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Co-operatives in the Republic of Uzbekistan

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ABSTRACT

The development of farmers' producer co-operatives, in the private sector, can make a significant contribution to the improvements that are urgently required in agricultural production of Uzbekistan. Farmers' co-operatives can provide input-supply, marketing and processing operations in the private sector.

In this report, relevant areas within the agricultural sector were reviewed, constraints identified and recommendations made for the future development of farmers' co-operatives in Uzbekistan.

**** Abdukakhkhor Abduganiyev was a visiting research fellow in the Department of Agricultural Economics, August-November 1999. This research was done in conjunction with Food and Agricultural Policy Advisory Unit, ministry of Agriculture of the Republic of Uzbekistan.**

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1. INTRODUCTION

Uzbekistan's agricultural input supply, output marketing and processing is mainly controlled by the current state system. Government controls all the key functions from inputs of fertiliser and agrochemicals to supply of machinery services by way of government associations. Crop production and prices are fixed by state orders for cotton and wheat, which contributes to over 90% of the agricultural production. Overall production has reduced over recent years due to lack of investment and incentives and state control. There is now a need to develop the private sector, in order to encourage private farming, traders and farmers' co-operatives.

The development of farmers' producer co-operatives, in the private sector, can make a significant contribution to the improvements that are urgently required in agricultural production. Farmers' co-operatives can provide input-supply, marketing and processing operations in the private sector.

This report only deals with agricultural input, marketing and processing co-operatives as distinct from agricultural production co-operatives, (shirkats).

Objectives of the Study

The objectives of this study are:

1. To review the current situation with regard to private farmers' co-operatives for the supply of inputs, provision of services, marketing and processing of outputs.
2. To identify the constraints, which may limit the future development and recommendations for farmers' co-operatives.
3. Recommend the legal, institutional and operational requirements necessary to support the development of farmers' co-operatives in Uzbekistan.

Methodology

Over the period of October to December 1998, FAPU consultants and local experts conducted a series of meetings, which included several departments within the Ministry of Agriculture and Water, together with visits to a number of Oblasts and Rayons. Meetings were also held with the Institute of Market Reform, Association of Dekhkan & Private Farmers, the supply associations, including agrochemicals and machinery and existing farmers' co-operatives.

This report is produced in close collaboration with the Tacis projects in the Fergana Valley (IAFID) and the Samarkand Oblast. During visits to these projects, the progress they have made in the setting-up of small producer groups and farmers' co-operatives was reviewed. Their help, support and recommendations are very much appreciated. Copies of the statutes and model rules of the local producer groups and farmers' co-operatives are annexed to this report.

Structure of the Report

In this report, relevant areas within the agricultural sector were reviewed, constraints identified and recommendations made for the future development of farmers' co-operatives in Uzbekistan.

- Farmers' Co-operatives – a summary of basic principles
- Farmers' Co-operatives versus Agricultural Production Co-operatives
- Current situation in Uzbekistan
- Review of existing co-operatives
- Statutes
- Constraints
- Conclusions
- Recommendations

2. FARMERS' CO-OPERATIVES

2.1 Introduction-What is a Co-operative?

A summary of basic principles

A farmers' co-operative is a private company that belongs to the farmer producers, the members, and aims at providing a range of services and operations for its members, with a view to improving the members profits from their own farming activities. As a basis for co-operatives, there is a willingness of a group of like-minded producers for some common commercial objectives and activities.

A Farmers' Co-operative is set-up by a group of members as a private business under the local enterprise or company laws and regulations of that country.

A co-operative should follow certain basic rules, in order to be a strong agricultural business in the market:

- Members have to undertake and fulfil certain commitments of activity with their co-operative.
- Members have to purchase shares in proportion to their activity with the co-operative.
- Co-operatives are managed by elected boards composed of producer members. They appoint, if necessary, an executive manager and a team of salaried staff. The executive manager and staff operate strictly under the producers' control, through the policy and strategy set by the elected board.
- At the end of the year, the financial surplus is distributed among the members in proportion to their activity they have had during the year, in the form of

product rebates or discounts on purchased inputs or bonuses on sold commodities. The board of elected members decides on the level of bonus and share distribution on annual basis.

