

VOLUME 7

SECTION 2

CO - OPERATIVES AND FRIENDLY SOCIETIES

**Regulated by the Department of Co-operatives
And Friendly Societies**

**2 Musgrave Avenue
Kingston 10**

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CHAPTER I

CO-OPERATIVES AND FRIENDLY SOCIETIES

1.0 BACKGROUND

The Department of Co-operatives and Friendly Societies was established in 1950 and is an Agency of the Ministry of Commerce, Science and Technology. Its primary function is to execute regulatory and supervisory functions through the administration and enforcement of the Co-operative Societies Act and Regulations (1950) and the Friendly Societies Act (1966).

This mandate makes provision for the registration and cancellation of all Co-operatives and Friendly Societies within Jamaica. In order to ensure however, that there is corporate governance in the administration of these organisations, the Department also carries out most of the functions of development and training for the Services and Producers Co-operatives and the Friendly Societies.

The effectiveness of the Department in executing its role must be demonstrated by ensuring the safety of the Co-operatives' and Societies' assets and the protection of shares and investments of the members as well as the interests of the other stakeholders.

1.1 FUNCTIONS

Key Functions of the Department are:

- i Registration of Societies and their Rules
- ii Inspection and Supervision
- iii Certification of Annual Audits
- iv Investigation into Irregularities
- v Settlement of Disputes by Arbitrations
- vi Conducting of Inquiries
- vii Suspension of Registration
- viii Amalgamation and Transfer of Engagement
- ix Cancellation
- x Dissolution

In addition, the Department monitors and assists the development of the Co-operative Movement in keeping with Government policy.

1.2 SECTIONS OF THE CO-OPERATIVE DEPARTMENT

The Department has three (3) Sections under which its programmes are implemented namely:

1.2.1 Inspectorate Section

This section inspects the affairs of Co-operatives and Friendly Societies in order to determine if they are in compliance with the Cooperative Societies Act Regulations and Rules and that they are using sound business practices. This section also recommends measures for non-compliance or offers technical assistance in order to ensure that the correct procedures are being adhered to.

1.2.2 Audit and Investigations Section

This section audits the accounts, systems and procedures of all registered societies annually and issues certification for the convening of Annual General Meetings. In addition, the Section investigates all reported incidences of fraud or misappropriation in these societies.

1.2.3 Training, Research and Development Section

This section carries out training, promotion, development, research and planning for the Co-operatives and Friendly Societies.

CHAPTER 2

CO-OPERATIVES

2.0 WHAT ARE CO-OPERATIVES

Co-operatives are autonomous associations of not less than ten (10) persons, united voluntarily to meet their common economic, social and cultural needs and aspirations through joint owned and democratically controlled enterprises.

All persons are bona fide members through purchasing of shares and as such, they contribute directly in the decision-making and are owners of the Co-operatives.

Members provide the capital required to operate the business. In some cases, however, in which loan funds may be accessed from other sources, cost of these funds will be borne by the owners/members.

Occasionally there are losses and like any other business, meetings of the Board of Directors are required to be held, and once a year the Annual General Meeting is held.

Co-operatives also operate under certain principles, which make them different from other types of business.

2.1 PRINCIPLES AND GUIDELINES

There are seven principles & guidelines by which Co-operatives put their values into practice. These principles are:

2.1.1 Voluntary and Open Membership

Co-operatives 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

2.1.2 Democratic Control

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

2.1.3 Members Economic Participation

Members contribute equitably to, and democratically control, the capital of their Co-operative. At least part of that capital is usually the common property of the Co-operative. 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 Co-operative, possibly by setting up reserves, part of which at least would be indivisible;
- benefiting members in proportion to their transactions with the Co-operative and
- supporting other activities approved by the membership.

2.1.4 AUTONOMY AND INDEPENDENCE

Co-operatives 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 the terms that ensure democratic control by their members and maintain their Co-operative autonomy.

