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Royal Government of Bhutan  
Ministry of Agriculture and Forests  
Department of Agricultural  
Marketing and Cooperatives  
Thimphu : Bhutan

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**Guidelines for Registration  
of Primary Cooperatives**

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## **Acknowledgement**

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The guidelines for registration of Primary Cooperatives will ease the process in registration whereby all the stakeholders including the members of the Farmers Groups, the Gewog Extension Officials, the Gewogs and Dzongkhags Cooperative Registrars, the Dzongkhags Sector Heads and other relevant stakeholders will be able to understand the registration procedures including the benefits. The step-by-step guide to registration has been provided in the guidelines.

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## **1. Steps in registration of Primary Cooperatives**

While the Cooperative Regulations of Bhutan, 2010 provides the guideline for registration of Farmers Groups and Cooperatives (Primary, Federation, Union and Special types), a clearly defined steps for registering Primary Cooperatives is viewed to simplify the process for registration so that the stakeholders involved in various stages of registration understand the procedure as well the roles each have to undertake in the process. Therefore, the following sub-chapters clearly explain the steps in registration of Primary Cooperatives.

### **1.1 Introduction:**

The Cooperative Act (Amendment) of Bhutan, 2009 defines a Primary Cooperative as:

*One where a minimum of fifteen (15) natural persons who are Bhutanese citizens with common bond of interest in the area of operation of the cooperative, join or organize to realize the following purposes:*

1. To provide or satisfy the common economic needs of members and communities by engaging in any of the business activities in production, processing/manufacturing, supply and marketing, and financing;
2. To establish a strong, sustainable, human and physical resource base to ensure the provision of quality and timely goods and services to members and communities;
3. To promote the educational and economic advancement of members and communities;
4. To encourage among members the discipline of thrift and savings and the importance of capital and savings build-up for the financial sustainability of the cooperative.
5. To contribute to the development of agriculture, industry, and service sectors of the local economy; and
6. To perform other related purposes as prescribed in the Act.

### **1.2 Benefits in Registration as Primary Cooperative**

The Cooperative Regulations of Bhutan, 2010 confer the following powers to the Cooperatives that are registered:

1. To adopt or amend its constitution and by-laws
2. To use the word “Co-operative” in its official name
3. To sue and be sued in its name.

4. To engage in any lawful business transaction with and for the interest of members and the communities in its area of operation.
5. Should they desire to do so, to join a federation, in case of primary Cooperatives or join a Union, in case of Federations and special types of Cooperatives
6. To accept and receive grants, donations and assistance from foreign and domestic sources, after prior approval is received from the Ministry of Finance.
7. To exercise other related powers and responsibilities as outlined in its constitution and bylaws.

Amongst the ones listed above, it is evident that a Cooperative means an enterprise that is of larger economy of scale as compared to Farmers Groups. Therefore the advantage of registering a Primary Cooperative can further be detailed as follows:

1. **Less Taxation:** Cooperatives usually are not taxed on surplus earnings, also known as patronage dividends that are refunded to members. Therefore, members of a cooperative are only taxed once on their income from the cooperative and not on both the individual and the cooperative level.
2. **Funding Opportunities:** Depending on the type of cooperative you own or participate in, a variety of government-sponsored or donor grant programs to could be targeted towards supporting the registered Cooperatives.
3. **Reduce Costs and Improve Products and Services:** By influence because of their power (as registered Cooperative) and by their size, cooperatives can more easily obtain discounts on supplies and other materials and services. Suppliers are more likely to give better products and services because they are working with a customer of more substantial size and power.
4. **International Market:** The registered Cooperatives could have advantage in the international markets for better negotiations and bargains, thereby maximizing the net-surplus to its members.
5. **Democratic Organization:** Democracy is a defining feature of cooperatives. The democratic structure of a cooperative makes sure that it serves its members' needs. Registration of the Cooperative means the legal assurance to its democratic organization.
6. **Form Federation or Join Union:** As listed in point 5 above, a registered Primary Cooperative can always join a federation or form the union of Cooperatives, which a non-registered ones cannot do so. At the same, only the registered Cooperatives can use the word "Cooperative" as the part of their enterprise / group name, that itself bears advantages over being just a Farmers Groups.