(see annex for full description of co-operative principles)

Farmers’ Co-operative versus Agricultural Production Co-operative

The activities of an agricultural production co-operative are the purchase of inputs, marketing or processing of outputs or the provision of service. In the West, farmers’ producer co-operatives are seldom engaged in agricultural production. In Uzbekistan, however, the agricultural production co-operative (shirkat) is the main form of co-operative. The difference is set out in Table 1.

Table 1. Comparison between a Farmers’ Producer Co-operative and a Production Co-operative (collective farm)

Production co-operative (collective farm)	Farmers’ producer co-operative
The members work on the collective farm	Members work on their own farm, not in the co-operative
Members pool together all their means of Production: work force, shares of land, Shares of equity	The members pool together the results of their activities. e.g. their produce to be marketed or processed and /or their means of production. They never pool their land or work force.
Members earn their money in the form of Wages or dividends from the collective farm	Members earn their money from their own farming activities The co-operative, through its services is a means to increase these earnings.
Collective farms have proved to have a low efficiency. In market economy countries this Model does not exist, except for very small farming groups, which bring together two or three small families	These co-operatives have proved their efficiency in Europe and the rest of the developed world.

2.2 Current situation in Uzbekistan

Legislation on Co-operatives

The legal basis for co-operatives in Uzbekistan is:

the Law of 14 June 1991 “On the Co-operative” (O Kooperatsii) as amended 28 December 1993 and 29 August 1998;

(The law “On Agricultural Co-operatives” of 30 April 1998 (effective 1 July 1998) provides for agricultural production co-operatives and therefore it will not be discussed here)

General Provision

The 1991 Law “On the Co-operative” (O kooperatsii) provides the general basis for the operation of different types of co-operatives. According to the Law, a co-operative is based on the following principles:

- co-operation of its members
- a collective form of ownership
- voluntariness of its members regarding the entry into membership and exit from the co-operative.
- participation of the members in the management of the co-operative
- the pursuit of purpose in various fields of economic and social activity
- equal treatment of a co-operative (equal with other legal and organisational forms of business)
- independence and autonomy of the co-operative in the pursuit of its objectives under its charter, i.e. non-interference by state bodies or local administration.

Types of Co-operatives

The Law distinguishes the following types of co-operatives:

- production co-operatives, including agricultural production co-operatives
- consumer co-operatives
- mixed production-consumer co-operatives
- co-operatives “for the satisfaction of housing, services and other social needs of its members”

Commercial and non-commercial operations of co-operatives

The only legal form of “input and output” co-operative (pursuing the gaining of profits i.e. commercial organisation) in agriculture seems to be the legal form of production co-operatives. The Law “On Enterprises in Uzbekistan” is deemed to apply equally to co-operatives under the “Law on the Co-operative”, in particular, with regard to “general legal, economic and social fundamentals of the establishment, operation, reorganisation and liquidation of all types of co-operatives and their business associations”. As a result, co-operatives are subject to the general law on enterprises.

Rights, Duties and Liabilities of members of a co-operative

These rights and duties are broadly in line with Western practice. A distinction is made for members of a production and consumers’ co-operative. Members of a production/consumer co-operative shall have full liability for all debts of the co-operative.

Management of the Co-operative

Article 9 lists the various management bodies of a co-operative: general meetings as the supreme body; a chairman or a board; and internal auditors.

Note:

It is worth mentioning here that in some countries of Western Europe, it is possible to set-up a private farmers' co-operative business under local enterprise or company law. There does not necessarily need to be a specific co-operative law to enable a business to be formed. For example, in Denmark (a member of the European Community), 90% of all agricultural input supply, processing and marketing is in the form of agricultural farmers' co-operatives. They have no co-operative law in that country. All private businesses in Denmark are registered and operate under their country's enterprise/companies' Law.

Review of Existing Co-operatives

Marketing & Processing Co-operatives

Two milk-processing operations were visited during the research phase of the report in order to identify current structures, obtain certain information and to consider the future role for small producers in milk processing operations.

The first plant visited was a Joint Stock Company Dairy processing plant in Djizak. Approx. 90 independent milk producers, of varying sizes, currently supply the dairy. The plant operates in two shifts, processing a total of 60 tonnes of milk per day. The Joint Stock Dairy Company was visited, in order to establish if it would benefit from the setting-up of local milk producer co-operatives. It had been identified that one of the current issues causing production problems at the dairy was lack of consistent milk supplies. This was due to the local milk producers selling their milk in local markets for higher prices. The dairy is working at less than full capacity and therefore needs to purchase dried milk powder, in order to supplement its production.