2.1.5 EDUCATION, TRAINING AND INFORMATION

Co-operatives provide education and training for their members, elected representatives, managers, and employees so that they can contribute effectively to the development of their co-operatives. They inform the general public – particularly, young people and opinion leaders- about the nature and benefits of co-operation.

2.1.6 Co-operation among Co-operatives

Co-operatives serve their members most effectively and strengthen the Co-operative Movement by working together through local, regional and international structures.

2.1.7 Concern for Community

Co-operatives work for the sustainable development of their communities through policies approved by their members.

CHAPTER 3

FORMING A CO-OPERATIVE

3.0 REQUIREMENTS FOR FORMING A CO-OPERATIVE

Requirements for forming a co-operative are as follows:

- i The minimum number of persons required to form a Co-operative is ten (10). The Group should elect a Steering Committee from among its members.
- ii The Steering Committee should be an odd number of persons (i.e. five (5), seven (7) or nine (9)). Thereafter the following documents should be submitted to the Department of Co-Operatives and Friendly Societies:
 - Three (3) error-free copies of proposed Rules prepared by the Steering Committee.
 - Two (2) Application Forms duly completed along with the prescribed registration and processing fees of Two Thousand \$2000.00. (Sample application form is at Appendix 1 & 2)
 - Two (2) copies of Registration Agreement to be duly completed and signed by the relevant officers. (Sample form is at Appendix 3)
 - Project proposal to include business plan, cash flow projections and/or feasibility study over a five (5) year period – monthly in the first year and thereafter annualised.
- iii In addition, the Steering Committee should make itself available for training in Co-operative Management. At the end of the prescribed training, an evaluation is undertaken to determine the group's knowledge on Co-operative Management and Principles.

3.1 CREDIT UNIONS

Credit Unions are specified financial institutions registered under the Cooperative Societies Act and Regulations. Their main functions entail the granting of loans and

accepting of Savings/Deposits from their members/shareholders.

3.3 ESTABLISHMENT OF CREDIT UNIONS

In order to meet the requirements for registration under the Act, the proposed Credit Union is required to have a minimum asset base of \$10m. This standard is to ensure that the credit union has the potential to effectively conduct its financial operations taking into consideration the following:

- i Salaries
- ii Rent
- iii Investment
- iv Utility Bills
- v Stationery
- vi Security

Credit Unions must also fulfill the requirements set out at 3.0

CHAPTER 4

PERFORMANCE STANDARD FOR CO-OPERATIVES

4.0 PERFORMANCE STANDARDS

In order to assist the co-operatives to comply with prudent management practices, the Department in 2001, after consultation with 'key players' in the Producers and Services Co-operatives, introduced the minimum operational standards by which these Societies' performances are measured. These standards are assessed on a quarterly basis from the monthly financial reports that are submitted to the Department. Areas examined include:

- i Accounting and Statutory Records
- ii Reports and Meetings and
- iii Operations of Co-operatives

4.1 ACCOUNTING AND STATUTORY RECORDS

The accounting and statutory requirements are as follows:

- i Cash book to be done daily
- ii Trial Balance monthly
- iii General Ledger monthly
- iv Balance Sheet and Income Statement monthly
- v Bank Reconciliation monthly
- vi Payment of Statutory Deductions, Payroll Deductions, General Consumption Tax by the due dates
- vii Payment of Dues to Tertiary or National Organisations annually or on the due dates
- viii Stock Report monthly; Stock Taking Quarterly
- ix Annual Audit to be completed within six (6) months of close of financial year.
- x Members Register to be kept current

4.2 REPORTS AND MEETINGS

The following are the requirements for reports and meetings:

- i Reports to Board of Directors in advance of meeting days
- ii Board of Directors Meeting monthly or as prescribed
- iii Minutes of Board and other Committee meetings to be prepared and circulated in advance of meeting days
- iv Monthly Supervisory Committee checks
- v Annual General Meetings to be convened annually, within nine (9) months of close of the financial year.
- vi Annual Business Plans/Budgets to be completed no later than sixty (60) days into the new financial year.
- vii Quarterly Returns to be submitted to the Department of Co-operatives within thirty (30) days of the end of the quarter.

