

**LAW ON COOPERATIVES  
OF THE  
SOCIALIST REPUBLIC OF VIETNAM  
(March 1996)**

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**Socialist Republic of Vietnam**

**INDEPENDENCE - FREEDOM - HAPPINESS**

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**LAW ON COOPERATIVES**

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**National Assembly of the  
Socialist Republic of Vietnam 9th Legislature  
9th Session**

**(from March 2nd to March 20th, 1996)**

To promote the important role of the cooperative economy, to create legal basis for organisation and operation of cooperatives in a socialist-oriented multi-sector commodity economy, driven by the state-regulated market mechanism.

In accordance with Articles 15, 20, and 84 of the 1992 Constitution of the Socialist Republic of Vietnam;

This law sets forth the provisions concerning cooperatives.



# CHAPTER I

## GENERAL PROVISIONS

### *Article 1*                      **Definition of Cooperative**

A cooperative shall mean self-control economic entity established by working persons who have common needs and interests, and contribute voluntarily capital or labour in accordance with the provisions of the law to promote strength of collective and each member for the purpose of mutual assisting in ever more effectively carrying out manufacturing, business, service activities and in improving living standard, contributing to socio-economic development of the country.

### *Article 2*                      **Cooperative Group**

Cooperative Groups under various names and forms of organisation shall be guided, aided and encouraged by the State to become cooperatives when they meet full requirements.

### *Article 3*                      **The Scope of Application**

This law shall be applied to cooperatives in sectors and fields of the national economy.

### *Article 4*                      **Model By-laws**

The Model By-laws of the agricultural cooperatives and other types of businesses shall be promulgated by the Government in accordance with the provisions of this law as legal basis for making the cooperative by-laws depending on characters of each specific type of cooperatives. The model by-laws shall specify the minimum number of cooperative members.

### *Article 5*                      **Policy of the State for Cooperatives**

The State shall protect legal rights and interests of cooperatives, ensure equality of cooperatives in manufacturing, business, service activities; promulgate legal acts and policies encouraging development of cooperatives; shall, through cooperatives, exercise policies on aid, assistance to cooperative members to eliminate hunger and reduce poverty, to ensure equality, fairness and social progress. The state shall respect the right to self-control, self-

responsibility in manufacturing, business, service activities of cooperatives, shall not intervene with legitimate management and operation of cooperatives.

#### *Article 6*

#### **Interpretation of Terms**

In this law, the following terms shall be understood as follows:

1. The minimum contribution shall mean cash or assets converted into cash which cooperative members are required to make to the cooperative upon joining the cooperative.
2. Labour contribution shall mean that cooperative members directly engages in the cooperative by manufacturing, business, service activities or take part in management of the cooperative and paid remuneration corresponding to his contribution stipulated by the cooperative by-laws.
3. Share capital of cooperatives shall mean the total amount of capital contributed by cooperative members and stated in the by-laws of cooperative.
4. Symbol of cooperatives shall mean a specific sign of each cooperative describing specific features of the cooperative and distinguishing it from other cooperatives and enterprises.
5. service rendered by the cooperatives to members shall mean that the cooperatives provide their members with commodities, services in material or immaterial forms for which cooperative members must make payment of.
6. Extent of cooperative service using.  
Shall mean ratio of the service value rendered by the cooperative to each member against the total service value rendered by the cooperative to all its members.
7. Economic commitment between the cooperative and its members shall mean an agreement specifying economic terms bound by the cooperative and its members.

#### *Article 7*

#### **Principles of Organization and Operation of Cooperatives**

Cooperatives shall be organized and operated by the following principles:

1. Voluntary joining to and withdrawal from the cooperative: all Vietnamese Citizens having sufficient requirements stipulated by this law, satisfying

the Cooperative by-laws may become a member of the cooperative; members of the cooperative shall have the right to withdraw from the cooperative in accordance with provisions of the Cooperative by-laws;

2. Democratic and equal management: Cooperative members shall have the right to participate in managing, controlling and monitoring businesses of the cooperative and enjoy the equal voting right;
3. Self-responsibility and mutual benefit: the cooperative shall be self responsible for the output of its manufacturing, business, service activities; shall decide the method of income distribution at its discretion to ensure mutual benefit between the cooperative and its members;
4. Combination of benefit of the cooperative members and development of the cooperative in the sharing of profits: After payment of taxes, a part of profits shall be used for funds of the cooperative, a part of profits shall be shared to members depending on their capital and labour contribution; the remaining part shall be distributed to members in proportion to the cooperative services used as decided by the General Body of the cooperative members;
5. Community cooperation and development:  
Cooperative members shall promote collective spirit, and have sense of cooperation within the cooperative and public community; promote cooperation between different cooperatives inside the country and overseas in conformity with the provisions of the law.

