

**Pan-African Parliament
3rd Session of the 6th Parliament**



MODEL LAW ON COOPERATIVES FOR AFRICA

**Prepared for
Consideration by PAP Plenary**

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PREFACE

1. Introduction

A model law is a detailed set of provisions embodying international and recommended/best standards on a particular subject designed to serve as a template or guide to national laws to be adopted or revised. Being a supra-national guide, a model law can be used in full, or adjusted or adapted to suit specific contexts. The African Union, through its various organs, has developed a tradition of adopting model laws on matters of interest to the Continent and the people of Africa at large. So far, the model laws that have been developed include: the African Union Model Law on Biosafety in Technology, the African Union Model Law on the Rights of Local Communities, Farmers, Breeders and Access and the Model Law of Access to Information for Africa. There are also ongoing efforts to draft an African Model Law on Counter-Terrorism and another on Ratification of Treaties. On the basis of this practice and power vested on it in Art. 11(3) and (7) of the Protocol to the Treaty Establishing the African Economic Community relating to the Pan-African Parliament (PAP Protocol) and Rule 4 (d) and (e) of PAP Rules of Procedure, the Pan-African Parliament has also developed several model laws in a wide range of areas, including policing in Africa, disability in Africa, food and nutrition security and on-double taxation. Recently, based on a recommendation from the Committee on Finance and Monetary Affairs, the PAP has agreed to develop an African model law on the cooperative business model due to its potential of empowering people socially and economically.

2. Justification for a Model Law on Cooperatives for Africa

One of the core objectives of establishing the then Organization of African Unity (OAU) was to liberate Africa from colonial domination, exploitation and oppression (*Article II of the OAU Charter, 1963*). After all African countries gained their independence (in 1993), African nations directed their efforts to socio-economic development of their people and the Continent at large. This mission is reflected in the AU Constitutive Act, 2000 specifically in Article 3. One of the ways of achieving the objectives of the African Union is through harnessing the collective efforts, various associations of the people of Africa and their governments. In short, a concerted effort is required in order to ensure the

impact of African Union's plans and policies is felt at the grassroots level. One of the key mechanisms that can contribute to this effort is the cooperative business model.

The African Union recognizes cooperatives as private business organizations which are unique in that their owners democratically control and benefit from them. Apart from this, they are value and principle-driven organizations, which put the social and economic interests of their members at their core. Given their nature, these cooperatives are ideal for fighting poverty and bringing about social cohesion. Moreover, cooperatives offer an opportunity for equitable allocation of wealth because many individuals can own and manage them. This further enables wide-ranging distribution of wealth and decreases its concentration in the hands of a few. In so doing, cooperatives also play the role of reducing inequality in the society, which is an ever-growing global concern. In a world where 1% of humanity controls as much wealth as the other 99%, efforts to bridge the gap between rich and poor must be taken. The role of cooperatives in this regard cannot be overemphasized.

Cooperatives have been identified as a resilient and sustainable form of business because they are driven by values which aim to meet the socio, economic and cultural needs of their members. Given their nature, cooperatives have the potential to contribute in realizing the AU's vision of "an integrated, prosperous, and peaceful Africa, driven by its own citizens and representing a dynamic force in international arena." Cooperatives squarely fit into this agenda for they advocate for unity, economic prosperity and solidarity. Not only that, but they are poised to contribute to the implementation of the UN Sustainable Development Goals (UN Agenda 2030). However, for cooperatives to play their role effectively, they must operate in enabling environments that foster their growth. The enabling environment is usually created by national laws which set out regulatory frameworks and other matters related to establishment and operation of cooperatives.

Although cooperation has been at the center of African civilization and development, its organizational context (i.e., cooperatives) is not of African origin. Cooperatives were introduced in Africa by colonial powers to meet specific colonial goals. Given this and other factors, cooperatives in Africa now operate under different environments politically,

economically and socially. Despite these operational variations, cooperatives fight for common goals and face almost similar challenges. Some of the challenges include inhibitive laws, inadequate laws, political interference, indifferent membership, mismanagement and limited use of technology. In an attempt to address these challenges from the legal point of view, this model law has been developed to provide normative guidance to states when adopting new legislation or reviewing existing ones. Moreover, on different occasions, the ICA – Africa Ministerial Conferences have adopted resolutions which underline the need for a cooperative legislation which take the cooperative principles into account.

3. The Process of developing the Model Law

At the First Ordinary Session of the Sixth Parliament of the Pan-African Parliament, held in Midrand, South Africa in November 2022, the Pan-African Parliament resolved to develop a model law on cooperatives for Africa based on a proposal presented by the International Cooperative Alliance – Africa Region (the Alliance Africa). To achieve this goal, the Alliance Africa, the Moshi Cooperative University (MoCU), based in Tanzania and the Secretariat of the Pan-African Parliament worked jointly to provide drafting and technical support to the Committee on Finance and Monetary Affairs.

In developing the model law, the drafters drew inspiration from national and international instruments including the International Cooperative Alliance Statement on the Cooperative Identity, the United Nations Guidelines aimed at creating a supportive environment for the development of cooperatives, the ILO Guidelines for Cooperative Legislation, the ILO Promotion of Cooperatives Recommendation, 2002 (No. 193), the ILO Cooperatives (Developing Countries) Recommendation, 1966 (No. 127), the East African Community Cooperatives Bill of 2014, and the OHADA Uniform Act on Cooperatives, 2010. Moreover, the draft Model Law is also informed by cooperative legislation in African countries and other parts of the world for the purpose of gathering best practices, good standards and emerging aspects relating to cooperatives. In addition, published scholarly works on cooperatives generally and cooperative law, in particular, were also consulted and provided rich ideas that helped to shape this draft Model Law. Besides, significant inputs were obtained from the International Cooperative

Alliance Cooperative Law Committee and the PAP Legal Office. Moreover, the findings of the ICA's Legal Framework Analysis study were useful in enriching the letter and spirit of the Model Law. The first draft of the Model law was presented before the PAP Committee on Finance and Monetary Affairs in March 2023, where it received inputs which enabled to improve the draft and recommend it for submission for first reading and consideration by the Plenary. Once considered in Plenary, the draft Model Law will proceed to get for regional and/or technical consultations, to gather integrate the contributions, aspirations and concerns of peoples and organizations that may be interested in or affected by the draft of this Model Law.

