

Unofficial Translation



Lao People's Democratic Republic Peace Independence Democracy Unity Prosperity

Prime Minister's Office

No. 136/PM
Vientiane Capital, dated 05 March 2010

DECREE *on* COOPERATIVES

- Pursuant to the Law on the Government of the Lao People's Democratic Republic, No. 02/NA, dated 6 May 2003;
- Pursuant to the Law on Enterprise, No. 11/NA, dated 9 November 2005; and
- Pursuant to the Request of the Minister of Industry and Commerce, No. 1293/MoIC, dated 27 July 2007.

The Prime Minister of the Lao PDR hereby issues a Decree:

Chapter 1 General Provisions

Article 1 Objective

This Decree defines the principles, regulations, and measures relating to the establishment, operation, and management of cooperatives in the Lao PDR to ensure that small-scale cooperative business operators collectively become strong, cooperate with each other, and grow together, aiming to produce commercial products, earn incomes, and contribute to poverty reduction and the upgrading of the livelihoods of people of all ethnic groups.

Article 2 Cooperatives

A cooperative is a collective business operation of small-scale business operators such as farmers, handicraft producers, traders, and other occupations who voluntarily establish a cooperative for the purpose of mutual cooperation and assistance in terms of funds, experience, and techniques for business operations in production, commerce, or services, aiming to advance their business operations as well as to ensure the social welfare of cooperative members and their families.

Article 3 Types of Cooperatives

There are two main types of cooperatives as following:

1. Cooperatives for agriculture–forestry products, processing industries, and handicrafts;
2. Cooperatives for services such as trade, finance, transportation, tourism, construction, medical, and other similar services.

Article 4 Basic Principles for the Organization and Operation of Cooperatives

The basic principles for the organization and operation of cooperatives in accordance with this Decree are as following:

1. Members should be enrolled widely and on a voluntary basis;
2. All members shall have ownership in managing the cooperative on a democratic basis. They are owners and also clients of the cooperative;
3. All members have the right to operate an activity or a business with their cooperative;
4. Cooperatives are independent and are the owners of their activities and business operations;
5. Directors of a cooperative are elected from among the members;
6. There shall be a minimum of seven members, except for cooperatives which set a minimum number of more than seven.

All activities and operations carried out by cooperatives shall be in line with this Decree and relevant laws and regulations of the Lao People’s Democratic Republic.

A cooperative can operate only after it has been officially registered in accordance with this Decree and it has the status of a legal entity from the date it is registered.

A cooperative can establish and operate various businesses provided they do not contravene the regulations of relevant sectors.

Article 5 Promotion Policy toward the of Cooperatives of the Government

The Government promotes the sustainable development of cooperatives by facilitating and setting in place effective measures to create all possible conditions and opportunities for business operations relating to production or services by cooperatives, members, and families of members as follows:

1. Facilitating competitiveness and access to the market;
2. Creating facilitating conditions to assist in various aspects such as funding, loans, land allocation, taxes and duties, and promoting the use of new science and technologies;
3. Constructing necessary infrastructure, and building and developing human resources;
4. Promoting advertising in and penetration of domestic and foreign markets;
5. Promoting and facilitating cooperatives to get involved in the implementation of national socio-economic development plans, especially the implementation of policies aiming to reduce poverty;
6. Acknowledging and providing awards to encourage excellent cooperatives or members;
7. Ensuring the equality of cooperatives before the law in relation to business operations compared to other types of enterprises;
8. Encouraging cooperatives to coordinate and cooperate with foreign countries and international organizations by exchanging technical skills and technologies, and

- by upgrading the knowledge and capabilities of cooperatives in business administration and operations;
9. Ensuring that cooperatives operate their businesses under the management, supervision, and with the assistance of relevant sectors.

Article 6 Scope of Application

This Decision applies to collective business organizations in various sectors that establish and operate businesses in compliance with this Decree, and to be implemented uniformly within the territory of the Lao People's Democratic Republic.

