

PROCLAMATION NO. 85/1994  
AGRICULTURAL COOPERATIVE  
SOCIETIES PROCLAMATION

Whereas, it has become necessary to make conditions convenient so that an Ethiopian Peasant living in rural areas in scattered manner by being organized on free will may be able to solve jointly the economic and social problems facing him;

Whereas, it has become essential to make the societies play their roles properly in a free market system by getting rid off the governmental intervention in the internal affairs of the Agricultural Cooperative societies;

Whereas, it has become imperative to issue a legislation by which agricultural cooperative societies be organized and administered in order to achieve the foregoing mentioned objectives;

Now, Therefore, in accordance with Article 9 (d) of the Transitional Period Charter, it is hereby proclaimed as follows:-

PART ONE  
*General*

1. "Society" means a primary or a higher level agricultural cooperative society registered under this proclamation;
2. "Member" means any physical person or a society having juridical personality which is registered after fulfilling its membership obligation;
3. "General Meeting" means a meeting of members of the primary cooperative society;
4. "General Assembly" means a meeting of a higher society in which individual persons representing member societies attended;
5. "Special Resolution" means a resolution passed by a majority of (2/3) or such higher quorum or majority as may be specified in the by-laws
6. "Management Committee" means a body elected and empowered by the general meeting or assembly with the responsibility to manage the activities of the society;
7. "Ministry" means Ministry of Agriculture;
8. "Agricultural Bureau" means a national/regional self-government agricultural bureau;
9. "Appropriate Authority" means an agricultural bureau, in case the matter to be entertained by it relates to members of a society found in a certain national/regional self-government or a Ministry in the case the matter to be entertained by it relates to members of society found in more than one national/regional self-governments;

#### *Objectives of the Society*

The society to be established under this proclamation shall have the following objectives:-

1. to improve the living condition of members by increasing production and productivity;
2. to promote self-reliance among members;
3. to solve problems collectively which a peasant cannot personally achieve;
4. to make members obtain modern technologies products which are capable to increase agricultural production and materials necessary for their livelihood easily and at fair price;
5. to satisfy the needs of a community and increase the income of a peasant by processing agricultural product to industrial products; and
6. to promote the cultures of the members by teaching and training.

#### *Guiding Principles of Societies*

The society shall be guided by principles:-

1. Individuals who are supposed to be voluntarily members must have similar type of work and interest.

3. Surplus of the society shall be distributed to members according to their participation in the economic activities of the society;
4. The society shall stand non-allined and free from any political influence.

## PART TWO

### *Formation and Registration of Societies*

#### 5. *Formation of a Primary Society*

1. A primary society to be established shall be on the free will of the peasants living within a given area;
2. The number of members in a primary society to be established shall not be less than ten.

#### 6. *Formation of Higher Level Society*

Two or more primary societies may be established a higher level society.

#### 7. *Types of Societies*

1. A society may engage in either one type of activity or in activities with multipurposes and may have a character of either service rendering or producing;
2. The field of area to be engaged in by any society shall be determined by the by-laws of the society.

#### 8. *Name of a Society*

1. Any society shall have a name;
2. The word "Cooperative Society" shall appear in the **name of every primary society**;
3. The word "Union" or "Federation" shall appear in the name of higher level society.

#### 9. *Registration of Society*

1. Any society shall be registered by the appropriate authority;
2. Any society when established shall submit an application for registration together with the following particulars to the appropriate authority:-
  - a) the by-laws of the society;
  - b) names, address and signature of the members;
  - c) names, address and signatures of the members of the management committee of the society;
  - d) names and address and the signatures of the leaders of the member primary societies.
3. The appropriate authority shall register a society and issue a certificate of registration within 15 days when he satisfies that application for registration submitted to him has fulfilled the requirement for registration.