### 1.3 Conditions required for Registration as Primary Cooperative

The followings registration requirements are conditions for a Farmers Groups to fulfil the criteria for registration as a Cooperative:

1. A minimum of fifteen natural persons (from a minimum of fifteen different households) who are Bhutanese citizens with a common bond of interest in the area of operation of the cooperative;
2. Copies of duly completed Constitution and By-laws;
3. A business plan evidencing that the proposed primary co-operative is organized based on a) the members' common needs or demand, and b) the economies of scale and requirements of the market of its business under takings;
4. Proof of bank account.
5. Members have met and elected a group of key people as their office bearers for the formation of a Cooperatives as evidenced by an agreement or minutes of meeting;
6. Bond of undertaking by the office bearers

**Note:** As per the Cooperative Act (Amendment) of Bhutan, 2009, after a Farmers Group is registered as a Cooperative, the following committees are required to be elected and a General Assembly meeting held, which has to be clearly defined in its Constitution as follows:

1. **General Assembly:** Every registered co-operative shall have a General Assembly as the highest legislative body and composed of all qualified members. The powers and responsibilities of the General Assembly need to be prescribed in the Constitution and By-laws.
2. **Board of Directors:** Every registered co-operative shall have a Board of Directors as the policy making body. The powers, duties and accountabilities of the Board and officials shall be prescribed in the Constitution and By-laws.
3. **Committee:** Every registered co-operative shall have a finance and audit committee and election committee with three members each who are elected directly by the General Assembly and to serve for a term of two consecutive years with re-election.

### 1.4 Step-by-Step Guideline in Registration of Primary Cooperatives

Based on the procedures for registration of Primary Cooperatives as prescribed in Cooperative Regulations of Bhutan, 2010, a total of eleven steps are identified. Each of these steps in registration process is explained and the corresponding forms / guidelines / samples of the documents required for fulfilling the registration are provided under annexes.

Therefore, each of these steps serve as the guideline to complete the documents required for registration. At the same, each of the steps are also explained so that the procedures

starting from the application till award of certificate of registration from DAMC is clearly understood by the Cooperatives applying for registration and the facilitators assisting the proposed Cooperative for registration. Refer table 1 on the following page that tabulates the 11 steps required. These 11 steps are listed below.

1. Step One: Gathering of Agreements or Minutes of the Meetings
2. Step Two: Prepare a list of Office Bearers and Members
3. Step Three: Bond / Undertaking from Office Bearers
4. Step Four: Make simple business plan of the Proposed Cooperative
5. Step Five: Provide copies of Constitution and by-laws of the proposed Cooperative
6. Step Six: Obtain the proof of a Bank Account in the name of proposed Cooperative
7. Step Seven: Fill up the Registration Application Form (Form CR No. III)
8. Step Eight: Submit the Registration Application to Geog Cooperative Registrar
9. Step Nine: Endorsement at Geog Administration / Submission of the Registration Application to Dzongkhag Cooperative Registrar
10. Step Ten: Fill up Cooperative Application Processing Form (Form CR No. IV) / Verification and Endorsement by DCR and Dzongkhag Administration
11. Step Eleven: Award of Certificate of Registration

**Please note that while processing the application and preparing required documents for registration by proposed Cooperatives, 3 copies of each of the documents are required to be made. One copy is to be maintained by proposed Cooperative for their record and other two copies are submitted to the Geog Cooperative Registrar.**

**Table 1: Steps in Registration of Cooperatives with Person Responsible**

Steps No.	Defined Steps	Activities to be carried out	No. Of Copies required	Person Responsible
<b>Tasks to be undertaken by the Farmers Group members interested to register as Primary Cooperative</b>				
1.	<p>Gather copies of agreements or minutes of the meetings to provide evidence for :</p> <ol style="list-style-type: none"> <li>The members have elected the office bearers for formation of Cooperative.</li> <li>All members have an agreement to cooperate for their economic benefits.</li> </ol>	<p>Check earlier copies of the minutes of the meetings or agreements that provide evidence that the members have elected the office bearers for formation of Cooperative.</p> <p style="text-align: center;"><b>Alternatively</b></p> <ol style="list-style-type: none"> <li>A proposed Cooperative member meets in a General Assembly and elect the office bearers for the Cooperative</li> </ol> <p><b>Note: Evidence that all members have an agreement to cooperate for their economic benefits will be undertaken while filling form in step 2.</b></p>	3	Office Bearers (Assisted by Gewog RNR EAs)
2.	List of office bearers and members	<p>Make a list of office bearers and members with their ID and signatures</p> <p>Note: Filling in this form also provides evidence that the members have agreed to cooperate for their economic benefits and have voluntarily agreed for registration of their Proposed Cooperative.</p>	3	Office Bearers + Gewog RNR EAs)
3.	Bond / Undertaking by Office Bearers	All Office Bearers of the Farmers Group sign a bond in the form provided as “Bond /Undertaking of Office Bearers Officers”)	3	Office Bearers + Gewog RNR EAs)
4.	Make simple business plan of the proposed Cooperative	Fill in the simple business plan format provided	3	Office bearers + Gewog RNR EAs)
5.	Copies of the Constitutions and by-laws	<p>Make copies of the Constitution and By-laws</p> <p>[Note: ensure that the Constitution and by-laws are prescribed and aligned as per the Cooperative Act (Amendment) of Bhutan, 2009]</p> <p>A model Constitution and by-laws provided as annex</p>	3	Office bearers + Gewog RNR EAs)
6.	Obtain a proof of Group Bank Account	<ol style="list-style-type: none"> <li>Apply for a bank account in the name of the proposed cooperative</li> <li>Obtain an approval letter from a bank on opening a bank account but to be operated only after registration as the Cooperative.</li> </ol>	3	Office Bearers + Gewog RNR EAs)
7.	Fill up Registration Application (Form CR No. III)	Fill up Questions in the Registration Application	3	Office Bearers + Gewog RNR EAs)

