons why it is recommended to declare the sell of additional share in accordance with Article 84 Sub-Article 3 of this Directive.
  - a) When there is a shortage of capital for the projects the cooperative prepares.
  - b) When finds it necessary to increase its internal financial capacity before applying for a loan from a external finance or financial institution.
  - c) When shares previously held by members are sold out within four years or not sold for any other special reason it is decided to be resold by the general assembly.

## **85. Placement and Use of reserve account**

- 1) A reserve fund can be considered as a mortgage loan for creditors. However, the use of reserve funds is as follows:
  - a) The reserve fund shall be determined on the basis of an annual audit report submitted to the General Assembly without affecting the existence of the cooperative.
  - b) It may decide to use the reserve account based on research. However, more than 75% of the reserve account cannot be used.
- 2) Cooperatives can apply for the following activities by insuring a certain amount of reserve money for the implementation.
  - a) Short-term loans for members or purchases of inputs, production and collection expenses for one production season;
  - b) For Small business and investment for members;

- c) Advance payment for collection of production from member, for bulk purchases of raw materials, and purchases of merchandise goods.

## **86. Reconciling debt and capital /Leverage ratio /**

- 1) Financial cooperatives can implement leverage ratio as a strategy to reduce the threat of risks on their savings and increase the amount of their accumulated finance which will be used for loans.
- 2) The proportion should be based on research and should be included in the bylaws according to the social and economic conditions of the members.

## **87. Establishment and administration of a cooperative funds**

- 1) Without prejudice to the provisions of Article 45 of the Cooperatives Proclamation No. 985/2009, a Cooperative Fund shall be established which shall make the cooperative competitive and which makes members participants and beneficiaries
- 2) Subject to the provisions of sub-article 1 of Article 87 of this Directive, the following shall apply to the establishment, and administration of the Fund.
  - a) Three per cent of the annual net profit to be distributed to members in accordance with Article 45 Sub-Article 2 of the Cooperatives Proclamation 985/2009 should be clearly calculated in the audit report prepared by the cooperatives established at all levels.
  - b) Fifty percent of the deduction from the Basic Cooperative Fund in accordance with Sub-Article 2 (a) of Article 827 of this Directive shall be sent to the established Fund, together with the deduction of 50% of the deduction from the Fund and the Cooperative Union.
  - c) The three percent fund to be deducted from cooperatives at all levels should have its own headline and statement during the audit.
  - d) The remaining 50% of the Cooperative Fund, which is deducted after auditing by cooperatives at all levels, shall be administered in accordance with the Cooperative Finance and Accounting Directive and shall be held separately in accordance with the provisions of the bylaws.
  - e) At the national level, the cooperative fund, which is funded from the basic cooperatives to the federation, is managed on the basis of the financial management system of the cooperative league and the accounts are held separately.

- f) Indivisible mutual funds and assets from non-existent cooperatives, donations from government and development partners will be part of the fund.
- g) Cooperatives are required to gradually implement a cooperative fund to cover their own costs of auditing, legal services, capacity building, research, promotion and communication, and so on.

## **88. Source of financing from financial institutions**

- 1) The loan agreement entered into by any cooperative with a financial institution for the implementation of the proposed projects shall be in accordance with the rules and regulations of the cooperatives.
- 2) No cooperative may participate in the acquisition of various investments or stock markets outside of the cooperative.
- 3) Subject to the provisions of sub-article (2) of Article 88 of this Directive, the appropriate authority shall issue directives in the future regarding the issuance of other investments or cooperatives that have purchased shares prior to the issuance of this Directive.

## **89. Finance earned from none members**

- 1) Subject to the provisions of Article 23 of the Cooperatives Proclamation 985/2009, cooperatives may charge a reasonable fee for the distribution of inputs, receipt of goods, revolving loans and consumer goods in accordance with their by-laws.
- 2) Non-members residing in the working area of the cooperative may provide the goods and services provided at a reasonable price until they come to the cooperative as members.
- 3) The services provided for non-members of agricultural cooperatives may not exceed one production year. However, if non-members refuse to join after one production year, the service will be terminated.
- 4) With regard to produce and service transactions made with non-members, especially, Consumer and multipurpose farmers' cooperatives, are required to have a separate accounting and registration systems. Their accounts will be audited separately.



- 5) Net profits generated from business transactions made with non- members will not be distributed to members as dividend payments. However, they can be used for promotion and other social services as determined by their bylaws.

## **PART ELEVEN**

### **PROFIT DISTRIBUTION AND CREDIT MANAGEMENT IN COOPERATIVES**

#### **90. Net Profit Distribution**

- 1) Subject to the provisions of Article 45 of the Cooperatives Proclamation No. 985/2009 on net profit distribution and allocation, Cooperatives shall work to create more satisfaction by reducing the annual cost and increase revenue by providing a reasonable profit to the members of their products and services.
- 2) The distribution of profits to the members of any cooperative shall be based on the members' share bought and the participation they made.
- 3) Subject to the provisions of sub-article 3 of Article 90 of this Directive, due to the unique nature of savings and Credit Cooperatives, members can only distribute profits with their own capital.
- 4) When determining the distribution of profits by Cooperatives, they may determine the maximum share for participation or share, depending on the type and nature of the Cooperative.
- 5) Any Cooperative that encourages the participation of its members should properly record its participation information in a timely manner and implement the distribution of profits.
- 6) The reserve fund of the Cooperative shall be more than 30% of the capital of the Cooperative and excluding reserve deductions from net profit shall be distributed to the members in full in accordance with the provisions of the bylaws.
- 7) The number of share and amount of money purchased that each member from the Cooperative, as well as the amount of participation and registration, compliance with this Directives must be verified by the auditor during the audit.

- 8) When the Cooperative distributes profit to each member, each member's income is required to be deducted from the income by the Primary Cooperative in accordance with the national tax system and to the nearest tax collector's office.
- 9) Members may purchase an additional share, in whole or in part, at the request of the Member in writing.
- 10) No profit shall be made divided to the members of the Cooperative without the return of any claim from the creditors or other bodies.
- 11) The share of profits earned after the audit of the Cooperatives Union or Federation shall be transferred to the members in a timely manner, and the dividends distributed to the members may not be used for any purpose other than the decision of the members.

## 91. Net Profit Or Loss Calculation Method

- 1) The dividend calculation will be done based on the share bought by the members of the cooperative and their participation is as follows:
  - a) The dividend that can be used for the share or participation to calculate the share value of each member shall be in accordance with the allocation set out in the bylaws.
  - b) To determine the share value of one Birr, the amount of money allocated for share must be divided by the sum of the total share.
  - c) The dividend should be made by multiplying one Birr share value participation by one member divided by the sum of its own shares.

$\text{The share value of one Birr} = \frac{\text{The amount of money allocated for share}}{\text{the sum of the total share}}$
$\text{The share value of one member} = \text{Sum of total members' share value} \times \text{one Birr Share Value}$

- d) To undertake dividend; the dividend of each member participation can be calculated by multiplying the one Birr participation share, with member's produce purchase or sales price or saving or loan amount.

$\text{One Birr participation share} = \frac{\text{money allocated for dividend for participation}}{\text{amount of total business transaction}}$
$\text{One Birr participation share} = \text{total member's participation} \times \text{one Birr Participation share}$

- e) The distribution of profits will be done through the preparation of the members' dividend payment form.
  - f) The total share benefit and benefit of participation of each member should be determined by working total profits must be added together.
  - g) Any Cooperative shall pay the net profit after audit in accordance with the provisions of the bylaws. If members decide to buy or take out more of the net profit they receive at their request, they must be paid income tax deduction.
  - h) In accordance with the provisions of sub-article 1 (g) of Article 91 of this Directive, any Cooperative shall pay the income tax deducted from each individual member to the nearest tax collection office.
  - i) Subjected to the provisions of Article 53 (a) of the Cooperatives Proclamation No. 985/2009, the Cooperatives Union or Cooperative Federation shall not collect income tax from member cooperatives when distributing profits to member Primary Cooperatives.
  - j) The distribution of dividends by dividends and dividends shall be recorded separately and the total amount shall be recorded as debts.
  - k) In the event of bankruptcy of the Cooperative, the decision of the General Assembly shall be deducted from the reserve account in the event of bankruptcy of the cooperative. However, if the loss exceeds the deposit amount, it will be deducted from each member's share and compensated for the loss.
  - l) In the event of a loss to the Cooperative, it shall calculate the losses incurred by each member of the Cooperative on the basis of share and participation.
- 2) Any cooperative union or federation shall ensure that the dividend distributed to its members reaches each individual member;

## **92. The non-distributed property and cash of cooperatives**

- 1) Subjected to the provisions of Article 64 of the Cooperatives Proclamation 985/2009, an account registered in a reserve account, registered as a gift or a cooperative fund or inherited or not collected from the register of members or collected from penalties or exchanged at the expense of members It becomes an asset.
- 2) Subject to the provisions of Article 92, Sub-Article 1 of this Directive, in addition to the distribution of assets and funds of cooperatives shall be as follows:

- a) In the event of the dissolution of the Cooperatives, the unallocated common property shall be deposited in the Cooperative Fund established.
- b) Any unallocated joint property of a cooperative at the time of merger or splitting shall be registered as unallocated joint property of the new Cooperatives established by merger or splitting.
- c) The property and money of cooperatives that are not distributed in accordance with Article 92, Sub-Article 1, and Sub-Article 2 (a and b) of this Directive may not be used in any way for the members or any other party to make loans or debts or to reconcile or repay debts and the like.