4.3 OPERATIONS OF CO-OPERATIVES

The following are the requirements for the operations of a cooperative:

- i Adequate office facilities
- ii Clean surroundings
- iii Job descriptions for all employees
- iv Annual appraisal of employees
- v Appropriate Filing and Records Management Systems

4.4 POLICES AND PROCEDURES

The following are the policies and procedures for the operation of a Cooperation:

- i Employment and Human Resource Management Policy

- ii Credit and Pricing Policy
- iii Risk Management Policy
- iv Investment Policy
- v Authorities Schedule
- vi Accounting Policy
- vii Assets Acquisition and Management Policy
- viii Environmental Policy
- ix Trading Policy (Members & Non-members)
- x Stock Policy
- xi Expense Allowances for Training, Traveling, Meetings, etc (clearly defined/established)
- xii Delinquency Control policy with provisions for bad/doubtful debts

4.5 TRAINING

A minimum of 50% of the Board of Directors and other management personnel should make themselves available for certifiable training approved by the Department of Co-operative Societies. The training should include at least three (3) of the following subject areas:

- i Strategic Planning
- ii Budgeting
- iii Understanding Financial Statements
- iv Co-operative Decision Making
- v Roles and Responsibilities of Directors and Officers
- vi Risk Management

- vii Communications
- viii Report writing
- ix Basic Accounting/Bookkeeping
- x Internal Auditing

4.5 SIGNS OF GROWTH

The following are indications of growth:

- i Membership > 3%
- ii Members Equity (shares) > Inflation Rate
- iii Total Assets > Inflation Rate
- iv Turnover > Inflation Rate

CHAPTER 5

FRIENDLY SOCIETIES

5.0 FRIENDLY SOCIETIES ACT

The Friendly Societies Act makes provision for three (3) types of entities with membership of not less than twenty-one (21) persons each to be registered.

5.1 FRIENDLY SOCIETIES

These societies function as organisations that facilitate assistance to members, their relatives and dependents in one or more of the following ways:

- i The relief or maintenance of members, their families and relatives during sickness, old age or on becoming a widow or orphan;
- ii Insuring money to be paid
 - on the birth of a member's child
 - on the death of a member
 - for funeral expenses of a member's dependent
 - as relief during unemployment or distressful circumstances
 - against fire for tools or implements used by a member in his trade
 - against fire for household furniture
 - in the event of marriage of a member

Examples of these Societies include Burial Schemes and Lodges

5.1.1 Benevolent Societies

Benevolent Societies are established for charitable purposes and are mainly community based organisations to:

- i enhance the creation of community development organisations
- ii make representation and recommendation to the relevant

- authorities for improvement of the community infrastructure
- iii promote, assist and support the creation of a healthy lifestyle for families
- iv foster the creation of job opportunities via skills training.

5.1.2 Specially authorised Societies

These societies can only be established on the authorisation of the Minister, under whose portfolio the registration of Friendly Societies falls. They can be organised for purposes other than societies carrying on the business of banking.

5.2 REGISTRATION PROCESS FOR FRIENDLY SOCIETIES

The criteria for registering Friendly Society include the following: -

- 5.2.1 At least twenty-one (21) persons are required to form a Friendly Society. The group should elect a Steering Committee from its number, which should constitute an odd number of persons e.g. five (5), seven (7), nine (9) etc.
- 5.2.2 Submission of Application Forms in duplicate duly signed by seven (7) members plus the Secretary. Forms are available from the Department.. Upon applying for registration, the group should state whether it is seeking registration as a Friendly, Benevolent or Specially Authorised Society. Sample forms are at Appendices 3 & 4.
- 5.2.3 Payment of the application fee of Two Thousand Dollars (\$2,000.00) (*This fee is subject to change*)
- 5.2.4 The presentation of three (3) error-free copies of the proposed rules.