9.	Submit the Registration Application to Gewog Cooperative Registrar	Submission of registration application along with all other documents (attachment as prescribed at the end of the registration application)	3	Office Bearers
<b>Tasks to be undertaken by the Registrar Officials</b>				
10.	Endorsement from Geog Administration	<ol style="list-style-type: none"> <li>1. Check criteria and documents attached</li> <li>2. Discuss and seek confirmation from the relevant sector staff in the Gewog.</li> <li>3. Gups to endorse the application</li> <li>4. GAO to submit one copy of the application with attached documents to Dzongkhag Cooperative Registrar (i.e. DPO)</li> <li>5. GAO to keep another copy of the application with documents at Geog Administration office.</li> <li>6. GAO to ensure that the endorsed application reaches the Dzongkhag within 15 working days from receipt of application from the Farmers Group</li> </ol>	2	Gewog Cooperative Registrar (i.e. the Gewog Administrative Officer)
11	Review by Dzongkhag Cooperative Registrar and Endorsement by the Dzongkhag Administration	<ol style="list-style-type: none"> <li>1. Review of the application and documents submitted as per the criteria by Dzongkhag Cooperative Registrar</li> <li>2. Discuss and seek confirmation from the relevant sector staff in the Dzongkhag</li> <li>3. Upon fulfilment of all criteria, fill up Cooperative Application Processing Form (Form CR No. IV) and to be signed and endorsed by DCR and Dzongdag</li> <li>4. Forward the endorsed Cooperative Application Processing Form (Form CR No. IV) along with a copy of registration application form and other documents submitted by a Proposed Cooperative to the Registrar of Cooperative, DAMC, MoAF</li> <li>5. DCR to make a copy and maintain at Dzongkhag for records.</li> <li>6. DCR to ensure that the process at Dzongkhag is completed within 15 working days and is forwarded to DAMC</li> </ol>	1	Dzongkhag Cooperative Registrar (i.e. the Dzongkhag Planning Officer) Dzongkhag RNR Sector Heads will provide full support to the DCR
12	Process application by RoC, DAMC and award certificate of registration to the Cooperatives	<ol style="list-style-type: none"> <li>1. The Registrar of Cooperative (DAMC) review the application according to the criteria</li> <li>2. On fulfilment of the criteria issue a certificate of registration to the Cooperative</li> <li>3. Reject the application if criteria are not fulfilled and issue notice to meet the criteria within one month period.</li> <li>4. Maintain the documents received at DAMC Office and update in database the group being registered as Cooperative.</li> <li>5. DAMC to ensure that the registration certificate is awarded within 10 working days after receipt of the application from DCR, if all criteria is fulfilled</li> </ol>	1	DAMC

## **Step One: Gathering of Agreements or Minutes of the Meetings**

Firstly for the Group interested in registering as a Cooperative there are certain pre-requisite conditions whereby the members of the proposed Cooperative have to make decisions or agreements for the following:

1. The members have elected the office bearers for formation of Cooperative.
2. All members have an agreement to cooperate for their economic benefits.

For the second requirement as listed above (i.e. all members have an agreement to cooperate for their economic benefits) will be undertaken in step 3 while filling in the form for office bearers and members.

Therefore, check with the proposed Cooperative if office bearers are already elected and if the agreement or minutes of the meetings of such decisions are available as evidence for the same.

If such a decision or agreement is not made / or the document is not available:

The members of the Groups must immediately meet in a General Assembly to elect and form Office Bearers for formation of Cooperative. The declaration of the election results for the office bearers is filled in the prescribed Form CR No.I (attached as Annex 2.1) and kept as evidence of elected office bearers for Cooperative.