4. Scope and purpose of the Model Law

Given the fact that the Model Law is meant to be a guideline or template in developing and reviewing cooperative legislation, it only covers key aspects that largely aim to make cooperative law member-centered. The framework of cooperative legislation should aim at ensuring members of cooperatives get the best out of it. The model law does not detail much of the procedural aspects, which can be included in subsidiary legislation and cooperatives' operational and governance instruments taking into account specific national contexts.

The Model Law will serve the following core objectives:

- (i) Guiding the development of new cooperative legislation and the review of existing ones. There are countries that do not have cooperative legislation in place. The Model Law can be an impetus towards adoption of new legislation. Moreover, on the basis of the Model Law, existing laws can be improved to reflect current demands and trends.
- (ii) An advocacy tool for development and review of cooperative legislation. In developing and reviewing national legislation, it is not uncommon for countries to avoid copying 'things' from other countries. The Model Law will stand out and be viewed as something superior to national legislation. In this sense, it will be easier for advocacy groups to use it in pushing governments to either enact new laws or review the existing ones.

- (iii) Compilation of best practices. The Model Law is a compilation of best practices. It will therefore be a 'one stop center' for those who wish to draw on best practices in developing or reviewing cooperative legislation.
- (iv) The Model Law will be a catalyst for harmonizing cooperative legislation and practice in Africa. In so doing the cooperative movement in Africa will have the potential for greater integration, harmonization and collaboration.

5. Conclusion

Worldwide cooperatives have been identified as ideal organizations for empowering low-income earners and poor people. They provide appropriate and fair frameworks for mobilizing meager resources for attaining economies of scale and ultimately bigger economic gain. They also help to achieve financial inclusion, especially in rural areas, for they offer credit services at reasonably affordable costs. However, for cooperatives to play these roles optimally and meaningfully, a conducive environment must be put in place by enabling laws. In this sense, cooperative legislation must not only recognize and protect the identity of cooperatives, but also create a conducive environment for the establishment and operation of cooperatives. This draft Model Law is purposed to provide a normative framework that empowers cooperatives to be truly member-based organizations, which meet members' needs and aspirations, optimally contribute to national and continental development, and play a meaningful role in achieving African and global social and development goals. The Model Law aims to make cooperative legislation member-centered and insists on the 'eyes on, hands off' approach in regulating cooperatives.

Signed..... (official of the Pan-African Parliament)

PREAMBLE

The Pan-African Parliament:

CONSIDERING Article 17 of the Constitutive Act of the African Union on the establishment of the Pan-African Parliament to ensure the full participation of African peoples in the development and economic integration of the Continent;

CONSIDERING also Article 3 of the Protocol to the Treaty Establishing the African Economic Community Relating to the Pan-African Parliament, and Rule 4 (a) of the Rules of Procedure of the Pan-African Parliament, which empower the PAP to facilitate the implementation of policies, objectives and programs of the African Union and to oversee their effective implementation;

RECALLING the vision of the AU Agenda 2063, which is to become integrated, prosperous and peaceful Africa, driven by its own citizens and representing a dynamic force in International arena;

FURTHER RECALLING the Aspirations of the AU Agenda 2063 which, among other things, aim to achieve inclusive growth, sustainable development, people-driven development and make Africa strong, resilient and united;

RECOGNIZING the ILO Recommendation 193 on the Promotion of Cooperatives which insists on exploring the possibilities of developing common regional guidelines and legislation on cooperatives;

MINDFUL of the United Nations Guidelines aimed at creating a Supportive Environment for the Development of Cooperatives (2001) which require governments to create an environment in which cooperatives can participate on an equal footing with other forms of enterprise and protect and advance the potential of cooperatives to help members achieve their individual goals;

CONSIDERING the ILO Guidelines for Cooperative Legislation (2016) which on the one hand presents the key principles and theories that should inform cooperative legislation and a practical framework for preparing cooperative legislation on the other;

NOTING the adoption of the East African Community Cooperatives Bill by the East African Community in 2014 which is expected to be an Act of the Community upon its approval by the respective Heads of the Partner States;

FURTHER NOTING the adoption of the Uniform Act on Cooperatives by the Council of Ministers of the Organization for the Harmonization of Business Law in Africa (OHADA)

which in 2010 and applicable to States Parties to the Treaty on the Harmonization of Business Law in Africa;

RECALLING article 10 of the African Charter on Human and Peoples' Rights which guarantees every individual's right to freedom of association;

RECOGNIZING the global nature of the cooperative movement spearheaded by the International Cooperative Alliance on the basis of a common identity rooted in the internationally recognized values and principles as indicated in the ICA's Statement on the Cooperative Identity;

CONCERNED that cooperatives in most African countries face challenges that prevent them from fulfilling their members' needs and contributing to national and Continental development goals;

AWARE of the potential of cooperatives to combat poverty on the Continent by improving the livelihoods of the people and contributing to national socio-economic development;

IN ACCORDANCE WITH Article 11(3) and (7) of the Protocol to the Treaty Establishing the African Economic Community relating to the Pan-African Parliament (PAP Protocol) and Rule 4 (d) and (e) of PAP Rules of Procedure which empowers the PAP to harmonize and coordinate laws and policies of the African Union Member States;

NOW THEREFORE, the Pan-African Parliament hereby formulates the present Model Law on Cooperatives in Africa as follows:

**PART I
GENERAL PROVISIONS**

Article 1: Short Title

This Law may be cited as the “Model Law on Cooperatives for Africa.”

