

THE EAST AFRICAN COMMUNITY COOPERATIVE
SOCIETIES BILL, 2014

ARRANGEMENT OF CLAUSES

Clause

PART I—PRELIMINARY

1. Short title.
2. Interpretation.
3. Objectives of a cooperative society.
4. Guiding principles of cooperative societies.

PART II—FORMATION AND REGISTRATION

5. Formation of a cooperative society.
6. Name of a cooperative society.
7. Registration of a cooperative society.
8. Juridical personality.
9. Bye-laws.
10. Amalgamation and division.

PART III—RIGHTS AND DUTIES OF MEMBERS

11. Requirements necessary for membership.
12. Rights and duties of members.
13. Dismissal from membership.
14. Payment of shares.
15. Register of members.
16. Voting.
17. Transfer of shares or benefits.

PART IV—ORGANS OF COOPERATIVE SOCIETIES

18. General Assembly.
19. Powers and duties of the General Assembly.
20. Calling of the General Assembly.
21. Board of Directors.
22. Powers and duties of Board of Directors.
23. Control Committee.
24. Powers and duties of Control Committee.
25. Other sub committees.

PART V—SPECIAL PRIVILEGES OF SOCIETIES

26. Priority of claims by society.
27. Set-off in respect of share or benefit.

Clause

28. Share or benefit not liable to attachment or sale.
29. Access to land.
30. Tax exemption.

PART VI—ASSETS AND FUNDS OF A SOCIETY

31. Indivisibility of assets and funds of a society.
32. Allocation of net profit.
33. Restrictions on borrowings.
34. Restrictions on loans.

PART VII—AUDIT AND INSPECTION

35. Audit.
36. Inspection.
37. Action to be taken for loss of property or funds of a society.

PART VIII—DISSOLUTION AND WINDING UP OF SOCIETIES

38. Dissolution of a society.
39. Liquidator.
40. Powers and duties of a liquidator.
41. Callings on creditors.
42. Protection of creditors.
43. Cancellation of society from register.

PART IX—SETTLEMENT OF DISPUTES

44. Conciliation.
45. Arbitration.
46. Appointment of arbitrators.
47. Disputes to be referred to arbitrators.
48. Powers of arbitrators.
49. Appeals.
50. Address.

PART X—MISCELLANEOUS PROVISIONS

51. Supplying information.
52. Establishment of semi-autonomous cooperative agency.
53. Regulations.
54. Act to take precedence.

**THE EAST AFRICAN COMMUNITY COOPERATIVE
SOCIETIES BILL, 2014**

A Bill for an Act

ENTITLED

**THE EAST AFRICAN COMMUNITY COOPERATIVE
SOCIETIES ACT, 2014**

An Act to provide a legal framework for cooperative societies in the Community and to provide for other related matters

ENACTED by the East African Community and assented to by the Heads of State.

PART I—PRELIMINARY

1. This Act may be cited as the East African Community Cooperative Societies Act, 2014. Short title.

2. In this Act unless the context otherwise requires— Inter-pretation.

“appropriate authority” means an organ established at any level in a Partner State, to organise and register cooperative societies and to give training, conduct research and provide other technical assistance to cooperative societies;

“Board of Directors” means a body elected and empowered by the General Assembly with the responsibility to govern the society;

“cooperative society” means a society established by individuals on a voluntary basis, to collectively solve their economic and social problems;

“General Assembly” means a meeting of members of a primary cooperative society or representatives of societies above primary level;

“Partner states” means to the Republic of Burundi, the Republic of Kenya, the Republic of Rwanda, the United Republic of Tanzania, the Republic of Uganda and any other country granted membership to the Community under Article 3 of the Treaty;

“member” means a physical person, or a society established under this Act;

“person” means a natural or juridical person;

“society” means a cooperative society established and registered in accordance with this Act;

“special resolution” means a resolution passed by a two third majority of the members of a society to be binding on all members.