*Make 3 copies in total of the above agreement or minutes of the meeting or declaration of election results – 2 copies to be submitted to the Gewog Cooperative Registrar and one copy to be maintained as record with the proposed Cooperative.*

## **Step Two: Prepare a list of Office Bearers and Members**

Starting with the names of the office bearers, list down names of the members and provide their citizenship ID card number and their signature. A form for listing the office bearers and members is provided as annex 2.2. An office bearer (Chairperson or the Secretary) should complete this form (with assistance of the EA if needed). In the column provided as designation, it has to be mentioned whether the listed person is chairperson, secretary, accountant (any other executive as elected by the General Assembly) or the member. Similarly the gender of the members has to be mentioned in the form as M for male and F for female. Likewise the qualification of the office bearers and members is to be mentioned in the form. Further this form also provides evidence that the group has

been formed voluntarily for member's common economic needs and that the group has voluntarily agreed for registration as a Primary Cooperative.

*Make 3 copies in total of the above list – 2 copies to be submitted to the Gewog Cooperative Registrar and one copy to be maintained as record with the proposed Cooperative.*

### **Step Three: Bond of Undertaking from Office Bearers**

The purpose of having a “bond of Office Bearers” to ensure that they are accountable to their roles and responsibilities, and that they are liable to their constitution and by-laws.

All office bearers of the proposed Cooperative (such as Chairperson, Secretary, Accountant amongst other office bearers) have to sign a bond in the prescribed form provided as annex 2.3 (Form CR No.II). Each officer bearer has to fill in one form and sign it affixed with a legal stamp.

*Make 3 copies in total of the above bonds – 2 copies to be submitted to the Gewog Cooperative Registrar and one copy to be maintained as record with the proposed Cooperative.*

### **Step Four: Prepare a simple business plan for the Proposed Cooperative**

The purpose of requiring a simple business plan from a group enterprise is to ensure that they understand the nature of the group activity including their operational aspects. This requires understanding of the following:

1. The objective / purpose of the proposed Cooperative
2. A brief explanation of the activities of the proposed Cooperative
3. A brief explanation of the operational plan (how the group is managed; what are the routine operational activities; how the financial management is done...)
4. A brief explanation of the marketing plan (opportunities for the products produced and / or services; ways the products or services are sold; the available market outlets; plans for future marketing and so on...)
5. A briefly explanation of the benefits to the proposed Cooperative as a whole and to the members (relate to the past performance in terms of volume of production and profit made by the group; profit shared by the members or payments made to the members...)

6. Unlike the business plan for Farmers Groups registration, the business plan for registration of Cooperative have to prepare a financial plan that provides financial statements for last two years and financial projection (plan) for next three years.

The simple business plan can be drawn by the office bearers with assistance from Extension Agents. The business plan has to be endorsed by the office bearers with their names and signature. The format (model) for a simple business plan is attached as annex 2.4.

*Make 3 copies in total of the business plan – 2 copies to be submitted to the Gewog Cooperative Registrar and one copy to be maintained as record with the proposed Cooperative.*

**Step Five: Provide copies of Constitution and by-laws of the proposed Cooperative**

Every Farmers Group has its by-laws. Similarly, for Cooperatives, the constitution and by-laws can be very simple but in accordance to the Cooperative Act (amendment) of Bhutan, 2009, which entails the by-laws to specify the followings:

1. Title and Postal Address
2. Purpose of the Cooperative
3. Brief description of the activity / business under operation
4. Overall System of Governance
5. Membership
6. General Assembly (GA)
7. Board of directors (BoD)
8. Privileges of the Farmers group / Cooperative
9. Conciliation of disputes between members
10. Resource management
11. Commencement
12. Dissolution
13. Amendments and modifications of the constitution and the bylaws

While most of the Farmers Groups have set of by-laws, for registration as Cooperatives, it is necessary to ensure that the existing by-laws are consistent with the above defined 13 clauses. There could be a need to add few clauses and make a new Constitution and

by-laws. A model (sample) Constitution g and by-laws for Cooperatives is provided under annex 2.5.

*Make 3 copies in total of the constitution and by-laws – 2 copies to be submitted to the Gewog Cooperative Registrar and one copy to be maintained as record with the proposed Cooperative.*

**Step Six: Obtain the proof of a Bank Account in the name of proposed Cooperative**

Though most of the Farmers Groups have a bank account in the name of their office bearer, for the purpose of a Cooperative a bank account is required in the name of the proposed Cooperative. The Cooperative Act (amendment) of Bhutan, 2009 requires a proof of such bank account for the purpose of registering Cooperatives.

Therefore, the office bearers must apply to the bank requesting for a bank account in the name of the proposed Cooperative. It is suggested that the bank opens the account in the name of the proposed Cooperative, which actually becomes operational only after the registration of the proposed Cooperative (upon submission of copy of registration certificate).

The office bearers shall get a letter from the bank as the proof of having bank account in the name of the proposed Cooperative.