### **93. Credit Service**

- 1) Any Cooperative may provide loan service or the Cooperative borrow that paid back in short, medium, and long terms and type of loans for members, associated and peer Cooperatives as determined in their bylaws.
- 2) The types of loans that cooperatives provide to members maybe with interest or interest-free, depending on their bylaws and the needs of the members.
- 3) Loans provided by the Cooperatives to members such as the type of loan, loan guarantee, and loan repayment period. Should be approved by the General Assembly in accordance with their bylaws.
- 4) The loan provided to members by Cooperatives is obliged to collect in full in accordance with the terms of their agreement.

### **94. Delivery of Loan**

- 1) Cooperatives can disburse various types of loans to the members that are timely and accessible.
- 2) The loan provided by the cooperative to the members must be supported with members request, known interest rate and repayment schedule.
- 3) The loans provided by Cooperative to members include the following:
  - a) The loan disbursed by any Cooperative to its members and other peer Cooperatives should be based on a study.

- b) The source of the loan may be from the capital of the cooperative, members' savings, loans from associates or other peer Cooperatives, budget support from the government, loans from various financial institutions, and revolving from other capacity builders.
- c) Financial Cooperatives can lend up to 70 to 80 percent of collected members' savings in accordance with agreements with member.
- d) Other Cooperatives outside of financial Cooperatives shall not exceed 70% of their capital if they invest in their own capital in order to avoid risking their capital.
- e) Cooperatives' loans to members and interest rates must be specified in their bylaws and approved by the General Assembly.
- f) Cooperatives that provide loans under the interest-free system shall be subject to the agreement of the members.
- g) Cooperatives may notify each borrower in writing or by mobile phone, email, or notification when the loan agreement is prepared or during the repayment period.

## **95. Credit service**

- 1) Cooperatives can borrow from members, other cooperatives or lending institutions to strengthen their financial capacity.
- 2) Cooperatives' loans shall not exceed the amount of capital they have.
- 3) Any Savings and Credit Cooperative must be insured for the loan.
- 4) Subject to the provisions of Article 47 of the Cooperative Proclamation No. 985/2009, any Cooperative must meet the following conditions in order to borrow.
  - a) Can provide proof of good credit history;
  - b) being absence of continuous loss,
  - c) being absence of loan guarantee;
  - d) Provides clear information on why the loan is being used;
  - e) Experience in implementing the loan;
  - f) has Business plan
  - g) The credit management history of the cooperative;

- h) Financial statements,
- i) Provides adequate and reasonable guarantees;
- j) Provide support Used for its intended purpose and timely repayment of government loans;

5) Cooperatives may have a credit management system approved by the General Assembly;

## **96. Delivery of Loan**

- 1) Subject to the provisions of Article 48 of the Cooperative Proclamation No. 985/2009, borrowing members shall meet the following obligations or requirements:
  - a) loan repayment history
  - b) No previous loan guarantee;
  - c) A written request explaining why the loan is being used;
  - d) Experience in proper use of the loan;
  - e) has a business plan
  - f) Provides adequate guarantee,

## **97. Type of insurance and Options**

- 1) Without prejudice to the provisions of Article 49 of the Cooperative Proclamation No. 985/2009, the type of warranty required by any Cooperative and its options include:
  - a) Cooperatives can use different options for loans warranty depending on the growth, type, and characteristics of the Cooperatives.
  - b) The warrantee of fixed assets and financial documents must be verified by the relevant authorities.
  - c) Any cooperative has the right to repay the debt by selling the warranted property legally or using the money as compensation if the debt or property is not repaid on time.
  - d) Interest-free services shall be implemented in accordance with the bylaws of cooperatives.

- e) Every Cooperative must establish a system loan life insurance for borrower to ensure its loans.

## **PART TWELVE**

### **COOPERATIVE SPECIAL PRIVILEGES**

#### **98. Enforcement, Reconciliation, and Transfer of Shares and Benefits**

- 1) Without prejudice to the provisions of Articles 26, 30, 40, 41 and 42 of the Cooperative Proclamation No. 985/2009, cooperatives shall be entitled to a fair and equitable payment upon membership.
- 2) Subject to the provisions of sub-article 1 of this Article, a member of the Savings and Credit Cooperatives shall have the right to receive the deposits immediately and shall be entitled to an audit of the Cooperative. Provided, however, that if the cooperative incurs a loss, the member shall also share the loss in accordance with the law.
- 3) If a member resigns by will or by law or by death or dismissed, only the remaining shares and benefits shall be respected after the Cooperative has paid the required debts.
- 4) The benefits or shares of a member may not be responsible, seized or sold for debt or liability outside the Cooperative.
- 5) If there is a debt owed by the Cooperative to the member, he/she shall composated the debt by reducing his/her share in the Cooperative or other benefits.
- 6) If the member's debt exceeds the maximum compensation or benefit, he or she shall be covered by the guarantee. However, if the debt is not covered by guarantee the loan, it will be presented to the General Assembly for a final decision.
- 7) The member may transfer his share and benefit from the Cooperative only on the application submitted by the member.
- 8) Any Cooperative member may transfer his or her share of benefits and benefits to a member or other person who voluteer for a member of the Cooperative or any other person.
- 9) If the heir wants to become a member of the Cooperative, he may become a member of the cooperative by paying a new registration fee for the share and benefits allowed to be inherited from the Cooperative.



## **99. Government Support**

Apart from the provisions of Article 43 of the Cooperative Proclamation 985/2009, the Government shall also provide the following support to the development of cooperatives:

- 1) Provides various support to Cooperatives in terms of their level of development;
- 2) Modernize the operation of Cooperatives with the support of technology;
- 3) enable practical experiences, practices that they can use to increase productivity,
- 4) Establish various financial options or cooperative funds to increase their internal financial capacity;
- 5) Design and implement various projects and programs;
- 6) Support the establishment of a cooperative education and training institution;
- 7) Establishment of advisory councils that provide recommendations for the development of cooperatives;
- 8) Supporting cooperatives to be successful in expanding their businesses and creating job opportunities for citizens.
- 9) Establish a system based on the quality of products and services;
- 10) Education and training considering the current situation of Cooperatives;
- 11) Support for cooperatives to find a place to work;
- 12) Support for domestic and export market linkages;
- 13) Supervision and continuous technical support;

## **PART THIRTEEN**

### **RELATIONSHIP AND PLANNING APPROACH OF COOPERATIVE**

## **100. Types of relationships with members**

- 1) Cooperatives may engage in various interactions with members, organizers, stakeholders, capacity building and other entities through any activities of cooperatives.
- 2) The types of relations that cooperatives have with their members may be specified in their bylaws and may be primarily related to the following issues:
  - a) In planning and implementation,
  - b) Reporting and information delivery mechanism
  - c) In education and training services;
  - d) In extension service,
  - e) In product and finance marketing services;
  - f) In bookkeeping system,
  - g) Exchange of experience and practice,
- 3) Any plan of the cooperatives should be based on a survey of members needs and focus on solving the socio-economic problems that are beyond the control of the members. However, there should be no plan that is not approved by the members.
- 4) The Cooperative's major performance plan report must be submitted and approved once a quarter by the executive committee or board.
- 5) Subject to Article 100, Sub-Article 4 of this Directive, the report submitted to the Cooperative management Committee or to any other body shall vary according to the type of Cooperative, and should focus on at least the following activities:
  - a) Members' participation in the transaction,
  - b) Product marketing performance;
  - c) Supply and distribution of agricultural inputs;
  - d) Financial report,
  - e) Financial provision,
  - f) Collection of Saving,
  - g) Lending
  - h) Loan and debt settlement
  - i) Supply and distribution of consumer goods;
  - j) Problems encountered,
  - k) In other selected issues,
- 6) In order to create transparency cooperatives may post quarterly information about the major activities performance where members can view it. However, it should ensure that members receive timely information about their cooperatives.

- 7) Members and other bodies upon requesting must obtain performance information; they can be provide Information using different media alternatives.
- 8) The quarterly performance report approved by the management committee or board must be submitted to the appropriate authority.
- 9) The Cooperative shall timely prepare the financial statements and clarify the status of the assets and liabilities to the members.
- 10) Cooperatives are responsible for educating members on the concept, significance and value of cooperatives, about their activities, and other fundamental issues identified in the study. However, they must have an approved budget for training.
- 11) Cooperatives should provide agricultural extension services to both members and the local community, particularly in the areas of technology use, improved farming techniques, mechanization, value added, financial integration and the concept of cooperatives. Cooperatives may charge a reasonable fee based on a study on the extension services provided.
- 12) Members must provide product in quality, in quantity and timely to cooperatives
- 13) Cooperatives must fulfill the following obligations in order to benefit their members from marketing services:
  - a) Facilitate the loan service that members need for production and services;
  - b) Provide market information to members
  - c) Raise awareness among members on product quality and overall marketing practices;
  - d) Implement a quality-based payment system;
  - e) Creating transparency to members on product pricing;
  - f) Provide consumer products at affordable prices based on the needs of the members.
  - g) Adding value to member products and providing to marketing;
  - h) Selling the members' product by promoting and expanding market access of the products;
  - i) Massive collection of quality products
- 14) Members must complete the product in accordance with the approved plan and submit it to their cooperative on time;
- 15) Cooperatives shall inform their members of their lot and issue a lottery certificate;
- 16) Access to agricultural equipment and agricultural technologies at one center;

### **101. The relationship between Primary cooperatives and unions**

- 1) The Cooperatives Union shall submit a quarterly major performance report to the member cooperatives in writing.