Objectives
of a
cooperative
society.

3. The objectives of a society established under this Act are to—

(a) solve problems collectively which members cannot solve individually;

- (b) coordinate knowledge, skills, wealth and labour of the members for better results ;
- (c) promote self reliance among members;
- (d) collectively protect, withstand and solve economic problems;
- (e) improve the living standards of members by reducing production and service costs by providing input or service at a minimum cost or by finding a better price for their products or services;
- (f) expand the mechanism by which technical knowledge could be put to practice;
- (g) develop and promote saving and credit services;
- (h) minimise and reduce the individual impact of risks and uncertainties;
- (i) develop the social and economic culture of the members through education and training; and
- (j) empower the members to have ownership along commodity value chains by facilitating business development for the members.

4. (1) All cooperative societies registered under this Act, shall abide by the guiding principles under this section which shall be written in their respective bye-laws.

Guiding principles of cooperative societies.

(2) Cooperative societies are voluntary organisations open to all persons able to utilise their services and willing to accept the responsibilities of membership without gender, social, racial, political or religious discrimination.

(3) Cooperative societies are democratic organisations controlled by their members who actively participate in setting their policies and making decisions, and every member has equal voting rights.

(4) Members shall receive dividends from profit according to their shares and contribution after deducting and setting aside an amount necessary for reserve and social services.

(5) Co-operative societies are autonomous self help organisations controlled by their members, and if they enter into agreement with other organisations including governments or raise capital from external sources, shall do so on terms that ensure democratic control by their members and maintain their autonomy.

(6) Co-operative societies provide education and training for their members, elected representatives, managers and employees so as to enable them to contribute effectively to the development of their societies.

(7) Co-operative societies serve their members most effectively and strengthen the societies' movement by working together through local, national, regional and international structures.

(8) Co-operative societies work for the sustainable development of their communities through policies approved by their members.

(9) Cooperative societies and their businesses are owned by the members and the businesses are done for members and not with members, they do not trade or do business with members but rather for members, and do not buy from members but facilitate members to sell their goods without the societies taking ownership over the goods.

(10) The employees, management and staff of the cooperative societies play a facilitating role in the cooperative societies' businesses without taking ownership from the members.

PART II—FORMATION AND REGISTRATION

5. (1) A co-operative society may, according to its nature, be established at different levels as may be determined by the members.

Formation of a cooperative society.

(2) A primary society shall be established by persons who live or work within a given area.

(3) One national apex cooperative organisation may be established in each Partner State, and its key role shall include promoting cooperative societies, formulation and review of policy and legislation, and serving as a platform for cooperative societies at the national level.

(4) The number of members in a primary society shall not be less than ten.

(5) A society may sell some of its shares to persons outside its area when the society faces shortage of capital.

6. (1) Every society shall have its own name.

Name of a cooperative society.

(2) The words “Cooperative Society” and “Limited Liability” shall appear in the name of every society.

(3) A name or distinguishing mark registered by one society shall not be used by any other society.

(4) The name of every society shall be written boldly and put at every place where the society's activities are performed, and it shall in addition be written or sealed on all notices, letters and documents which are signed on behalf of the society.

Registration
of a
cooperative
society.

7. (1) A society shall be registered by the appropriate authority in the Partner State.

(2) A society shall, when established submit an application for registration to the appropriate authority together with the following particulars—

- (a) minutes of the founders' meeting;
- (b) the bye-laws of the society;
- (c) names, addresses and signatures of the members;
- (d) names, addresses and signatures of the members of the Board of Directors of the society;
- (e) a detailed description which proves that the registered members of the society have met the requirements for membership in accordance with this Act and the bye-laws of the society;
- (f) documents showing the amount of the capital of the society and that the capital has been collected and deposited in a bank account, and if there is no bank in the area, that it has been deposited in a place designated by the appropriate authority;
- (g) other particulars that may be specified in the regulations or directives issued for the implementation of this Act.