*Make 3 copies of this letter – 2 copies to be submitted to the Gewog Cooperative Registrar and one copy to be maintained as record with the proposed Cooperative.*

**Step Seven: Fill in the Registration Application Form**

After all the required documents as explained from step 1 to step 7 are ready, complete the registration application form (Form CR No.III) which is provide as annex 2.6. The form has simple questions such as the nature of business, areas of operations and key products or services that need to be answered in few words. Similarly write few sentences regarding the summary of business plan. So fill up and answer all the questions in the form.

At the end tick the list of documents to be attached with the application (a checklist)

*Ensure that you have 3 copies of this registration application along with attached (required) documents – 2 copies to be submitted to the Gewog Cooperative Registrar and one copy to be maintained as record with the proposed Cooperative.*

**This registration application must be signed by the Chairperson of the group**

**Step Eight: Submit the Registration Application to Gewog Cooperative Registrar**

The Gewog Administrative Officer is the Gewog Cooperative Officer. After having filled in the registration application and having it signed by the Chairperson, the office bearers submits 2 copies of the registration application along with 2 copies of the documents to be attached, to the Gewog Cooperative Registrar.

**Step Nine: Endorsement by the Geog Administration**

The Gewog Administrative Registrar (GCR) checks that all the documents submitted are filled in according to the requirements / criteria. Upon fulfilment of the criteria, he/she completes the endorsement of the application by the Gup and the Gewog Cooperative Registrar.

Two copies of the application and documents are submitted by the group. One copy after endorsement is send to the Dzongkhag Cooperative Registrar and the other copy is maintained as the record at Geog Administration by the Gewog Cooperative Registrar.

The GCR ensures that the application along with all attached documents reaches office of the Dzongkhag Cooperative Registrar within 15 working days from the receipt of the application from the farmer Group.

**Note: In Gewogs where GAOs are not posted yet, endorsement of the registration application by the Gup alone shall be accepted.**

## **Step Ten: Verification and Endorsement by DCR and Dzongkhag Administration**

The Dzongkhag Cooperative Registrar checks that all the documents submitted are filled up according to the requirements / criteria. The discussion with the concerned sector is done to crosscheck and seek confirmation. Upon fulfilment of the criteria, the DCR will fill up the Cooperative Application Processing Form (Form CR No.IV) attached as annex 2.7.

The completed Cooperative Application Processing Form (Form CR No.IV) is endorsed by both the DCR and Dzongdag. The DCR makes a copy of the endorsed application along with all attached documents and maintains a copy at Dzongkhag Administration for necessary records.

The original copy along with all attached documents (initial application + documents submitted by proposed Cooperative) is forwarded to the Registrar of Cooperatives (RoC), Department of Agricultural Marketing and Cooperatives, MoAF by the Dzongkhag Cooperative Registrar to get the approval of the registration and obtain the registration certificate.

The Dzongkhag Cooperative Registrar is to complete all above process at Dzongkhag and forward the application to Registrar of Cooperative within 15 working days from the date of receipt of application from proposed Cooperative.

## **Step Twelve: Award of Certificate of Registration**

The Registrar of Cooperative at DAMC, on receipt of application from Dzongkhag Cooperative Registrar, will immediately process the application for crosschecking the criteria and fulfilment. On fulfilment of criteria, the RoC will award a certificate to the Cooperative. If the proposed Cooperative does not fulfil the criteria, the RoC can reject the application and give notice to the proposed Cooperative to meet necessary criteria within one month.

For the registered Cooperatives, the DAMC will maintain the records and issue a certificate. The process at DAMC after receipt of application from DCR is to be completed within 10 working days.

<b>The certificate once issued for a Primary Cooperative is valid for a period of 5 years.</b>
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**2. Annexes**

**2.1 Form CR No. I: Declaration of Election Result for Office Bearers of Cooperatives**

Mr./Ms. ....holding CID No.....have been elected as.....

..... for a term of .....years beginning from .....during the  
.....session of the General Assembly of .....  
Cooperative held on ..... He/she has secured a majority of .....% of  
.....votes cast by the members present and voting.

Names and signatures of three Election Committee members certifying the result of election:

1. Name..... Signature.....

2. Name..... Signature.....

3. Name..... Signature.....

**2.2 Form for listing the office bearers and members with ID and signature**

On this day \_\_\_\_\_ (date, month and year), we as the members of the \_\_\_\_\_  
 (name of the Proposed Cooperative) hereby confirm the followings:

1. That we have voluntarily formed the Cooperative for the members’ common economic needs
2. That we have voluntarily agreed for the registration of our group as a Primary Cooperative.
3. That we as a Primary Cooperative will not engage in any unlawful activities and practices.

We hereby affix our confirmation with our name, ID number and signature.