- 2) Cooperatives Union hires professionals for member primary cooperatives to provide cooperative extension services to individuals member.
- 3) Cooperative unions must fulfill various infrastructure to update/modernize their service delivery;
- 4) Cooperative unions should, according to the study, plan for the provision of warehousing, office and other infrastructure for basic cooperatives, as well as supply of drinking water, electricity, roads and bridges to individual members.
- 5) Leaders of the cooperative union should support, empower, share experience, and create conducive environment for the leaders of primary cooperatives.
- 6) Cooperative unions should support and monitor the implementation and service delivery of member cooperatives, branches and retail stores.
- 7) Any cooperative should actively involve its members in the planning and evaluation of the plan.
- 8) Cooperative unions should collect and analyze up-to-date information and submit it to member cooperatives for data-based marketing and services.
- 9) Cooperative unions should hire accounting staff to provide bookkeeping service for non-financially viable incompetent member cooperatives and support the audit of the accounts of member cooperatives by allocating budget
- 10) Cooperatives Union needs to develop new technologies that are critical to the development of member cooperatives and develop systems to use a variety of resources and machines.
- 11) Cooperatives Union shall conduct an annual inventory of assets and disclose them to member primary cooperatives as well as provide agricultural mechanization supply and service to member.

## **102. The relationship between cooperatives unions and Federation**

- 1) Cooperatives Federation and Union shall have relations with each other on the basis of unity of purpose, principle and value;
- 2) Principles of communication should be developed to update their capabilities and enhance their capabilities. Based on this, an effective clear communication system should be developed.
- 3) Notwithstanding the provisions of Sub-Article 1 of Article 121 of this Directive, the Cooperative Federation may, in accordance with the gap, provide support to the Cooperative Union on the following matters:
  - a) search for resources by designing projects and programs that contribute their development.
  - b) should facilitate training facilities for themselves or in collaboration with other bodies. However, cooperatives should have their own training center to provide training;
  - c) shall support the member cooperatives in the implementation of compiling and formulating foreign experiences

- d) will generate new technologies and support its implementation.
- e) should supply agricultural and industrial consumer goods in bulk and at affordable prices based on the needs
- f) shall provide mechanical maintenance services
- g) shall process and export the products received from member
- h) shall conduct research on the issues of cooperatives in collaboration with the research bodies.  
Coordinates international communications to make cooperative marketing accessible
- i) shall hire an accountant to provide bookkeeping service for incompetent member cooperatives
- j) shall support the audit of their accounts by allocating budget
- k) Establish a system in which they can use the various assets and machines available in the federation.
- l) shall provide agricultural equipment and machinery spare parts.
- m) should adopt new technologies that are critical to the development of member cooperatives.
- n) shall conduct an annual inventory of assets and disclose them to member cooperatives.
- o) shall provide agricultural mechanization supply and service to member primary cooperatives

### **103. Relationship between cooperatives and the appropriate authority**

- 1) The types of relations that cooperatives have with the appropriate authority may be specified in their bylaws and may be mainly related to planning, accounting, auditing, legal services and certification support and monitoring, evaluation and feedback reports, control, and exchange of information;
- 2) Any cooperative shall submit a plan and implementation report approved by the General Assembly to the appropriate authority at all times.
- 3) The appropriate authorities at all levels should provide technical support to the cooperatives in the implementation of the plan and in the preparation of the report.
- 4) Cooperatives at all levels should strengthen cooperatives by providing support and monitoring based on their field of work and their level of performance.
- 5) Cooperatives at all levels should establish a strong support system to operate in accordance with the law and order.
- 6) The appropriate authorities at all levels should provide professional support to strengthen the information system in cooperatives.

- 7) All cooperatives at all levels shall submit to the appropriate authority at least once a year the basic information of the cooperative as requested by the relevant authority.
- 8) The appropriate authority shall at any time provide information useful for the development of products and services, marketing and cooperatives.
- 9) Cooperative unions and federations shall submit their annual plans at the beginning of the fiscal year and submit a quarterly performance report to the appropriate authority.

#### **104. Relationships among cooperatives**

- 1) The types of relations that cooperatives have are defined in their bylaws, mainly on the basis of unity of purpose, principle and value with other cooperatives in the following cases:
  - a) With technical support;
  - b) Exchange of experience in management;
  - c) By learning from each other,
  - d) Working in coordination,
  - e) In financial linkage,
  - f) In marketing linkage,
  - g) In information exchange,
  - h) They should have relation to each other in different issues.
- 2) Producers and consumer cooperatives should exchange information during the preparation process.
- 3) Develop a system to jointly evaluate the implementation of the plan by the Producers and Consumer Cooperatives.
- 4) Cooperatives can promote mutual benefit by organizing joint consultation and discussion forums.
- 5) Producers and consumer cooperatives should have a supportive relationship based on a common purpose, principle and value, based on the principle of mutual benefit.
- 6) Consumer cooperatives must identify the marketing needs of their members and enter into a permanent marketing agreement with the production cooperatives.
- 7) Producers cooperatives shall supply products to consumer cooperatives in accordance with their contracts.

- 8) Other types of cooperatives can strengthen their relationship by saving money in savings and credit cooperatives.
- 9) Savings and credit cooperatives will cooperate in solving the problems of cooperatives on their own by supporting and cooperating with each other on financial, marketing and infrastructure issues.
- 10) Savings and credit cooperatives should play their part in raising awareness and savings in cooperatives by providing education and training to other cooperatives.
- 11) The relationship between the cooperatives and the banks is through the provision of loans for the production and marketing of cooperatives.
- 12) Cooperatives should not buy and own lots in different banks.
- 13) In many cooperatives, funds for various reasons should be used to facilitate the use of funds.

### **105. Cooperatives' relationship with stakeholders and capacity builders**

- 1) The types of relations that cooperatives have with stakeholders and capacity building bodies are defined in their bylaws and may be mainly related to education and training, infrastructure construction, human resource and technology transfer and other issues.
- 2) Stakeholders should be given a series of capacity building trainings on key issues identified in the study by stakeholders and capacity building bodies to strengthen their relationship.
- 3) Stakeholders and capacity building bodies should be strengthened by providing the necessary inputs for the education and training centers to be set up in cooperatives.
- 4) Stakeholders and capacity builders should provide budget and logistical support to cooperative education and training activities.
- 5) Stakeholders and capacity builders should work together to alleviate the problems of cooperatives in warehousing, office space, modern technology, information technology building and other infrastructure.
- 6) Stakeholders and capacity builders of cooperatives who are not able to hire workers on their own should hire a variety of professionals and strengthen cooperatives by supporting cooperatives to be led by educated manpower.
- 7) Any capacity builders registered in the law of the country to support cooperatives should plan and work with the appropriate authority regarding the support provided by the developer.

## **PART FOURTEEN**

### **COOPERATIVE AUDIT AND INSPECTION**

## 106. Cooperative Audit service

- 1) Although the operational period /working life of any cooperative varies according to the nature of the cooperative, it will be from September to June.
- 2) Without the prejudice to provisions of Article 50 of the Cooperatives Proclamation No. 985/2009, in order to ensure the health of cooperatives, modern accounting systems should be developed and audited and built on the trust of members and other third parties.
- 3) Performance level of financial management, management and social responsibility of cooperatives shall be audited by the appropriate authority.
- 4) Cooperatives may have hired internal auditors to control internal finances and operations.
- 5) Without prejudice to the provisions of Article 50 (1) of the Cooperatives Proclamation No. 985/2009, cooperatives shall be audited by external bodies in accordance with the directive issued by the appropriate authority when it is determined that private audit institutions are incapable or easily accessible to local private audit institutions.
- 6) Any auditing body of cooperatives shall be free from any interference and shall conduct its audit work freely.
- 7) An expert who prepares cooperatives' accounts for audit should focus on at least the following:
  - a) accounting document and journal
  - b) Bylaws and internal rule;
  - c) Accounting and Auditing Other Functional Implementation Guidelines;
  - d) Professional comments and feedback provided during the audit and corrective action taken;
  - e) Findings and feedbacks from the internal audit, control committee and inspectors;
  - f) Contract and agreements made with various parties;
  - g) Decision and Minutes of the management committee meeting;
- 8) To set up accounts of cooperatives the accounting professional shall perform the following tasks:
  - a) Identify cooperatives that close their account monthly by recording their account daily
  - b) Ensure that cooperatives have closed their accounts and are ready for audit.



- c) Ensure that cooperatives are prepare their accounts for audit and ensure that there is adequate budgets.
- d) Records and hold a list of cooperatives information that audit their accounts at the federal or state level. It also submits its details to the appropriate bodies for timely audit.
- e) Support and mnonitors cooperatives to have an accountant, and monitors its implementation carried out in accordance with the law.
- f) Should follow the accountant of the cooperative shall regularly prepare financial reports and submit them to management.
- g) Evaluates whether the financial report that prepared by the cooperative's accountant based on the accounting directives and manuals, and comments on its validity.
- h) To achieve the work of cooperatives should provide professional support in the development of the necessary accounting system.