Article 2: Scope of Application

- (1) This Law shall apply to all cooperatives alongside existing laws related to regulation of cooperatives.
- (2) Nothing in this Law may limit or otherwise restrict any privilege or right already provided for under existing international, regional or national laws.

Article 3: Primacy of the Law

- (1) This Law shall be primary in matters relating to formation and organization of cooperatives.
- (2) Where there is a need for a specific law to govern a certain category or type of cooperatives, it shall be enacted on the basis of the general principles and objectives of this Law.
- (3) In enacting other laws that apply to cooperatives, the state shall, at all times, ensure the identity of cooperatives is protected.
- (4) In the event of any conflict with any other law on cooperatives, the provisions of this Law shall prevail.

Article 4: Purpose of the Law

This Law regulates the establishment, organization, management, promotion, development of cooperatives and other related matters.

Article 5: Interpretation

- (1) When interpreting this Law, consideration shall be given to its objectives, the Constitution and any relevant international, regional or sub-regional instruments.

(2) The provisions enshrined herein shall be interpreted in favour of preserving the cooperative identity and to provide a favourable interpretation for cooperatives.

Article 6: Definitions

In this Law, except where the context otherwise requires:

Auditor means a person registered as such in terms of the prevailing laws governing accountants and auditors and includes a firm as defined in that way and, where appropriate, any other person authorised by regulation to audit cooperatives.

Board of directors/management committee/board” means a body elected by the general assembly/meeting to manage the day to day activities of a cooperative on behalf of the members.

Competent authority refers to the public official or body which is responsible for making decisions or taking action on specific matters regulated under this Law.

Cooperative federation means a federation of cooperatives established in order to unite, develop and promote the common interests of cooperatives.

Cooperative means an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

Cooperative legislation means specific laws enacted or adopted to govern the affairs of cooperatives. This includes the main national law on cooperatives, legislation for specific types of cooperatives, rules or regulations made under the said legislation and by-laws of cooperatives.

Cooperative laws mean laws enacted by the State which govern some affairs or activities of cooperatives. These include taxation, agricultural, and finance laws.

Cooperative identity means the definition, values and principles as enshrined in the International Cooperative Alliance Statement on the Cooperative Identity, 1995.

Cooperative movement means a joint effort by cooperatives and cooperative development stakeholders at national, regional or international levels to advance the cooperative business model, advocate for the interests of cooperatives and promote cooperative development at large.

Secondary cooperative organization means the grouping of primary cooperatives, at times also called “union of cooperatives”.

Tertiary cooperative means the grouping of secondary and where no secondary cooperative organization exists, of primary cooperatives, at times also called “federation”.

Confederation means a grouping of all cooperatives and their organizations. Where a confederation regroups cooperatives of the same sector or those having the same economic activity they are at times called “apex”.

Membership share means the capital subscribed by a member as a condition of membership.

Patronage means the economic transactions between a member and the cooperative in pursuit of the objective of the cooperative.

Patronage refund means a part of the surplus paid to a member the amount of which equals the proportion which the value of his/her patronage bears to the value of the patronage of all members with their cooperative during a specified period.

By-laws are subsidiary laws adopted by a cooperative to govern its daily operations.

General meeting is a meeting of all members of a cooperative and the highest decision-making organ.

Information includes any original or copy of documentary material irrespective of its physical characteristics, such as records, correspondence, fact, opinion, advice,

memorandum, data, statistic, book, drawing, plan, map, diagram, photograph, audio or visual record, and any other tangible or intangible material, regardless of the form or medium in which it is held, in the possession or under the control of the information holder to whom a request has been made under this Act.

Member of a cooperative means any person, natural or legal entity, who owns at least one share in a cooperative and from it, receives a certificate of membership and the right to at least one vote, in accordance with the cooperative's by-laws.

Membership share means a member's contribution to the capital of a cooperative a requirement for membership.

Nominal value means the value on the face of a membership share.

Ordinary resolution means a decision passed at a general meeting by the majority of the members present.

Patronage proportion means the proportion which the value of the transactions conducted by a member with a cooperative during a specified period bears to the value of the transactions conducted by all members with a cooperative during the same period.

Profit means the excess of income over expenditure emanating from a transaction with a person who is not a member of a cooperative.

Publish means to make available in a form and manner which is easily accessible to the public and includes providing copies or making information available through broadcast and electronic means of communication.

Regulatory authority means a state/public body (commission/agency/department) established for the purpose of registering and regulating cooperatives, as well as providing advisory and technical support to cooperatives where necessary.

Reserve means a portion of the surplus that is set aside in a reserve fund and that is indivisible amongst the members of a cooperative.

Special resolution means a decision passed in a general meeting by at least two thirds of the members present.

Supervisory Committee means a Committee of members that may be constituted in terms of the constitution of a primary cooperative to exercise supervision over the board of directors/board members/management committee members.

Surplus means the excess of income over expenditure emanating from a transaction with a person who is a member of a cooperative.

Article 7: Cooperative Values and Principles

(1) The establishment, organisation and operation of cooperatives shall be governed in accordance with the following values and principles:

(i) Values

Self-help, self-responsibility, democracy, equality, equity, solidarity, honesty, openness, social responsibility and caring for others.

(ii) Principles

The cooperative principles are guidelines by which cooperatives put their values into practice.

1. Voluntary and Open Membership

Cooperatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

2. Democratic Member Control

Cooperatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives members have equal voting rights (one member, one vote) and cooperatives at other levels are also organised in a democratic manner.