<b>Name of the Proposed Cooperative.....</b>							
<b>Gewog.....</b>							
<b>Dzongkhag.....</b>							
No.	Name	Village	ID Card No.	Gender (M / F)	Qualification <ul style="list-style-type: none"> <li>• NFE (Non-Formal)</li> <li>• ME (Monastic Education)</li> <li>• P (Primary education)</li> <li>• S (Secondary education)</li> <li>• &gt;S (higher than Secondary)</li> <li>• None</li> </ul>	Designation	Signature
1							
2							
3							
4							
5							
6							

**2.3 Form CR No. II: Bond of Undertaking of Office Bearers**

I,.....holding CID No.....of .....village, under .....Geog, as a member of ..... Cooperative and being duly elected by the General Assembly in its ..... session held on ..... for a duration of .....as an office bearer, shall work to achieve and fulfil the provisions of the

Constitution and By-laws with dedication and sincerity and not be involved in any activity that contravenes the interest, Constitution and By-law of the Cooperative. I shall be held liable for any damages caused to the Cooperative, members and other persons directly or as a consequence of my actions as office bearer.

(Signature and affix legal stamp)

## 2.4 Format for writing a simple business plan.

1. Name of the Cooperative.....
2. Gewog.....
3. Dzongkhag.....
4. What are the objectives / Purposes of forming the Cooperative?  
(Define Objectives / Purposes as laid in the by-laws / explain how the group was formed and what the reasons for forming the group were)
5. What are the present activities carried out by the Farmers Group and what activities are planned for future?  
(Explain in a few sentences the types of activities such as production or marketing of what commodity; services if provided by the group; how the activity is carried out and by whom...etc)
6. Explain in a few sentences the operational pattern of the Farmers Group.  
(Explain how the operation and management of the group is to be undertaken, including the routine activities of the group; explain the financial book keeping and financial management of the group; explain any other routine management of the group)
7. Explain in a few sentences the marketing plan that the Cooperative is undertaking at present including the future plans.  
(Explain in relation to opportunities or markets availability or the products produced / services; ways it is sold; plans for future marketing....)
8. Explain in few sentences the benefits to the group as a whole and to the members.  
(Relate to the past performance in terms of volume of production and profit made by the group; profit shared by the members or payments made to the members...)

*e.g. The benefits to the group members are that they receive regular income from sale of milk through group enterprise, whereby they need not spend time individually for selling milk or processing at home.....etc ...*

Then define the following volume and profits

Volume of Production (last year):.....

Net Income (last year) Nu.....

Total highest payment to a member (last year) Nu.....

Total lowest payment to a member (last year) Nu.....

9. Project a financial plan of your Cooperative enterprise.

Steps for preparing financial plan (format as below with example)

Financial statement for last two years		
Financial Heads	YEARS	
	2008 (Nu.)	2009 (Nu.)
<u>Revenue</u>		
1. Sale of whole milk	7,00,000	.....
2. Sale of cheese	5,0000	.....
3. Sale of butter	80,000	.....
<b>Total Revenue (A)</b>	<b>830,000</b>	<b>.....</b>
<u>Costs</u>		
1. Salary to office bearers	150,000	.....
2. Salary to milk sellers	60,000	.....
3. Purchase of processing equipment	2,00,000	.....
<b>Total Costs (B)</b>	<b>410,000</b>	<b>.....</b>
<b>Profit (A) – (B)</b>	<b>420,000</b>	<b>.....</b>

Financial plan (projection) for three years			
Financial Heads	YEARS		
	.....	.....	.....
<u>Projected Revenue</u>			
1.	....		
2.	....		
3.	....		
<b>Total Projected Revenue (A)</b>			
<u>Projected Costs</u>			
1.	.....		
2.	.....		
3.	.....		
<b>Total Projected Costs (B)</b>			
<b>Projected Profit (A) – (B)</b>			

**Signed by the Office Bearer**  
Name / Designation / Date

**Endorsed by the concerned Extension Officer**  
Name / Designation / Date

## 2.5 Model Constitution and By-laws for Cooperatives

### 1. Title and Postal Address

The .....Cooperative is hereby constituted according to the Cooperative (Amendment) Act of Bhutan, 2009 and in line with the Cooperatives Regulations of Bhutan, 2010.

The .....Cooperative is located at .....(location area).

Gewog..... Dzongkhag.....

The postal address is.....

### 2. Purpose of the Cooperative

Define an objective or objectives for the purpose of forming the Cooperative

### 3. Brief description of the activity / business under operation

A brief description of the activities carried out by the Cooperative starting from production to marketing or services if any provided by the group

*e.g. This is a Cooperative of 20 women that produces organic as well the off seasons vegetables for a period of 3 months in a year and market the products in Europe at international market that generates the members income much higher than producing local vegetables all the year round and selling in local market.*

### 4. Overall System of Governance

The .....Cooperative is governed by the general Assembly (GA), which elects a Board of Directors (BoD) composed of .....(minimum 5, maximum 15). The members of the board form the following committees.