### **107. Use of Inspection Feedback**

- 1) Without prejudice to the provisions of Article 52 (1) of the Cooperatives Proclamation No. 985/2009, any cooperative must be verified by the appropriate authority that it is acting in accordance with the rules, regulations and procedures in accordance with inspection feedback;
- 2) Professionals who support and strengthen cooperatives at all levels sould support and monitor cooperative to take corrective action based on professional opinion and feedback on inspection findings .
- 3) The cooperatives should submit their inspection results to the General Assembly for approval and it should be kept in a clear place.

## **SECTION FIFTEEN**

### **AMELGAMATION AND DIVISION OF COOPERATIVES**

#### **108. Amelgamation of cooperatives**

- 1) The merger of any cooperative shall be carried out if a request is made to the General Assembly by two-thirds majority of the members of the General Assembly.
- 2) Those cooperatives having similar purpose and function, found at similar level of organization and who are decided their merging by the General Assembly can be merged.
- 3) When two or more cooperatives merge at the same organizational level, a new cooperative which differs from the previous one can be formed.
- 4) If the cooperatives at all levels merge with other cooperatives with similar goals and objectives, the appropriate authority must ensure that the merger is legal and appropriate.
- 5) The merger of the cooperatives shall not be contrary to the interests of the members or the public interest. The merger should be made public through the media.
- 6) The request for merger will not be accepted if the cooperatives at all levels of the proposed merger do not receive the support of a special resolution of their respective General Assembly.
- 7) In order to work efficiently and effectively, two or more cooperatives with the same purpose and function may be merged together.
- 8) At the time of amalgamation, the previous legal certificate will be revoked and returned to the appropriate authority.
- 9) Prior to the merger, the cooperatives must be approved by a special general assembly.
- 10) Before merging, the cooperatives shall conduct a separate audit to each of them to identify the capital and assets of the cooperative.
- 11) The rights and obligations of the members shall be respected by the newly formed Cooperative.

#### **109. Reasons for the conditions of merging**

- 1) More than two cooperatives may merge due to the following reasons:
  - a) When the number of members of cooperatives be less than the minimum number as specified in the law;
  - b) To increase efficiency by using local resources in a coordinated manner
  - c) To bring about a better management system
  - d) Become lower of the capital amount
  - e) Capacity building and joint implementation of joint projects;
  - f) To create a strong and effective cooperative by merging the weak performing cooperatives;
  - g) To ensure equitable benefit
  - h) Benefiting members by expanding their scope of service delivery and improving their efficiency.
  - i) To get better service and professional support from the government and other stakeholders;
  - j) To avoid conflict of interest in the frequency of work and competition within a work zone
- 2) Subject to the provisions of sub-article 1 (a-j) of this Article, all creditors shall be notified at least three months in advance of the merger in order to prevent the merger from transferring debt from one cooperative to another.
- 3) Lenders of any merger cooperative have the right to receive any debt or money if they make a written request to the implementing body at least one month before the date of the merger.

## **110. Reasons why cooperatives are divided:**

Any cooperative may be divided into two or more parties for the following reasons:

- 1) Due to the large number of members, the cooperative does not have access to adequate services for all members.
- 2) Due to the size of the operationa area, it is not possible to open additional branches and provide services.
- 3) When the division of low and weak member participation was convinced;
- 4) Convincing the Cooperative to pay for the administration and service delivery due to geographical location or administrative demarcation;
- 5) The importance of division is recognized by researched;
- 6) When the needs of the members are different and it is not possible to achieve

- 7) When members acknowledge and request for the division
- 8) due to the division of the cooperatives if the capital capacity of the cooperatives created may not weakened
- 9) when the situation of the cooperative is not conducive to management and administration;

## **111. Merger or division performance**

- 1) Any cooperative may be merged or divided based on study.
- 2) Prior to the merger or division of members in accordance with Article 111, Sub-Article 1 of this Directive, it shall complete the verification of members' status, membership assets, debt and reserve funds.
- 3) When the merging or dividing a cooperative decided, the following actions shall be taken:
  - a) Request the appropriate authority to audit the accounts of cooperatives;
  - b) Gather information on existing members, identify those who are interested in organizing,
  - c) Verify existing and non-existent members' information and submit it to the General Assembly in a manner conducive to decision making.
  - d) Collecting the property the cooperative, organizing information and registering the cooperative.
  - e) Develop a new bylaws and business plan to support the newly formed cooperative.
  - f) Carry out the necessary organizational activities and submit for registration.
- 4) The process of merging the decision of merging or division of the previously organized cooperatives will be as follows:
  - a) It has to be proved priorly by reaserch that the merger or dividing will benefits the members better.
  - b) Ensuring that the merger or division of the cooperative is by the full consent of the members without any effect;
  - c) Confirming the merger decision to be approved by a two-thirds majority vote of the General Assembly.
  - d) The proposal for the merger must be submitted to the appropriate authority for approval.
  - e) It must take into account the economic and social situation of the area and research must prove that it does not cause harm,

- f) The accounts of the cooperatives decided to merge or divide should be audited and approved the audit report by the General Assembly;
  - g) The existing records and documents used by the dissolved cooperatives through mergers or division will be carefully stored at the newly formed Cooperative Office
  - h) No cooperative may merge with the creditors before it is merged or divided;
  - i) The cooperative, which has accepted and decided to merge or divide, must provide payment guarantees to the dismissed members or debtors. The amount of money you receive should be set according to your payment guarantee.
  - j) To make them lose their existence following the law of demolition;
- 5) Since the secured money or property is the dissolved cooperative member or debtor, this obligation shall be transferred directly to the cooperatives formed by merger or dissolve.
  - 6) Guaranteed members and debtors have the right to claim their shares and accounts to the cooperatives created in a merger or by dividing.
  - 7) If there is any benefit to the cooperatives that have lost their existence through mergers or acquisitions, the right will be transferred directly to the newly formed cooperatives.
  - 8) When cooperatives are merged or divided, the divisible property previously registered in the name of the cooperative shall be prepared in accordance with the law
  - 9) When cooperatives are merged or divided, the former employees can continue to work by comparing their performance, ethics, as well as consider the capital capacity and workflow of the cooperative.
  - 10) Subject to the provisions of sub-article 9 of Article 111 of this Directive, The case of former employees after the merging or division of former cooperative shall be considered in accordance with the country's labor law and their contract.
  - 11) The division of the property shall be studied by the liquidator and a decision shall be made.
  - 12) cooperatives that has lost their existence should be removed from the register.

## **112. Legal action taken in the event of a dispute over the merger or division;**

- 1) In the event of any objection to the merger or division of any cooperative, the following measures may be taken
  - a) If any of the members or creditors disagree, their rights and share must be reserved before the special decision is made, or a payment guarantee must be given.

- b) The appropriate authority shall accept the decision and register and recognize the new cooperative after verifying that the rights of the members or debtors have been protected and that other legal payments have been made.
  - c) Opponents of merger or division shall notify to the Cooperative and the appropriate authority prior to merger or division;
  - d) If the merger or division does not protect the rights of the members or the debtors and employees or if the work is found to be in violation of law and order, the appropriate authority may cancel or delay the merger or dividing.
  - e) E) The appropriate authority may delay or cancel the merger or division if there is evidence that members, or creditors and employees who object to the merger or division have been properly paid, or that there is a lack of transparency in the process.
- 2) Any decision of merger or division of a cooperative shall be performed freely without any interference;

### **113. About a reorganized cooperative by merging or dividing**

- 1) Any cooperative to be reorganized by merging or dividing shall be predicted based on a study of operational area, capital formation, infrastructure and other necessary matters.
  - 2) Any cooperative that is reorganized by merging or dividing shall be organized and registered following the formal reorganization process.
  - 3) Strong professional support will be provided to make the merger and dividing process successful and effective and to avoid unnecessary illegal practices and to protect the interests and rights of members and third parties.
  - 4) Any existing cooperative may be reorganized by merging or dividing. Any cooperative that is reorganized by dividing, prior to dividing, a feasibility study should be conducted by a professional
- 1) Subject to the provisions of sub-article 4 of Article 113 of this Directive, the reorganized cooperatives shall be registered on the basis of a special decision of the General Assembly and presented to the appropriate authority, and the existing cooperative shall be dissolved in accordance with the law.

- 2) After the demolition process followed by law, based on the feasibility study, a new cooperative will be formed.
- 3) The Registrar must ensure that any cooperative that is established by merging or dividing takes into account the local economic, social, political, cultural and other existing conditions and it does not cause any harm
- 4) Any cooperative that has gone through the necessary process of dissolution will be reorganized and registered by merging or dividing.
- 5) When cooperative reorganized by merging or dividing, registration will take place according to the following procedures:
  - a) The appropriate authority shall confirm that they have paid their debts or are guaranteed to repay.
  - b) The minutes of the General Assembly, the names, addresses and signatures of the members and newly elected members of the management bodies agreeing to merge or divide the cooperatives, and other registration requirements shall be submitted in writing to the appropriate authority;
  - c) Register the cooperative and issue a permanent or temporary certificate.
- 6) When cooperatives are merged or divided, the case of the former employees shall be dealt with in accordance with the country's labor law of and based on their contractual agreement.
- 7) The management and use of indivisible property when cooperatives are merged or divided shall be determined in accordance with the results of the study and the consensus reached.
- 8) Cooperatives that are merged or divided in this way may have their own name and logo, type of work, purpose, function and vision, but shall be supervised by the appropriate authority to ensure that they are not registered as identical and misleading.

