



REGULATION NO. 2003/21

**ON THE PROMULGATION OF
A LAW ADOPTED BY THE ASSEMBLY OF KOSOVO
ON FARMERS COOPERATIVES**

The Special Representative of the Secretary-General,

Pursuant to the authority given to him under United Nations Security Council resolution 1244 (1999) of 10 June 1999,

In conformity with paragraphs 9.1.44 and 9.1.45 of the Constitutional Framework for Provisional Self-Government (UNMIK Regulation No. 2001/9),

Taking into account a communication from the President of the Assembly of Kosovo, dated 19 May 2003 concerning the Law on Farmers Cooperatives adopted by the Assembly of Kosovo on 15 May 2003,

Recalling and without prejudice to UNMIK Regulation No. 2002/12 of 13 June 2002 on the Establishment of the Kosovo Trust Agency,

Determining that Article 23.1 of the Law on Farmers Cooperatives shall be implemented in close coordination with the Kosovo Trust Agency taking fully into account its competencies,

Hereby promulgates effective as of the date of signature the Law on Farmers Cooperatives attached to the present Regulation (Law No. 2003/9).

Signed on this 23rd day of June 2003.

Michael Steiner
Special Representative of the Secretary-General

LAW NO. 2003/9

LAW ON FARMER'S COOPERATIVES

The Assembly of Kosovo,

Based on UNMIK Regulation 2001/9 of 15 May 2001 on the Constitutional Framework for the Provisional Institutions of Self-Government in Kosovo, and in particular Sections 9.1.26 (a) and 5.1 (j);

In order to regulate the work of farmer's cooperatives for the benefit of the agricultural development and to increase of the productivity of the work of the farmers,

Hereby adopts the following:

Article 1

Definitions

For purposes of this Law, the following terms shall have the following meanings:

"Farmer's Cooperative" or "Cooperative" shall mean a legal entity created by natural or legal persons who must all be farmers who contribute their private property to the share capital. A Cooperative is a service provider for its members and shall not be based on making a profit for itself. A minimum of 75% of the cooperative's gross turnover shall be from activities with Members.

"Activities with Members" shall mean the performance of any of the following activities by the Cooperative:

-supplying inputs, and machinery required for the members' agricultural activities;

-acquiring agricultural outputs from the members either to sell or have processed;

-performing for the members' benefit, services necessary for the member's farming activities;

-buying machinery for joint use by members for the needs of the member's farming activities; and

-more generally, for the purpose of performing on behalf of members activities expanding the member's agricultural activities.

“Farmer” shall mean a natural person who performs an agricultural activity as that person’s main professional activity or a legal entity that performs an agricultural activity as its exclusive activity.

“Person” shall mean a natural or legal entity.

“Cooperative Member” or “Member” shall mean a Person, who is a Farmer and who has contributed to the share capital. The Cooperative Member shall be committed to perform that Member’s specified agricultural activity with that Cooperative.

“Activity Commitment” shall mean a contractual promise to undertake specified business activities exclusively with the Farmer’s cooperative as specified in the Cooperative’s statutes.

“Share Contribution” or “Contribution” shall mean the transfer of the member’s property to the cooperative in return for which the said member shall receive shares from the cooperative.

“Contribution in Kind” shall mean contribution to the share capital to be paid either in real estate or movable properties or intangible rights.

“Cash Contribution” shall mean the contribution to the share capital that is paid in cash or by bank or postal transfer, or by commercial bill.

“Reserve Funds” shall mean all sums placed in the reserve accounts by the general assembly.

“Statutory Reserve Funds” shall mean funds from the surplus of a fiscal year that the general assembly is required, according to the statute of a cooperative, to place in a reserve fund.

“Annual Surplus” shall mean the result of the Cooperative’s activities as shown by the Account of Profits and Losses at the end of the fiscal year when profits exceed expenses and losses.

“Annual Loss” shall mean the result of the cooperative’s activities as shown by the Account of Profits and Losses at the end of the fiscal year when expenses and losses exceed profits.