(3) The appropriate authority shall register a society and issue a certificate of registration within 15 days when the appropriate authority is satisfied that the application for registration submitted to it has fulfilled the requirements for registration.

(4) If the appropriate authority rejects the application for registration of a society, it shall give a written explanation to the representatives of the society within 15 days.

(5) The certificate of registration issued to a society under sub section (3) is evidence that a society is registered in accordance with this Act.

(6) A society registered under this section shall engage in any business as from the date of registration without the necessity of securing an additional trade licence.

(7) When the appropriate authority is satisfied that the requirements under sub section (2) have been met, it shall grant a temporary certificate to the society which may serve not more than a year and the appropriate authority shall cause the rest of the requirements to be observed within a specified period of time.

(8) Where a society is found operating out of the objectives for which it is established, it may be suspended by the appropriate authority from carrying out any activities permitted by this Act.

(9) Where a society is suspended, the society may submit its request to reverse the suspension and where the appropriate authority finds merit in the request, the appropriate authority may reverse the suspension.

(10) Where the appropriate authority does not reverse the suspension of a society, the appropriate authority shall give a written explanation to the General Assembly of the society.

(11) The General Assembly of the society may appeal to the High Court against any decision made by the appropriate authority under this section.

Juridical
personality.

8. A society registered under this Act shall have juridical personality from the date of its registration and shall have limited liability.

Bye-laws.

9. (1) Every society shall have its own bye-laws.

(2) The contents of the bye-laws of a society shall include—

- (a) the name and address of the society;
- (b) objectives and activities of the society;
- (c) work place or area of the society;
- (d) requirements necessary for membership of the society;
- (e) the rights and duties of the members of the society;
- (f) the powers, responsibilities and duties of management bodies;
- (g) conditions for withdrawal and dismissal from membership;
- (h) conditions for election, appointment, term of office and suspension or dismissal of the members of the Board of Directors or other management bodies;
- (i) conditions for calling of meetings and voting at meetings of the society;
- (j) allocation and distribution of profits;
- (k) auditing;
- (l) employment of workers;

(m) other particulars not contrary to this Act.

(3) The bye laws of a society may be amended by the special resolution of the General Assembly, and such amendment shall be effective on the date it submitted to and registered by the appropriate authority.

(4) Where a society agrees on an amendment to its bye laws, three copies of the amendment and the special resolution of the society made in accordance with this Act shall be submitted to the appropriate authority within 30 days from the date of the agreement.

(5) The appropriate authority shall register the amendment and give evidence of its registration to the society where it is satisfied that the amendment of the bye laws was made in accordance with this Act.

10. (1) Without prejudice to section 5, the General Assembly of a society may, through a special resolution form a new society by—

Amalgamation and division.

- (a) dividing itself into two or more societies;
- (b) registering a new society; or
- (c) amalgamating itself with one or more societies.

(2) The resolution on the amalgamation or division of the society shall be effective on the date of its registration by the appropriate authority upon verifying that—

- (a) the members and creditors that do not agree have been paid off or their payment is guaranteed;
- (b) the previous registration of the affected societies shall be cancelled as soon as the newly formed society by amalgamation or by division is registered;

- (c) the rights and duties of the affected societies shall be transferred to the newly formed society; and
- (d) the rights and duties of a society which has lost its identity by division shall be transferred to the newly formed societies.

PART III—THE RIGHTS AND DUTIES OF MEMBERS

Require-
ments
necessary
for
membership.

11. (1) Any individual may become a member of a society where such individual—

- (a) has attained the age of 18 if it is a primary society;
- (b) is able to pay the share capital and registration fee required by the society;
- (c) is willing to implement his or her obligation and observe the objectives and bye laws of the society;
- (d) fulfils other requirements which may be specified in the regulations and directives issued for the implementation of this Act.

(2) A society other than a primary society may become a member of another society under this section if such society wishing for membership is registered with the appropriate authority.

Rights and
duties of
members.