## **PART SIXTEEN**

### **THE DISSOLUTION OF COOPERATIVES AND AUDITING THEIR ACCOUNTS**

#### **114. Appointment and Dismissal of Liquidator**

- 1) Subject to the provisions of Article 56, Sub-Article 1 of the Cooperatives Proclamation No. 985/2009, liquidators with three members shall be appointed from the appropriate authority professionals selected from audit, legal section, and Cooperative promotion.
- 2) After a decision has been made to dissolve a Cooperative, liquidators shall be assigned by the appropriate authority.
- 3) If any of the liquidators found to have acted outside the Directives of the appropriate authority, they may unconditionally suspend or terminate their duties at any time, and appoint a new one in their place.
- 4) Liquidators who have been dismissed from their account verifying duties shall, within seven days from the date of receipt of the dismissal letter, submit their assets, documents, records, documents, etc. to the assigned other liquidators in their place.
- 5) Dismissed liquidators shall be held accountable in accordance with applicable law if they do not submit their assets and documents within seven days.
- 6) The pertinent authority that appointed the liquidators to verify the account shall be decided to pay the appropriate service fee from the Cooperative;

### **115. Reasons for Auditing Cooperative Account**

- 1) The accounts of any Cooperative may be verified for the following reasons:
  - a) When it is decided to cease to exist
  - b) To identify the debtors;
  - c) To identify the wealth, assets and liability of the Cooperative and to determine its share capital
  - d) To identify receivable and payable
  - e) Identify employees and protect their interests
  - f) To identify inalienable property of Cooperative;
  - g) When it is decided to reorganize by splitting or merging;



- h) If the cooperative is registered and did not start work within six months,
- i) If the Cooperatives does not register the temporary registration certificate permanently within one year or if it returns the temporary certificate;
- j) Accounts audited and bankrupted and when not easily possible to recover from the loss within six months;
- k) When the Cooperative decides to change its business another way or changes its objective and function;
- l) When the number of members is less than what is determined by law;
- m) When operating outside the purpose and bylaws for which it was established and in violation of the principles of International Cooperatives Principles.

## **116. Duties and Responsibilities of Liquidators**

- 1) The liquidators shall not be able to start new activities unless they are for the purpose of enforcing the contract of the existing Cooperative or for the purpose of account verifying. They are individually and collectively responsible for any activity outside of this.
- 2) They shall be responsible for statements, Cooperative's assets and documents from the Management Committee or Board of the Cooperative until the end of the financial year.
- 3) Distinguish between the dividing and non-dividing assets of the Cooperative; they gather, Set up a list of receivable and payable;
- 4) Separate the Cooperative number of members and their share;
- 5) Perform all necessary activities to verify the account Cooperative.
- 6) Selling the property of the Cooperative, appearing in court as a Cooperative, and negotiating a settlement;
- 7) Manage the bank account opened in this business; they also effect payments,
- 8) Decide the costs of account verifying;

- 9) They can decide by talking to the creditors about the debt and payment mechanism.
- 10) Disagreement or disputes between any person or organization or institution may be settled by mediation or conciliation on behalf of the Cooperative;
- 11) They shall contact the General Assembly to determine the payment of the remaining amount after the payment of the debt;
- 12) Examine the debt due from the Cooperative and draw up the order of payment.
- 13) The liquidators shall be fully responsible for the completion of the verification unless the decisions of the appointees are made.
- 14) Prepare a detailed report of the verifying process and submit it to the appropriate authority on a weekly basis.
- 15) Upon completion of the verifying process, after the merger or splitting, any records and documents received for the purpose of work shall be submitted to the newly formed Cooperatives within fifteen days.
- 16) If you do not submit any Cooperative property and documents in their possession by the due date, the appropriate authority shall be held accountable by law.
- 17) Any person who has been assigned or appointed to conduct an account verifying without the completion and the permission of the appropriate authority cannot pass information about the account verification to another party;
- 18) They shall, in accordance with the law, sell their assets explicitly, transfer their names, and open a current bank account in the name of the Cooperative and deposited as “Account under Verification” in the name of the Cooperative until the division is completed.
- 19) Any body who has passed on any information in accordance with Article 116 Sub-Article 23 of this Directive, appropriate authority shall be request disciplinary action.

## **117. The Duties and Responsibilities of the Appropriate Authority in the Liquidation Action**

- 1) Because it is the responsibility of the appropriate authority to carry out the account verification and appropriate responsible authority by the Cooperative Proclamation, it shall have the following duties and responsibilities:
  - a) The appropriate authority conducted account verification on its own initiative or by inspection or at the request of the body in the event of a decision to merge or split or dissolve, shall order for account verification;
  - b) Ensure that the decision to dissolve and account verification is approved based on a special resolution of the General Assembly;
  - c) Assign or appoint liquidators; it makes to start an account verification within fifteen days.
  - d) Submits to the liquidators' report approved by the General Assembly and the minutes of the decision to merge or split or dissolve.
- 2) The appropriate authority shall order to conduct the account verification:-
  - a) Upon receipt of the minutes of the dissolution by two third of the members and the application for the dissolution,
  - b) Evidence that the number of members is less than the minimum number set by law;
  - c) The Cooperative is in bankruptcy and when believes that will not easily get out from this bankruptcy;
  - d) Confirming that the cooperative is operating outside the cooperative;
  - e) When the Cooperative confirms that it has not been engaged for a certain period of time;
  - f) Must prove that it has not been permanently registered within one year;
- 3) The decision of the relevant authority shall be submitted by letter to the Cooperative and published in a newspaper before the decision of the Cooperative to account verification and merge or dissolve.
- 4) If the Cooperative opposes the account verification and dissolution decision, it shall be decided by the General Assembly and the Management Committee and submitted to the Cooperative Promotion Office within 15 days.

- 5) If the Cooperative does not submit the opposition letter to the Cooperative Promotion Office within 15 days, the decision to dissolve and the account verification will take into effect;
- 6) The appropriate authority may at any time cancel the order of the Cooperative not to dissolve and not to audit.
- 7) Once the account verification activity has been decided by the appropriate authority, the account verification will be carried out in the following order:-
  - a) The Cooperative shall, if there is an opposition to the account verification, submit a statement within two months, using the press and convenient means for two consecutive months.
  - b) According to the announcement, a list of evidence presented by the creditors of the cooperative will be recorded and verified;
- 8) Details of the status of the Cooperative will be handed over to the Management Committee and the Controlling Committee. Details must also ensure that they meet the following criteria.
  - a) Ensure the details of the Cooperative's assets, including cash at hand and bank as well as other financial documents and records, and their value and details.
  - b) Availability of documents explaining receivable and payable;
  - c) Prepare documents detailing the names, addresses and occupations of the debtors and, if any, guarantee the debts;
  - d) The names and addresses of the companies or individuals who are requesting debts from the Cooperative and the amount of money they are demanding from the Cooperative.
  - e) The audit report and other information of the cooperative shall be collected in detail by identifying the assets and liabilities of the cooperative in accordance with the details prepared by the appropriate authority.

### **118. Cooperative account verification Process**

- 1) Subject to the provisions of Article 56-57 of the Cooperatives Proclamation No. 985/09, account verification shall be carried out by:-

- a) The General Assembly shall assign an auditor to the appropriate authority when it has been determined that the merger or division decision shall not be invalid.
  - b) There will be liquidators with a member of three who will be selected from the audit, legal and expert from Cooperative Promotion.
  - c) The liquidators shall verify the account and submit a detailed report to the appropriate authority;
  - d) The appropriate authority shall implement the merger or separation based on the report of the liquidators and the minutes of the special session of the General Assembly.
- 2) The legal entity and activities of any Cooperative during the account verification:-
- a) The account of a Cooperative shall be verified for the reasons stated in Article 4 of this Directive. The Cooperative shall be deemed to have the legal right to the fullest extent necessary for the purpose of this verification;
  - b) The Cooperative may carry out its obligations and carry out the work until it dissolved. But he cannot start a new business.
  - c) Convene a meeting of existing members interested in reorganizing;
  - d) As soon as the account verification process is completed, the relevant authority shall be notified through the newspaper and appropriate means of communication the non-existence of Cooperative.

## **119. Undivided Property of Cooperatives**

- 1) The property of the Cooperative shall not be divided before the debts of the cooperative have been paid.
- 2) The Cooperative's money or property shall not be distributed to its members unless it has been paid to the creditors and deposited in the designated area for those who have not received their due time.
- 3) The undivided joint property of any Cooperative at the time of merger shall be transferred to the newly formed cooperatives as undivided joint property.