The Djizak dairy produces 20 different milk products for the local markets. The dairy also offers advisory services on milk quality and hygiene standards to local milk suppliers. One of the main problems for the dairy is the control of milk quality and hygiene levels from the large number of very small, 2-3 cow units. One solution accepted and welcomed by the management and discussed in some detail, is the setting-up of local "milk producer co-operatives", which would contract with the dairy to supply an agreed volume of milk of certain quality and hygiene standards to the dairy on an annual basis. Both dairy farmers and milk processor would benefit from this arrangement by increasing not only the regular supply of milk, but also by the improvement in milk hygiene standards, milk quality and hence profitability. This co-operative structure would be based on the Marketing Co-operative Model, (see annex 2.2)

The second milk processing operation studied was the Tashlock Co-operative Dairy in the Fergana Oblast, which had been set-up under a previous Tacis project. The Tacis project provided significant investment in plant and machinery for milk processing and cheese production. This private dairy business is a totally independent milk-processing co-operative with currently 9 Milk Producer members. It produces cheese of the Dutch Gouda type for local Uzbekistan markets. This farmers' co-operative has retained the Fergana Union of Co-operatives as management consultants to the business. This model has much to offer small dairy farmers and therefore could be promoted and replicated in other regions of Uzbekistan.

However, there are concerns regarding possible future development of this Tashlock Dairy Co-operative, which could also be very relevant to other new Milk Processing Co-operatives, as they prepare to set-up in the future. These concerns are:

(1) Effective Farmer Boards and the employment of the Executive Management.

Co-operatives need to elect boards of the highest possible calibre, in order to develop an effective business policy and carryout strategic planning. Many private businesses (farmers' co-operatives or investor lead) have failed because of a weak and ineffective board. Due to lack of control of the board, the previous chairman of Tashlock dairy co-operative allegedly seriously defrauded the Dairy. Therefore, it is of paramount importance, that the members of the board of the co-operative are elected on the basis of experience, knowledge, skills and the contribution they can make to the farmers' co-operative board.

The Executive manager also performs an extremely critical role in the success of the business, as the manager needs to have the ability to understand the farmers' production issues, milk processing and the introduction of a range of milk products into new markets. This person must also develop a strong partnership with the Elected Chairman/President of the co-operative, even though the Executive Manager may have a place on the board.

(2) Availability of hard currency for both current and future investment in plant, spare parts and servicing.

The existing Tashlock Dairy Co-operative has had major problems in obtaining hard currency and import licences for critical spare parts in order to maintain their existing plant production. This in turn has caused serious product supply problems to their existing customers, whom they are in fear of losing if they are unable to obtain the necessary spare parts. If new and existing dairies are to develop and flourish in the private sector, capital will be required from either manufacturer's credit or from the banks. Future investment in dairy processing equipment will require hard currency.

(3) Attracting "new member" milk producers

The Tashlock dairy recognises the need to grow their business by attracting new milk producing members. However, they are not confident about increasing the number of milk producers. This is because of the future

uncertainties, in terms of capital availability, interference from local authorities and their ability to develop new markets and to acquire new customers.

(4) Raising capital for future expansion.

All businesses in Uzbekistan, particularly agriculture, raising capital is one of the most critical issues as the privatisation process develops. Attracting capital, both short and long term, for small processing co-operatives and other SME's can be spread between manufacturers' credit, banks, and co-operative members and possibly from the Association of Dekhkan & Private Farmers Development funds.

Statute of the Union of Dairy Co-operative - Tashlock

Other small processing operations were also visited at the Agrifirm, in Besharik, which included fruit & vegetables bottling, leather and ilk production and carpet weaving. It emerged from discussions that due to inadequate planning, shortage of raw materials, lack of spare parts and other resource problems, production had to stop during part of the year. In these rural areas, there will be an increasing need, even within the Agrifirms, to encourage and provide incentives for local processing and craft development, as unemployment becomes more of an issue in the future. A member-based model (workers' co-operative) could be developed to encourage the development of these rural craft trades for the overall benefit of the Agrifirm and the local community, (reference annex 2.3).