12. (1) A member of a society shall have the following rights—

- (a) to obtain services and benefits according to his or her participation in the society;

- (b) to participate in the meetings of the society and to vote;
- (c) to elect and to be elected;
- (d) to withdraw from the society on request with payment of benefits.

(2) A member of a society shall have the following duties—

- (a) to respect the bye laws, directives and decisions of the society;
- (b) to perform those activities which ought to be performed in accordance with the bye laws and directives of the society;
- (c) to pay for share of the capital and registration fee;
- (d) to protect the common property of the society;
- (e) to conserve the environment as a mitigation against climate change;
- (f) to promote gender equity in decision making; and
- (g) to support youth participation in cooperative societies to ensure continuity.

13. (1) A member of a society may leave the society on his or her own initiative.

Dismissal
from
membership.

(2) A member of a society may be dismissed from the society by a decision of the General Assembly for failure to observe this Act or byelaws of the society.

(3) The rights of a dismissed member shall be respected in accordance with the bye laws of the society.

(4) Without prejudice to the provisions of this section, any person dismissed may re-apply for membership.

(5) A member dismissed in accordance with subsection (2) may be re-admitted only if he or she is approved by the General Assembly.

Payment of
shares.

14. (1) A cooperative society shall, after securing the decision of the General Assembly, sell shares that shall have equal number and par-value with the view to enable the society to obtain capital necessary to operate.

(2) A cooperative society shall collect, upon its formation from the members at least one-fifth of the amount of the shares that the General Assembly has agreed to be sold, and it shall sell the rest of the shares within four years from the time of its establishment.

(3) Where the need for additional capital is arises upon completion of the sale of shares in accordance with the decision of the General Assembly, the General Assembly may decide to sell additional shares in accordance with sub section (1).

(4) The shares that the society sells may be sold in cash or in kind, and the shares sold in kind shall be determined by the bye laws of the society.

(5) Any member may not hold more than 10% of the shares out of those that the General Assembly decides to be sold.

(6) A society which faces shortage of capital may sell certain shares to a person who is not a member of the society without contradicting the principles of the society.

(7) Particulars as regards to the manner of sale of shares to a person who is not a member of the society shall be determined by the bye laws of the society.

15. Every society shall keep a register in which shall be entered— Register of members.

- (a) the name, address, occupation, age and sex of each member;
- (b) the date on which he or she became a member or ceased to be a member;
- (c) the amount of shares held and the registration fee paid by each member;
- (d) the name and address of the heir of the member; and
- (e) any other particulars that may be specified in the bye laws.

16. (1) Every member shall, regardless of the number of shares he or she has, have only one vote at the meeting of the society. Voting.

(2) Every member in a primary society shall personally be present at the meeting of the society to cast the vote.

(3) A member of a society above primary society level may cast a vote through a representative.

17. (1) No transfer by a member of his or her shares or benefit in a society shall be valid unless— Transfer of shares or benefits.

- (a) the member has held such share or benefit for at least one year before the transfer; or
- (b) the transfer is approved by the Board of Directors.

(2) Upon the death of a member of a primary society, his or her share or benefit shall be transferred to his or her heir designated as such in the register of the society or failing such designation, to his or her legal heir at law, where such heir is a member or is willing to be a member.

(3) Where an heir is not a member and does not wish to become or is not admitted as a member, he or she shall be paid the value of the shares or benefit of the deceased member.

(4) If the shares or benefit to be transferred to a member under sub section (2) are found to be beyond the limitation prescribed in sub section (3) the member shall be paid the difference in cash.

(5) The transfer of payment concluded under this section shall not be reserved due to the claims paused by third parties on the society.

PART IV—ORGANS OF THE SOCIETIES

General
Assembly.

18. The supreme organ of any society shall be the General Assembly.

Powers and
duties of the
General
Assembly.