- 4) Undivided Cooperative property and money may not be used in any way for the members or any other party to make loans or debts or to debt compensation or gifts or rewards or grants and so on.
- 5) Allocates the undivided Cooperative capital to communal property.
- 6) When a cooperative decides to dissolve in accordance with the law and the property is cleared and prepared for division, the following cooperative assets shall not be divided.
  - a) If the annual profit is deducted and recorded in the reserve account;
  - b) If it is a gift, inheritance or reward,
  - c) If land or building or any other property acquired by the government for the purpose of strengthening and encouraging cooperatives;
  - d) If the property is entrusted to the management of the cooperatives for a long or short term;
  - e) If the property is prohibited by law,

## **120. Calling and Making Payments to Creditors**

- 1) Although members have the right to dissolve their Cooperatives under any circumstances, in the event of opposition from third parties or creditors and borrowers, the appropriate authority shall decide on the request of dissolution, after consulting with the General Assembly.
- 2) An announcement shall be made at least once a month for two consecutive months, stating that the cooperative will dissolve when the account verification process begins to divide the property.
- 3) If the debtors and the members who do not agree with the non-existence of the borrowers are not present or taken on time from the date of the announcement, it shall be put under the debt guarantee of the newly formed Cooperative.
- 4) It must be stated that no right to claim the division of property if no objection is made by the notice within two months from the date of the first notice.
- 5) Letters of credit written to creditors or otherwise known creditors in the Cooperative's records shall be sent directly in the form of a recommendation letter, but others shall be notified in public.
- 6) The debts of the Cooperative set aside by the auditors will be shared with the debtors. However, the Aeneral Assembly shall decide on the request of the debtors if the debtors agree to the transfer of the debt to the reorganized Cooperative.

- 7) It is the responsibility and obligation of the auditors to audit the debts of the Cooperatives in relation to the members and other debtors before the distribution of the Cooperative property, which was decided to dissolve. Accordingly:
  - a) Investigators will not be able to divide the money to the Cooperative unless the creditors have been paid or the required amount has been set aside to pay their dues.
  - b) The amount of money that has not been paid to the creditors must be submitted to the court in accordance with the decision.
  - c) Equitable guarantees or funds to be paid for the obligations of the cooperative or for the obligations of the cooperative in dispute.

## **121. Presenting the Final Balance Sheet Results to the General Assembly**

- 1) After conducting any account verification, the liquidator shall submit the final balance sheet results to the General Assembly and decide on the division; they distribute according to the special decision,
- 2) Convenes a meeting of existing members who are interested in reorganizing.
- 3) For members who do not wish to remain in the Cooperative or who are unable to continue, the time frame and condition in which their shares shall be determined by the General Assembly, but not for more than one year.
- 4) The appropriate authority shall notify the Cooperatives that are unable to re-register and shall notify the newspaper.
- 5) Cooperatives that do not wish to re-register within one year may not be able to register in the name of another Cooperative without paying their debts.
- 6) After conducting the account verification, the liquidators shall submit the final account balance results to the General Assembly for a decision on the division, and the work of distribution shall be carried out in the following order:
  - a) Any government debt owed by the Cooperative shall be repaid first;

- b) It pays the employed staff salaries. If the money is not enough for all the staff, the rest of the money should be divided according to their salary.
- c) Pays to external borrowers in advance of their order and payment period.
- d) The Cooperative shall repay the debts incurred by the members.
- e) Pay the share fee; If it is not possible to pay in full, the amount must be calculated by dividing the amount by share.
- f) Payment for dividend is divided on the basis of share.

## **122. Order of Payment of Verified Account**

The account of the Cooperative to which the account has been verified shall be divided as follows:-

- 1) Any government debt owed by the Cooperative shall be repaid first;
- 2) Salary shall be paid to the employees of the Cooperative. If the remaining amount is not enough for all the workers' salaries, the amount should be divided by the ratio.
- 3) Distribute to external borrowers in order of priority and payment period.
- 4) Payment of debts owed by members.
- 5) The money paid for share purchase. If it is not possible to pay in full, the amount must be divided accordingly.
- 6) Money paid for dividend on the basis of share value.

## **123. Cancelling Cooperatives from Registry**

- 1) The liquidators shall prepare the certificate of registration of the Cooperative and submit the account verification report to the body assigned to perform the account verification;
- 2) The appropriate body authorized to conduct the account verification shall perform the following:
  - a) It shall be marked on the last page of any cooperative document as "Cooperative that lost its existence" and signed.



- b) Financial documents of the cooperative's that are not in use shall be marked on each pages are “sealed, does not work”.
  - c) The liquidators shall submit the account verification report and the registration certificate of the cooperatives, various stamps and minutes to assined authorized office;
  - d) Decide on the placement of documents and records of the non-existanant Cooperative.
  - e) Undevided money of the dissolved cooperative shall be deployed to Cooperative Fund.
  - f) Canceled the Cooperative from the register;
  - g) The Cooperative shall inform the public through the use of newspapers and convenient means stating that it has been non-existent since its establishment.
- 3) Upon completion of the account verification, the documents and records of the Cooperative submitted by the liquidators shall be kept at the place determined by the relevant body for 10 years after the account verification has been confirmed.
  - 4) When the Cooperative is suspended or dissolved, the appropriate authority may file a complaint in accordance with the Cooperative Proclamation 985/2009.
  - 5) The General Assembly may appeal to the Higher Court, which has jurisdiction within 30 days, if the appropriate authority does not agree with the offer and decides to lift the ban or continue the dissolution.

## **124. Distribution and Property Placement and Management**

- 1) When a Cooperative decides to dissolve in accordance with the law and the property is cleared and prepared for division, the following assets of the cooperative shall not be divided.
  - a) If the Cooperative is operating in a reserve account deducted from its annual profit under the proclamation,
  - b) If it is a gift or inheritance,
  - c) Land or houses acquired by the government to contribute to the Cooperatives shall not be divided.

- 2) Cooperatives' assets, such as reserve account, donations, inheritance, and government support, shall be not distributed and will be used to expand future Cooperatives and existing Cooperatives.
- 3) The appropriate authority of the Cooperatives Special Fund shall be established to administer and implement the non-dividendable property.
- 4) Undividendable property of the Cooperative shall be converted into cash and shall be deposited in the account of the Special Cooperative Fund to be established.
- 5) The appropriate authority shall transact the account; control, works in the right way.
- 6) Cooperatives also receive support from the government and capacity builders.
- 7) Land or property given free of charge by the government for the purpose of promoting cooperatives and cooperatives shall be returned to the relevant government body. However, the money spent on the construction or expansion of the land or property will be returned to the cancelled Cooperative and will be credited to the dividendable account.
- 8) Upon completion of the account verification and presenting it to the General Assembly and re-registering the cooperatives, “the Cooperative that not exist” seal shall be removed; records, documents and other information will be carefully stored at the newly formed Cooperative Office.

## **PART SEVENTEEN**

### **SETTLEMENT OF DISPUTES**

#### **125. Settling Disputes through Conciliation**

- 1) Without the prejudice to the provision Article 61 sub-article 1-3 on the cooperative proclamation 985/2016 the organizer shall provide the necessary professional support to resolve any disputes through conciliation that may arise within the cooperatives.
- 2) Conciliation is considered as a final judgment without appeal between the parties.
- 3) Conciliation is void if it is against the law or good deeds and is related to another contract.
- 4) Conciliation by one of the parties in the same case does not obligate the other parties.

#### **126. Requirements for qualifying for Arbitrator on conciliation agreement**

- 1) Individuals selected for mediation must be recognized by the local community for their good morals.
- 2) Those selected for Arbitration shall be who are living within the vicinity of the cooperative.

### **127. Requirements needed from the two parties for the conciliation**

- 1) The following shall be fulfilled by the parties to the conciliation process.
  - a) The two parties shall submit a written agreement for reconciliation.
  - b) The litigation must be in the form prescribed by the civil procedure code.
  - c) The budget needed for conciliation process shall be collected with the contribution of the two parties and handled by the person who is delegated by promotion office.

### **128. Issues of Reconciliation Agreement**

- 1) The name of the two parties, address, home and work address (convenient to send a call)
- 2) A statement of the substance of the conciliation, (whether the case is taken to court)
  - a) Name and address of court to which it is filed,
  - b) Case title and the record number,
  - c) The parties shall sign this agreement, testimonial to abide by the decision.

### **129. Arbitrators allowance during conciliation settlement.**

- 1) Without the prejudice to the provision Article 61 of the cooperative proclamation 985/2016 arbitrators will not have any allowance payment for settling conciliation.
- 2) Without the prejudice to the provision Article 129 sub-article 1 on this directives reimbursement may be paid to the arbitrators in accordance with the agreement of the two parties

### **130. The duties and responsibilities of the appropriate authority in the conciliation process**

- 1) The appropriate authority in the conciliation process will have the following duties and responsibilities.

- 2) Facilitate conditions for the process without interfering with the conciliation process to resolve the dispute between the parties;
- 3) Providing professional support to the parties to resolve their disputes in conciliation;
- 4) Ensure that the conciliation agreement provided by the parties is based on the will and trust of the parties in accordance with the provisions of the Cooperatives Proclamation.
- 5) Ensure that the case of conciliation is not against the law and does not affect morals.
- 6) Ensure that the selection of arbitrators is in accordance with the provisions of the Cooperatives Proclamation.
- 7) If the parties do not reach an agreement to elect a chairperson, inform the parties by electing the chairperson in accordance with the Cooperatives Proclamation;
- 8) Ensure that the parties have an equal right to elect arbitrators and that they are impartial
- 9) Ensure that the decision is in accordance with the conciliation agreement and the Cooperatives Proclamation.
- 10) Ensuring that the parties have an equal right to explain their disputes and to present their disputes;
- 11) When the arbitrator's conciliation motion is not accepted by the parties, the arbitral tribunal shall be arraigned within 15 days along with the two parties' disputes, arbitration proceedings and other necessary evidence.
- 12) The budget needed for conciliation process shall be collected with the contribution of the two parties and handled by the person who is delegated by the two parties, monitor the payment in accordance with the previously determined.
- 13) If one of the parties to the dispute refuses to settle the case in conciliation, the appropriate authority will provide evidence to the willing party.

