



**Lao People's Democratic Republic**  
**Peace Independence Democracy Unity Prosperity**

**Prime Minister Office**

**No: 136/PM**  
Vientiane, 05 March 2010

## **Decree on Cooperative**

- Pursuant to the Law on the Government of the Lao PDR, No: 02/NA, dated 06 May 2003,
- Pursuant to the Law on Enterprises, No: 11/NA, dated 09 November 2005
- Pursuant to the Proposal made by Minister of Trade and Industry, No: 1293/TD, dated 27 July 2007

Prime Minister of the Lao PDR decrees as follows:

### **Chapter 1** **General Provisions**

#### **Art. 1: Purposes**

This decree determines rules, regulations and measures regarding establishment, activities and administration of cooperatives in the Lao PDR in order to assist and support small commercial entrepreneurs in collectivity being competitive, cooperating and helping each others, growing in production for trade and establishing income, contributing in alleviation of poverty and improving living conditions of the people.

#### **Art. 2: Definition of cooperative**

A Cooperative is a collective economic organization established by a group of small entrepreneurs namely farmers, manufacturers, traders, and others which voluntarily intend to form a cooperative aimed at cooperation on capital, experiences, technology in production, trade and service to succeed their own business as well as to ensure social welfare among the members and their families.

#### **Art.3: Types of cooperatives**

There are two main types of cooperatives as follows:

- 1: Cooperative of agricultural and forestry production, industrial processing and handicraft.
- 2: Cooperative of Services namely: trade, finance, transportation, tourism, construction, medical services and other services.

Art.4: Fundamental principles on organization and activities of cooperative

Fundamental principles on organization and activities of cooperatives registered under this decree are:

- 1: That the cooperative will open for people based on voluntary nature.
- 2: That each member is responsible for administrating the cooperative based on the rule of democratic centralization, including being owner and client of the cooperative.
- 3: That each member has the right to joint his or her cooperative in running business activities or any business.
- 4: That the cooperative is independent in running his activity and business operation.
- 5: That the management committee has to be elected by the cooperative members.
- 6: That a cooperative must have at least seven members, except some types of cooperatives which require more members according to provisions determined by their statute.

Any activity of the cooperative must comply with provisions of this decree and the law of the Lao PDR.

Cooperative must be registered in pursuance with this decree to be able to operate business activities. They will have status as legal entity upon registration.

A cooperative can be established and operate many activities which have no conflict with law and regulations of concerning sectors.

Art. 5 Government policies regarding the promotion of cooperative

The Government promotes development of sustainable cooperative by undertaking useful and effective measures to create better conditions and opportunity for running business operations in production and services in favour of cooperative, its members and their families as follows:

1. Creating conditions for the cooperative to be competitive and have access to the market
2. Creating conditions for assisting cooperative in capital, credits, providing land, tax incentives, providing and promoting use of new technology and sciences.
3. Developing necessary infrastructures and human resources
4. Advertising and Helping to find the access to national and international markets.
5. Promoting and creating conditions for cooperative in order to contribute in implementation of Government's Social-Economic Development Plan, particularly alleviation of poverty.
6. Praising and Giving prizes to outstanding cooperative or its members
7. Ensuring the equality before the law among the cooperatives in business operations.
8. Promoting relation and cooperation of cooperative with foreign countries and International Organizations in exchanging mutual experiences and lessons and technology, and capacity building in cooperative management
9. Cooperative operates its business activities under management and assistance of authority concerned.

Art. 6            Scope of application

This decree is applicable to all collective commercial organizations which are established in compliance with this decree and it will be equally implemented to all types of cooperatives in the Jurisdiction of the Lao PDR.

## **Chapter 2**

### **Establishment and registration**

Art.7            Establishment

Lao People wishing an establishment of a cooperative has to proceed the following steps:

1. To organize a meeting to raise knowledge on type of cooperatives that should be established.
2. To consult and formulate the plan regarding establishment including the type, name, number of the members, registered capital, shares, drafting statute of the cooperative.
3. To hold the initial meeting to adopt the statute and elect management committee members.
4. To ask for permission for operating business by authority concerned.
5. To register as cooperative by industry and trade administration.