In the Samarkand Oblast, under the supervision of the local Tacis team, small "embryo" vegetable producer groups have been formed in four of the Rayons, under the democratic leadership of a local Chairman, in order to co-ordinate the groups operations. Some simple joint contracts to supply certain vegetables to local businesses have started, with positive outcomes. These groups have decided that the next stage in their development is to start a producer group development fund in order to raise capital from members in order to buy machinery, invest in simple grading equipment and fund the hire of a local store. This will not only enable them to carry out joint storage, product grading, packing, haulage and distribution to the customers direct, but also develop a sense of loyalty and partnership within the group.

These pioneer groups will eventually become marketing co-operatives and therefore urgently require skills development, particularly in the areas of co-operative structures, business management, marketing and agronomy. Some of these groups are, however, considering employing their own agronomist and marketing specialist, who were previously trained and developed as field advisers under the existing Tacis programme. This marketing co-operative model is best suited to the large numbers of small private fruit and vegetable growers, who over the past two years have been granted up to 1.0 ha of land.

Service Co-operatives

Machinery rings

Under the control of the Fergana Union of Co-operatives, a number of Machinery Rings operate in the Fergana Valley. These 16 small machinery rings pool all their

machinery resources and collaborate in sharing access to plant and machinery across the membership. The Union of Co-operatives assists in both supporting their operations, acting as a management resource, promoting their activities and providing advice on legal and other issues. The statutes under which these Machinery Rings operate are based on the Western European Model. This model of a member-based co-operative service, in a country where machinery supply and availability is a serious problem and timing of operations is critical, could easily be replicated as a model in other Oblasts and Rayons. Again this co-operative model is ideally suited to the small private farmer sector.

Machinery Parks

Machinery Parks are quite different from the Machinery Rings as described in the previous section. Machinery parks are formed by the collective farms with support of government.

Machinery Parks have been set-up in each rayon, as a result of major government restructuring, in order that major equipment, such as combines, tractors and cotton harvesters are controlled and operated as a “fleet” in each rayon, servicing the collective and private farms for these key operations. The government centrally controls all the decision-making process for future investment and the purchase of new equipment for the locally based machinery Parks through the machinery association. The association charges a commission of between 10% & 20% on the new equipment supplied, in order to cover their administration and overhead costs. The machinery association emphasises that there exists a serious problem with the ageing and shortage of key machinery through lack of service, spare parts and overall investment. As a result, crop performance is seriously effected, due to lack of timely operations on all farms.

Credit Unions/Input supply Co-operatives

The newly formed Credit Union (which also acts as an Input Supply Co-operative) of Fergana, demonstrates that farmers can join together to form a group in order to access finance for short term working capital and medium term credit, so that they can purchase their necessary farm inputs. The members are also encouraged to invest profits or surpluses from their business operations in the Credit Union. The Credit Union is made up of some 60 farming members, covering 6 Rayons. It has a democratically elected board of 7 farmer members, including an Executive Chairman. It also offers privilege credit to certain types of disadvantaged members. The critical mass of membership in this type of co-operative is extremely important and needs to be calculated on the basis of the commission income needed to cover the overheads and administration costs. This model is ideal for replication and could form the basic structure for an Input Supply/Credit Union farmers’ co-operative in other Oblasts. However, there maybe the need for some initial “pump priming” funding. The Credit Unions Model Statutes are attached in the Annex 4.

Statute of the Credit Union/Input Supply Co-operative

Multi-purpose Co-operatives

Over 123 Agricultural Co-operatives are now set-up and registered under the Association of Dekhkan & Private Farmers. They are divided into 64 Agricultural Production, 26 Input Supply, 17 Marketing Operations and 21 others providing Services. Members are required to invest a certain level of capital on joining. These co-operatives are formed under the Association of Dekhkan and Private Farmers and are very much in the early stages of development (less than 1 year). This form of co-operative bears no resemblance to the member based western model.