#### *Article 8*

#### **Rights of Cooperatives**

Cooperatives shall have the following rights:

1. To choose the branch, occupation, field, scale of manufacturing business, service and location of operation in conformity with ability of the cooperative;
2. To decide on forms and structures of manufacturing business and service of the cooperative;
3. To export, import, make joint venture and integration with organisations and individuals inside the country and overseas in conformity with the provisions of the law;
4. To hire employees in the case cooperative members are unable to satisfy requirements of manufacturing, business, service activities of the cooperative according to the provisions of the law;

5. To decide on admission of new members, deal with withdrawal of the cooperative members from the cooperative, expel the members from the cooperative in accordance with provisions of the cooperative by-laws;
6. To decide on methods of surplus distribution, deal with losses incurred by the cooperative;
7. To decide on appreciation and reward for individual who made achievements in building and developing the cooperative; to take disciplinary actions against members who violate the cooperative by-laws; to cause members to compensate for damages which they may cause to the cooperative;
8. To borrow money from banks and raise funds from other sources, to lend money to cooperative members in accordance with the provisions of the law;
9. Know-how, technology of the co-operatives shall be protected in accordance with the provisions of the law;
10. To refuse demands of organisations and individuals which are contrary to the law.

Cooperatives shall also have other related rights stipulated by the law.

#### *Article 9*

#### **Duties of Cooperatives**

Cooperatives shall have the following duties :

1. To carry on manufacturing , business, service activities in conformity with branches, occupation , commodities registered;
2. To observe strictly the accounting- statistics systems stipulated by the state and to be subject to the auditing regulations of the state;
3. To pay taxes and fulfil financial obligations according to the law;
4. To maintain and raise operating capital of the cooperative, to manage and exercise the right to use the land allocated by the state in accordance with the provisions of the law;
5. To be responsible for debts and other obligations by total capital and assets owned by the cooperative;
6. To protect environment, human ecology, landscape, historical relics, state security and defence establishments in accordance with the provisions of the law;
7. To ensure the rights of the cooperative members and perform economic

commitments to the members;

8. To perform duties towards the cooperative members who directly work for the cooperative and other employees hired by the cooperative; to encourage and create favourable conditions for those employees to become members of cooperative;
9. To make social security premium for the cooperative members in accordance with the provisions of the law;
10. To take care of education, training, upgrading, improving qualification, providing information so that all cooperative members actively participate in building of the cooperative;
11. To create favourable conditions for social - political organizations recognized by the law to operate within the cooperatives.

*Article 10*                      **Name, Symbol of Cooperatives**

Cooperatives shall choose their names and symbols at their discretion in accordance with the provisions of the law.

Seal, sign board and transactions documents of the cooperatives must include the word “cooperative”.

Name, symbol (if any) of the cooperative shall be registered at the authorized state Agency and be protected in accordance with provisions of the law.

*Article 11*                      **Party and other Organization  
in Cooperative**

The communist party organisation of Vietnam in cooperatives shall operate under the Constitution, laws of the state of Socialist Republic of Vietnam and regulations of the Communist party of Vietnam.

Trade union, Farmer association, other social - political organizations and people’s volunteer corps in the cooperatives shall operate under the Constitution, laws and their Regulations.



## CHAPTER II

### ESTABLISHMENT AND BUSINESS REGISTRATION

#### *Article 12*

#### **Promoters**

1. Promoter is a person who initiates the establishment of a cooperative and joins the cooperative.
2. Promoters shall make report in writing to the people's committee of village, precinct, town (commonly called as the people's committee of Village), where the head office is to be located, on intention of establishment, policies and programmes, plans of operation of the cooperative.
3. After receiving approval from the people's committee of Village concerned, the promoter shall conduct propaganda, campaign to attract persons who aspire to join the cooperative: make policies on manufacturing, business, service activities, prepare the cooperative by-laws and promote other necessary affairs towards the constituent meeting of the cooperative.

#### *Article 13*

#### **Constituent (Promoters) Meeting of Cooperatives**

1. The Constituent meeting of a cooperative shall be convened by the promoter(s). Participants of the meeting, consist of the promoters and persons who aspire to become members of the cooperative.
2. Policies on manufacturing, business, service activities and plans of operation of the cooperative; draft of the cooperative by-laws, name, symbol (if any) of the cooperative and the list of members shall be discussed at the Meeting.
3. The meeting of the cooperative members shall discuss and vote by majority the following issues:-
  - a) To approve the list of official cooperative members;
  - b) To approve the cooperative by-laws;
  - c) To elect the cooperative's manager/president and other members of the management committee or board of Directors (commonly called as the management committee ), Audit and Control Committee;
  - d) To approve the minutes of the constituent meeting of the cooperative.

## *Article 14*

### **The Cooperative by-laws**

1. Each cooperative will have separate by-laws. The Cooperative by-laws shall be in conformity with the provisions of this law, the model by-laws and other provisions of the law.
2. The Cooperative by-laws has the following principal matters:
  - a) Name of the cooperative, symbol of the cooperative (if any);
  - b) The head office of the cooperative;
  - c) Branches' occupations of manufacturing, business, services;
  - d) The provisions on the cooperative members;
  - e) The share capital of the cooperative;
  - f) Minimum capital contribution level; method of capital contribution, term of capital contribution and its return to the members, the method of raising funds, remuneration, sharing profits, dealing with losses;
  - g) Creation, managing and using of funds of the cooperative;
  - h) Organisational structure of management of the cooperative functions, duties, powers of the various bodies of management in the cooperative;
  - i) Procedure of conducting the General meeting and approving decisions of the General Meeting of the cooperative members.
3. Upon amending the by-laws, the cooperative shall send the amended by-laws accompanied by the minutes of the General meeting of members to the People's committee where the business registration certificate has been issued. The amended by-laws shall only have the legal validity when the Agency issuing the business registration certificate certifies that it conforms to the provisions of this law, the model by-laws and other provisions of the law.