Art.8            Needed documents for registration

The following documents are needed in order to be registered as cooperative:

1. A application.
2. The List of establishing member including signatures, numbers of shares and registered capital.
3. List of member of management committee.
4. Statute of cooperative
5. Permission for operating business by authority concerned

Art.9            Cooperative statue

The statute must contain the following:

1. Name of cooperative.
2. Objectives.
3. Based office and branch (if any).
4. National and international relations of the cooperative and its members.
5. Conditions for membership, procedures of application and termination of membership.
6. Number of management committee members, election procedure, function and responsibility, meetings and termination of committee membership.
7. Accounting management, assets management, and distribution of interest.
8. Meeting of the members.
9. Establishment and dissolution of branches and liquidation.
10. Registered Capital, number of shares, sum of total shares, sales and transfer of shares, and liquidation of shares by cash or other assets.

Art.10            Name of cooperatives

The name of cooperative can be freely chosen, but it should:

1. Include the term of Cooperative every time.
2. Be taken into account that the use of name, rights and responsibility of using name must comply with provisions of the Law on Entrepreneur of the Lao PDR.

Apart from cooperatives or association of cooperative, it is prohibited to use the name as cooperative for his or her enterprise or a part of that.

Art.11            Applying procedure for registration

The committee assigned by the member meeting will place completed documents to the Office for Trade and Industry in the concerning District where the cooperative should be set up in order to be registered.

The consideration of the registration should not take more than 3 working days after presenting the documents.

Apart from documents requested under this decree, the registration officers are not able to request other additional documents.

In case of violation, the officers will be disciplined under the term of Art. 234, the law on enterprise.

Art.12            Effects of registration

After registration, the cooperative will get legal entity status.

Cooperative registration means registration of its name as well.

Individuals and other legal entities may access or request a copy of filed registration documents from the registration officers. A person requesting a copy of such document should pay fee as stipulated.

### **Chapter 3**

#### **Rights and duties of cooperatives**

Art.13            Rights of cooperatives

A Cooperative has the following rights:

1. To operate businesses in production or services for interest of its member.
2. To obtain technical assistance from the concerning Government's sectors or national and international organizations in compliance with the law passed by the government.
3. To take up a loan from financial and credit institution or mobilize capitals from another sources pursuant to the law concerned.
4. To deposit saving of the members in accordance with the rules and regulation of concerning sectors.
5. to grant credits, to hire equipments and vehicles to members or to take assets of member in pawn.
6. To run another activities according to the law and regulations.

Art.14          Duties of cooperatives

A cooperative has following duties:

1. To gather all members into an organization.
2. To cooperate and obtain assistance from another sectors and to provide service for the people, particularly those living in the area of cooperative.
3. To protect the true interests of its members in business relation with another.
4. To support and assist the members in balancing its interest.
5. To promote social welfare to the members and its families as much as capable.
6. To resettle business disputes among the members themselves.
7. To assist or provide technical knowledge and commercial information for its members.
8. To joint consultation and comment on issues relating business of cooperative and its members with another sectors relating to its business activity.
9. To implement accounting system, other obligations as stipulated under the law concerned.

## **Chapter 4**

### **Membership**

Art. 15          Membership requirements

A member of the cooperative must

1. Not be a legal entity, except member of some specific cooperatives.
2. No have more debts than his or her assets or not be insolvency
3. Be Lao citizen at the age of 18 years and mentally well.

Other requirements such as profession, numbers of applying members depend on decision and type of cooperative.

Art.16          Who may be member of cooperative?

A person wishing to be member of a cooperative must present the application documents to cooperative concerned in order to be registered according to the statute of the respective cooperative and he or she should contribute at least one share. The membership begin upon the registration, if no another provisions have been made.

Art. 17          Rights and functions of the members

Members of a cooperative have following rights and functions:

1. To operate business in production or services and to joint in the concerning activities of the cooperative.
2. To get paid dividend or Interest occurred by shares, to be taken care and assisted by the cooperative in any case.
3. To be elected as members of management committee.