19. The General Assembly shall—

- (a) pass decisions after evaluating the general activities of the society;
- (b) approve and amend the bye laws and internal regulations of the society;

- (c) elect and dismiss the members of the general committee, control committee and when necessary members of other sub-committees;
- (d) determine the amount of shares of the society;
- (e) decide on how the annual net profit of the society is distributed;
- (f) make decisions on the audit report;
- (g) receive work reports and give proper decision;
- (h) decide that a society either be amalgamated with another or be divided in pursuance of this Act;
- (i) approve the annual work plan and budget; and
- (j) decide any issue submitted by the Board of Directors and other committees.

20. (1) The General Assembly shall meet at least once in a year, and if the Board of Directors or one-third of the members of the General Assembly requires a meeting to be called, an emergency meeting may be held by giving 15 days prior notice.

Calling of
the General
Assembly.

(2) Where the Board of Directors fails to call an emergency assembly in accordance with sub-section (1), such meeting shall be called by the appropriate authority and shall in such case be deemed to have been called by the Board of Directors.

21. (1) Every society shall have a Board of Directors.

Board of
Directors.

(2) The Board of Directors shall be accountable to the General Assembly and the manner of election of the members of the Board of Directors shall be determined by the bye laws of the society.

(3) The term of office of the members of the Board of Directors shall be three years.

(4) Members of the Board of Directors shall not be elected for more than two consecutive terms, and they may be dismissed at any time by the general assembly.

(5) A member of the Board of Directors who vacates office for whatever reason, shall submit for inspection, the activities the member performed during his or her term of office.

Powers and
duties of
Board of
Directors.

22. The powers and duties of the Board of Directors shall be determined by the bye laws of the society, but shall in particular include—

- (a) maintaining the minutes of the meetings of the society;
- (b) maintaining the documents and books of accounts of the society;
- (c) preparing the annual work programme and budget of the society;
- (d) implementing the work programme upon approval;
- (e) calling the General Assembly in accordance with the bye laws of the society;
- (f) submitting reports to the General Assembly on the activities of the society; and
- (g) executing such other decisions made by the General Assembly.

23. (1) Every society shall have a Control Committee which shall be accountable to the General Assembly. Control Committee.

(2) The number of members of the Control Committee shall be specified by the bye laws of the society.

(3) The term of office of the members of the Control Committee shall be three years, and no member of the Committee shall be elected for more than two consecutive terms.

24. The Control Committee shall—

Powers and duties of Control Committee.

(a) ensure that the Board of Directors is carrying out its responsibilities properly;

(b) ensure that the funds and property of the society is properly utilised;

(c) ensure that the various activities of the society are carried out pursuant to the bye laws and the regulations of the society;

(d) perform other duties assigned by the General Assembly.

25. Other sub-committees may be established pursuant to the bye laws of the society. Other sub committees.

PART V—SPECIAL PRIVILEGES OF SOCIETIES

26. Notwithstanding any provision to the contrary in any law, debts owed to the society by a member shall take precedence over all other debts, other than a debt owed to the government. Priority of claims by society.

Set-off in respect of share or benefit.

27. The shares or benefits of a member may be set-off to settle a debt due to the society from such member.

Share or benefit not liable to attachment or sale.

28. Except as provided in section 27, the share or benefit of a member in a society shall not be liable to attachment or sale.

Access to land.

29. (1) Without prejudice to any incentives permitted under land laws or investment laws in the Partner States, societies which are organised and registered under this Act shall be entitled to access land from the government, as an incentive for business expansion in accordance with the national policies and laws of the Partner States.

(2) The criteria for accessing land under sub section (1) shall include—

- (a) the society has been registered for at least five years;
- (b) the society must have at least three years of accounts audited by an accredited audit company;
- (c) the society must be engaged in an activity for which additional land will add value;
- (d) the society must demonstrate that it has paid dividends to its members for the past three years.

Tax exemption.