### 5. Membership

Every Bhutanese citizen with age of majority, permanently living in the operating area of the .....Co-operative can become member upon written application to the BoD - with the following exceptions: absent individuals, individuals serving a term after being convicted of crime, individuals who are already member of three other cooperatives. Each member has to act according to the rules stated in these Constitution and by-laws and takes care for its prosperity.

A membership fee is levied yearly (during GA) to pay for the services rendered by the cooperative. This fee is not refundable and does not earn interest.

The names and addresses of the Cooperative members and the elected members of the BoD are listed in Annex 1.

The liability of the members towards the co-operative is limited to the amount of their personal share.

The membership can be terminated:

- ◆ by withdrawal, after giving thirty days notice to the BoD
- ◆ by death or insanity or
- ◆ by majority vote of the BoD in case of failure of the member to comply with his/her obligations

In case of termination of the membership other than by death, insanity or permanent disability the member or his/her heirs forfeit all his/her rights and claims, including contributions and fees paid.

A copy of the termination order must be submitted to the Dzongkhag Cooperative Registrar.

Fines for non-compliance with the rules and duties specified in these by-laws are levied from defaulting members as follows:.....

## **6. General Assembly (GA)**

The GA will meet at least once a year. Additional (special) GA meetings can be called whenever needed. The BD calls for the GA at least 7 days in advance furnishing the points of agenda as well as time and place of the meeting.

The quorum for the GA is the presence of the simple majority of all members .

Decisions taken in a GA meeting require a two-thirds majority of the members present and voting.

Every member has one vote at GA for each occasion on which the vote is required.

The ordinary agenda of the GA is (*minimum, additions can be made*): ....

- ◆ Control of presence and determination of the quorum
- ◆ Presentation and approval of the agenda
- ◆ Reading the previous minutes and information on the actions taken
- ◆ Election of the Chairman and the other members of the Board of directors (as and when necessary)
- ◆ Amend and/or modify the Constitution or By-laws – if and as needed

- ◆ Approval of the terms of reference for the various committees
- ◆ Presentation and approval of the yearly report and the yearly accounts
- ◆ Self-evaluation of the internal performance
- ◆ Presentation and approval the business plan and the budget
- ◆ Information and decision on mayor investments
- ◆ Decision on amount and collection of membership fees if any
- ◆ Questions and suggestions
- ◆ Next assembly and tentative date

The Secretary will prepare the minute of the GA and distribute it within ..... weeks after the meeting.

#### 7. **Board of directors (BoD)**

The BoD is composed of ....members (*min. 5 max 15*) elected by the GA.

The members of the BoD are elected for a period of one years, and can be re-elected [*up to 2. terms only.*]

The BoD is headed by the chairperson. It is responsible for the smooth running of the cooperatives activities. The BoD can contract a manager for this purpose.

The members of the BD form the following committees:

- ◆ **Finance & Audit Committee**; 3 members, elected by GA for two consecutive years, possibility of re-election (max two consecutive terms)
- ◆ **Election Committee**, 3 members, elected by GA
- ◆ **Education and Training Committee**, 3 members: Vice- Chairperson as chair, two other members as appointed by BoD, for two consecutive years, possibility of re-appointment of the two members (*max two consecutive terms*)
- ◆ **Credit Committee** (*if Cooperative is giving credit only*) , 3 members

The election procedures and the functions of the committees are detailed in Cooperatives Regulations of Bhutan 2010

#### 8. **Conciliation of disputes between members**

The conciliation of disputes will follow the rules specified in the Cooperative Regulations (*see chapter 4.3.10*).

In particular this means that in case of:

- ◆ In disputes between members the BoD acts as mediators and, if the conflict cannot be handled, a case may be with the court.

- ◆ In disputes between the members and office bearers, complaint must be sent to the chairman with copy to the Dzongkhag Cooperative Registrar (DCR). A committee of members, appointed by the GA, will act as mediator and, if dispute cannot be solved, can suggest to GA to filing a case.
- ◆ In disputes between the cooperative and outside organizations, the DCR shall act as mediator and can refer the case to court, if needed.

## 9. Resource management

The cooperative will follow the accounting system and resources management framework as specified in the Cooperative Act and Regulations. At the closure of the financial year, the BoD will contract an external auditor certified by the RAA of Bhutan to undertake an audit of the accounts. The audited financial statements are presented to the GA for approval and information.