3. Member Economic Participation

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

4. Autonomy and Independence

Cooperatives are autonomous, self-help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

5. Education, Training, and Information

Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of cooperation.

6. Cooperation among Cooperatives

Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.

7. Concern for Community

Cooperatives work for the sustainable development of their communities through policies approved by their members.

Article 8: Role of the Government in Cooperative Development

(1) The role of the Government in cooperative development shall be to create a conducive social, economic, legal and institutional environment for the establishment, growth and prosperity of cooperatives. Specifically, the Government shall:

- (a) Formulate cooperative development policy;
- (b) Put in place effective institutions for regulation of cooperatives;
- (c) Align cooperative legislation with cooperative identity and relevant international cooperative law instruments;
- (d) Ensure cooperative laws are consistent with cooperative identity;
- (e) Collaborate with the cooperative movement and other stakeholders in promoting sustainable cooperative development; and
- (f) Ensure all government interventions and actions towards cooperatives are consistent with the cooperative values and principles.

**PART II
ESTABLISHMENT AND ORGANISATION OF COOPERATIVES**

Article 9: Types of cooperatives

(1) A cooperative may be established to carry on business in any sector of the economy specifically to deal with:

- (a) financial services such as savings and credit, banking, and insurance;
- (b) wholesale and retail business amongst members;
- (c) Crop production, purchasing, processing, marketing, distribution and related activities;
- (d) industrial production, manufacturing and distribution of goods;
- (e) construction of houses for members and real estate business;
- (f) animal husbandry;
- (g) dairy farming;

- (h) seed production;
- (i) fishing, processing and marketing of fish and other sea products;
- (j) mining, processing and marketing of mineral products;
- (k) healthcare services;
- (l) Information and Communications Technology services;
- (m) Professional services such as accounting, law, and engineering;
- (n) Fashion, design and related services;
- (o) Funeral services;
- (p) Advisory services;
- (q) Cleaning services.

Article 10: Establishment of a cooperative

- (1) A cooperative shall be established on the basis of the socio-economic needs of its members and the cooperative values and principles.
- (2) Without prejudice to the requirements for specific types, forms or tiers of cooperatives, the essential requirements for the registration of a cooperative shall include:
 - (a) Viability assessment report;
 - (b) Proposed by-laws;
 - (c) List of founding members; and
 - (d) Resolution to form a cooperative including the names of the designated representatives.
- (3) Where a cooperative is to be established, the founding members or their designated representatives shall submit the requirements prescribed under sub article (2) to the competent authority.
- (4) Upon receiving the application for registration the competent authority shall immediately acknowledge receipt and shall decide on the application within a period not exceeding thirty (30) days.
- (5) Where the application for registration is accepted, the competent authority shall provide a duly signed certificate of registration to the cooperative which shall be conclusive evidence that the cooperative therein mentioned is duly registered.

- (6) Where the application for registration does not meet the requirements set out in sub article 2, the Competent Authority shall reject it and provide reasons of such rejection.
- (7) Where applicants are not satisfied with the rejection, they may apply for administrative and or judicial review.

Article 11: Registered Office

- (1) A cooperative shall have a registered office within the State.
- (2) Any changes concerning the location of the registered office shall be communicated to the Competent Authority within a period of thirty (30) days.

Article 12: Legal Personality

Upon registration, a cooperative shall become a body corporate by the name under which it is registered, with perpetual succession and a common seal, and with power to hold movable and immovable property of every description, to enter into contracts, to sue and be sued and to do all things necessary for the purpose of, or in accordance with this Law and its by-laws.

Article 13: Naming

- (1) A cooperative shall include the term “cooperative” in its name and the type of its liability.
- (2) No cooperative shall use any name which is identical or deceptively similar with another cooperative.
- (3) No cooperative shall use the name of the State or any of its arms and bodies, or international organizations.
- (4) A cooperative may use the global cooperative identity marque and the (dot) coop domain name, distributed and propagated by the ICA. Application for permission from ICA is needed.
- (5) No entity other than a cooperative registered under this Law shall:
 - (a) hold itself out as carrying on the business as a registered cooperative.

(b) use or authorise the use of the words “cooperative”, “co-op”, “cooperative limited”, “cooperative ltd”, or “coop ltd” or “cooperative society” as part of its name.

(6) A person who contravenes the provisions above commits an offence and shall be liable to payment of fine.

Article 14: Membership to a cooperative

(1) Membership to a cooperative is open without discrimination to all persons who can use the services of the cooperative and willing to accept the responsibilities of membership.

(2) A person shall become a member of a cooperative if he/she has:

- (a) Attained the age of eighteen years;
- (b) Voluntarily applied for membership;
- (c) Been admitted by the general assembly; and
- (d) Subscribed to the minimum number of membership shares as prescribed in the by-laws.

(3) A person under the age of eighteen may be admitted to the membership of a cooperative on the condition that he/she is not assigned responsibilities which should be performed by persons of the age of majority.

Article 15: Rights and of Members

(1) A member of a primary cooperative has the right to:

- (a) Participate in decision-making in accordance with the by-laws;
- (b) Receive a share of profits of the cooperative;
- (c) Receive a share of surplus of the cooperative in the form of patronage returns;
- (d) Be heard in matters affecting their membership;
- (e) Receive education, training and information;
- (f) Elect leaders;
- (g) Be elected a leader;
- (h) Participate in general meetings;

- (i) Inspect books and records;
 - (j) Call a general meeting/assembly subject to the by-laws;
 - (k) Re-imburement of the nominal value of paid-up shares upon cessation of membership;
 - (l) Share any remaining sum upon liquidation of a cooperative with the exception of the reserve fund;
 - (m) Nominate a beneficiary;
 - (n) Call an inquiry into the affairs of the cooperative subject to the by-laws.
- (2) More specific rights of members may be provided in the by-laws particularly to reflect the specific type, form or activities of the cooperative.