## *Article 15*

### **Business Registration Papers**

1. Business Registration papers shall include:
  - a) The application for business registration accompanied by the minutes approved by the constituent Meeting of the cooperative;
  - b) The cooperative by-laws;
  - c) The list of the Administrative Section consisting of the cooperative

manager/president and other members, the Audit and Control Committee;

- d) The list of the cooperative members, their addresses, occupations;
  - e) The projects of manufacturing, business, service;
  - f) The practising licence regarding several branches, occupations required by the law.
2. The cooperative manager/president shall send the business registration papers to the people's committee of district, district in city, town, city under province authority (commonly called the people's committee) at district located exclude the case prescribed in Article 18 of this law.

*Article 16*                    **Conditions for Issuance of Business  
Registration Certificate**

In order to have the business registration certificate be granted, the cooperative must have the following adequate requirements:

1. Having the lawful business registration certificate papers in accordance with the provisions of item 1 of Article 15 of this law;
2. The numbers of the cooperative members is no less than the minimum number of members prescribed in the model by-laws regarding each type of the cooperative.
3. The purpose of operation is clear;
4. Having the share capital. With regard to the cooperative conducting business in the branches, occupations which are required by the provisions of the Government to have the legal capital, the share capital shall not be lower than the legal capital;
5. The head office is certified by the People's Committee of village where it is to be located.

*Article 17*                    **Issuance and Refusal to Issue the  
Business Registration Certificate**

Within fifteen (15) days from the date of receiving the lawful application, the People's Committee at district level shall consider approve the cooperative by-laws and issue the business registration certificate to the cooperative; In the case that the application is refused the reason must be in writing.

*Article 18*                    **Business Registration in the Branches,  
Occupation under the separate provisions  
of the Government**

1. The Government prescribed the list of items of branches, occupations on which the cooperative wishes to conduct business must obtain the permission from the authorized State Agency and conditions of conducting business in these branches and occupations.
2. The cooperative which conducts business in the branches, occupations stated in the items 1 of this Article shall register business at the People's Committee of province, city under central authority (commonly called as the People's Committee of province) according to the process, procedure prescribed by the Government.

*Article 19*                    **Complaint, Initiating Law suit on refusal to  
Issue the Business Registration Certificate**

In the case it dissatisfies with the refusal to issue the business Registration Certificate of the People's Committee prescribed in Article 17 and Article 18 of this Law, the cooperative shall have the right to complain, initiate law suit to the authorized State Agency for decision in accordance with the provisions of the law.

*Article 20*                    **Legal Status of Cooperative**

A cooperative shall enjoy a legal person status from the date on which the business registration certificate is issued.

*Article 21*                    **Branch Office, Representative Office**

1. The cooperative is entitled to set up a branch office, or representative office in other local outside the district, province where its head office is located, provided that it is permitted by the authorized People's Committee where the branch office or representative office is to be located.
2. Within fifteen (15) days from the date on which the setting up of the branch office or representative office is permitted, the cooperative shall inform on the setting up of branch office or representative office to the People's Committee who issued the business registration certificate.
3. The setting up of the branch office, representative office of the cooperative overseas shall be implemented in accordance with the provisions of the Government.

## CHAPTER III

### MEMBERS

#### *Article 22*                    **Qualification to become a Member**

1. Vietnamese citizens who are eighteen (18) years of age or older, with full civil capacity, contribute capital or labour, satisfy with the cooperative by-laws voluntarily apply for joining the cooperative, may become members of the cooperative.
2. A person may be the member of the various cooperatives engaged in different branches, occupations, unless otherwise provided for by the Cooperative by-laws.
3. The household may become a member of the cooperative. Qualification to become a member of the cooperative, procedures of admission and the member's status of the household shall be prescribed by the Government.

#### *Article 23*                    **Rights of Members**

Members of a cooperative shall have the following rights:

1. To work, at priority, for the cooperative and to be paid in accordance with the Cooperative by-laws.
2. To enjoy profits corresponding to capital contribution, labour contribution of the members and to level of using service of the cooperative;
3. To be provided by the cooperative with necessary technical economic information; to join training, fostering and upgrading, professional level organized by the cooperative;
4. To enjoy common welfare benefits of the cooperative, to be entitled to have the cooperative performed the economic commitments, to join social security in accordance with the provisions of the law;
5. To be rewarded when they contribute to building and development of the cooperative;
6. To participate in or elect representatives to general meetings, other meetings of members to discuss and vote on affairs of the cooperative;
7. To run for, to elect to the management committee, the cooperative manager/president, the Audit and Control Committee and other elected posts of the cooperative;

8. To pose opinions to the management committee, the cooperative manager/president, the Audit and control committee of the cooperative and to require to be answered; to demand the management committee, the cooperative manager/president, the Audit and control committee to convene the extraordinary General meeting of members in accordance with the provisions of item 4 of Article 26 of this law;
9. To transfer capital contribution, rights and interests duties to other person in accordance with the provisions of the Cooperative by-laws;
10. To apply for withdrawal from the cooperative in accordance with the provisions of the Cooperative by -laws;
11. To have the capital contribution and other rights and interests be returned upon withdrawal from the cooperative; in the case of death of the member, capital contribution and other rights and interests, duties of the member shall be solved in accordance with the provisions of the law on inheritance.