#### 11. *By-laws of Society*

1. Every society shall have, its own by-law;
2. The contents of the by-law shall include the following particulars:-
  - a) name of the society;
  - b) address of the society;
  - c) objectives of the society;
  - d) requirements necessary for membership of society and conditions for dismissal from membership;
  - e) the rights and duties of the members of the society;
  - f) the responsibilities and working mechanism of management bodies;
  - g) allocation and distribution of surplus; and
  - h) other cases not contrary to this proclamation.
3. The by-laws of society may be amended by the general meeting or assembly;
4. The amendment of the by-laws of society shall be effective only where it is submitted and registered.

#### 12. *Amalgamation and Division of Societies*

1. The general meeting of a society through a special resolution may:-
  - a) by dividing itself in to two or more societies, or
  - b) by amalgamating itself with one or more societies form a new society.
2. Amalgamation and division of the society shall be effective through a special resolution;
  - a) if the members and creditors of the society fully agree of its amalgamation or division; or
  - b) if the special resolution is registered by the appropriate authority in that the members and creditors have been paid off or the payment is guaranted to the satisfaction of the appropriate authority.
3. The previous records of societies shall be cancelled from the register as soon as the newly formed society by amalgamation is registered or the newly formed societies by division are registered;
4. The rights and duties of societies which have lost their identities by amalgamation shall be transferred to the newly formed society;
5. The rights and duties of a society has lost its identity by division shall be transferred to the newly formed societies as specified in sub article two of this article.

### PART THREE

#### *The Rights and Duties of a Society*

#### 13. *Requirements Necessary for Membership of Primary Society*

1. Any individual may become a member of primary society if:-

a) His age is more than fourteen;

- e) he is found willing to implement its obligation.
- 2) Any woman shall have the right to be a member of society if she fulfills the requirements set forth in sub article 1 of this article.

#### 14. *Rights and Duties of Members*

1. Any member of a society shall have the following rights:-
  - a) to obtain services and benefits according to his participation in the society;
  - b) to participate in the meeting of the society and to vote;
  - c) to elect or be elected; however a member who has not attained the age of 18 shall not have the right to be elected;
  - d) to withdraw from the society according to his request after due respect of his benefits.
2. Any member of a society shall have the following duties:-
  - a) to pay respect to the by-laws, directives and decisions of the society;
  - b) to work those activities which ought to be worked collectively in accordance with the by-laws and directives of the society;
  - c) to pay share capital and registration fee;
  - d) to protect the common property of the society.

#### 15. *Dismissal from Membership*

1. Any member of a society may leave from the society on his own initiative;
2. Any member of a society may leave from the society when it is decided by the general meeting or assembly to dismiss him from the society because of committing repeated faults;
3. The benefits of any dismissed member shall be respected in accordance with the by-laws of the society;
4. Without prejudice to the provisions of article 13 hereof, any dismissed member may reapply for membership, however a member dismissed in accordance with the sub article 2 of this article may become a member of the society only if he obtains the approval of the general meeting or assembly.

#### 16. *Payment of Shares..*

1. The capital which enables the society to expand its work activities shall be obtained from paid up shares of each member in accordance of the decision of the general meeting or assembly;
2. The society may sell additional shares if it is found

4. The society may pay interest on the share issued in accordance with the by-laws of the society; however the rate of interest shall not exceed the bank interest rate.

#### 17. *Register of Members*

Every society shall keep a register wherein shall be entered.

1. the name, address, age and sex of each member;
2. the date on which he become a member or ceased to be a member;
3. the amount of shares held by each member;
4. the name of the heir of the member; and
5. any other details that may be specified in the by-laws.

#### 18. *Voting*

1. Any member shall, regardless of the number of shares owned by him have only one vote at meeting of the society;
2. Any member shall not cast a vote through a representative.

#### 19. *Restriction on Transfer of Share or Benefit*

1. No transfer by a member of his share or benefit in a society shall be valid unless:-
  - a) the member has held such share or benefit for at least one year before he transfers;
  - b) a transfer is made to another member; and
  - c) the transfer is approved by the management committee.
2. On the death of the member, his share or benefit shall be transferred to one of his heirs who has been specifically mentioned in the register of society to inherit such share or benefit in the will of the deceased, or failing such mention to the heir at law, where such heir is a member or is admitted as a member;
3. Where such heir is not a member and does not wish to become or is not admitted as a member, he shall be paid the value of the share or benefit of the deceased member;
4. If the shares or benefit to be transferred to a member under this article are found to be beyond the limitation as prescribed in sub article 3 article 16 hereof, the member shall be paid the difference in cash;
5. The transfer or payment concluded in pursuance of sub article 2 or 3 of this article shall not be reversed due to the claims raised by third parties on the society.