In the future, it is the intention of these Co-operatives to develop an input supply network and marketing operation for local Private Farmers. However, a major problem exists in the overall operational area, in that there is still much central and local control by the authorities. To expand these new business operations, credit from manufacturers and suppliers, as well as loans from banks, is required. These loans may also in future become available from the local Business Development Funds. These co-operatives have already experienced great difficulty in developing export markets, especially for vegetables, canned and dried fruit to Russia, Kazakhstan and Ukraine. These problems are mainly due to transport costs, local bureaucracy with the authorities and securing payment. All of these newly formed co-operatives require to be registered with the local Khokimiat.

2.3 Agrifirm

Although Agrifirms are not co-operatives, they are basically described here since they have some co-operative status. Agrifirms are experimental institutions established by the Ministry of Agriculture and Water in three cotton growing districts with the objective of providing co-ordination in production, inputs supply, processing and marketing. On the request of the Ministry, FAPU evaluated the activities of these Agrifirms in 1997 and recommended that the Agrifirms in their present structure should be abolished.

The proposed alternative structures for the Agrifirm or Agri-Industrial Complex proposed in recent reports by the Institute of Market Reform, offer no real new solutions. They only provide for more of the same central control in some “new” structure, without giving any clear indication of how any new investment, management control and autonomy might solve this current situation. The report recommends for more collaboration and integration of the chain, with state control, rather than “Co-operation”. The approach and principles of vertical integration, from primary producers, through processing to co-ordinated direct marketing is accepted. However, there are no real incentives for participating partners, with revenues of the total operation being centrally divided over partners in relation to overall costs incurred by them, (based on norms).

Statutes

Comments on the Statutes of the Tashlock dairy are:

- **Members’ Eligibility:** It is not clear in the statute whether members must be a milk producer. It is therefore recommended that it be stipulated that members must be dairy farmers.
- **Article 37: Applications for membership:** This article should specify whether applications for membership should take the form of a simple submission from

the potential member to the executive board or should be proposed and seconded by existing members. A final sentence in Article 6, regarding the members register, should also include details of the members' financial status and not only the "amount of shares", i.e. bonus accumulation or appropriate name should be included.

- Article 7: Members Agreement: This should cover, in more details, the milk contract with their dairy co-operative, such as milk quality, volumes, hygiene standards etc. It should also make clear that producers cannot be members if they do not enter into a Members Agreement.
- Article 8: If special termination is allowed, it should be made clear that the existing member remains responsible for all their residual liabilities.
- Article 11: Member contributions: Membership should only become valid if the member pays their dues within so many days of their application being accepted by the executive board.
- Article 14: Members' representatives, having been confirmed by the executive board, should acquire full voting rights.
- Article 16: When the executive board facilitates share transactions between members, how are the shares valued? There is no reference to this important point.
- Article 19: How are general meetings convened? There should be an obligation for the executive board to give a specific period of notice – normally 21 days.
- Article 20: Agendas should always include an item covering the current financial status of the co-operative. Six weeks is a long time for advanced notice of points to be raised. Two to three weeks is normal.
- Article 30: A member appointed to the executive board temporarily should have full voting rights. This should be mentioned under Article 30.
- Article 34: No obvious mention is made of the recording of the general proceedings of the executive board. There should be an obligation to maintain a record in the form of a "Minute Book", which the members have the right to examine.
- Article 35: There are certain important responsibilities of the executive board that are not listed under Article 35. These include the overall responsibilities for the financial viability of the co-operative, strategic planning, monitoring of performance and approval of the business plans.
- Article 44: In the event of the co-operative being wound up, there should be a statement under Article 44, to the effect that any residual surplus should be allocated to members, based on a pro-rata to the volume of milk supplied to the co-operative, (possibly an average of the passed five years).

Comments on the statutes of the Credit Union are:

The Credit Union statutes have been well drawn up in line with international standard co-operative model rules and members agreements. However, on closer examination, there are a number of comments.

- Article 7: It is not made clear in the statutes, which person(s) has the ultimate responsibility for the overall viability of the Credit Union. Reference is made to the role and responsibilities of both the Elected Board and the Executive Director, but it is not clear where the ultimate responsibility lies.
- Article 7 & 8: The statute also is unclear in the area of responsibility for the “Income & Expenditure” budget. Who prepares the budget and how is it agreed and by whom?
- Article 10: No mention is made in the overall statute what happens in the event of the Credit Union being “wound up”. What happens to any surplus? How is the surplus distributed? Who is responsible for any accumulated liabilities if the Credit Union goes into liquidation?
- Article 9: No details are provided in the statutes regarding the loan and deposit agreements between members and the co-operative. Although these do exist, a brief summary should be included in the overall statute, regarding the members’ agreements.