4. To elect and dismiss member of management committee or supervisor by voting.
5. To elect or dismiss auditor if it is proposed by supervisor.
6. To follow the rules and regulations of the cooperative and instructions of management committee.
7. To request an extraordinary meeting according to the conditions under this decree.
8. To take a legal action against all acts violating cooperative and damages against interest of cooperative, its member, the committee, supervisor, manager, or its staff.
9. To participate in the meeting, to vote, to propose and comment on any issues, including protection of own interest.
10. To protect honour, to keep commercial secret and any interest of cooperative
11. To keep solidarity among the members.
12. To be responsible for debts of cooperative and shares which are not withdrawn completely.
13. To control assets and accountancy of cooperative on the time and date stipulated under the statute.
14. To get refund the shares and others interest according to the real situation and statute in the case that a member resigns from the cooperative
15. To be able to authorize her or his representative to participate in the activity of the cooperative relating to his or her work.
16. To follow duties and rights set under the law and regulations of the Lao PDR.

#### Art. 18 Termination of the Membership

The membership can be terminated in case of

1. The death or disability in conducting activities.
2. Withdraw of the membership.
3. Insolvency.
4. Grave breaches of rules and regulations of cooperative and dismiss by the meeting of cooperative through resolution voted by more than half of present meeting members. The concerning member has no right to vote.
5. Withdraw the share under the term of the rules and regulations of the cooperative.

## **Chapter 5**

### Meetings of the cooperative

#### Art. 19 Meeting of Cooperatives

Meeting of the cooperative as highest organ consists of ordinary and extraordinary meetings. An ordinary meeting must be opened at least once a year; an extraordinary meeting can be summoned any time and every issue can be put on the agenda if appropriate.

#### Art. 20 Summoning a Meeting

Management committee can summon the ordinary meeting as determined under the statute of the cooperative.

An extraordinary meeting can be opened any time if the committee considers it necessary. This meeting can be summoned by

1. Resolution of management committee.
2. Supervisor or auditor.
3. Request of more than half of the members.

The Committee has to open the extraordinary meeting within 30 days after requested.

The purpose for opening an extraordinary must be notified to the Committee.

The Committee is then obligated to inform the members of agenda and to send members meeting documents 7 days previous to the meeting.

#### Art. 21          Number of meeting participants

The opening of an ordinary meeting requests at least two third of the members or its representatives. In case that the number of participants is less than two third within 30 days, the ordinary meeting can even be opened after the second request.

In order to open an extraordinary meeting, number of participants must be more than half of the members.

#### Art. 22          Meeting resolution

Resolution of ordinary or extraordinary meeting is valid if it is supported by more than 50 per cent of members or its representatives participated in the meeting. Each member or its representative has one vote. Meeting chairperson has the deciding vote for the case of the same voting number.

Voting Method should be conducted in compliance with the statute of the respective cooperative

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#### Art. 23          Meeting chair

The chair can be either the chairman or deputy chairman of the management committee who has been authorized. In case of the absence or inability of them, any committee member can be authorized to chair the meeting.

#### Art. 24          Rights and functions of ordinary Meeting

The ordinary meeting has the following rights and functions:

1. To study, adopt the report and plan activities of the management committee.
2. To study, adopt the summary report and plans on business operation in productions or services of the cooperative which are proposed by the committee.
3. To adopt financial report, use and distribution of interest.
4. To adopt, change or amend the rules and regulations of cooperative.
5. To elect or dismiss the members of committee.
6. To elect or dismiss supervisor or auditor according to Art. 33,8 of this decree.
7. To decide about the number of committee members, supervisor, manager and other member staff.
8. To decide about salary for committee members, supervisor, manager and staff.
9. To adopt the meeting resolution.

## **Chapter 6**

### Organizational Structure of Cooperative

#### Art.25          Personal structure

The personal structure consists of members of management committee, supervisor, manager, accountants and other as appropriate.

Supervisor, manager, accountants and other as marketing staff or credit staff can be employed by members itself or another persons outside.

Personal structure must be proportionate and appropriate to number of members, financial ability and duties of the cooperation in order for cooperative to be effective.

#### Art.26          Management committee

Committee members work collectively and are called as management committee whose term takes 3 years. Number of the committee members has to be proportionate and appropriate to the number of the cooperative members, but no less than 3 persons or more than 9 persons.

The committee consists of chairman, deputy chairman, committee members. The responsibility must be clearly divided.

#### Art.27          Rights and functions of the management committee

The committee has the following rights and functions:

1. To develop general policy, direct and lead activities of manager and all technical staff.
2. To direct and lead the work of cooperative in accordance with statute of cooperative, meeting resolution, roles and functions itself.
3. To elect chairman and deputy chairman of the committee.
4. To assign duties to the committee members.
5. To employ or dismiss manager and staff.
6. To consider a new membership.
7. To consider withdrawing of the membership
8. To decide issues such as giving credits to, deposit of the members, mortgage of the members and investment of cooperative.
9. To undertake appropriate measures to reach the goals of cooperative.