30. Without prejudice to incentives permitted under investment laws or tax laws in the Partner States, societies which are registered under this Act shall be entitled to the following—

- (a) exemption from corporate tax, for societies whose annual income does not exceed Us\$ 500,000 , although individual members shall be liable to pay income tax; and
- (b) exemption from value added tax, for societies whose annual income does not exceed Us\$ 1,000,000.

PART VI—ASSETS AND FUNDS OF A SOCIETY

31. Except as otherwise prescribed under section 42, the assets and funds of a society shall not be divided for members or any other party.

Indivisibility of assets and funds of a society.

32. (1) A society shall deduct at least twenty percent of the net profit and allocate it for the reserve fund.

Allocation of net profit.

(2) The amount allocated for the reserve fund under sub section (1) shall not exceed thirty percent of the capital of the society, and shall be deposited in the savings account of the society.

(3) The distribution of the remaining net profit shall be determined by the General Assembly.

(4) A member who has received net profit in accordance with sub section (3) may buy an additional share.

33. A society shall receive loans from its members or other organisations to such extent and on such conditions as may be specified in the bye laws of the society.

Restrictions on borrowings.

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

Restrictions on loans.

PART VII—AUDIT AND INSPECTION

Audit. **35.** (1) The appropriate authority shall, at least once a year audit or cause to be audited by a person assigned by it, the accounts of any society.

(2) The audit conducted pursuant to sub-section (1) shall include the examination and verification of overdue debts if any, cash, balance, securities and assets and liabilities.

(3) The audit report shall be submitted to the General Assembly.

Inspection. **36.** (1) The appropriate authority may make or cause to be made by such a person to be assigned by it, an inspection to the organisation, work execution, documents and financial condition of a society.

(2) Without prejudice to sub-section (1), inspection may be made when a request for the inspection is made by—

(a) a majority of the members of the Board of Directors, the Control Committee or General Assembly; or

(b) not less than one-third of the total number of members of the society.

Action to be taken for loss of property or funds of a society.

37. (1) The auditor or inspector shall report to the Board of Directors or the General Assembly or the appropriate authority, as the case may be, where the person who is or was entrusted with the management of a society, or who is or was an officer or an employee of the society, and who in the course of the audit or inspection has been found to have—

(a) made any payment contrary to this Act, regulations made under this Act or bye laws of the society;

- (b) caused any damage to the assets of the society by breach of trust or willfully or negligently;
- (c) mis-appropriated the properties of the society.

(2) The appropriate authority who receives the report pursuant to sub-section (1) shall give the person concerned an opportunity to present his or her defence within fifteen days.

(3) The appropriate authority shall ask the person who has been found responsible for misappropriation of the funds or property of the society to return the property or re-pay the funds with interest including compensation and damages, and where the person concerned is not willing to do so, the authority shall take the appropriate legal measures.

PART VIII—DISSOLUTION AND WINDING UP OF SOCIETY

38. (1) A society shall be dissolved on the following grounds— Dissolution of a society.

- (a) where a special resolution for its dissolution is passed by the members;
- (b) where the number of members of the primary society falls below ten;
- (c) where a court of competent jurisdiction orders for its dissolution; or
- (d) where an audit reveals that the society is bankrupt.

(2) Without prejudice to paragraphs (a) and (b) of sub-section (1), a society the dissolution of which is determined shall notify the appropriate authority within seven days from the date of the decision for its dissolution.

Liquidator.

39. (1) Where the dissolution of a society is decided upon, pursuant to section 38, the appropriate authority may assign a liquidator, and if necessary determine that his or her remuneration be paid out of the accounts of the society.

(2) The liquidator shall receive records, documents and properties of the society as soon as he or she is assigned, and shall take the necessary measures to protect the properties and rights, records and documents of the society from damage.

Powers and duties of a liquidator.