The Steering Committee should also be available itself for training in Management of Friendly Societies. At the end of the training, an evaluation would be undertaken to determine the group's knowledge of the Management of Friendly Societies and areas of the Friendly Societies Act of 1966.

CHAPTER 6

GENERAL INFORMATION

6.0 INFORMATION ON THE VARIOUS SOCIETIES

At March 2005 there were **27** Co-operatives and 453 Friendly and Benevolent Societies with a membership of approximately 1 million persons under the control of the Department of Co-operatives and Friendly Societies.

Co-operatives, Friendly and Benevolent Societies have been making significant contribution to Jamaica's GDP through income generation, employment creation, foreign exchange earning, information dissemination community development and representation.

Government's wealth creation and poverty alleviation programmes can be addressed in part by the establishment of these organisations. Their inclusive nature and make-up have allowed them to continue to contribute significantly to employment creation through industrial, agricultural and workers co-operatives and credit union financial services.

Sustainable development, social empowerment and enhancement of quality of life in inner city communities and deep rural areas are facilitated through the registration and development of community based enterprises such as Friendly and Benevolent Societies.

6.1 CONTACT INFORMATION

For further information, kindly contact:

Department of Co-operatives & Friendly Societies

Address: 2 Musgrave Avenue
Kingston 10

Tel: 927-4912/ 9276572/9781946

Fax: 9275832

Email: dcfs@inetjm.com

Website: www.dcfsjamaica.org

Appendix I

FORM OF APPLICATION FOR REGISTRATION OF A CO-OPERATIVE

[To be used in case of which no Applicant is a Registered Society under the Co-operative Societies Act]

To the Registrar of Co-operative Societies, Kingston

1. Name of proposed Society:-
2. Area of Operation:-
3. Object of proposed Society:-

4. Is Limited or Unlimited Liability desired:-
5. Qualifications for Membership:-

6. Name, telephone number and address of Secretary

7. Name and telephone number of contact person

8. Address of proposed Society

Appendix I

We the undersigned, do hereby certify that each and all of us have attained the age of sixteen years and possess, the qualifications proposed for membership in (5) above, apply that the above Society may be registered as a Co-operative Society under and in accordance with the provisions of the Co-operative Societies Act and the Regulations made thereunder.

We attached hereto three (3) copies of the proposed Rules of the Society duly signed by us.

Dated thisday of

NAME (BLOCK LETTERS)	SIGNATURE OR MARK OF TEN (10) MEMBERS	ADDRESS

I certify that I have read the foregoing to those applicants who are unable to read and that they have signed that they fully understood before setting their marks thereto.

Witness to Marks

Signature of Secretary

Appendix 2

REGISTRATION AGREEMENT
FOR
APPLICANTS SEEKING REGISTRATION
UNDER THE CO-OPERATIVE SOCIETIES ACT

We the members of the Steering Committee of the
..... Group do hereby agree to carry out the
following in respect of our desire to register the aforementioned group under the Co-
operative Societies Act: -

1. Submit to the Registrar of Co-operatives within forty-five (45) days of the date of this agreement a business plan and/or a feasibility study according to the full specifications of the Registrar unless this requirement or any part thereof is waived by him.
2. Submit to the Registrar of Co-operatives two (2) properly completed application forms signed by at least ten (10) persons, witnessed and dated, accompanied by the prescribed registration fee.
3. Submit to the Registrar of Co-operatives within sixty (60) days of this Agreement three (3) error-free copies of the proposed Rules of the Society.
4. Acquire basic knowledge of Co-operative Administration and the Act and be successfully evaluated by the Registrar of Co-operatives or his representative.
5. Collect within ninety (90) days of the date of this Agreement after submission of all requisite documentation and criteria has been fulfilled, registration package including registration certificate.