Article 16: Obligations of members

- (1) A member of a primary cooperative shall:
- (a) Participate in the activities of the cooperative through patronage and/or as may be required by the by-laws or a resolution by the general meeting.
 - (b) Comply with the by-laws and resolutions by the general assembly.
 - (c) Disclose any conflict of interest;
 - (d) Avoid any conduct, act or omission that may adversely affect the interests of the cooperative;
 - (e) Pay for the required number of membership shares and any other dues as prescribed by the by-laws;
 - (f) Hold their leaders accountable;
 - (g) honor the terms of any contract with his/her cooperative in good faith; and
 - (h) Safeguard the properties of the cooperative.
 - (i) Honor any other obligation as may be specified in the by-laws particularly to reflect the specific type, form or activities of the cooperative.
 - (j) Perform any other duty which is necessary to the achievement of the cooperative's objects.

Article 17: Restrictions to Membership

- (1) No cooperative shall reject a person's application for joining the cooperative as a member without a lawful justification.

Article 18: Cessation of membership

The following shall lead to cessation of membership:

- (1) Voluntary withdrawal;
- (2) Expulsion;
- (3) Death;
- (4) Dissolution; and
- (5) Disqualification due to loss of common bond or other factors.

Article 19: Withdrawal of membership

- (1) A member of a cooperative may withdraw from the cooperative subject to fulfillment of pending membership or other obligations.
- (2) The by-laws of a cooperative shall prescribe the procedure for withdrawal.

Article 20: Expulsion

- (1) A member of a cooperative may be expelled if:
 - (a) He/she has failed to fulfill their obligations;
 - (b) Any other cause specified in by-laws occurs.
- (2) Where a cooperative intends to expel a member it shall notify the member of the reason of expulsion and follow due process as provided for in the by-laws.

Article 21: Right of the member to appeal

- (1) A member who is expelled shall have the right to appeal subject to exhaustion of internal dispute settlement procedures of the cooperative.
- (2) The right to appeal shall be exercised before the competent administrative and/or judicial authority.

Article 22: Financial rights upon cessation

- (1) A person who ceases to be a member of a cooperative shall be entitled to a refund of their membership shares at nominal value.
- (2) Notwithstanding the right in sub article 1, refund of shares shall be done after a member has fulfilled any outstanding financial obligations.
- (3) Membership shares that remain unclaimed for a period of one year shall be transferred into the reserve fund.

PART III

INTEGRATION OF COOPERATIVES

Article 23: Vertical integration

- (1) In implementing the principle of cooperation among cooperatives, cooperatives may integrate vertically or horizontally.
- (2) Primary cooperatives may integrate to secondary cooperative organizations.
- (3) Secondary cooperative organizations may integrate to form apex cooperative organizations.
- (4) A federation or confederation of all cooperative organizations may be formed at the national level.

Article 24: Horizontal integration

- (1) Cooperatives may form horizontal structures such as joint enterprises and joint ventures to implement joint economic projects.
- (2) Cooperatives may form integrated structures which facilitate sharing of facilities and services such as marketing and credit.

PART IV

MANAGEMENT OF COOPERATIVES

Article 25: Management organs

The management structure of a cooperative shall be composed of:

- (i) The General Assembly
- (ii) The Board

- (iii) Management (staff)

Article 26: General Assembly

- (1) A cooperative shall have a general assembly comprised of all members and shall be the highest decision-making organ of the cooperative.
- (2) The General Assembly shall be convened as follows:
 - (a) Ordinary General Meeting which shall be held at least once per year in accordance with the by-laws; and
 - (b) Special General Meeting convened for a special reason as may be prescribed by the by laws.
- (3) The Ordinary General Meeting of the General Assembly shall be convened and presided over by the Chairperson of the board. Where the Chairperson is absent or unable to preside over the vice chairperson or any other person appointed by meeting shall preside over.
- (4) The agenda items, date, time, and venue a general meeting shall be communicated to members in accordance with the by-laws.
- (5) One third of members may request by written notification addressed to the Chairperson a special general meeting. The request shall provide the motivation for and the details of the matters to be considered at the proposed special general meeting. The chairperson shall convene such a meeting that shall discuss the matters stipulated in the request.
- (6) Should the chairperson fail to convene the meeting within fifteen days of receiving the request, the members may request the competent authority to convene the meeting.

Article 27: Functions of the General Assembly

The functions of the General Assembly shall be to:

- (1) consider and approve the by-laws and amendments thereto;
- (2) decide on amalgamation, division or dissolution of a cooperative;
- (3) consider and confirm the minutes of the previous general meeting;
- (4) consider reports of the board or committees;

- (5) consider and adopt audited accounts;
- (6) determine the manner in which surplus is to be distributed or invested;
- (7) determine, where necessary, the maximum borrowing power of the cooperative;
- (8) appoint an auditor for the ensuing financial year;
- (9) approve acquisition and disposal of property;
- (10) admit, suspend, and expel members;
- (11) elect, suspend or remove Board members and members of standing committees;
- (12) decide on a cooperative's membership to other entities;
- (13) adopt annual budget, business plans and strategic plans;
- (14) establish *ad hoc* committees and their mandates; and
- (15) consider any other business of the cooperative of which notice has been given to members as prescribed in the by-laws.

Article 28: Decisions of the General Assembly

(1) The General Assembly shall decide on matters under article 27(1) through a resolution passed by a simple majority of the members present and voting.