### **131. Arbitration**

- 1) Any cooperative shall arrange arbitration for disputes which are not solved through conciliation.
- 2) When the parties agree to abide by the decision of the arbitral tribunal; arbitration will be done.
- 3) Arbitration can be used as a binding settlement to resolve disputes through the provision of Article 64 and 65 of Cooperative Proclamation 985/2016 and civil disputes with individuals and organizations involved in marketing activities with cooperatives.

### **132. Arbitration procedure**

- 1) The arbitrators hear and conduct proceedings of disputes in accordance with the rules of civil procedure code.

- 2) Decision, judgment or order rendered by an arbitral tribunal shall be deemed to have been rendered by a civil court and shall have the power to compel the decision, order or judgment.

### **133. Requesting appeal on Arbitration**

- 1) One or both parties may appeal in a decision, order or judgment of the arbitral tribunal.
- 2) If the disputed cooperative is accountable to a federal government city, the parties to the dispute may appeal to the Federal High Court.
- 3) If the disputed cooperative is located in the state, the parties to the dispute may appeal to the State High Court.
- 4) If the dispute is in between cooperatives organized in two states, arbitral tribunal will be heard at the federal level so that the appeal will be made to the Federal High Court.

### **134. Duties of the disputed parties**

- 1) The disputed parties are obliged to provide the arbitrators with the information and evidence necessary for the arbitral tribunal.
- 2) Shall avoid themselves from tasks that could impede the work of the arbitrator or make it more difficult.
- 3) The disputed parties shall not take their case to court before the end of the proceedings unless the parties have stated that the arbitrators' decision has not been made.

### **135. The disputed parties to the arbitral tribunal;**

- 1) The dispute parties cannot be heard by arbitration unless the parties are legally competent.
- 2) The party to be referred to the arbitral tribunal shall be the person directly involved or legally delegated.

### **136. Preconditions required from disputed parties,**

- 1) Disputed parties to arbitration shall meet the following requirements:
  - a) The disputed parties shall agree to the terms of the arbitral tribunal.
  - b) The dispute must be completed in accordance with the due process form provided by the Civil Procedure Code.

### **137. Arbitrator's expenses**

- 1) Arbitrators have the right to demand reimbursement for expenses incurred in carrying out their duties.
- 2) They have no right to their wages unless agreed.

### **138. The duties and responsibilities of the appropriate authority on arbitration**

- 1) Facilitates the disputes settlement through arbitration.
- 2) Provide support to the disputed parties to resolve their issues in arbitration;
- 3) Ensure that the disputes for arbitration is not against the law and does not affect morals.
- 4) Ensure that the selection of arbitrators is in accordance with the provisions of the Cooperatives Proclamation.
- 5) If the disputed parties do not reach an agreement to elect a chairperson of arbitrators, it is responsible to elect.
- 6) Ensure that the disputed parties have an equal right to select arbitrators and that they are impartial
- 7) Ensure that the decision is in accordance with the point of view of the disputed parties and as per the case mentioned on the Cooperatives Proclamation.
- 8) Ensuring that the disputed parties have an equal right to explain and to present their disputes;

## **PART EIGHTEEN**

### **MISCELLANEOUS PROVISIONS**

### **139. Strengthening and modernizing cooperatives**

- 1) Cooperatives should be strengthened by focusing on specific issues in order to achieve the purpose for which they were established.
- 2) In order to strengthen the cooperatives, it should focus on at least the following issues:
  - a) Strengthen their organization, management and operation system;
  - b) Increase access to cooperative extension service delivery;
  - c) Establish good governance
  - d) Increase the participation and benefit of members;
  - e) Building the financial capacity of cooperatives,
  - f) Strengthen property administration;
  - g) By Strengthen the cooperatives, expand saving culture and size
  - h) Increase the market share of cooperatives;
  - i) Strengthen the relationship among cooperatives;
  - j) Strengthen infrastructure construction and management;

- k) Strengthen the information system
- 3) Cooperatives should be supported by cost-effective and time-saving technology to make fair and efficient services accessible to members.

#### **140. Duties and responsibility of a cooperative organizer**

- 1) Identify and address gaps in the Cooperatives Proclamation, Regulations, Guidelines, bylaws, internal rules and operational manuals.
- 2) Establish a mechanism for the establishment of the Cooperative Fund, the Advisory Council, the Cooperative Federation and the Cooperative League necessary for the development of cooperatives.
- 3) Conduct socio-economic research and feasibility study to organize cooperatives
- 4) Develop a model bylaws, internal rules and business plans that will help to organize cooperatives and develop and organize the process.
- 5) Develop and implement a policy and strategy to assist in the development of the cooperative sector.
- 6) Develop a curriculum required for cooperative education and training and develop and implement manuals to conduct a training need assessment and training effectiveness.
- 7) 11) Expanding international and local practices and experiences that will help to expand and strengthen cooperatives;
- 8) Conducting research activities around cooperatives,
- 9) Develop and implement various alternative strategic strategies for the organization, strengthening and modernization of cooperatives.
- 10) Develop and implement projects that will help the development and growth of cooperatives;
- 11) Establish a cooperative registration system and information network by researching the national cooperative registration system.
- 12) Develop and implement a system in which cooperatives are merged, divided and dissolve;

#### **141. Rights and obligations of community basin users**

- 1) In addition to the provisions of Article 25, Sub-Articles 1 (a-e) and 2 (a-e) of the Cooperatives Proclamation No. 985/2009, pursuant to Article 16 of Proclamation No. 1223/2013 of Community Basin Development, members have the following rights:
  - a) Community Basin Development Community members use community resources in the basin jointly or privately;

- b) Members create a group of users according to their profession and interests and engage in activities that do not harm the basin.
  - c) Participate in awareness raising forums on the protection and use of community watershed development
  - d) Participate in awareness raising forums on the protection and use of community watershed development;
- 2) In addition to the provisions of Article 25, Sub-Articles 1 (a-e) and 2 (a-e) of the Cooperatives Proclamation No. 985/2009, pursuant to Article 16 of Proclamation No. 1223/2013 of Community Basin Development, members have the following obligations:
- a) Participate in natural resource development in the basin;
  - b) Protecting and conserving natural and development resources in the basin from destruction
  - c) About to pay the membership fee as determined in accordance with the by-laws of the cooperative.
  - d) To actively participate in the discussion, planning, protection and development activities of individuals, groups and in general in accordance with the by-laws of the cooperative, including the provision of labor in a manner that does not affect their living conditions.
  - e) Engage in maintenance work in accordance with the cooperative's program to maintain the various natural resource development infrastructures that need to be repaired and provide regular benefits.
  - f) Failure to engage in activities that could cause damage by non-member private land owners;
- 3) Any cooperative should incorporate the rights and obligations granted of its members in its bylaws.
- 4) Subject to the provisions of Article 26, Sub-Article 1-7 of Proclamation No. 985/2009 on the termination of membership, in addition, those members who do not fulfill their duties in accordance with Article 11, sub-article 1-5 and Article 18 of Proclamation No. 1223/2013 shall be dismissed from the Cooperative. The details of the dismissal will be determined in their bylaws.
- 5) According to Article 15 of the Basin Community Development and Management Proclamation No. 1223/2013, non-member Basin users of the Cooperative shall have the following rights:



- a) Utilizing natural resources in the community basin that are privately owned by the community or by a legal entity;
  - b) Become a member of a Community Users Cooperative at any time if meet the requirements for membership;
  - c) Participate in awareness-raising forums on the protection and use of community watershed development;
  - d) To protect the property from damage caused by the association due to its activities related to the development of the basin.
- 6) Pursuant to Article 17 of the Community Basin Development and Management Proclamation No. 1223/2013, non-member Basin users of the Cooperative shall have the following obligations:
- a) To participate equally in the development and protection activities of the cooperative in order to benefit from public ownership;
  - b) Refrain from engaging in activities that could harm the community basin;
  - c) Beware that the use of natural resources does not endanger the security of the basin and lead to depletion of natural resources.
  - d) In the event of a fire or similar disaster in the river basin and its surroundings, they shall be obliged to cooperate in the development and conservation activities of the cooperative.

#### **142. Administration and Use of Community Basin Cooperatives**

- 1) Any community basin users who are organized and registered in accordance with the Cooperatives Proclamation 985/2009 and the Community Basin Development and Management Proclamation No. 1223/2013 shall have the same benefits, support and supervision as any other cooperative.
- 2) Concerned stakeholders at all levels should be coordinated and integrated to organize, register, build capacity, monitor and support to strengthen cooperatives.
- 3) Any person who owns land in two basin areas cannot be a member of the same cooperative in two places as it is difficult for him to participate and be effective.