Appendix 2

Provided that should the applicants fail to meet the above requirements the Registrar shall have the right to withdraw the relevant file, and advise the group of its option to enter into a new agreement.

Signed by the following members of the

Steering Committee on: the day of.....

.....

President / Chairman

Vice Pres. / Vice Chairman

.....

Secretary

Treasurer

.....

Steering Committee Member

Steering Committee Member

.....

Steering Committee Member

Steering Committee Member

.....

Steering Committee Member

Steering Committee Member

Appendix 3

REGISTRATION AGREEMENT
FOR
APPLICANTS SEEKING REGISTRATION
UNDER THE FRIENDLY SOCIETIES ACT

We the members of the Steering Committee of the
..... Group do hereby agree to carry out the following in
respect of our desire to register the aforementioned group under the Friendly Societies

Act:-

1. Submit to the Registrar of Friendly Societies within forty-five (45) days of the date of this agreement a Project Proposal/Development Programme according to the full specifications of the Registrar unless this requirement or any part thereof is waived by him.
2. Submit to the Registrar of Friendly Societies two (2) properly completed application forms signed by at least twenty-one (21) persons, witnessed and dated, accompanied by the prescribed registration fee.
3. Submit to the Registrar of Friendly Societies within sixty (60) days of this Agreement three (3) error-free copies of the proposed Rules of the Society.
4. Acquire basic knowledge of Friendly Societies Administration and Law and be successfully evaluated by the Registrar of Friendly Societies or his representative.
5. Collect within ninety (90) days of the date of this Agreement, Registration package including Registration Certificate.

Appendix 3

Provided that should the applicants fail to meet the above requirements the Registrar shall have the right to withdraw the relevant file, and advise the group of its option to enter into a new agreement.

Signed by the following members of the

Steering Committee on the day of

.....
President/Chairman

.....
Vice President/Vice Chairman

.....
Secretary

.....
Treasurer

.....
Steering Committee Member

.....
Steering Committee Member

.....
Steering Committee Member

.....
Steering Committee Member

.....
Steering Committee Member

.....
Steering Committee Member

Appendix 4

APPLICATION FOR REGISTRATION OF A SOCIETY

TO: The Registrar of Friendly Societies

1. Name of Society

.....

Address

.....

Contact Person.....

Telephone #.....

2. No. of Members of Society

(List of Names of not less than 21 members attached)

3. Signature of 7 Members & Secretary

No.	Names (Block Letters)	Signature or Mark	Address
1.
2.
3.
4.
5.
6.
7.

Secretary

Address

Appendix 4

1. Enclosures:

- (A) 1. Three copies of the proposed Rules of the Society.**
- 2. A list of the Names and Addresses of the Secretary, Treasurer and every member of the Governing Body.**
- 3. The prescribed Registration Fee.**
- (B) 1. 'Where a Society has Branches, the application for Registration shall be accompanied by:-**
 - a. 'A list of all the branches, and notice of the place where the registered office of each Branch will be situated.**
 - b. If the Rules of all the Branches (in this Act called Branch Rules) are intended to be identical, a statement to that effect and four copies of the Rules of each Branch.**
- 2. A Society having a fund under the control of a central body to which every Branch is bound to contribute may be registered as a single Society.**

Names of Society or Branch

.....

Parish

Registered Office

Post Office of Society

List of Names of All Officers of the Governing Body, and Office held by each.

Appendix 4

Names of Officers	Signature	Office Held

Secretary _____

Date _____

Appendix 4

LIST OF NOT LESS THAN TWENTY-ONE (21) NAMES OF MEMBERS REQUIREMENT NO. 2

1. _____
2. _____
3. _____
4. _____
5. _____
6. _____
7. _____
8. _____
9. _____
10. _____
11. _____
12. _____
13. _____
14. _____
15. _____
16. _____
17. _____
18. _____

Appendix 4

19. _____

20. _____

21. _____

Secretary's Name _____

Date _____