#### *Article 24*

#### **Duties of Members**

Members shall have the following duties:-

1. To observe the by-laws, the internal rules, the resolutions of the General Meeting of members;
2. To make share capital contribution in accordance with the provision of the Cooperative by-laws, the capital contribution may be more than the minimum level, but at any time it may not exceed 30% (thirty percent) of the total share capital of the cooperative;
3. To cooperate among members, to upgrade education backgrounds, contribute to development of the cooperative;
4. To perform the economic commitments with the cooperative, to join the social security in accordance with the provisions of the law;
5. To jointly bear liability on debts, risks, losses, damage of the cooperative within th amount of their share capital contribution;
6. To compensate for damages which they cause to the cooperative in accordance with the provisions of the Cooperative by-laws.

#### *Article 25*

#### **Termination of Membership**

1. The cooperative membership shall terminate for any of the following events:

- a) Death of the member;
  - b) Adjudication of incompetency of the member;
  - c) Withdrawal from the cooperative in accordance with the provisions of the Cooperative by-laws has been accepted;
  - d) The members has transferred all share capital contribution and other rights and interests, duties to other person in accordance with the provisions of item 9 of Article 23 of this law.
  - e) The member is expelled by the general meeting of members;
  - f) Other events prescribed by the Cooperative by-laws;
2. Dealing with the rights and interests and duties of the member in the events stated in item 1 of this Article shall be prescribed by the Cooperative by-laws.

# CHAPTER IV

## ORGANISATION AND MANAGEMENT OF COOPERATIVES

### *Article 26*                      **General Meeting of Members**

1. The General meeting of members shall be the highest body of the cooperative.
2. In case of a cooperative having large number of members-  
It may hold the Annual General Meeting of representatives of the members, election of the representatives to participate in the General meeting of representatives shall be stipulated by the Cooperative by-laws. General meeting of representative of cooperative's members and general meeting of all cooperative's members (commonly referred to as General meeting of members) shall have the same duties and powers.
3. Regular Annual General meeting of members shall be held once a year and convened by the management committee within three months from the date of closure of accounting books on fiscal year.
4. Extraordinary General meeting of members shall be convened by either management committee or Audit and Control Committee in order to decide on those measures that go beyond powers of the management committee or of the Audit and Control Committee.

In the case of not less than 1/3 of all members apply to the management committee or Audit and Control Committee for convening General meeting of members then, within 15 days after receiving the application, the management committee must convene such a meeting; if the management committee fail to convene the meeting, the Audit and Control committee must convene an extraordinary general meeting to deal with issues stated in the application.

### *Article 27*                      **Contents of Annual General Meeting of Cooperative's Members**

The annual general meeting of members shall discuss and decide on the following measures:

1. Report on output of annual manufacturing, business and services activities of the cooperative, report on operation of the management



- committee and Audit and Control Committee;
2. Report in public on finance-accounting, plan of surplus distribution as well as dealing with losses;
  3. Policy on manufacture, business and service; plan on operation and raising funds of cooperative for the coming years;
  4. Increase or reduction of the share capital; setting up funds of the cooperative;
  5. Election, removal of the cooperative's manager/president; election, additional election or removal of other members of the management committee and Audit and Control Committee;
  6. Approval of admission of new members as well as withdrawal of members from the cooperative, decision on expulsion of members;
  7. Merger, division and dissolution of the cooperative;
  8. Amendment of the by-laws and external rules of the cooperative;
  9. Remuneration of the cooperative's manager/president, members of the management committee and other parts in the cooperative;
  10. Other issues as requested by the management committee, Audit and Control Committee or by at least 1/3 of all the members.

*Article 28*                    **Provisions Concerning number of  
Representatives and Voting Procedure at  
General Meeting of Cooperative's Members**

1. General meeting shall have a quorum of at least 2/3 of all members or representatives of the members. The General meeting shall be temporarily postponed if the above mentioned quorum requirement is not present; the management committee or Audit and Control committee must reconvene the meeting.
2. A decision on amendment of the by-Laws, merger, division, dissolution of the cooperative shall be approved if at least 3/4 of all the members or their representatives present at the meeting support by voting. Decisions on other matters shall be approved if more than 1/2 of all the members present at the meeting agree to by voting.
3. The right to vote at the General meeting of members shall not depend on the amount of contribution or position of members in the cooperative. Each member or representative shall have one vote.

*Article 29*

**Notice of the Meeting of Members**

At least ten days prior to the opening of the General meeting of members, the body responsible for convening the meeting shall inform the date, place of the meeting and agenda to each member or representative. Matters to be discussed and decided at the meeting shall be limited to those stated in the agenda, additional matters shall be taken upon request of at least 1/3 members present.

*Article 30*

**Management Committee**

1. The management committee is a body administering and conducting the affairs of the cooperative, elected by the general meeting of members and shall include the cooperative's manager/president and other members. The number of members of the section of management shall be fixed by the Cooperative by-laws.