40. (1) The liquidator shall have all the necessary powers to complete the winding up proceedings and shall, in particular perform the following in order to carry out his or her duties properly—

- (a) investigate all claims against the society and decide on the priority of payment among them;
- (b) collect the assets of the society;
- (c) distribute the assets in accordance with the plan of liquidation approved by the General Assembly of the society;
- (d) carry on the work and activities of the society in so far as may be necessary for the proper liquidation of the affairs of the society;
- (e) represent the society in legal proceedings; and
- (f) call meetings of the members as may be necessary for the proper conduct of the liquidation.

(2) The liquidator shall issue notices in the newspapers before the distribution of the property of the society takes place in accordance with sub-section (1) (c) and shall proceed with the distribution where no claim is presented within two months from the date of such notice.

(3) No claimant shall have a right after the expiration of the limitation period under sub-section (2).

(4) Upon completion of the winding up of the proceedings the liquidator shall prepare and submit a report to the appropriate authority, and shall deposit the records and documents of the society in such places as the appropriate authority may direct.

41. (1) Creditors shall be paid on the basis of a balance sheet prepared by the liquidator upon the commencement of his or her assignment. Callings on creditors.

(2) Creditors shall be informed of the dissolution of the society and shall be required to file their claims with supporting documents.

(3) Creditors who are appearing in the society's records or who are otherwise known shall be notified directly by registered letter, and notice to other creditors shall be given by notice published in two successive monthly issues of a newspaper with wide circulation in the Partner State, or in the form laid down in the bye laws of the society.

42. (1) Until the creditors of the society have been paid or amounts required for payment are deposited, the liquidator may not distribute any part of the assets among the members. Protection of creditors.

(2) Where a creditor fails to present supporting documents to a claim, the amounts owing to that creditor shall be deposited in accordance with the decision of the court.

(3) Sums shall be set aside to meet the claims in respect of undertakings of the society which are not completed or are under liquidation, unless the liquidation is guaranteed or the distribution of the assets is postponed until such undertakings are completed.

(4) After the payment of claims has been completed or verified that sufficient deposit for payment has been made, the liquidator may distribute the assets of the society among the members based on the amount due to each member.

Cancellation
of society
from
register.

43. When the winding up proceedings are completed, the certificate of registration shall be returned to the appropriate authority who shall cancel the registration of the society, and the society shall from the date of such cancellation, cease to exist.

PART IX—SETTLEMENT OF DISPUTES

Conciliation.

44. (1) Disputes indicated under section 47 may be settled through reconciliation of parties before they are submitted to arbitration.

(2) Each party shall elect a reconciliation team, and the chairperson of the reconciliation team shall be elected in accordance with the agreement of the two parties.

(3) Where the two parties fail to reach agreement on election of a chairperson, the chairperson shall be elected by the appropriate authority.

Arbitration.

45. (1) When the disputes provided under section 47 are not settled by conciliation they shall be referred to arbitration.

(2) The arbitration shall consist of three persons of high reputation and impartiality.

(3) The arbitrators shall conduct their hearing and perform their duties in accordance with the Civil Procedure Code or similar law in the Partner State.

Appoint-
ment of
arbitrators.

46. (1) Each party to the dispute shall appoint one arbitrator, and the third arbitrator, who shall be the chairperson, shall be appointed by both parties.

(2) The appropriate authority shall appoint the chairperson when the parties fail to appoint one under subsection (1).

47. The arbitrators shall have the power to hear disputes not settled by conciliation regarding the organisation, management, or operations of the society which arise between—

Disputes to be referred to arbitrators.

- (a) members or former members and members;
- (b) members and representatives of former members or persons claiming in the name of the deceased members;
- (c) members, former members or representatives of former members or heirs of deceased members and any officer, representative of the Board of Directors or employee of the society;
- (d) the society or the Board of Directors and any former Board of Directors, any officer, agent, or employee or any former officer, agent or employee of the nominee heir, or representatives of deceased former members or employees; or
- (e) the society and any other society.

48. The arbitrators shall have the same power, with regard to the cases provided under section 47, as a civil court for the summoning of witnesses, production of evidence the issuing of orders or the taking of any legal measures.