Chapter 2
Establishment and Registration of Cooperatives

Article 7 Establishment

Lao citizens intending to establish a cooperative shall comply with the following steps:

1. To organize meetings to gather information and knowledge relating to the type of cooperative to be established;
2. To conduct consultations and plan its establishment in relation to issues such as type, name, number of members, establishment plan, registered capital, and number of shares, and draft articles of association for the cooperative;
3. To hold the first meeting to endorse the articles of association and to elect the first board of directors;
4. To request approval from the relevant sectors to operate its business in accordance with the type of cooperative;
5. To register the cooperative with the industry and commerce sectors.

Article 8 Document Preparation for the Registration of a Cooperative

A request for the registration of a cooperative shall complete the following documents:

1. Application form for registration of the cooperative;
2. Name list of founding members and their signatures, the number of shares, and the registered capital of the cooperative;
3. Name list of directors;
4. Articles of association of the cooperative;
5. Business operation license issued by relevant sectors.

Article 9 Rules of Cooperatives

Rules of cooperatives shall include the following:

1. Name of the cooperative;
2. Objectives of the cooperative;
3. Location of office and branch (if any);
4. Internal and external coordination of members and the cooperative;
5. Conditions of membership, recruitment method, and termination of membership;
6. Number of directors, election method, responsibilities, expiration or termination of terms of office, and meetings;

7. Administration of accounting, asset management, and the cooperative's methods and procedures for sharing benefits;
8. Meetings of members;
9. Establishment of branches, dissolution, and liquidation;
10. Registered capital, number of shares, par value, payment of shares in cash and in kind, sale and transfer of shares, and repayment of shares.

Article 10 Name of Cooperatives

Any appropriate name may be chosen for a cooperative but:

1. All names must have the term "Cooperative" attached to them;
2. The name, rights, and responsibilities of a cooperative shall be in accordance with the provisions of the Law on Enterprise.

Individuals or legal entities other than cooperatives or cooperative associations are prohibited from using the term "cooperative" as the full or partial name of an enterprise.

Article 11 Application Request to Register a Cooperative

Once necessary documents are prepared, directors as assigned by the meeting of the members shall submit an application to register the cooperative with the Office of Industry and Commerce in the district where the cooperative is located.

Consideration for registration of a cooperative shall not exceed three (3) official days from receipt of an application.

Registration officers are prohibited from requesting further documents from requestors other than those stipulated in this Decree.

Registration officers violating paragraph 3 of this Article are subject to measures stipulated in Article 234 of the Law on Enterprise.

Article 12 Implication of Cooperative Registration

The registration of a cooperative gives a cooperative a legal entity status.

The registration of a cooperative is also the registration of the name of the cooperative.

Individuals and legal entities can access or request a copy of a cooperative registration document from relevant registration officers. Those requesting such a document shall pay fees in accordance with regulations.

**Chapter 3
Rights and Duties of a Cooperative**

Article 13 Rights of a Cooperative

A cooperative has the following rights:

1. To operate production and service businesses for the benefit of the members;

2. To attract technical assistance from domestic and international public and private organizations in accordance with the regulations set out by the State;
3. To borrow money from credit or financial institutions or to mobilize other financial resources in accordance with relevant laws;
4. To accept savings from its members in accordance with the regulations of relevant sectors;
5. To lend money, production equipment, and vehicles to members or to accept pledges of the assets of members;
6. To operate other activities in accordance with laws and regulations.

Article 14 Duties of a Cooperative

A cooperative has the following duties:

1. To recruit members into the organization;
2. To coordinate and attract assistance from other stakeholders, and to provide services to people, especially the members within its area;
3. To protect the legitimate benefits of the members in relation to the business relationships of production and services with external persons;
4. To assist and regulate members' benefits within the cooperative;
5. To provide social welfare to members and members' families in accordance with actual capabilities;
6. To resolve production and service business conflicts among the members;
7. To assist in providing technical knowledge or information relating to production and service business which relates to the members;
8. To attend consultations and provide opinions on issues relating to the business of the cooperative and the members with other stakeholders relating to the production and service business of the cooperative;
9. To implement the accounting regime and other obligations and duties in accordance with relevant laws and regulations.