“Account of Profits and Losses” shall mean the formal accounting document produced at the end of each fiscal year and showing all profits, expenses and losses occurred during that fiscal year.

“Net Assets” shall mean the aggregate of the share capital, the reserve funds, the accumulated profits minus the previous accumulated losses increased or decreased by the surplus or net losses of the fiscal year.

“Accumulated Losses” are losses of the previous fiscal years which have been recorded in a special account and which have not been cancelled by reduction of the reserve funds or by the account of accumulated profits.

“Federation” shall mean the Federation referred to in Article 3.

“Ministry”, if not otherwise specified shall mean the Ministry of Agriculture, Forestry and Rural Development.

“Statute” shall mean the act establishing the Cooperative and describing its management and organizing the relations between the cooperative and its members.

“Founders” shall mean the persons signing the statute and/or acting in the name of the cooperative during its formation period.

“Union of Farmer’s Cooperatives” or “Union” shall mean the legal entity established between two or more cooperatives for the purpose of expanding their activities.

Article 2

Registration

2-1 Any Farmer’s Cooperative created in Kosovo is required to be registered in the office for registering of legal entities and shall come into existence only upon registration.

2-2 The activities of a Cooperative registered under this law shall be limited to those specified in this law and in the Statute of the Cooperative.

2-3 The Ministry shall issue administrative instructions specifying the format and content of Statutes to be used by a Cooperative.

2-4 If a Cooperative’s statute does not comply with this Law and administrative instruction issued pursuant to this law, the Cooperative shall lose the status of a Farmer’s Cooperative.

2-5 This law shall be the basis for registering any existing Cooperative in Kosovo and for any Cooperative seeking to be established.

Article 3

The Federation

3-1 The Federation of Farmers Cooperative is hereby established.

3-2 The Federation is a professional body acting independently.

3-3 The statute of the Federation shall be approved by the Assembly of the Federation with the prior consent of the Ministry.

3-4 The statute of the Federation shall be in compliance with this law and an administrative instruction issued by the Ministry.

3-5 Any Cooperative or Union of
become a member of the Federation.

Cooperatives has the right voluntarily to

3-6 The funds of the Federation are generated by the Members and contribution of the Cooperatives and their Union. The membership fee and the contributions are set by the general assembly of the Federation. That amount represents the income of the Federation.

3-7. Activities, tasks and responsibilities of the Federation are defined by Federation statute.

Article 4

Conditions for Establishment

All Farmer's Cooperatives shall be established by a minimum of ten (10) farmers who shall all have written agreements with the cooperative. The number of farmers may be two (2) for Farmer's Cooperatives in which the activity is solely the joint use of machinery.

Article 5

Founding Assembly

5-1 The Statute shall be ratified in a founding assembly.

5-2 If the Statute has been signed by the Founders and all Members have contributed to the Share Capital, no foundation assembly is required.

Article 6

Legal person

6-1 A Co-operative shall have rights and duties as a legal person independent of its members. It has its own appurtenant property and duties. It is responsible for its own property and for any act performed by it in its name.

Article 7

Rights and obligations of co-operative members

7-1 A Cooperative member enjoys the right:

- a) to use the Cooperative's services with regard being had to the type of activities for which the Member has become a Member;
- b) to attend the general meeting of the assembly with voting rights regardless of the number of shares owned;
- c) to receive interest payments calculated on the Member's paid capital contribution at the rate stated by the Statutes;

d) to receive the Cooperative's distributions in proportion with the activity realized with the Cooperative;

e) to sell and transfer his shares according to the provisions of this law and the Cooperative's Statute;

f) to receive the nominal value of the Member's shares after termination of the Member's membership, provided that the Accumulated Losses does not exceed the Reserve Funds and in accordance with other restrictions specified in this law and in the Cooperative's Statute.