3. CONSTRAINTS IN DEVELOPING FARMERS’ CO-OPERATIVES

Dominant role of government in input supplies

Government, through local and national co-ordination, controls the supply of key inputs, such as fertilisers and agrochemicals. Despite recent government decrees, the Association of Dekhkan and Private Farmers are finding it increasingly difficult to access adequate and timely supplies of these key inputs. This is having significant effects on the production levels of all crops for private farmers. It is therefore necessary to encourage private business to provide competition, competitive pricing and better service by supplying these key inputs, as part of the process of freeing up the market. Private traders and input-supply farmers’ co-operatives could provide this service. This would necessitate them buying the inputs freely on the open market, either direct from manufacturers within Uzbekistan or from importers. Input Supply Co-operatives could be established according to the model detailed in Annex 2.1

Lack of Credit, loans and investment

One of the biggest problems in agriculture is the lack of access to short and long term credit. This issue will also seriously effect the short-term possibility of private farmers forming agricultural co-operatives as well as the long-term viability of these models of business. In order to set up a farmers’ co-operative, future potential members will be required to invest certain funds from their own business in the form of shares in the co-operative. This is as well as arranging loans for the co-operative, both short and long term, from the banks. The situation is further exacerbated by non-transferable leases, which cannot serve as collateral for the

loan. Business and co-operative development in the private sector is also being restricted due to the lack of confidence in accessing money from the banks in normal business practice.

Interference in the free market mechanism.

Private farmers, some 22,000, have very little freedom to make their own farming and business decisions, due to state control and interference by local authorities. The local authorities still influence the crops grown (state orders) and the price paid. Even their own organisation of Dekhkan & Private Farmers has been set up with state support and government decrees, much of which is still to be implemented.

Until more autonomy, less bureaucracy and a freer market situation exist, it will be extremely difficult for private farmers' co-operatives to develop. One of the critical factors contributing to successful businesses, whether on a local or nationally basis, is the importance of providing the right incentives at both personal and business level. It is evident from our discussions, that very little incentive in developing private co-operative business is being offered. In fact, there are many obstacles preventing or discouraging individuals or groups of entrepreneurs to form farmers' co-operatives.

Limited Export Market access.

One of the keys to the future success of Uzbekistan's agricultural economy is the development of and access to international markets. This is already being achieved in a small way by the private farmers association in the Fergana Oblast. However, in order to set up export contracts with potential customers, there is at present the enormous bureaucracy involved with the requirement to complete some 18 documents, most of which are for different state departments, some simply duplicates, but all causing significant demotivation by the exporting group(s). This again is a classic example of government discouraging entrepreneurship in the private and co-operative sector. Export licences need to be granted, however, the state need to look at the process, which is placing unnecessary paper work and time wasting on the applications.

Lack of Hard currency for imports

As already mentioned earlier in this report, (see section 3.2.1 paragraph (2)) under the development of the Tashlock dairy and other similar businesses, there is a critical "logjam" when it comes to accessing hard currency by small private businesses and co-operatives. Government urgently needs to review the procedure for access by SMEs to hard currency for the purchase of new equipment, servicing and spare parts.

Insufficient training and development of skills.

A wide range of skill development across a broad front is required within the agricultural industry. Even though there is the commitment and enthusiasm for the setting up of agricultural farmers' co-operatives in certain sectors, it cannot be achieved without considerable investment in Human Resource Development.

4. CONCLUSIONS

The Law

The 1991 Law “On the Co-operative” provides the basis for the operation for farmers’ co-operatives. There are therefore no restrictions for setting-up or operating a farmers’ co-operative under Uzbek Law.

Co-operative types

Marketing & Processing

The dairy co-operative (Processing Co-operative) requires a better overall management structure and a stronger investment strategy, in order to expand and attract further membership. Similarly, the fruit and vegetable sector (Marketing Co-operative) is at the “cross-roads” in terms of future development. The producer groups require guidance in business development, financial support and the increase in overall numbers of members, in order to form marketing co-operatives.