Chapter 4 Members of a Cooperative

Article 15 Eligibility of the Members

Members of a cooperative shall meet the following eligibility requirements:

1. Not be a legal entity, other than as members of a particular cooperative;
2. Not be bankrupt or in debt to an amount exceeding their assets;
3. Be a Lao citizen of 18 years old or more, and not be affected by any mental disorder.

Determination of other eligibility requirements such as occupation and number of applicants depends on agreement and the type of cooperative.

Article 16 Membership

Individuals intending to become a member of a cooperative shall submit an application to such cooperative for registration in accordance with the articles of association of the cooperative and shall hold at least one share. Membership starts from the day of registration, unless otherwise stated in the articles of association of the cooperative.

Article 17 Rights and Duties of Members

Members of a cooperative have the following rights and duties:

1. To operate their production and service businesses, and participate in relevant activities of the cooperative;
2. To receive resources or benefits derived from shares, and to be taken care of and provided with assistance by the cooperative;
3. To apply for election to become directors of the cooperative;
4. To elect or remove directors or inspectors from their positions;
5. To elect or remove accounting auditors based on a proposal of the inspectors;
6. To implement laws and regulations, articles of association of the cooperative, and the guidance of the directors;
7. To request the holding of extraordinary meetings in accordance with conditions set forth in this Decree;
8. To file a case before a court against directors, inspectors, managers, and technical staff in relation to actions which violate or cause damage to an individual's or a cooperative's interests;
9. To attend meetings, to vote, to make requests, and to provide opinions regarding problems, including the protection of their rights and benefits;
10. To maintain the dignity, business confidentiality, and other interests of the cooperative;
11. To keep solidarity among members;
12. To be responsible for the debts of the cooperative in proportion to unpaid shares;
13. To inspect the assets and financial accounts of the cooperative on dates and times as set out in the articles of association of the cooperative;
14. To resign from the cooperative, taking into account the return of shares and other benefits to the cooperative in accordance with the actual situation and the articles of association of the cooperative;
15. To assign representatives to attend activities of the cooperative which are relevant to them;
16. To perform other duties and to exercise other rights in accordance with the relevant laws and regulations of the Lao PDR.

Article 18 Termination of Membership

Membership of a cooperative shall be terminated by the following causes:

1. Death or lack of appropriate capability;
2. Approved resignation from the cooperative;
3. Bankruptcy;
4. Severe violation of the articles of association of the cooperative, with membership terminated by a majority vote of more than half of participants at a meeting of the cooperative;
5. Failure to pay for shares in accordance with the conditions set forth in the articles of association of the cooperative.

Chapter 5 Meetings of a Cooperative

Article 19 Meetings of a Cooperative

Meetings of the cooperative are the highest summit of the cooperative, including ordinary meetings and extraordinary meetings. Ordinary meetings shall be held twice a year, while extraordinary meetings shall be held as needed, and all matters can be discussed as desired.

Article 20 Convening of Meeting

Directors of the cooperative convene ordinary meetings in accordance with the rules of association.

Ordinary meetings can be convened at any time as required by the cooperative's work. An ordinary meeting can be convened by:

1. A resolution of the board of directors;
2. Inspectors or auditors;
3. More than fifty percent of the members.

Directors shall convene an ordinary meeting within thirty days of receipt of a request to do so.

A request from members to the board of directors to convene an ordinary meeting shall include the objectives of the meeting.

The board of directors shall notify an agenda and submit documents for the meeting to all members at least seven days in advance.

Article 21 Quorum of the Meeting

A quorum for an ordinary meeting shall consist of at least two thirds of members or their representatives. In the event that the quorum is not reached, a second meeting can be conducted without the required quorum thirty days after the originally scheduled ordinary meeting.

A quorum for an extraordinary meeting shall not be less than fifty percent of the members of the cooperative.

Article 22 Resolution of the Meeting

Resolutions of an ordinary or extraordinary meeting will be effective only if there is a support from members or representatives more than half. Each member or a representative has one vote. In the event of equal votes, the chairperson of the meeting will have the casting vote.