7-2 A Cooperative Member is obliged:

a) to undertake specific agreed upon activities exclusively with the Framers Cooperative for at least three consecutive years in accordance with the Cooperative's statute with regard to the commitment made by the member;

b) to contribute to the share capital the proportional value of his Activity Commitment and pay his shares in accordance with the legal and statutory requirements, or buy the number of shares required by his Activity Commitment;

c) to bear liability for the Cooperative's debts up to an amount equal to the Member's Capital Contribution in case of insolvency.

7-3. Statute of cooperative member is gained

a) During cooperative funding, with the request endorsement for

membership, endorsement of the statute or participation on the Founding Assembly where statute is approved.

b) Statute of cooperative member is gained after cooperative founding through the request for membership and the statement for cooperative statute admittance by what the signatory permits all the rights and obligations of the cooperative member

A Decision to accept new members is taken by Steering Council within 30 days from submission of the request.

The appeal against the decision on the membership request rejection can be submitted to the General Assembly.

7-4 The Co-operative shall maintain a register of Co-operative Members indicating the number of shares owned by each Member as well as records of every transfer of shares.

7-5 Co-operative member shall lose its statute by: withdrawal of the member from cooperative; member exclusion; elimination or abandon the agricultural activity of the member who is a legal entity; death of the member and cooperative failure.

a) Member of the co-operative may withdrawn from the co-operative with request for withdrawal which is pursued six months before the expiry of prescribed date. If the co-operative member has obligation towards the co-operative, statute of the member will end after obligation accomplishment.

- b) Statute of co-operative member expires on the prescribed date on the decision for its exclusion from the co-operative due to the reasons defined by cooperative statute
- c) Inheritors of the member may have member statute with the rights and obligations of the one who died, if for this decided the Steering Council and if they accomplish the conditions for having the statute of cooperative member
- d) Rights and obligations of the member, except property rights and obligations prescribed by special legal acts are dismissed on the day when terminates the statute of the member.

Article 8

Share capital

8-1 A Cooperative shall not be established without capital and shall not exist without capital.

8-2 The capital of a Cooperative shall consist of the Contributions of cooperative Members and may be variable.

8-3 Capital decrease is prohibited if the decrease would have the effect to cause the capital of the Cooperative to be less than half of the highest capital reached since the creation of the Cooperative.

Article 9

Capital contributions - Shares

9-1 Capital contributions shall either be in cash or Contribution in Kind. A contribution in activity is prohibited.

9-2 Contribution in Kind during the establishment of the cooperative is assessed during the statute signing by founding members or founding assembly during the statute approval. Whereas, assessment of contribution in Kind during the cooperative work is performed by the general assembly.

9-3 Members are severally and jointly liable towards third parties for having adopted any valuations of Contributions in Kind that are different from the value as assessed by the External Auditor.

9-4 The right of a Member takes the form of shares only.

9-5 The capital of the Cooperative is divided into shares of equal value with each share having a minimum value of 10 €

Article 10

The general assembly

10-1 The general assembly which is the supreme body of the cooperative will be either ordinary or extraordinary.

10-2 The powers of the ordinary general meeting of the assembly are limited to voting on matters not within the powers of the extraordinary meeting of the general assembly or other bodies of the cooperative.

10-3 The Steering Council referred to Article 12 convenes the general assembly meeting of the assembly at least once a year or when the bi-semester interim accounts shows losses. The general assembly may also be called by 25% of the cooperative members.

10-4 Only the extraordinary meeting of the general assembly can decide on amendments to the Statute.

10-5 The minutes of the meetings of the assembly shall be recorded chronologically in a register to be maintained at the cooperative's registered office.

Article 11

External auditor

11-1 The Ministry of Economy and Finance shall authorize qualified individuals to act as external auditors and shall designate an External Auditor to perform an annual audit for each cooperative, including:

- a) verifying that the annual accounts truly and fairly represent the result of the cooperative's operations during the previous fiscal year, its financial situation and the cooperative's property;
- b) verifying conformity of the accounting practices with the rules in force;
- c) examining the accuracy and conformity of the annual accounts with the information given in the management report of the Steering Council; and

11-2 The Ministry of Finance and Economy shall bear the cost of the financial audit.