Cooperatives who have less than 15 members may elect a manager/president who shall exercise duties and powers of the management committee. Large sized cooperatives shall elect a board of management to exercise duties and powers of the management committee as stipulated in this law.

2. The term of the management committee shall be stated by the Cooperative's by-laws but shall not be less than two years and more than five years.
3. The management committee shall meet at least once a month. The meeting shall be convened and chaired over by the cooperative manager/president or a member of the management committee authorized by the cooperative's manager/president. Meetings of the management committee shall be legitimate if at least 2/3 of the members of the management committee shall operate under the principle of collectivism and majority of votes. In the case where number of votes for and against are equal, the vote casted by the chairman shall be decisive.

*Article 31*

**Qualifications of Members of Management Committee**

Member of management committee shall be a cooperative's member who has good moral, educational background and ability to administer cooperative's affairs.

Member of management committee shall not at the same time be members of Audit and Control Committee, chief accountant or cashier and shall not be their parents, spouse, children, brothers or sisters, as well as other qualifications (if any) as provided for by the by-laws.

*Article 32*            **Duties and Powers of the Management  
Committee**

1. The management committee shall have the following duties and powers:-
  - a) Appoint the chief accountant, decide on formation of specialized committees of the cooperative;
  - b) Ensure the implementation of resolutions of the General meetings of members;
  - c) Prepare reports on manufacturing, business and service activities as well as method to raise funds for the cooperative and report on work of the management committee to be submitted to the General meeting of members;
  - d) Prepare agenda of the General meetings of members and convene general meetings of members.
  - e) Make assessment of output of manufacturing, business and service activities of the cooperative, approve report on financial settlement to be submitted to the General meeting;
  - f) Consider the admission of new members and deal with matter concerning withdrawal of members from the cooperative (except for case of expulsion of members) and report thereof for approval by the General meeting of members;
  - g) Other duties and powers stated in the by-laws of Cooperative.
2. The management committee shall be responsible for its decision to the General meeting of members.

*Article 33*            **Duties and Powers of Cooperative  
Manager/President**

1. The cooperative's manager/president shall have the following duties and powers:
  - a) Represent the cooperative in legal matter;
  - b) Ensure the implementation of plans and manage all manufacturing, business and service transactions of the cooperative.

- c) Convene and chair over meetings of the management committee, organize the implementation of resolutions made by the general meeting of members and decisions made by the management committee;
  - d) Ensure the implementation of rights and duties of the cooperative as provided for in Article 8 and 9 of this law.
2. The Cooperative's manager/president shall be responsible to the General meeting of members and the management committee for works assigned to him.  
Cooperative's manager/president in his absence may authorize the deputy manager or a member of the management committee to manage business of the cooperative.
  3. The post of Deputy Manager shall be as stipulated in the by-laws of Cooperative.

*Article 34*                      **Audit and Control Committee**

1. Audit and Control Committee is a body to supervise and control all affairs of the cooperative in conformity with laws and by-laws of the Cooperative.
2. The Audit and Control Committee shall be elected by the General meeting of members. The number of members shall be fixed by the cooperative's by-laws. The Audit and Control Committee shall elect a chief controller to manage the affairs of committees; a cooperative which has a small number of members may elect one controller.
3. Qualifications of members of Audit and Control Committee shall be the same as that of the members of the management committee. A member of the Audit and Control Committee shall not at the same time be member of the management committee, chief accountant, cashier of the cooperative and shall not be their parents, spouses, children or brother or sisters.
4. The term of the Audit and Control Committee shall be coincided with the term of the management committee.

*Article 35*                      **Duties and Powers of the Audit  
and Control Committee**

The Audit and Control Committee shall have the following duties and powers:-

1. Supervise the observance of the by-laws, internal rules of the cooperative and resolutions of the General Meeting of members.
2. Supervise business of the management committee, cooperative's manager/president and cooperative's members in conformity with laws, by-laws and internal rules of the cooperative;
3. Investigate finance, accounting, income distribution, dealing with losses, use of cooperative's funds, assets, loans and state subsidiaries;
4. Receive and settle complains and denunciations relating to business of the cooperative;
5. Participate in meetings of the Management Committee;
6. Inform the management committee and report the General Meeting of members on results of the investigation; make proposal to the Management Committee and cooperative's manager/president for overcoming weakness found in manufacture, business and services activities of the cooperative and deal with violations of the by-laws and internal rules of the cooperative;
7. Require persons concerned in the cooperative to provide documents, books, bills and receipt and other information necessary for inspection provided that they shall not be used for other purposes;
8. Prepare agenda of General Meeting and convene extraordinary General Meeting of members where one of the following reasons exists:
  - a) Any violation of laws, by-laws, internal rules of cooperative or resolution of the General Meeting of members has been found for which the management committee has failed to apply measures to prevent such violation after the Audit and Control Committee has requested it to do so.
  - b) The Management Committee failed to convene an extraordinary General Meeting of members as provided in Article 26, Item 4 of this law.

## CHAPTER V

### FINANCE OF COOPERATIVE

#### *Article 36*      **Contributions of Cooperative's Members**

1. A cooperative's member shall make his contribution upon joining the cooperative in accordance with the provisions of Article 24 of this law.

Cooperative members may make their contribution once or at several times; amount, forms and time limit of contribution shall be provided by the by-laws of the cooperative.