(2) Notwithstanding para (1) above, a resolution of the general assembly on matters listed under article 27(a) and (b) shall be passed by a special resolution.

save for items (a) and (b) which shall require

(1) A resolution on matters under section 25 (1) shall be passed with the attendance of a majority of all members and by an affirmative vote of not less than two-thirds of members present at the meeting, while a resolution on other matters shall be passed with the attendance of a majority of all members and by an affirmative vote of a majority of members present at the meeting.

(2) Minutes of a general meeting shall be taken by a person appointed by the chairperson specifically for this purpose at the general meeting. The contents of the minutes shall contain the proceedings and results of the meeting, on which the chairperson and at least 25% of the management committee or board of directors present, shall affix their seals or signatures.

Article 29: Representatives at the General Assembly

- (1) A cooperative may in its by-laws establish a general assembly of representatives as a substitute of a general assembly of the entire membership.
- (2) A general meeting of representatives shall be comprised of representatives elected from among members in the ration not below 1:50 members where 1 is the elected representative;
- (3) No representative shall authorize a proxy to exercise her/his voting right on a resolution or election.
- (4) Matters necessary for the operation of a general meeting of the representatives, such as the terms of office, election methods of, and qualifications for, representatives, shall be prescribed by the by-laws.
- (5) The provisions regarding a general meeting shall apply *mutatis mutandis* to a general meeting of representatives, and the term “member” shall be construed as “representative-member” in such cases, *provided*, that the general meeting of representatives shall not adopt any resolution on matters regarding the merger, division, and dissolution of the cooperative.

PAR IV

FINANCING OF COOPERATIVES

Article 30: Sources of capital

- (1) The funds of a cooperative may include:
 - (a) membership subscription where applicable;
 - (b) membership shares;
 - (c) members' deposits and savings;
 - (d) loans;
 - (e) fees or charges specified in the by-laws; and
 - (f) Any other lawful source.

Article 31: Liability of Members

- (1) A member shall contribute at least one unit, as stipulated by the By-Laws *provided*, that a member may make his/her contribution in kind, if necessary.
- (2) The number of contribution units per member shall not exceed 20 percent of the total number of contribution units.
- (3) Members' contribution to a cooperative shall be used to offset claims against the member within the cooperative.
- (4) A member's liability shall not exceed the amount of contributions subscribed by him/her.

Article 32: Voting rights

- (1) Each member shall have one vote on a resolution or election, irrespective of the number of his/her contribution units. Nothing in this section prohibits plural voting and voting based on representation in tertiary societies.
- (2) A member may exercise his/her voting right on a resolution or election by proxy. In such cases, the member shall be deemed to be present at the meeting.
- (3) A proxy under Section 17(2) shall be another member or a family member who cohabits with the principal (referring to the spouse of a member, a lineal descendent or a sibling of a member or his/her spouse, or the spouse of a lineal descendent or a sibling of a member; hereinafter the same shall apply), and the number of members for whom a person can act as proxy shall be limited to one person.
- (4) A proxy under paragraph section 17(2) shall submit a document certifying his/her power of proxy to the cooperative, as stipulated by the by-laws.

Article 33: By-Laws

- (1) The by-laws constitute the basis of cooperation among members of a cooperative and are meant to reflect the collective needs and aspirations of members while securing the cooperative identity pursuant to section 5 of this Act.

- (2) A copy of the by-laws shall be submitted to the general meeting called specially on the agenda of By-Laws at the registered office of the cooperative. Members shall attend physically or through other possible means including electronic.
- (3) The by-laws of a cooperative may include the following matters:
- (a) Objects of the cooperative;
 - (b) Name, trade name along with abbreviation (if any) and principal place of business;
 - (c) Type of cooperative, its nature and the sector of activity and the common bond that unites the members;
 - (d) Membership requirements;
 - (e) Admission, withdrawal and expulsion of members;
 - (f) Annual General Meeting and other mandatory meetings of the cooperative;
 - (g) Management committee or Board of Directors: Rights and obligations, Minimum and maximum number of persons, duration of term and appointees to the Board (if any) with explanation on such appointment.
 - (h) The value of contribution unit, in cash and in kind, the method and timing of payment of contributions, and the limit on the number of contribution units per member;
 - (i) Rights and obligations of members;
 - (j) Appropriation of surplus and the disposition of deficits;
 - (k) Method of allocation and use of reserves;
 - (l) Auditing;
 - (m) Self-regulatory council comprised of 5% of total membership of cooperative, created on a voluntary basis or in a manner advised by the competent authority, to supervise and monitor the operations of the management committee of board of directors, and the duration of its term;
 - (n) Code of conduct for leaders and management;
 - (o) Good governance principles/pillars;
 - (p) Dissolution and transfer of contributions;
 - (q) Elaboration on the cooperative identity and provisions to ensure gender-parity, inclusiveness and environmental concern; and

- (r) Other matters necessary for the operation of the general assembly and the board of directors.
- (s) Dispute settlement mechanism;
- (t) Self-regulation mechanisms; and
- (u) Accountability of members.

Article 34: Management Committee/Board

- (1) The cooperative shall have a democratically elected Board of Directors, which shall comprise of the chairperson and directors.
- (2) Where necessary the board may invite for a limited time, a resource person(s) to provide guidance and support in its meetings.
- (3) Where applicable and subject to the by-laws, the constitution of the board shall reflect the diversity of the membership including gender and age to ensure inclusivity.
- (4) The chairperson shall convene meetings and preside over them in accordance with the By-Laws.
- (5) A cooperative may choose not to organize a board of directors should it have 10 (ten) or less members in its general body. Such a choice shall be made by the cooperative vide a general assembly resolution.