Article 12

The Steering Council

12-1 The "Steering Council" shall mean the body of the cooperative which is vested with all the management powers except for those expressly within the authorities of other Co-

operative bodies or powers limited by the cooperative's statutes and shall only be exercised within the limits of the cooperative's purpose.

12-2 The Steering Council shall have the following powers:

- a) to review and revise the annual accounts of the cooperative and present them to the general assembly of the cooperative for approval;
- b) to elect and dismiss the president from amongst the Steering Council's members;
- c) to appoint a member of the cooperative to fill a vacancy of the Steering Council;
- d) to convene a general assembly of the cooperative and determine the general assembly's agenda;
- e) to appoint the cooperative's director;
- f) to admit or exclude members; and
- g) to borrow, issue securities or commercial paper, or secure debts of third parties.

12-3 The Steering Council shall consist of at least three but no more than nine members appointed by the statute or founding assembly when the cooperative is founded or by the general assembly in a regular meeting and shall serve for a period of at least three but no more than six years.

12-4 A member of the Steering Council:

- a) shall be a Member who is not liable for any debts towards the cooperative at the time of his appointment, and on whom no penalty for an economic crime has been imposed;
- b) shall not be the spouse, the parents, children, of a member of the Steering Council;
- c) shall not be an employee of the cooperative;
- d) shall be at least 18 years old.

12-5 A member of the Steering Council shall never borrow from the cooperative or obtain the guarantee of the cooperative for his own personal debt.

12-6 Members of the Steering Council shall be personally liable for any breach of their duties toward either the cooperative or third parties.

12-7 A meeting of the Steering Council shall be convened by the president or by the president on demand by a 1/3 of the members of the Steering Council.

12-8 Minutes of the decisions of the Steering Council are chronologically recorded in registers maintained at the registered office of the cooperative.

Article 13

The President

13-1 The president of the cooperative shall have the following powers:

- a) to represent the cooperative in any suit;
- b) to execute all the decisions of the Steering Council excluding those decisions delegated to the Director; and
- c) to control the work of the director.

13-2 The President is liable for any breach of his duties towards the cooperative and or third parties.

Article 14

The Director

14-1 The director of the cooperative is in charge of the day-to-day management of the cooperative.

14-2 The director:

- a) shall not be a cooperative Member;
- b) shall have a labour contract;
- c) shall not have been convicted for any economic based offence
- d) can not perform any simultaneous activity that would be in competition to the activity he performs for the cooperative

14-3 The functions of the director shall be described in the statute of the cooperative.

Article 15

Net Income and Losses

15-1 Any annual net income shall be allocated in the following order of priority:

- a) 5 % to the compulsory reserve fund;

- b) 5% to a Reserve Fund for reimbursement of shares for members who leave the Co-operative;
- c) any amounts required by the statute of the cooperative for the reserve fund;
- d) any amounts necessary to pay interest on the paid up capital of the cooperative Members;
- e) any amounts to pay cooperative Members in proportion to their activities within the cooperative;
- f) any remaining amounts to the account of accumulated surplus and losses, or other funds to be kept in reserve.

15-2 Any Annual Loss shall be allocated to the account of accumulated surplus and losses. Members shall not receive any interest on shares and no allotment to the Reserve Funds is to be made if it hinders payment of any distributions or interests.

Article 16

Net Assets-Accumulated Losses

16-1 When Net Assets due to losses are less than half of the highest share capital reached since the cooperative's foundation, an extraordinary meeting of the general assembly shall decide whether the cooperative should be liquidated or maintained. If the decision is to maintain the cooperative, the members shall contribute an amount necessary to bring the Net Assets of the cooperative to at least half of the highest share capital reached since the cooperative's foundation.