Voting procedures are to follow the rules of association of each cooperative.

Article 23 Chairperson of the Meeting

A chairperson of a meeting is the chairperson or deputy chairperson of the board of directors as assigned. In the event that the chairperson or deputy chairperson is absent or cannot perform the duty, a director may be assigned to chair the meeting.

Article 24 Rights and Duties of Ordinary Meetings

Ordinary meetings of cooperatives shall have the following rights and duties:

1. To consider and approve reports and plans regarding the work of the board of directors;
2. To consider and approve reports and business plans for the production and service activities of the cooperative as proposed by the board of directors;
3. To approve accounting and financial reports, and the use and distribution of benefits;
4. To approve changes to or improve the articles of association;
5. To elect or remove the directors;
6. To elect or remove people from the positions of inspectors or auditors as stated in Articles 8 and 33 of this Decree;
7. To approve the numbers of directors, inspectors, managers, and technical staff;
8. To approve the salaries or wages of directors, inspectors, managers, and technical staff;
9. To approve resolutions of the meeting.

Chapter 6

Cooperative Organizational Structure

Article 25 Personnel Structure

The personnel structure of a cooperative consists of directors, inspectors, managers, accountants, an appropriate number of technical staff, and others as needed.

Managers, inspectors, accountants, and technical staff, such as marketing or credit staff, may be hired from among members of the cooperative or from external sources.

A cooperative's personnel structure shall be simple to ensure the effectiveness of the work, and in proportion to the number of members and the financial status of the cooperative.

Article 26 Board of Directors

Directors working in a group are called a "Board of Directors." The term of office of a board of directors is three years. The number of directors shall be in appropriate proportion to the number of members but shall not be fewer than three or more than nine.

The board of directors consists of a chairperson, deputy chairperson, and directors. The roles of the board of directors shall be clearly defined.

Article 27 Rights and Duties of a Board of Directors

The board of directors has the following rights and duties:

1. To lay out overall policies and supervise the work of managers and technical staff;
2. To supervise the work of the cooperative in accordance with resolutions of the meetings and in accordance with its roles, rights, and duties;
3. To elect a chairperson and deputy chairperson of the board of directors;
4. To define the responsibilities of each director;
5. To hire or dismiss managers and technical staff;
6. To consider the recruitment of new members of the cooperative;
7. To consider terminating the membership of members of the cooperative;

8. To consider and agree upon issues relating to the cooperative such as loans for members, savings of members, pledges of members, and investments by the cooperative;
9. To set up appropriate measures to achieve the goals of the cooperative.

Article 28 Directors

Directors shall only be elected from among the members of the cooperative. Voting procedures for electing directors shall be in line with the provisions of Article 22 of this Decree.

Members of the cooperative who are civil servants (if any) are not eligible to apply for the positions of director or inspector.

The term of a director is the same as that of the board of directors and they can be re-elected. Each director performs their duties in accordance with resolutions of the meetings of the board of directors.

In the event that a director's position becomes vacant, a meeting of the board of directors shall elect a new director of the cooperative to perform the duties until the election of a new board of directors.

Article 29 Qualifications of Directors

Directors shall possess the following qualifications:

1. Be dedicated and honest, work hard physically and intellectually for the benefit of the cooperative and its members;
2. Be a role model for production and service businesses; being at services and responsible to members who elected them to perform these duties;
3. Believe in and understand clearly the principles and objectives of the cooperative for mutual assistance and for individual and common development;
4. Not be a civil servant;
5. Be in good health.

Article 30 Chairperson and Deputy Chairperson of the Board of Directors

The chairperson of the board of directors shall be responsible for supervising the work of the cooperative within the scope of its rights and duties as stated in the articles of association and resolutions of the meetings of the cooperative. The chairperson of the board of directors represents the cooperative in its operations, coordination, and signing contracts with external parties.

The deputy chairperson is an assistant to the chairperson for the work as assigned to them. The board of directors may have one or more deputy chairpersons.

Article 31 Meetings of the Board of Directors

The board of directors of a cooperative shall convene meetings at least once a month to conclude the cooperative's business operations, as well as to plan for the future and to agree upon certain issues within the scope of its rights and duties as stated in the articles of association and this Decree.