Contribution of cooperative's members shall be adjusted by decisions of the General Meeting of members.

2. Contributions made by members shall be returned to them in cases prescribed in Article 25, Item 1, points b,c,e,f of this law. The return of capital contribution of cooperative's members shall depend on financial state of the cooperative at the time of the return after the cooperative has balanced the accounts of its business year and settled all economic rights and obligations of members against the cooperative. The form and time limit of the return of capital contribution to cooperative's members shall be stated in the cooperative's by-laws.

#### *Article 37*      **Fund Raising Methods**

1. Cooperatives may borrow money from banks according to the provisions of the law.
2. Cooperatives may call for capital contributions of cooperative's members according to decisions of the General Meeting of members.
3. Cooperatives may borrow money from cooperative's members, organizations under terms agreed by the parties provided that the terms are not contrary to laws.
4. Cooperatives may receive and use funds, assistance from the state, domestic or foreign organisations and individuals under agreement of the parties according to laws.

#### *Article 38*      **Working Capital of a Cooperative**

Working capital of the cooperative shall be formed from share capital

subscription of members, accumulated capital owned by the cooperative, loans and other raised capital.

Operating capital of the cooperative shall be administered and used in accordance with the provisions of this law, other provisions of the law and of the Cooperative by-laws.

*Article 39*                                      **Funds of a Cooperative**

- 1. Profits of the cooperative, as priority, shall be used to set up a business expansion fund and reserve fund; other funds may be set up according to provisions of the by-laws or decisions of the General Meeting of members depending on specific conditions of each cooperative.
- 2. The purpose, methods of administration and use of the funds of the cooperative shall be provided by the by-laws.

*Article 40*                                      **Assets of the Cooperative**

- 1. Assets of the cooperative are ownership of the cooperative and shall be a part of the working capital of the cooperative.
- 2. Administration and use of the cooperative’s assets shall be conducted in accordance with provisions of the by-laws of the cooperative and other provisions of the law. In any case, the cooperative shall not share: State subsidiary, public building, infrastructure designed to serve community of residents, to the cooperative members.

*Article 41*                                      **Dealing with Assets and Funds  
of the Cooperatives upon  
Dissolution**

Upon dissolution, the cooperative must transfer the assets not allowed to be shared as provided for by Article 40, Item 2, of this law to local authorities for administering and public using for the community of residents.

Lands allocated by the State to the cooperative for use shall be dealt with according to the land laws.

After all obligations of the cooperative are performed and dissolution expenses paid, the cooperative may distribute the remaining assets, capital and funds to its members.

1. After payment of taxes, profits of the cooperative shall be distributed as follows:-
  - a) Make payments to cover losses of the previous year (if any).
  - b) Set up funds of the cooperative; share profits in proportion to contributions of each member; the remaining parts shall be distributed to members according to extent of service used, rendered by the cooperative to each member.
2. The General Meeting of members shall be based on output of manufacturing, business and service activities of the cooperative, decide on ratio of annual profits sharing.

Losses incurred by the cooperative due to objective reasons shall be covered by the profits of the coming fiscal year or deduction of funds of the cooperative or capital contribution of the cooperative's members as decided by the General Meeting of members; if the losses incurred by fault of any individual, then depending on level of damage, such individual must make compensation according to the decision of the General Meeting.



## CHAPTER VI

### MERGER, DIVISION, DISSOLUTION, BANKRUPTCY OF A COOPERATIVE

*Article 44*                      **Merger, Division, Dissolution  
of a Cooperative**

The General Meeting of members shall decide on the merging two or more cooperatives into one cooperative or division of one cooperative into one or more cooperatives.

*Article 45*                      **Procedure for Merger, Division  
of a Cooperative**

1. The management committee of the cooperatives which are to be merged or separated shall have to :
  - a) Set up the commission for dealing with the merger, division of the cooperative. The commission for merger shall consist of the cooperative managers/presidents of the cooperative to be merged. The commission for division shall consist of the cooperative managers/presidents of the cooperatives to be separated and representatives of the cooperatives which are to be established from the separated cooperatives. The commission shall have the duties to discuss, consult to solve unitedly matters concerning the merger or division of the cooperative; to prepare the file for merger or division of the cooperative; perform duties of the Plenary Committee of the new-formed cooperatives;
  - b) Make plans of dealing with assets, capital, funds, personnel upon merger or division for decision by the General Meeting of members; build directions of manufacturing, business, service; draft the Cooperative by-laws of the new cooperative for decision by the General Meeting of members.
  - c) Convene the General Meeting to decide on the plans of dealing with assets, capital, funds, organisation, personnel upon merger or division of the cooperative; conduct the affairs prescribed in items 2 and 3 of Article 13 of this law;
  - d) Give notice in writing to creditors, organisations and individuals who have economic relations with the cooperative, on the merger or

division and solve economic matters related to them;

- e) Submit the file for the merger or division of the cooperative to the People's Committee which issued the business registration certificate, including :
- The application for merger or division of cooperation;
  - The Resolution of the General Meeting of members on merger or division of cooperative;
  - Plans for solving the matters concerning the merger or division after discussion with creditors, organisations, individuals who have economic relations with the cooperative;
  - The Cooperative by-laws of the merged cooperative or of the separated cooperative.