16-2 In the absence of such a decision by the general assembly, any aggrieved or interested party may bring the matter before a competent court, which may issue a decision requiring the liquidation of the cooperative.

Article 17

Liquidation

17-1 A cooperative is liquidated by virtue of

- a) the termination of the period for which it was established, or the completion of the activity for which it was formed unless a new activity is decided by the extraordinary meeting of the general assembly;
- b) a vote of the extraordinary meeting of the general assembly, in accordance with the statutes of the cooperative decides by vote in unanimity of the cooperative Members;
- c) a court order where the number of the co-operative members is less than the legal minimum; or there is a lack of decision of the general assembly as specified in Article

16-1 or where the cooperative conducts activities other than the activities legally allowed or where the capital is not divided into shares as provided by this Law.

17-2 The cooperative being liquidated remains a legal entity during the liquidation period for the sole purpose of its liquidation.

17-3 Liquidators are appointed by the general assembly unless the Court makes such an appointment.

17-4 Net Assets remaining after payment of all creditors and the reimbursement of the contribution to the Members shall not be allocated to the Members. The Net Assets are compulsorily transferred to another Co-operative or to an Union of Framers Co-operative, or to another legal organisation of Framers Co-operatives.

17-5 If a liquidation occurs pursuant to bankruptcy laws, the provisions set out herein shall not apply.

Article 18

Merger - Break -up

18-1 One or more Framers Co-operatives may transfer their interests to an existing Framers Co-operative or to a new Framers Co-operative established by those Co-cooperatives.

18-2 A Co-operative may split itself into two or more Co-operatives by transferring its interests to new or existing Co-operatives.

In both cases the Co-operative which transfers its interests pursuant to this Article ceases to exist without being liquidated.

18-3 In case the co-operative stops existing due to the reasons on this article, co-operative assets will be transferred to its legal inheritors.

18-4 Mergers and break-ups are only allowed between Co-operatives.

Article 19

Unions of the Framers Co-Operatives (Unions)

19-1 Unions of Framers Co-operatives (Unions) can be established through the adherence decision of two or more Framers Co-operatives which collaborate using their funds and their rights for the purpose of exercising a certain activity and must be registered in the office for registration of legal entities.

19-2 The decision for adherence is taken by the Steering Council of each Co-operative and must be approved by the general assembly during an ordinary meeting.

19-3 If a Co-operative's contribution to a Union is limited to certain activities, the adherence decision shall specifically identify those activities.

19-4 The members of the governing bodies of a Union of Co-operatives shall consist of representatives appointed by the Steering committees of each Co-operative.

Article 20

Subsidiary and affiliated companies

20-1 An Farmers Co-operative may own shares of a company engaged in business either by purchasing shares or by contributing to the share capital of such a company.

20.2 An Farmers Co-operative may neither be a member of a general partnership nor of any other form of business organisation where members' liability is not limited to their share contribution.

Article 21

Punitive measures

21-1 With the fine from 500€ of up to 4000€ will be punished for economic offence Person using the word Co-operative in its name if that firm is not registered under Article 6 of this Law.

21-2 The Farmers Co-Operative shall be punished for economic offence of up to 1000 € if it:

- (a) performs an activity which is not envisaged within the Co-operative statute or is not registered for (article 2.2);
- (b) does not use the name of the firm in the denomination of the Co-operative;
- (c) does not keep the record of the members of the cooperative (article 7.3);

Article 22

Administrative Instructions

22-1 The Ministry shall have the power to promulgate administrative instructions for the implementation of this Law.

Article 23

Transitory provisions

23-1 Any Framers Co-operative existing as of the effective date of this law shall re-register as an Framers Co-operative under this law within one year of the effective date this law or it shall cease being an Framers Co-Operative.

23-2 This Law enters into force on the date of its approval by the Assembly, signature of the President of the Assembly and promulgation of the SRSG.

Law Nr. 2003/ 9

President of the Assembly of Kosovo

15 May 2003

Dr. Nexhat Daci