Machinery Rings

The machinery rings (Service Co-operative), with a typical simple structure are operating and providing a much needed service to the local private farmer sector. However, the whole area of machinery “parks” requires significant investment and restructuring, in order to supply the necessary and much needed service to collective and private farms. The government, by way of its central control through machinery association and its investment in new plant and machinery, one could ask the question, “are they a future possible solution for the private sector?” There is also the possible problem of hidden debts in any privatisation.

Credit Union/Input Supply

The credit union/input supply (Input Supply Co-operative) demonstrates one of the more successful developments in terms of structure, management controls, operational issues and member benefits for a co-operative. The strong executive management, together with the board, conducts an extremely efficient business, with excellent controls and a high quality of support staff.

Multipurpose

The new multipurpose co-operatives set-up under the support of the Association of Dekhkan and Private Farmers are not operating under any western co-operative model. These businesses are offering an opportunity for private entrepreneurs to set-up production, input supply, storage and marketing businesses with some financial support from the association. It is unlikely that they will become formal member based farmers’ agricultural co-operatives in the short term. They are, however, providing a useful growth of businesses in the private sector.

Agrifirms

The current situation with the Agrifirms has not changed. As stated in a previous FAPU report, this structure of agri-business does not work and should therefore be abolished.

Statutes

The current statutes are based on the Western model of co-operatives following previous Tacis and other international technical assistance projects. There are however areas where omissions have been identified that requires attention in order to strengthen and meet international business standards for the statutes. These relate mainly to the stipulations that cover members' agreements and share allocation. In other cases, it would also improve the overall governance of the co-operative if more attention in the statutes was given to convening of the meetings and the records, which need to be kept.

Constraints

Problems in certain key areas figure prominently in the overall analysis of the issues restricting the current privatisation process and the movement towards private businesses and farmers' co-operative development in Uzbekistan. The areas, which are of particular importance, are the availability of adequate credit, both short and long term, human resource development, the free market mechanism at "grass roots" level, and export opportunities. All these contribute to the stranglehold and stifling of entrepreneurial activity in the private sector.

- Dominant role of government in input supplies
- Lack of credit, loans and investments
- Interference in the free market mechanism
- Limited export market access
- Lack of hard currency
- Insufficient training and development of skills

5. RECOMMENDATIONS

Legal

Member Liability:

This could be a problem in the development of farmers' co-operatives under current legislation. In many European countries, for example, co-operatives have a choice with regard to the degree of liability. It is therefore recommended that the individual members' liability is based on the amount of the share contribution;

One man – one vote:

Under the 1991 Law, decision-making is made on the basis of the principle of “one man – one vote” irrespective of the amount of the contribution of each individual member. It is recommended that this is the most appropriate system for the development of farmers’ co-operatives in Uzbekistan.

Institutional

Develop an independent central apex organisation for Farmers’ Co-operatives, in order to support the newly formed and expanding co-operative sector.

As the private sector develops, it is recommended that each sector of co-operatives (Milk, Fruit & Vegetable, Livestock & Arable), form a central organisation for farmers’ co-operatives. This central apex organisation will assume the role of representing all sectorial and types of co-operatives at national level. The function of a central organisation is to provide a two-way communication between the “grass roots” local private co-operatives and government in the areas of agricultural policy, pricing and price support, market information, import and export issues, legal and business development issues. The central organisation would also offer other complimentary services and advice for those “like-minded” farmer/producers, who need assistance and advice on statutes and model rules in setting-up a new co-operative. Under the umbrella of this central organisation, it is also recommended that a National Co-operative Advisory centre be set-up as part of the central organisation. This would extend the range of services offered to regional and local co-operatives. The cost of operating the national organisation would be by local affiliation fees charged to each co-operative and supplemented by direct fees payable by the local co-operatives for specific extra consultancy and advice outside the normal representation role. Each Chairman/President of the local rayon co-operative would represent local views as well as feed back current national and regional policy on legal, institutional and market issues.

Strengthening and modification of current Statutes

It is recommended that changes be implemented in order to improve and strengthen the democratic operations of these farmers’ co-operatives. These proposed changes will provide better business controls at all levels by introducing procedures for both the Executive Board and for the Executive Management. Changes are required in providing more details of members’ agreements, share allocation and the convening and recording of official meetings.

