

THE COOPERATIVE (AMENDMENT) ACT OF BHUTAN, 2009

SHORT TITLE

1. Be it enacted by Parliament in its second session as follows:
2. This Amendment shall be called the Cooperative (Amendment) Act of Bhutan, 2009; and
3. It shall come into force on the ...day of the ...month of the...Year of the Bhutanese calendar, corresponding to, 2009.
4. **Article 2, sub section (2) Definition of terms:**

Primary Co-operatives means the first level of co-operative under this Act formed either by individual farmers, individual non farmers, farmers' groups, whose main purpose is the provision of quality products and services to satisfy the economic needs of the members and their communities.

5. **Article 2, sub section (12) Definition of terms:**

Rule –making through consultation means the power and responsibility entrusted to the Ministry of Agriculture (MOA) to implement this Act by issuing implementing rules after consultation with stakeholders.

6. **Article 2, sub section (20) Definition of terms:**

(20) Farmers group means a group of not less than three members deriving economic benefits from one or more economic enterprises related to Renewable Natural Resource Sector.

7. **Article 5 Regulatory agency and its power:**

The Ministry of Agriculture (MOA) is mandated to implement this Act. It shall discharge the following regulatory powers and responsibilities;

1. Register all co-operatives under this Act:

2. Require all registered co-operatives to submit annual report including duly audited financial statements;
3. Monitor and evaluate co-operatives to ensure that they abide with and sanction those that have violated, this Act; their Constitution and By-laws and the policies and rules of the MOA;
4. Provide legal services on training, information and advice to co-operatives;
5. Prescribe, after consultation with the co-operative sector, the implementing rules of this Act, which shall include, but shall but be limited to the following:
 - a) Mediation and conciliation of co-operatives;

b) Division, merger and consolidation of co-operatives; and

c) Dissolution and insolvency of co-operatives.

8. **Article 6 Management and Decentralization:**

The Ministry of Agriculture (MOA) shall, when necessary, delegate the power of registration and monitoring of cooperatives to Dzongkhags and prescribe the rules governing such delegation.

9. **Article 11, sub section (1) Co-operative banks:**

Co-operative bank may be organized to provide financial services to primary cooperatives, federation of co-operatives and insurance co-operatives and to serve as the financial arm of the co-operatives in the economy. The Royal

Monetary Authority (RMA), upon consultation with the MOA and the Cooperative Sector, shall issue and implement the rules governing the banking operations of co-operative banks. A co-operative bank shall be registered with the MOA after the issuance of the license to operate as a co-operative bank by the RMA. A registered and licensed co-operative bank may offer all types of banking services needed by member cooperatives and may open a maximum of twenty percent (20%) of its loan portfolio to the general public

10. **Article 11, sub section (2) Insurance Co-operative:**

All types of registered co-operatives may join as insurance co-operative. The insurance co-operative shall provide life and non-life

insurance services to all members. Membership shall also be open to socially oriented non-profit organizations (NPOs). At least fifteen registered cooperatives and NPOs may organize and register insurance cooperative. The Ministry of Finance, in consultation with the MOA and the cooperative sector, shall issue and implement the rules governing the operations of insurance co-operatives .The issuance of a license to operate by the Ministry of Finance shall be prerequisite to the registration of insurance co-operative with the MOA.

11. **Article 12 Effects of Registration:**

A co-operative, upon registration under this Act, acquires a juridical personality from the date the MOA issues a certificate of registration under its official seal. The registered co-operative, from

the date of the issuance of the certificate of registration, shall henceforth be protected by the laws of the state, and shall discharge its powers and responsibilities in accordance with this Act.

12. **Article 13 Constitution and by-laws:**

A co-operative registered under this act shall be governed by its constitution and by-laws. A duly adopted constitution and by-laws must conform to this act, the rules of the MOA, and other related laws; co-operative values and principles; and accepted morals of Bhutanese society. The governance of co-operative shall aim at improving the quality of life of members and communities.

13. **Article 14 Liability of directors, officials, committee members and manager:**

Directors, officials and committee members, who willfully and knowingly vote for or assent to patently unlawful acts or who are guilty of gross negligence or bad faith or acquire any personal or pecuniary interest in conflict with their duty shall be liable jointly and individually for all the damages resulting there from to the co-operative, members and other persons.

The Ministry of Agriculture together with the co-operative Sector shall issue the code of conduct of, including the penalties for violations by, directors, officials, committee members and managers of co-operatives.

14. **Article 18 Capital and their sources:**

The capitalization and accounting of resources of registered co-operatives shall be governed by this Act and the rules issued by the MOA. Registered co-operatives may derive their capital from the sources that include, but not limiting to, the following:

- 1) Members share capital;
- 2) Loans and borrowings including deposits;
- 3) Revolving capital which consists of the deferred payments of patronage refunds or interest of share capital; and
- 4) Subsidies, donations, legacies, grants, aids and such other assistance from any local or foreign institutions whether public or private but with prior approval from the Ministry of Finance.

15. **Article 28 Implementing rules:**

The MOA shall prescribe rules for merger, consolidation, dissolution and insolvency of co-operatives after consultation with the co-operative Sector.

16. **Article 31 Use of word “Co-operative”:**

Only enterprise registered under this Act shall use the word “co-operative” in their names. Any person or organization found violating this provision shall be punished as per the rules framed by the MOA.

17. **Article 33 Information campaign:**

The MOA shall conduct an information campaign on the provision of this Act.

**THE COOPERATIVE (AMENDMENT) BILL OF
BHUTAN, 2009**

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