*[by-laws need to define who has what kind of financial powers:*

*Suggestion if no manager was appointed:*

All expenses and sales must be authorized by the finance & audit committee.

The bank account is to be operated jointly by two members of the Finance and Audit committees. The committee is to submit a consolidated financial statement to the chairperson.

*If a manager was appointed:*

The Manager can approve and disburse the operational cost for staff salaries and operational expenses up to a limit of which is authorized by GA ]

The BoD has the power to decide on the use an investment of funds up to a limit of .....

The operational costs of the Cooperative are not to an upper limit of Nu..... per year/month.

The cooperative will generate additional funds from within the Cooperative and from outside of the cooperative by iots business activities and commercial activities.

**A Reserve Fund** and **A Cooperative Education and Training Fund** will be established and maintained as per the Cooperative Act and Regulations. In particular this means:

- ◆ A Reserve Fund will receive contributions and be built up to a minimum of 30% of the net surplus of the cooperative each year. In case of dissolution of the Cooperative this fund will be a) establish a trust fund for the Federation or Union the Cooperative belongs to, or b) make donation for the communities within its area of operation – as decided by the Cooperative members at a GA.

- ◆ The Education and Training Fund will receive contributions of 10% of the net-surplus of the Cooperative each year. 50% of the funds will be used for training of members, 50% will be remitted to the Union of Cooperatives.

An Optional Fund may be established which may receive a maximum of 10% of the net-surplus of the Cooperative each year.

Cooperative **profits if any** shall be disbursed in the following manner:

- ◆ 30% to the reserve fund
- ◆ 10% to the education fund
- ◆ Such percentage as decided by the members at a GA to the Optional Fund.

Any remaining profit shall be distributed as decided by the members at a GA.

#### **10. Commencement**

The .....Co-operative shall commence its activities under these constitution and by-laws on the day of .....

#### **11. Dissolution**

**Voluntary dissolution** of the co-operative may be effected by a two thirds majority vote of the GA called for that purpose, if the dissolution does not prejudice the rights of any creditor having claims against it and if all assets have been liquidated and the Reserve Fund duly used.

**Involuntary dissolution** can be imposed on the Cooperative as per the provisions made in the Cooperative Act and Regulations (violation or non-compliment of constitution and by-laws and Cooperative Act /Regulations, heavy debts and/or insolvency).

#### **12. Amendments and modifications of the constitution and the bylaws**

Amendments to and modifications of this constitution and these by-laws have to be accepted by .... (Example: .two thirds of all the members of the co-operative). [*This point can only be decided upon, if it has been mentioned in the agenda of the invitation to the GA*]

Dated..... ..

**Signature Chairperson**  
(Name)

**Signature concerned Sector Staff**  
(Name and Designation)

**2.6 Form CR No. III: Primary Cooperative Registration Application Form**

Name of Cooperative: 1.....

(Alternate name if any) 2. ....

Location:.....

Gewog:..... Dzongkhag:.....

Nature of business:.....

.....

.....

Area(s) of operation:.....

.....

Key products/services:.....

.....

.....

Summary of business plan: .....

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.....

Number of members:.....

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**Registration documents included: (Tick in the box)**

- 2 copies of Form CR.No.II: Declaration of Election results for Office Bearers for Proposed Cooperative (or copies of minutes of the meeting or agreement that all members have elected the office bearers for formation of Cooperative)
- 2 copies of the list of office bearers with ID and Signature (This also provides an agreement that all members agreed to cooperate for their economic benefits)
- 2 copies of duly accomplished Constitution and By-laws
- 2 copies of Bond of Undertaking from Office Bearers
- 2 copies of Proof of a Bank Account
- 2 copies of a Business Plan including a simple Financial Plan

...../...../.....  
Date of submission

**Signature & Name of the Chairperson**

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**Endorsement at Gewog Administration**

**Signature (Gewog Cooperative Registrar)**  
Official Seal / Name / Date

**Signature (Gup, Gewog Administration)**  
Official Seal / Name / Date

**2.7 Form CR No. IV: Cooperatives Application Processing Form**

Name of Cooperative:.....

Location:.....

Gewog:..... Dzongkhag:.....

Nature of business:.....

Area(s) of operation:.....

Key products/services:.....

Summary of business plan:.....

.....

.....

Number of members:.....

Registration processed as follows:

**(Please tick relevant box to endorse and request for approval of registration).**

- All members are 'natural persons' and bonafide Bhutanese citizens
- Have duly accomplished Constitution and By-laws
- Meets all other registration requirements as required by the Cooperatives (Amendment) Act of Bhutan 2009

...../...../.....

Date of submission

**Dzongkhag Cooperative Registrar**  
(Signature / Name / Official Seal)

**Dzongdha**  
(Signature / Name / Official Seal)