- 4) Subject to the provisions of sub-article 3 of Article 142 of this Directive, any person who owns land in two basin areas may transfer one of the basin land to another family member and become a member of the cooperative.
- 5) A couple may be members of a community basin users' cooperative. However, to make clear the implementation they may decide in their own internal rules of engagement.
- 6) Forestry cooperatives already organized under basin in accordance with the previous Cooperatives Proclamation 985/2009 may be entitled to the benefits issued in accordance with the Community Basins, Development, Administration and Utilization Proclamation No. 1213/2013.
- 7) Members of the Basin who have leased land or acquired land in other watersheds in the Basin Development shall be entitled to the necessary benefits after the expiration of their contract period or if they do not continue as a member before the end of the contract period. However, they are getting the benefits they deserve after the audit of the cooperative account.
- 8) Any member who resigns from the Cooperative for various reasons must repay the loan or other debt already held by the member. It must provide sufficient information for this.
- 9) Subject to the provisions of Article 27, Sub-Article 2 of this Directive, similar community beneficiaries may be organized into cooperatives on the basis of their characteristics. However, cooperatives that are organized in this way will be based on the appropriate feasibility study.
- 10) Depending on the basin, two or more similar community basin beneficiaries' cooperatives may be established in one kebele. However, there is no cooperative organization that can be established without its feasibility.
- 11) The by-laws shall determine to the requirements and interest rates to be met when distributing the revolving fund and other benefits received by the Cooperative to the members of the community.
- 12) Revolving funds or other fixed assets provided by the Community Basin Users Cooperative shall remain for the Cooperative. However, when the cooperative is dissolved, it will be the property of distribution and will be implemented in accordance with Proclamation 985/2009.
- 13) The following conditions must be met to ensure ownership of the Community Basin User Cooperative:
  - a) They must provide proof of ownership of the land to which the organization is to be organized.

- b) Certificate of registration organized by Community Basin User Cooperatives;
  - c) Submitting their management plan;
- 14) Pursuant to Article 142, Sub-Article 13 of this Directive, the ownership of the community basin users' cooperatives will be verified by the land administration bodies at all levels.
  - 15) Cooperatives that have previously been established on on public land based on community basins should be strengthened by accepting others in the area as members.
  - 16) Subject to Article 142, Sub-Article 15 of this Directive, the appropriate authority may establish another new basin users' cooperative based on a study if it finds that there are no suitable conditions for membership.
  - 17) Strengthen mutual benefit-based linkages between existing forest development cooperatives and new community basin users' cooperatives.
  - 18) Subject to the provisions of Article 10 of the Cooperatives Proclamation No. 985/2009 regarding the registration of cooperatives, it should also be registered in accordance with Article 10 of the Community Basin Development and Management Basin Proclamation No. 1223/2013.
  - 19) Community Basin Users cooperatives who meet the requirements of registration in accordance with the provisions of Article 142 Sub-Article 18 of this Directive:
    - a) Must be registered in a separate register.
    - b) Must be issued a separate registration certificate.
    - c) If they do not meet all the requirements, in accordance with Proclamation 985/2009 they will be issued a temporary registration certificate

### **143. Ethical Characteristics of Cooperatives organizer**

Cooperative organizers will have the following ethical characteristics:

- 1) **Consistency and readability:** When performing their tasks, they should be consistent and readable. There should be consistency in the organization, consolidation, modernization, development, research, and education and training processes at the national level.

- 2) **Freedom from influence:** under no circumstances should they be under the influence of anyone. When organizing and consolidating, it must use professional neutrality in accordance with proper proclamations, regulations and organizational guidelines. The organizer must be free from his or her own inner freedom and with a clear conscience and give the right professional support and feedback. The organizer's relationship with the cooperative that he supports and monitors must be relevant, law-abiding, and free from the influence of the outside world. An organizer must respect professional ethics and protect himself or herself from economic and financial dependence.
- 3) **Knowledge-based practice:** the organizer must be self-sufficient. Cooperatives need to gather enough information in advance to organize, strengthen and modernize, conduct appropriate research, and conduct it free from haste and carelessness.
- 4) **Be wary and prudent.** The organizer must be free from negligence. He should pay special attention to his activities. It should take into account the mission, vision and direction of the cooperatives. He must be fully aware of the duties and responsibilities assigned to him.
- 5) **Honest, sociable, and ethical:** An organizer must be honest and keeps his word both in his or her workplace and in cooperatives. The organizer should be a professional who is respected in the community for his or her work and behavior. Must work closely in collaboration with colleagues and cooperatives management and staff. Must be a professional, ethical and independent professional.
- 6) **Integrated and Comprehensive support.** The organizer should have an in-depth understanding of marketing, infrastructure, and agro-processing practices by providing comprehensive support to cooperatives. He needs to know in-depth accounting hypotheses and concepts as he confirms accounting, accounting, reporting, analysis, and accounting systems. Adequate knowledge of financial reporting preparation and analysis.
- 7) **Know, Observe and Enforce the Law:** Although a cooperative organizer is not required to be highly skilled in law, he or she must know, respect and abide by the Cooperative Proclamation, rules and regulations. It is also important to know the proclamations, rules and regulations related to cooperatives. To strengthen and assist cooperatives, one needs to understand their rules and bylaws.
- 8) **Reliable service:** the organizer must perform his or her duties honestly, carefully, and responsibly, following the rules and regulations and clarifying legal and professional matters. The organizer must respect the mission of the cooperative and strive for its success by not engaging in illegal activities or engaging in activities that undermine the credibility of the profession.
- 9) **Neutrality:** In order to fulfill its professional obligations, the organizer must make impartial decisions and provide professional advice without prejudice and without risk of conflict. Neutrality is a fundamental characteristic of the organizers' intellectual maturity and values. It is a principle

that ensures the organizers professional decisions in the service provided without discrimination, impartiality, and fairness, and free from conflict.

- 10) **Confidentiality.** The organizer must take care of the information obtained from the cooperatives during the course of the work. Cooperative information should not be intentionally or carelessly disclosed to a third party. The information obtained should not be used for personal gain or in violation of the law or the code of conduct of the cooperative. While organizing or strengthening cooperatives, he should be restrain from betraying any secretful information to other body.
- 11) **Professional qualification:** The organizer should be engaged if he has sufficient knowledge, skills and experience in the field. The organizer must constantly improve its professionalism and service quality. He must always be in a state of change.

#### **144. Duties and Responsibilities of Cooperative Registration and Data Management Professional**

- 1) Conducts research on cooperatives' modern registration system and information network development, develops alternative modification strategies
- 2) Prepares, revises and implements the registration and data management guidelines and manuals that will make the designation of cooperatives uniform and legal.
- 3) Monitors and supports the implementation of cooperative naming in accordance with the established guidelines;
- 4) Registers cooperatives to ensure compliance with registration requirements, formats, forms and records; Issued a legal entity certification;
- 5) When cooperatives amend their bylaws, verify their authenticity;
- 6) The dissolution of any cooperative ensures that the necessary formalities are met.
- 7) Provides support and supervision for cooperatives registered on a temporary certificate on a regular basis within the stipulated time frame; If you do not register, it will be deleted.
- 8) When it is decided to merge or pay for cooperatives, it shall be removed from the register; Receives certificate: Receives documents: Contains information,
- 9) Registers and certifies cooperatives organized by merger or division;
- 10) Receipt the certificate temporarily from cooperating with other cooperatives if they are found guilty for various reasons.

- 11) When it is decided to organize a cooperative league in accordance with the law of cooperatives, it shall issue a certificate at the national level, and when it is decided to dissolve it, it shall be removed from the register.
- 12) Organizes, holds information, disseminates information to registered cooperatives
- 13) Receives documents of the cooperatives decided to be dissolved, puts them in the appropriate place Contains information, disseminating information to users;

#### **145. Ethical Characteristics of Cooperatives Registration and Data Management**

Cooperatives registration and Data Management Specialist will have the following characteristics:

- 1) Implement a consistent and mutually beneficial registration and information management system at the national level.
- 2) The Registrar and Data Management Professional shall exercise professional neutrality, adhere to the Proclamation, Regulations and Registration Guidelines in a conscientious manner, protect himself from economic and financial dependence and give the relevant professional support and opinion in appropriate relations.
- 3) The Registrar and Data Management Professional should be self-sufficient in knowledge,
- 4) It should be able to carry out its activities on the basis of knowledge, free from haste and indifference based on proper research and information
- 5) The Registrar and Data Management Professional should be free from negligence and should be cautious and attentive to his / her activities.
- 6) Relationships in the workplace, in the community, and in the management and staff of cooperatives must be neutral, honest, friendly and ethical.
- 7) He must know, respect and abide by the Cooperatives Proclamation, Regulations, bylaws, bylaws and directives.
- 8) To provide a reliable service by accepting the work carefully and responsibly, not participating in matters that undermine the credibility of the profession, respecting the purpose of the cooperative and striving for its success.
- 9) In order to fulfill his professional obligations, he is free from discrimination and avoids all situations of conflict of interest, and when making independent decisions and opinions, he is honest and self-interested, forcing him to be neutral in conflict situations;
- 10) The confidentiality of the information obtained by the cooperatives in the course of its operation shall not be used for any personal interest or outside the legal or ethical principle of the cooperative.

#### **146. Repealed and non-applicable directive**

- 1) Farmers' Organization Directive No. 001 has been repealed by this Directive.
- 2) Any directive or customary practice that contravenes and contradicts this Directive shall not apply;

#### **147. Obligation to cooperate**

Any concerned organ shall have the obligation to cooperate for the implementation of this directive,

#### **148. About the Improvement of Directive**

**This Directive can be amended by the Federal Cooperative Agency as needed.**

#### **149. Effective date of the directive**

This Cooperative Organization Directive shall be effective from the date of its issuance.

**Addis Ababa June 03, 2022**

**W/ro Ferealem Shibabawu**

**Ethiopian Cooperative Commission commissioner**