Article 35: Other duties of the Board Members

- (1) Keep precise and accurate accounts and a correct record of the assets and liabilities of the cooperative;
- (2) Hear reports on settlement of accounts and the progress reports of officers assigned special responsibilities, in particular the Chairperson, the Manager and the Treasurer;
- (3) Present to the Annual General Meeting a management report as well as duly certified accounts;

- (4) Present to the Annual General Meeting a work plan and the budget for the next financial year for its approval;
- (5) Give all necessary assistance to persons authorised to audit the accounts of the cooperative;
- (6) Take all necessary measures to safeguard the funds, assets, stocks and property of the cooperative;
- (7) Ensure that sums borrowed do not exceed the ceiling fixed by the General Meeting;
- (8) Appoint sub-committees where the General Meeting has authorised it to do so;
- (9) Implement all decisions taken by the General Meeting;
- (10) Carry out such other functions as authorised, to promote the operations of the cooperative.

Article 36: Fiscal Year

- (1) A cooperative's fiscal year shall be stipulated by the by-laws.
- (2) Cooperative's accounts shall be divided into general accounts and special accounts, and the business sector for each account shall be stipulated by the by-laws.

Article 37: Business Plans, Budget for Revenue and Expenditure and Business Activities

- (1) A cooperative, through its board, shall prepare a business plan and a budget for revenue and expenditure for each fiscal year and shall table them at the general assembly for approval.
- (2) A cooperative shall autonomously stipulate its business activities necessary for fulfilling its objectives of establishment by its by-laws, but the following business activities shall be included therein.
- (3) Programs for counselling, education, training of members and employees as well as members of the vulnerable sections of the society and for providing information

on cooperatives as well as on important themes such as climate action, human rights, gender equality etc. to them.

- (4) Business and related activities for cooperation among cooperatives, including international cooperation with the aim to increase access to finance for cooperatives, local and cross-border trade etc. In addition to cooperating with other cooperatives on matters relating to establishing institutions and mechanisms to support and facilitate trade such as chambers of cooperative commerce and trade.

Article 38: Transparency of Operation

- (1) A cooperative shall actively disclose the following matters to members and national authorities as the case may be:
 - (a) By-Laws and the process of making by-laws;
 - (b) Minutes of general meetings or meetings of the board of directors;
 - (c) List of its members thereof;
 - (d) Books of accounts; and
 - (e) Other matters prescribed by the by-laws.
- (2) A cooperative shall keep its documents in its principal place of business.

Article 39: Legal and Voluntary Reserves

- (1) When a cooperative has a surplus after the settlement of accounts for a fiscal year, it shall set aside not less than 10 percent of the surplus (hereinafter referred to as "legal reserve") until the amount reaches three times the total amount of contributions paid as at the end of the relevant fiscal year.
- (2) A cooperative may set aside business reserves and other reserves (hereinafter referred to as "voluntary reserves"), as stipulated by the by-laws.
- (3) Except where, with the approval of the competent authority pursuant to section 14, the legal reserve is appropriated for the set off of losses or where a cooperative is dissolved, no cooperative shall use the legal reserve.

Article 40: Compensation for Losses and Distribution of Surplus

- (1) When a cooperative has a loss after the settlement of accounts for a fiscal year (referring to a loss for the term), it shall appropriate the unappropriated carry-over, voluntary reserves, and with the approval of the competent authority, the legal reserve for the set off of such loss in the order stated above, but shall carry over the balance of such loss to the following fiscal year, if a balance remains after offsetting the loss.
- (2) A cooperative may distribute a surplus to members, as stipulated by by-laws, after it appropriates the earnings for the compensation of loss and sets aside the legal reserve and voluntary reserves.
- (3) When a cooperative distributes a surplus, the dividends of earnings from the use of the cooperative's business shall not be less than 50 percent of the total amount of dividends, but the dividends of paid-in contributions shall not exceed 10 percent of the paid-in contributions.

Article 41: Merger and Division

- (1) A cooperative may initiate a merger or a division with a resolution thereon by the general assembly after it prepares a merger agreement or a division plan.
- (2) When cooperatives are merged, the cooperative surviving the merger shall file a report on merger, the cooperative newly established after the division shall file a report on establishment with the competent authority and the cooperative dissolved after the merger shall file a report on dissolution, respectively with the competent authority having jurisdiction over the seat of its principal office.
- (3) The cooperative surviving or newly established as a consequence of a merger or division shall succeed to the rights and obligations of the cooperative dissolved as a consequence of the related action.
- (4) No cooperative shall merge with any legal entity, organization, or cooperative other than cooperatives under this Act nor be split off into any legal entity, organization, or cooperative other than cooperatives under this Act.

Article 42: Dissolution

- (1) A cooperative shall be dissolved when any of the following events occurs:
 - (a) When an event specified as a ground for dissolution by the by-laws occurs.
 - (b) When the general assembly resolves to dissolve it on a justifiable ground that is notified to the competent authority.
 - (c) When it is merged, divided, or insolvent.
- (2) Where a cooperative is dissolved, a liquidator shall report the dissolution thereof within 14 days after he/she takes office as the liquidator, to the competent authority to whom the cooperative has reported the establishment thereof.

Article 43: Appointment of Liquidators

- (1) When a cooperative is dissolved, the government authority responsible for cooperatives shall appoint a qualified liquidator..
- (2) The liquidator shall inspect the current status of the cooperative's property without delay after her/his appointment, prepare a list of property and a balance sheet, determine the methods of disposing of property, and obtain approval thereof from the general assembly.
- (3) When administrative affairs for liquidation are complete, the liquidator shall prepare a report on the settlement of accounts without delay and shall obtain approval thereof from the general assembly.
- (4) If a cooperative fails to hold a general meeting even after it has convened the general meeting on at least two occasions in cases falling under sections 44 (2) and 44 (3), it shall be deemed that the general assembly approves relevant matters, even where not less than two-thirds of members present at the meeting approve them.

Article 44: Disposal of Residual Property

- (1) Where a cooperative is dissolved and residual property remains after the repayment of debts, the cooperative shall dispose of such property, as prescribed by the articles of association/by-laws/statutes.