2. Within thirty (30) days, from the date of receiving the file for merger or division, the People's Committee which issued the business registration certificate shall notify on approval or disapproval upon the merger or division of cooperatives. In case it is dissatisfied with the refusal to approve the merger or division, the cooperative shall have the right to complain, initiate law suit to the authorised State Agency for solving the case in accordance with the provisions of the law.

The People's Committee issuing the business registration certificate to the merged or separated cooperative must withdraw the business registration certificate of the cooperatives which merged or separated.

The authorised State Agency must withdraw the seal of the merged or separated cooperatives. The business registration of the merged or separated cooperatives shall be implemented in accordance with the provision of Chapter II of this law.

3. The merged or separated cooperatives which have branch office or representative office must give a notice to the People's Committee who permitted the cooperatives to set up branch office or representative office, on the merger or division of the cooperatives, on continuance or termination of operation of those branch office, representative office.

## *Article 46*

### **Dissolution of a Cooperative**

#### *1. Voluntary Dissolution*

Where a cooperative voluntarily dissolves according to the Resolution of the General Meeting of members, it shall submit the application for the

dissolution and the resolution of the General Meeting of members to the People's Committee which have issued the business registration certificate, and cause to be published in three consecutive issues of a local newspaper, where the cooperative operates, the dissolution and the time limit for the payment of debts and the settlement of contracts.

Within thirty (30) days from the date on which the time limit for payment of debts and the settlement of contracts expire, the People's Committee receiving the application shall notify on approval or not approval upon the dissolution of the cooperative.

Within thirty (30) days, from the date on which the notice of approval on dissolution is received, the cooperative shall pay all expenditures concerning the dissolution, return capital contribution and make payments to members in accordance with the Cooperative by-laws.

## 2. *Compulsory Dissolution*

The People's Committee which issued the business registration certificate shall have the right to decide on compulsory dissolution towards a cooperative in any of the following events:

- a) After twelve (12) months, from the date on which the business registration certificate is issued, the cooperative has not conducted business activities;
- b) The cooperative has ceased activities for consecutive 12 months;
- c) Within six (6) consecutive months, the cooperative has not the minimum number of members in accordance with the model by-Laws for each type of cooperatives;
- d) Within eighteen (18) consecutive months, the cooperative has not convened the Ordinary General Meeting of members without any proper reason;
- e) Other events prescribed by the provisions of the law.

3. The People's Committee shall decide on the compulsory dissolution, set up the Commission for dissolution and appoint the Chairman of the Commission to organize the dissolution of the cooperative.

The commission for dissolution shall publish in three (3) consecutive issues of a local newspaper on the dissolution of the cooperative; notify of process, procedures, time limit for the payments of debts the settlement of contracts, liquidation of assets, return of capital contribution to members and solving other rights and interests related.

The maximum time limit for payment of debts, the settlement of contracts is one hundred eighty (180) days from the date of the first publication on newspaper.

4. From the date on which the cooperative receives the notice of dissolution, the People's Committee which issued the business registration certificate, shall withdraw the business registration certificate and delete the name of the cooperative in the business registration book; the cooperative must send in the seal to the authorized State Agency.
5. If dissatisfied with the decision of the People's Committee on the dissolution, the cooperative shall have the right to complain, initiate law suit to the authorized State Agency for decision in accordance with the provisions of the law.

*Article 47*            **Solving Demand on Declaration to be  
Bankrupt towards a Cooperative**

The solving demand on declaration to be bankrupt towards a cooperative shall be implemented in accordance with the law on bankruptcy of enterprises.

## CHAPTER VII

### UNION OF COOPERATIVES, ALLIANCE OF COOPERATIVES

#### *Article 48*

#### **Union of Cooperatives**

1. Cooperatives may voluntarily establish a Union of Cooperatives if they desire to do so.

Union of Cooperatives is an economic entity and operating under principles of a cooperative with the purpose to enhance effectiveness of manufacturing, business and service activities of the member - cooperatives, assist each other in business as well as satisfy other needs of the members.

The Union of Cooperatives shall make its business registration at the People's Committee of the provincial level.

2. The Union of Cooperatives may choose its own name and symbol in accordance with laws. Seal, sign, transaction documents of the Union must include the word "Union of Cooperatives"
3. Object, functions, duties, structure of organization of the Union of Cooperatives shall be provided in the by-laws the Union approved at the General meeting of member cooperatives.
4. The establishment, business registration, organization and operation of Unions of Cooperatives shall be stipulated by the Government.

#### *Article 49*

#### **Alliance of Cooperatives**

1. Cooperatives, Unions of Cooperatives may voluntarily establish an Alliance of Cooperatives within their branches or an Alliance of all cooperatives which belongs to various industries. Alliance of Cooperatives shall be set up at central and provincial level.
2. Alliance of Cooperatives shall be a non-governmental organization who is to represent and protect legitimate rights and interests of cooperatives and Unions of cooperatives; conduct propaganda, campaign for development of cooperatives; give advice; render services and assists cooperatives members, unions of cooperatives; participate in making policies, laws on cooperatives, represent cooperatives and Unions of cooperatives in coordinating and operating relations between its domestic and foreign members according to laws.

Functions, duties, powers, organizational structure, name and finance of the Alliance Cooperatives shall be stipulated by the by-laws of Alliance of Cooperatives.