At least two thirds of directors shall attend the meetings of a board of directors for it to be able to issue a resolution. A resolution of the meeting shall become effective

only if more than half of the votes are obtained. Each director has one vote. In the event of a tie, the chairperson will have the casting vote.

Article 32 Rights and Duties of Managers

Managers shall have the following rights and duties:

1. To manage the work in accordance with the policies of the board of directors;
2. To protect assets and collect and maintain all revenues and expenses of the cooperative;
3. To attend ordinary and extraordinary members' meetings, meetings of the board of directors, or other meetings related to the work of the cooperative;
4. To hire or dismiss technical staff as agreed upon by the board of directors;
5. To conclude the operation of production or service business, and to propose a work plan for the cooperative to the meetings of the board of directors.

Article 33 Rights and Duties of Inspectors

Inspectors shall have the following rights and duties:

1. To inspect directors, accountants, managers, and technical staff in implementing the articles of association and resolutions of the meetings of the cooperative;
2. To inspect and monitor financial performance, accounting, and the use of funds and assets of the cooperative;
3. To attend meetings of the board of directors or meetings of the members of the cooperative;
4. To report on the results of inspection to the board of directors and to the meetings of the members;
5. To request relevant persons to supply documents and data needed for inspection work, and to protect the confidentiality of the data;
6. To convene extraordinary meetings in the event of any violation of the articles of association or resolutions of the meetings of the members, or in the event that issues proposed by the inspectors for improvements or resolutions were not implemented or inefficiently implemented, or in the event that the board of directors does not convene an ordinary meeting as stated in the articles of association of the cooperative;
7. To propose the hiring of reliable external auditors to the meetings of the members for approval, so that the auditor can audit the cooperative as needed.

The rights and duties of auditors are to be implemented as stipulated stated in relevant laws.

Article 34 End of Director Term

Director terms will end as in the following circumstances:

1. Term expiration;
2. Death or inability to carry out required duties;
3. Resignation;
4. Dissolution or bankruptcy of the production or service business;
5. Being found guilty of corruption or fraud and sentenced to jail by a court;
6. Lack of a qualification as stated in Article 29 of this Decree.

Article 35 Responsibility for Damages

Directors, inspectors, accountants, managers, and technical staff shall be responsible for all damages caused by them in the event of abuse of assigned power and duties, intentional bad acts, or acts taken for personal gain.

Chapter 7 Finance of the Cooperative

Article 36 Financial Resources of the Cooperative

The financial resources of a cooperative are derived from two main resources: personal resources and loans.

The personal resources of a cooperative consist of the share contributions of the members, the reserve fund, membership fees, the cooperative's savings, and the cooperative's accumulated fund for education and development.

Loans are resources that the cooperative borrows from external sources.

In addition to the above-mentioned financial resources, a cooperative can also mobilize resources from assistance or support in accordance with relevant laws.

Article 37 Financial Contribution of the Members

Members of the cooperative shall hold at least one share and not more than twenty percent of the cooperative's total shares. In addition to the share contribution during the membership enrolment, members can also contribute additional financial resources in other forms as agreed upon.

Determination of the par value of shares shall be in accordance with the actual circumstances of people in different areas to ensure that all people, or at least the vast majority of people, can register for membership of the cooperative.

Article 38 Return on Investment

The cooperative shall pay a return on investment from share contributions to the members in proportion to the shares of the members. The payment is paid from the net profit derived from the business operation of the cooperative after the deduction of all expenses.

Article 39 Share Money from the Joint Business Operation

Share money from the joint business operations of the members with the cooperative is the money derived from contributions to the business operations of the cooperative such as products of the members that are sold under the name of the cooperation or selling goods to the cooperative.

The amount of the share money derived from the joint business operation of the members with the cooperative can be large or small depending on the contribution of the members. Methods of payment shall be agreed by the members.

Article 40 Reserve Fund

Each year, the cooperative shall deduct ten percent of its net profit for the cooperative's reserve fund. This reserve fund can only be paid out to compensate for losses sustained by the cooperative.