Powers of arbitrators.

49. Appeals against the decisions of the arbitrators under section 48 may, as the case may be, be instituted in the High Court, or court with similar powers accountable to the local government in the Partner State where the society is situated.

Appeals.

PART X—MISCELLANEOUS PROVISIONS

Address of
a society.

50. (1) Every society shall have an address registered pursuant to section 7.

(2) All service of process, notices and other communications to the society shall be sent to that address.

(3) The society shall within thirty days inform the appropriate authority of any change in such address.

Supplying
information.

51. Every society shall transmit information to the appropriate authority about the activities it performs.

Establishment of
semi-autonomous
cooperative
agency.

52. (1) An agency responsible for organising, registering, promoting or supporting cooperative societies and for rendering training, conducting research and other technical support to societies shall be established by law.

(2) The establishment of the agency under subsection (1) shall be determined by the societies and documented by way of a resolution passed through the national apex co-operative organisation.

(3) At least half of the members constituting the board of this agency shall be selected from the co-operative societies.

Regulations.

53. The Council may make regulations generally for giving effect to the provisions of this Act.

Act to take
precedence.

54. This Act shall take precedence over the Partner States' laws with respect to any matter to which its provisions relate.

THE EAST AFRICAN COMMUNITY

BILL SUPPLEMENT

No. 3

3rd January, 2014.

to the East African Community Gazette No. 1 of 3rd January, 2014.

Printed by the Uganda Printing and Publishing Corporation, Entebbe, by Order of the East African Community.



THE EAST AFRICAN COMMUNITY

**THE EAST AFRICAN COMMUNITY COOPERATIVE
SOCIETIES BILL, 2014**

MEMORANDUM

The object of this Bill is to provide a legal framework for the cooperative societies in the Community. The Bill takes cognisance of Article 128 of the Treaty for the establishment of the East African Community, in which the Partner States agreed to adopt programmes that would strengthen and promote the role of the private sector as an effective force for the development of their respective economies, and to that end undertook to encourage the efficient use of scarce resources and to promote the development of private sector organisations which are engaged in all types of economic activity, including *inter alia* agriculture, manufacturing, farming, trading and service providing.

Part I of the Bill deals with preliminary matters. However, clause 3 lays down the objectives of co-operative societies which among others include solving problems collectively, co-ordinating knowledge, skills, wealth, labour and promote self reliance amongst the members. Clause 4 of the Bill lays down the guiding principles of co-operative societies. According to the clause, co-operative societies are voluntary organisations open to all persons able to utilise their services and willing

to accept responsibilities of membership without gender, social, racial, political or religious discrimination. They are democratic organisations controlled by their members who actively participate in setting their policies and making decisions and every member has equal voting rights.

Part II of the Bill deals with the formation, name and registration of co-operative societies. Other matters included in this part deal with the legal personality, bye-laws and amalgamation and division of co-operative societies.

Part III of the Bill deals with the rights and duties of the members of co-operative societies. Dismissal from membership, payment of shares, voting and transfer of shares and benefits are captured in this Part.

Part IV of the Bill deals with organs of co-operative societies which include the General Assembly, Board of Directors, Control Committee and other subcommittees.

Part V deals with special privileges of co-operative societies.

Parts VI and VII deal with the assets and funds and audit and inspection respectively.

Part VIII deals with the winding up and dissolution of co-operative societies. In this Part, appointment and duties of the liquidator, calling on creditors and protection of creditors are *interalia* provided for.

Part IX of the Bill deals with settlement of disputes. Conciliation, arbitration and appeals are provided for.

Part X deals with miscellaneous matters. The Council of Ministers is enjoined to make regulations for giving effect to the provisions of the Act. The Act once enacted is also supposed to take precedence over similar Acts in the Partner States, to allow the uniformalisation of the law governing co-operative societies in the Partner States.

HON. MIKE KENNEDY SEBALU,
Member, East African Legislative Assembly.