3. Central Alliance of cooperatives shall be recognized by a decision of the Prime Minister; Provincial Alliance of cooperatives shall be recognized by a decision of the Chairman of Provincial People's Committee.

## CHAPTER VIII

### STATE ADMINISTRATION OVER COOPERATIVES

#### *Article 50*                    **Administration by the Government over Cooperatives**

1. The Government shall exercise overall state administration over cooperatives throughout the country on the following matters:
  - a) To make and direct the implementation of strategy, plans on cooperative's development throughout the country;
  - b) Based on the law on cooperatives to promulgate the model by-laws of Cooperatives applied to all type of cooperatives according to special features of each industry in the national economy;
  - c) Based on development of demand of cooperatives as well as specific conditions of each industry and locality, make policy of priority, assist cooperatives on matters relating to land, taxation, credit, investment, export, import, training of personnel, science - technology information, make policy on reduction or exemption of corporate tax applied to certain industries or localities suffering difficulties;
  - d) To create favourable conditions for Alliance of cooperatives at central and local level to operate in accordance with laws;
  - e) To specify duties and powers of the cadres, branches and Provincial People's Committees on state administration over cooperatives;
  - f) To exercise inspection, control over cooperatives operation according to the provisions of the law.
2. The ministries, bodies of ministerial ranking, bodies of the Government shall within their functions, duties and powers, assist the Government in the implementation of State administration over cooperatives in respective areas assigned.

#### *Article 51*                    **Duties, Powers of the People's Councils and People's Committees at all levels to the Cooperatives**

1. The People's Councils at all levels shall decide policies, measures on building and developing local cooperatives; conduct propaganda and encourage the people to join cooperatives; supervise the implementation of laws on cooperatives.

2. The People's Committees at all levels, within their duties and powers, shall:
  - a) To guide the implementation of, supervise and inspect the observance of the law on cooperatives, model by-laws and other related legal acts;
  - b) To conduct propaganda, campaign, to create favourable conditions and assist the establishment and development of cooperatives within their localities;
  - c) To guide, encourage cooperatives in their coordinated operation for benefits of the local people;
  - d) To settle within their powers, complains and denunciations disputes and all violations of laws on cooperatives;
  - e) To exercise other state administration work over cooperatives provided by laws.
3. Specialized bodies to the People's Committees at all levels shall, within their function, duties and powers, assist the People's Committee in performing its state administration function over cooperatives in the areas assigned.

*Article 52*                    **Relations between State Agencies  
and the FatherLand Front of Vietnam,  
its Member-Organizations and  
their Role to Cooperatives**

1. State agencies are responsible to coordinate with the Father Land Front of Vietnam and its member organizations in the organization for implementation of laws on cooperatives.
2. The Father Land Front of Vietnam, its member organizations shall conduct propaganda and encourage the people to build and develop cooperatives; together with other state agencies participate in making policies on and supervising the implementation of laws on cooperatives.



## CHAPTER IX

### REWARD, DEALING WITH BREACHES

#### *Article 53*

#### **Reward**

The following organizations, individuals may be rewarded in accordance with the provisions of the law:

1. The Cooperative and Unions of cooperatives which effectively operate, make many contribution to socio-economic development of the locality;
2. Organizations, individuals and the cooperative members who have many excellent achievements in working, manufacturing, business and development of the cooperative.

#### *Article 54*

#### **Dealing with Breaches**

1. Any person who violates the law on cooperatives, and the Cooperative by-laws shall, depending on the degree of seriousness of the breach, be liable to reprimand, warning, dismiss from office, expel from cooperative or be liable to administrative penalty or subject to criminal prosecution; compensate for damage if it is incurred.
2. Any organization, individual who takes advantage of the name of the cooperative to conduct business, a cooperative which operates without the business registration certificate or conducts business incompatible with the registered branch, occupations shall be suspended to operation and be dealt with in accordance with the provisions of the law.
3. Any person who has false acts in the business registration or takes advantage of his position and authority to issue business registration certificate contrary to the provisions of the law or who fails to issue the business registration certificate to organizations which are fully qualified for becoming the cooperatives shall, depending on the degree of seriousness of the breach, be subject to administrative penalty, or to disciplinary actions or to criminal prosecution.

## CHAPTER X

### IMPLEMENTATION PROVISIONS

#### *Article 55*                      **Implementation Validity**

This law shall be of full force and effect as of 1 January 1997.

All previous provisions which are inconsistent with this law are hereby repealed.

From the date on which the law on cooperatives is of full force and effect, the cooperatives, the Unions of cooperatives which have been operating shall conduct the business registration in accordance with the provisions of this law.

#### *Article 56*                      **Guide on Implementation of this Law**

The Government shall issue detailed provisions on the procedure, method, time limit for changing and registration towards the types of cooperatives and the Unions of cooperatives which is in operation to ensure a stable development, conform to specific state and characteristics of each type of cooperatives in the various sectors, occupations of the national economy.

The Government shall issue detailed provisions for implementation of this law.

The present law was approved by 9th legislature of the National Assembly of the Socialist Republic of Vietnam at its 9th session on the 20th March, 1996.

**President of the National Assembly**

(signed)

**Nong Duc Manh**