### PART FOUR

2. The general meeting or the representatives of general assembly shall meet twice in a year. But if the management committee or one third of the members of general meeting or general assembly require a meeting to be called, an emergency meeting may be held by giving 30 days prior notice.

21. *Powers and Duties of the General Meeting or General Assembly*

The general meeting or assembly or of a society shall:-

1. pass decisions after evaluating the general work activities of the societies;
2. issue and amend the by-laws and internal regulations of the society;
3. elect and dismiss the members of the management committee, controlling committee and when necessary the members of other committees;
4. determine the amount of shares of the society;
5. decide how the annual net surplus of the society is distributed;
6. give decision on the audit report;
7. hear work reports and give proper decision;
8. decide that a society be either be amalgamated with another society or be divided in pursuance of this proclamation;
9. approve the annual work plan and budget;
10. decide any issue submitted by the management committee and other committees.

22. *Special General Meeting or General Assembly*

1. The management committee shall call a special general meeting or general assembly within one month from having required in writing to do so by the limited number of members as may be specified in the by-laws;
2. Where the management committee fails to call a special general meeting or general assembly in accordance with sub article 1 of this article such meeting shall be called by the appropriate authority and shall in such case be deemed to have been called by the management committee.

23. *Management Committee*

1. There shall be a management committee having a limited number of members as prescribed in the by-laws in every society;
2. The term office of the management committee shall be two years, however they may be either elected or dismissed at any time by the general meeting or assembly.

24. *Powers and Duties of the Management Committee*

The powers and duties of the management committee

3. prepares report on the work activities of the society, the next annual work programme and budget and submits to the general meeting or general assembly;
4. calls general meeting or general assembly in accordance with the by-law of the society;
5. executes all decisions given by the general meeting or general assembly.

25. *Controlling Committee*

1. Every society shall have a controlling committee which the number of members shall be specified in the by-laws of the society;
2. The term office of the controlling committee shall be two years, however they may be either reelected or dismissed any time by the general meeting or assembly.

26. *Powers and Duties of the Controlling Committee*

The controlling committee:-

1. follows up that the management committee is carrying out its responsibilities properly;
2. follows up that the funds and properties of the societies are properly utilized;
3. controls that the various activities of the society are carried out pursuant to the by-laws of the society;
4. performs other duties given by the general meeting or assembly.

27. *Other Sub-Committees*

Other sub-committees may be established as necessary pursuant to the by-laws of the society.

## PART FIVE

### *Special Privileges of Society*

28. *Priority of Claims by Society*

Notwithstanding any provision to the contrary in whatever law contained, any debt owed to the society by a member in respect of such membership, shall take precedence over all other debts of such person, except debt owed to the Government.

29. *Set-off in Respect of Share or Benefit of Members*

The shares or benefits of any member may be set-off for debts due to the society from such a member.

30. *Shares or Benefit not Liable to Attachment or Sale*

Except as provided in article 29 hereof, the shares or benefit of a member in the capital of a society shall not be liable to attachment or sale.

## PART SIX

### *Properties and Funds of Societies*

#### 32. *Funds of Society not to be Divided*

No part of the funds other than the net surplus determined to be allocated to members of the society shall be paid as a bonus, dividend or in any other form, however remuneration may be paid to any member for the services rendered to the society as prescribed in the by-law.