Article 41 Fees

Fees are another financial source for the cooperative which is derived from membership enrolment. Determination of fees shall be in line with the actual circumstances of people in each geographical location. This is to avoid creating barriers to people becoming members.

Article 42 Savings

Savings is the money that the cooperative receives from its members to contribute to the production or service business operations of the cooperative, and also to encourage savings by the members.

The cooperative shall pay interest to its members who make deposits at an agreed rate but it must be reasonably close to current bank rates.

Article 43 Accumulated Fund for Education and the Development of the Cooperative

The accumulated fund for education and the development of the cooperative is a fund that the cooperative has to establish by using profits derived from its business operation at a rate of at least one percent of net profit. Such accumulated fund shall be used for purposes such as scholarships, training of members, as a fund for buying the shares of members who are resigning, and social welfare for members and members' families.

Article 44 Assets or Infrastructure Invested by the Government

Where the government has provided infrastructure such as irrigation channels for cooperatives or invested assets, these remain the property of the State and cooperatives shall use, manage, and protect them efficiently. They shall not be used to pledge, mortgage, share, or liquidate any debts of the cooperatives, unless they have explicitly been handed over to the cooperatives.

Chapter 8 Merger, Split-up, and Dissolution of the Cooperatives

Article 45 Merger

Cooperatives can be merged only upon the agreement of the members of the cooperatives, and if the creditors have no objection.

A merger can merge dissolved or existing cooperatives into an existing cooperative or form a new cooperative.

Such a merger shall be registered as a new cooperative, but the previous obligations of the cooperatives concerned remain the same.

Article 46 Division of cooperatives

Dividing a cooperative into two or more units shall be agreed upon by the members of a cooperative and provided that creditors have no objection.

The new units shall be registered as new cooperatives with no implications on their previous obligations. Separated cooperatives shall agree on the division of assets and obligations of the former cooperative.

Article 47 Dissolution

Cooperatives may be dissolved for the following reasons:

1. A meeting of the members resolves to dissolve;
2. Bankruptcy;
3. A court order to dissolve;
4. End of term, completion of operation, or specific reasons for dissolution as stated in the articles of association of the cooperative;
5. The membership falls below seven people.

Dissolution or bankruptcy proceedings shall strictly follow relevant laws and regulations.

Chapter 9

Management and Promotion of the Operation of Cooperatives

Article 48 Cooperative Management and Promotion Agencies

Management and promotion agencies for the operation of cooperatives consist of the relevant sectors and local administration agencies, from provincial and capital levels to local levels i.e. district or urban and village levels, as well as associations and cooperative federations at all levels.

The relevant sectors shall determine the details of the management and promotion of relevant types of cooperatives within their sectors by level or by stakeholder.

District and provincial cooperatives and cooperative associations nationwide can be established as cooperative federations, which have the status of a legal entity.

Cooperative associations and federations are obliged to manage and promote the development of cooperatives within the scope of their rights and duties.

The establishment and operation of cooperative associations and federations shall follow the Decree on Associations No. 115/PM, dated 29 April 2009, and other relevant laws and regulations.

Article 49 Exercising Duties of Management and Promotion of Cooperatives

Stakeholders as stated in Article 48 of this Decree shall have a duty to manage, inspect, promote, assist, and create concepts for the development of cooperatives, aiming to operate businesses and grow them efficiently and in accordance with relevant laws and regulations.

Chapter 10

Final Provisions

Article 50 Seal

Cooperatives have their own seals for the operation of their functions in accordance with their rights and duties as set forth in this Decree.

Article 51 Implementation

Ministries and ministry-equivalent organizations issue regulations to manage, assist, and supervise the establishment and operation of cooperatives relevant to them. Provinces and the capital shall strictly and efficiently implement this Decree.

Article 52 Effectiveness

This Decree is effective from the date of signature. Any regulations and provisions that contradict to this Decree shall be canceled.

Prime Minister of the Lao PDR

[Signature and seal]

Bouasone BOUPHAVANH