#### Art. 28          Members of management committee.

Members of committee must be only elected from the members of the cooperative. Voting procedure must comply with the provisions of Art. 22 of this decree.

Cooperative members who are Government officials (if any) are not permitted to be elected as committee member or supervisor.

The term of a committee member is the same as the term of committee and a committee member can be re-elected. Each committee member has to follows his duties which are agreed in the meeting of the committee.



In case that a committee membership is vacant the committee meeting is able to appoint a new temporary member to conduct the duties until the next election.

#### Art. 29            Qualifications of the members of management committee

The member of management committee should

1. Be sacrificial, honest and physically and mentally willing to do the best for the cooperative and its members.
2. Serve as a good example in business operation, be pleased to serve and have responsibility towards the members.
3. Believe and have better understanding on rules and regulations, objectives of the cooperative which is the way to cooperate and help each others for individual and collective development.
4. Not be government official.
5. Be healthy.

#### Art.30            Chairman and deputy chairman of the management committee

Chairman of the committee is assigned to direct and lead the work of the cooperative in the scope of his right and function terminated under the rules, regulation and resolution of the cooperative meeting. He represents the cooperative in activities, relation or signing agreement with another persons.

Deputy chairman assist the chair in conducting any duties as authorized. The committee can have more than one deputy chairman.

#### Art.31            Meeting of the management committee

The Committee will meet at least once a month to summarize all activities of cooperative, to plan future activities and decide any issues in scope of its functions defined under this decree. The meeting will be a quorum if the number of participating members more than two third. A resolution will be valid only if it passed by more than a half of the present members. Each committee member has one vote; in case of equal number of voting, president's vote will decide.

#### Art. 32            Rights and duties of manager

Manage has the following rights and duties:

1. To manage work pursuant to policy of the committee.
2. To protect assets, manage income and expenditure of cooperative.
3. To participate in the ordinary and extraordinary cooperative member meeting, meeting of the management committee and other meetings relating to the work of the cooperative.
4. To propose employment or dismiss of a staff to the committee for consideration.
5. To summarize business operations and to propose the plan for activities to the committee meeting.

#### Art.33            Rights and functions of supervisor

Supervisor has the following rights and function:

1. To supervise the committee, accountants, manager and staff in implementing rules and regulations and also resolution of the cooperative member meeting.
2. To control and monitor financial activities, accountant issues, use of capital and assets of the cooperative.
3. To participate in the meeting of management committee and cooperative member meeting.
4. To report results to the management committee and cooperative member meeting.
5. To request all necessary documents or information by any cooperative member for the controlling purposes, including keeping them in the closet.
6. To summon an extraordinary meeting in case of breaching the rules and regulations or resolution of the member meeting or in case that his or her proposal has not been implemented or ineffectively implemented or in case that the committee has missed to summon an ordinary meeting pursuant to the statute.
7. To propose employing credible auditor to the member meeting for consideration.

Rights and functions of auditor are regulated by the law concerned.

#### Art. 34 Termination of membership of management committee

The membership of the committee is terminated in the following cases of

1. Expiry of the term.
2. Death or inability in conducting functions.
3. Resignation.
4. Insolvency or liquidation of his or her business.
5. Imprisonment conviction for fraud and unlawful appropriation.
6. Missing one of the qualifications in accordance with Art. 29 of this decree.

#### Art.35 Responsibilities for damages

Committee member, supervisor, accountants, manager and all staff are responsible for its own failure and damages caused by activities which extravagated his or her rights and functions or occurred in bad faith or for own interest.

## **Chapter 7**

### Financial issue of cooperatives

#### Art. 36 Capital of The cooperative

Capital is comprised from two main sources namely own capital and loan capital.

Own capital is made up of shares by members, reserve fund, member fees, member deposits, education development fund.

Loan capital is acquired from loan by another sources.

Apart from sources mentioned above, cooperative can mobilize more capital through any assistance and support complying with the law concerned.

Art. 37 Capital contribution by member

Each cooperative member should have at least one share and no more than 20 per cent of whole shares. Beside the share contributed during the application, the member can make a contribution to capital in another way pursuant as agreed.