#### 33. *Allocation of Net Surplus*

1. The society may allocate the net surplus obtained for the payment of the following things in accordance with the terms and conditions set forth in the by-law and plan issued from time to time by the society.
  - a) for reserve;
  - b) for the expansion of the work;
  - c) for social services.
2. After deducting the amount prescribed in sub-article one of this article the remaining net surplus shall be divided to the members. Without prejudice to the sub-article 4 of article 16 hereof, division is applicable on the basis of the shares of the members in the capital of the society; and
  - a) the amount of goods sold to or purchased from the society by the members; or
  - b) labour participation by the members in case of production activity.

#### 34. *Restrictions on Borrowings*

A society shall receive deposits or loans from its members or other organizations to such extent and on such conditions as may be specified in the by-laws of society.

#### 35. *Restrictions on Loans*

A society shall not extend loans other than to its members or a society established under this proclamation.

#### 36. *Audit*

1. The account of every society shall be audited at least once annually;
2. The audit report shall be submitted to the general meeting or assembly.

## PART SEVEN

### *Dissolution and Winding up of Societies*

#### 37. *Dissolution of a Society*

Any society shall be dissolved on the following grounds where:-

1. It is dissolved by special resolution of the members; or
2. It is primary society and the number of its member falls below ten;

### 39. *Liquidator*

1. The general meeting or assembly of a society shall assign a liquidator when a society is decided upon to be dissolved in pursuance of sub article 1 or 2 of article 37 hereof;
2. The appropriate authority shall assign a liquidator upon the application of the management committee or members if a liquidator is not able to be assigned in accordance with sub article 1 of this article;
3. The liquidator shall receive records, documents and properties of the society as soon as he is assigned. He shall also take the necessary measures so that a damage may not incur on the rights and properties of the society.

### 40. *Powers and Duties of Liquidator*

1. The liquidator shall have all the necessary powers to complete the winding up proceedings. He shall in particular perform the following in order to carry out his duties properly.
  - a) investigate all claims against the society and decide on priority of payment among them;
  - b) collect the assets of the society;
  - c) distributes its assets in accordance with the plan of liquidation approved by the general meeting or assembly of the society;
  - d) carry on the work activities of the society in so far as may be necessary for the proper liquidation of the affairs of the society;
  - e) represents the society in legal proceedings;
  - f) calls meetings of the members as may be necessary for the proper conduct of the liquidation.
2. Upon completion of the winding up proceedings the liquidator shall make a report to the appropriate authority. He shall deposit the records of the society in such place as the appropriate authority may direct.

### 41. *Cancellation of a Society From the Register*

When the winding up proceedings are completed the certificate of registration shall be surrendered to the appropriate authority who shall cancel the registration of the society, and the society shall upon such cancellation be dissolved and cease to exist.

## PART EIGHT

### *Miscellaneous Provisions*

### 42. *Address of Society*

Any society shall have a known and registered address where service of process shall be made and to which all

44. *Employment of Workers*

1. Any society may employ a worker for an activity which requires special professional skill as necessary.
2. Any society may employ a worker on a temporary basis when it encounters work load and scarcity of manpower.

45. *Inapplicable Laws*

1. The provisions set forth in the proclamation to provide the establishment of cooperative societies, Proclamation No. 138/1978 as regards agricultural producers cooperative societies and agricultural service cooperative societies are repealed by this Proclamation;
2. No law, regulation or directive in so far it is in consistent with this Proclamation have force or effect in respect of matters provided for by this Proclamation.

46. *Transitional Provisions*

1. Agricultural producers cooperative societies and agricultural service cooperative societies which have been established in accordance with cooperative societies Proclamation No. 138/1978 and still which are operating shall be reorganized under this Proclamation;
2. The societies shall continue their operations holding their previous juridical personalities until they are reorganized and registered by the appropriate authority;
3. The appropriate authority shall facilitate all the conditions necessary for the reorganization of the society.

47. *Power to Issue Directives*

The Ministry may issue directives for the better and proper implementation of this Proclamation.

48. *Effective Date*

This Proclamation shall enter into force on the date of its publication in the Negarit Gazette.

Done at Addis Ababa, this 1st day of February 1994.

**MELES ZENAWI**

**PRESIDENT OF THE**

**TRANSITIONAL GOVERNMENT OF ETHIOPIA**