- (2) Notwithstanding paragraph 1 of this section a cooperative may donate its retained earnings accumulated as a reserve to the federation of cooperatives or another cooperative, as prescribed by the by-laws.

Article 45: Registration of Changes

- (1) If any changes are made to matters pursuant to the application for registration of establishment of a cooperative, the cooperative shall file for registration of such changes with the competent authority or the registry offices having jurisdiction over its principal place of business and the relevant branch office, respectively, within 21 days.
- (2) Notwithstanding anything contained in section 46 (1), registration of any changes to matters concerning registration shall be obtained within three months after the fiscal year ends on the basis of the end of the relevant fiscal year.
- (3) In filing for registration of any changes under sections 46 (1) and 46 (2) the chairperson of the concerned cooperative shall be the applicant.
- (4) An application for registration under section 46 (3) shall be accompanied by documents proving the change in the relevant registered matter.
- (5) An application for registration for any changes as a consequence of the reduction of capital, a merger, or a division shall be accompanied by all the following documents:
- (a) Documents under section 46 (4).
 - (b) Documents proving that public notice or peremptory notice has been given;
 - (c) A document proving that debts have been repaid to creditors who have filed an objection or that security has been provided to such creditors.

Article 46: Taxation of cooperatives

- (1) In taxing cooperatives, the following considerations shall be taken into account:
- (a) difference between profit and surplus;
 - (b) the rationale for patronage payments to members;
 - (c) the purpose of reserve funds in cooperatives;

- (d) the organization of the cooperative movement in particular the relationship among primary societies, secondary societies, tertiary/apex societies and federation;
- (e) the nature of the business of the cooperative;
- (f) the volume of business of a cooperative; and
- (g) the area in which it is established.

(2) The minister responsible for taxation or any other relevant public official may exempt cooperatives from:

- (a) corporate tax for societies whose annual turnover does not exceed a specified amount;
- (b) value added tax for societies whose annual income does not exceed a specified amount;
- (c) any taxes or duty chargeable upon turnover or capital other than interest on income, profits, dividends or rent accruing from investments by the cooperative outside its normal course of business;
- (d) any auction duties chargeable in respect of agricultural produce and livestock sold by or on behalf of a cooperative;
- (e) any license duties chargeable in respect of turnover of capital; and
- (f) any other taxes or duties of a like nature to those mentioned in paragraphs (c), (d) and (e) above.

Article 47: Dispute settlement

- (a) A dispute is a disagreement that has the potential to affect the business of a cooperative in a manner that causes loss or affects the operations of a cooperative.
- (b) Use of alternative dispute resolution methods

All disputes shall first be referred to mediation and reconciliation. A dispute that cannot be resolved through mediation and reconciliation shall be referred to arbitration under the guidance of the regulatory authority for cooperatives. Where arbitration fails, parties may resort to courts of law of competent jurisdiction.

- (a) Cooperative societies strive to address disputes through prevention, management and resolution of conflicts by way of early warning, early response and preventive diplomacy.
- (b) The national federation shall have duty to mediate disputes in the cooperative movement and may establish Cooperative Mediation Centers.

Provided that disputes which have prescribed legal procedures such as land and labour shall be resolved through those procedures.

- (1) Where necessary, there shall be established an independent body for settlement of cooperative disputes.

Article 48: Criminal offenses

Where a criminal activity is committed in a cooperative, the relevant criminal law and procedure shall apply.

Article 49: Cooperative Regulatory Body

- (1) Establishment

There is hereby established a cooperative regulatory authority which shall be responsible for regulating cooperatives by mainly ensuring compliance with existing cooperative legislation.

- (2) Functions of the government authority responsible for cooperatives:

The functions of the regulatory authority shall be to:

- (a) Register and de-register cooperatives
- (b) Provide technical advice and assistance to cooperatives in relation to formation, management, organization and operation of cooperatives;
- (c) Oversee the implementation of cooperative development policy;
- (d) Maintain and disseminate information relating to cooperative development to key actors and stakeholders;
- (e) To keep a register of cooperatives;
- (f) To maintain databases on various matters relating to cooperatives;

- (g) To inspect and supervise cooperatives;
- (h) Encourage and promote establishment of viable cooperatives; and
- (i) To enforce self-regulation of the cooperative movement including by-laws

Article 50: Self-regulation of cooperatives

Cooperatives and the cooperative movement shall put in place systems and mechanisms to ensure and facilitate self-regulation to augment/complement existing government regulatory framework.

Article 51: Power to make rules/regulations

The relevant government authority responsible for cooperatives shall have power to make rules/regulations under this Law for proper implementation of this Law. The rules/regulations so made shall aim at providing practical and detailed information on the implementation or enforcement of the provisions of the Law and should not be inconsistent with letter and spirit of this Law.

PART III

MISCELLANEOUS PROVISIONS

Article 52: Translation of the Law

- (a) This Law shall, as soon as practicable, be translated into the language most understood and used by the people.
- (b) Where necessary popular versions of the Law shall be prepared and made available to the public, members of cooperatives and other stakeholders as a strategy to build a common understanding of the Law and its spirit and the philosophy and principles upon which cooperatives function.
- (c) This Law shall be trampled in sign language.

Article 53: Repeal and transitional provisions

- (a) Where this Act and any other subsidiary law made under it is repealed, all acts previously done under the repealed Act shall remain valid.
- (b) The State shall ensure that appropriate transitional arrangements are put in place before the new Act becomes operational.

Article 54: Authentic Texts

- (a) This Model Law is drawn up in all African Union working languages, all of which being equally authentic.
- (b) In case of conflict, the English version shall be used as a reference.

Adopted in Midrand, South Africa,

On 5 June 2024