The price of the share must comply with the real ability of people at concerning area. That should enable the majority of people to join the cooperative.

Art. 38 Remuneration

Each cooperative member will receives remuneration in the rate of his share in the case of making net profits.

Art.39 Dividend occurred by joint business operation

Dividend occurred from joint business operation are money emerged by participation of the member in fallowing cooperative activities; the cooperative sells in its name member products and or members sell products made by cooperative.

The sum of dividend depends on contribution of each member. The payment is to conduct according as agreed.

Art. 40 Reserve Fund

Ten per cent of the net profits made by cooperative must be place on reserve fund of the cooperative. This fund will be used to help the cooperative in case of deficits.

Art. 41 Member Fees

Member fees build a source for cooperative capital. Fee must be appropriate to the real capability of the people. The fee should not be bared the people from being the member of cooperative.

Art. 42 member deposit

Member can deposit its saving at the cooperative in order to contribute to capital for business operations and to promote people saving its money.

Cooperative has to pay out interest at the rate of agreement, but closely to the rate of the Bank.

Art. 43 Fund for education and development of cooperative

Fund for education and development of cooperative is contributed by at least one per cent of net profits reached through business activities. This fund will be used as scholarship, for educational training for the members, for buying shares withdrew by the member, for social welfare for member and its families.

Art. 44 Assets and basic infrastructures invested by the government

Assets and basic infrastructure invested by the government such as irrigation system and other are state's property. Cooperative will use those facilities effectively

and maintain them with care. It is prohibited, to give up as loan guarantee, as mortgage, to divide or to pay for amortizing a debt, except it is authorized by the Government.

## **Chapter 8**

### **Consolidation, division and dissolution of cooperative**

#### **Art. 45 Consolidation**

Several Cooperatives can be consolidated provided that all their members are agreed unanimously and the authority concerned has no objection.

The consolidation can lead to dissolution of one or a couple of cooperatives and to formation of a new cooperative.

The Consolidation should be newly registered and the successor cooperative is obligated to take over obligations made by predecessor cooperatives.

#### **Art.46 Division**

A cooperative can be divided into one or several cooperatives provided that all their members are agreed unanimously and the authority concerned has no objection.

Divided cooperatives should be newly registered and the division doesn't effect the obligations made previously. The distribution of assets and responsibilities should be decided clearly.

#### **Art. 47 Dissolution**

A cooperative can be dissolved in the following cases:

1. Of Resolution voted by the meeting members.
2. Of Insolvency.
3. Of court decision.
4. Of the termination of the term or activity completion or any reason which is defined in the statute of the cooperative.
5. Of having the members less than 7 persons.

Dissolution and insolvency should be strongly proceeded according to the law and regulation concerned.

## **Chapter 9**

### **Administration and promotion of cooperative activities**

#### **Art. 48 Authority for administration and promotion of Cooperative**

Administration and promotion authority consists of concerning sectors and all administrations in provincial level, district level or municipality level and village level, including associations and cooperative federation.

Concerning sectors must clearly define responsible authority for administration and promotion of cooperatives relating its sectors.

Several Cooperatives may establish an association as legal entity.

Cooperatives at district level, province level and association nationwide may form a cooperative federation which will have a legal entity.

Association and cooperative federation have rights and function in administrating and promoting the development of cooperatives in the scope of its rights and functions.

Formation and activities of association and cooperative federation will be conducted in compliance with the Prime Minister Decree on Association, No. 115/PM, dated 29 April 2009 and other laws concerned.

Art. 49            Implementing the roles for administration and promotion of cooperative

Sectors defined in Art. 48 of this Decree are obligated to administrate, monitor, promote, assist and define development policy in order to effectively strengthen activities and make them in the line with its functions determined in the law and regulations.

Art. 50            Seal

A cooperative has an own seal for running activities pursuant to its roles, rights and functions defined under this Decree.

Art.51            Implementation

Ministries and Ministry-Equivalent Organizations are requested to adopt rules and regulations to administrate, assist and direct cooperatives which are established and run its activities relating the respective ministry. Provinces and prefecture implement this decree strongly and effectively.

Art.52            Effectiveness

This Decree enters into force from the date of signature. Provisions and rules that conflict with this Decree should be abrogated.

Prime Minister of the Lao PDR

Signature and Seal

Bouasone BOUPHAVANH