Co-operative Development

Financial & Tax Incentives

Government needs to provide incentives in order to develop Small & Medium Enterprises (SME’s), including private farmers’ co-operatives.

In current developed economies, where farmers' co-operatives thrive, there are a number of incentives for these co-operatives. They revolve around the reduction of business taxation for private co-operative businesses. Tax is normally not paid on the annual profits/surpluses of the co-operative until it is distributed to members in the form of shares or bonuses. In other words, the co-operative is deemed to be an extension of the farmer members' business. Therefore, this aims to encourage members and their boards to reinvest in the co-operative's future, as well as putting aside a certain level of reserves for possible bad debts.

Small Business set-up financial support

Incentives could also include small business set-up grants, easier access to export licences, investment loans, capital grants, and staff training credits. Improved access to export markets and hard currency will sustain the development of local private co-operatives, processing investment, servicing and the supply of spare parts. This will be further enhanced by the reduction in bureaucratic form filling procedures and local authority interference.

Alleviating Constraints

Human Resource Development for Co-operative Businesses

It is critical at an early stage of any development, to invest in improving the skills, ability, motivation and overall commitment to this process of change. It is therefore strongly recommended that one of the first priorities is the identification and development of future co-operative leaders and members in basic business administration, corporate governance, co-operative statutes as well as the role and benefits of setting-up agricultural co-operatives. One of the services of the proposed co-operative central organisation will be to research, develop and implement the necessary training programmes for future co-operative leaders in collaboration with the Association of Dekhkan & Private Farmers.

Promote the development of Service Co-operatives for private farmers in the Arable and Livestock sectors.

There is a need for the development of agricultural Service Co-operatives, (e.g. Cold Storage for fruit and vegetables) in the private farming sector. This will provide private farmers with the ability to store product over a longer period in order to access markets at possible higher prices.

Promotion of Farmers' Co-operatives

Promote and expand the existing farmers' co-operatives in Dairy, Machinery and Credit Union sectors.

The Association of Dekhkan & Private Farmers is the most appropriate organisation to promote these existing successful models. This can be achieved by the activities of local meetings and association newsletters. Promotional materials can be prepared, at minimal cost, in order to illustrate example outline statutes, members agreements and operational issues in setting-up farmers' co-operatives.

It is also recommended that government release its dominance of the current state system of supplying key inputs of fertiliser and agrochemicals to both state and

private farmers. This would be another significant step towards a freer market, thus ensuring the development of private farmer input supply co-operatives.

Farmers/Producers should develop private processing co-operatives in the Milk, Fruit and Vegetable, Cotton, Wheat and Wine sectors, to ensure they move up the “added-value” food chain.

The Association of Dekhkan & Private Farmers should encourage “like minded” groups of farmers, with similar outlook, to form processing co-operatives. The Association will act as a facilitator and catalyst, in order to promote the ideas that producers need to come together to strengthen their overall position as private farmers in a competitive free market. The association will also help in the identification of credit lines, assist in the process of identifying leaders in the community and provide advice on legal issues.

ANNEX 1. CO-OPERATIVE PRINCIPLES

The International Co-operative Alliance (ICA) has agreed an international definition for a co-operative.

DEFINITION: A co-operative is an autonomous association of persons united voluntarily to meet their common, economic, social and cultural needs and aspirations through jointly-owned and democratically-controlled enterprise.

VALUES: Co-operatives are based on the value of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical value of honesty, openness, social responsibility and caring for others.

PRINCIPLES: The co-operative principles are guidelines by which co-operatives put their values into practice.

1st Principle: 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.

2nd Principle: Democratic Member Control

Co-operatives are democratic organisations controlled by their whom members actively participate in setting their 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 (one member one vote) and co-operatives at other levels are also organised in a democratic manner.

3rd Principle: Member 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 would be indivisible; benefiting members in proportion to their transactions with the co-operative; and supporting other activities approved by the membership.

4th Principle: Autonomy and Independence

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

5th Principle: Education, Training and Information

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

6th Principle: Co-operation among Co-operatives

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

7th Principle: Concern for the Community

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

ANNEX 2. CO-OPERATIVE MODELS

2.1 Input supply Co-operatives

This form of agricultural co-operative aims to provide the best possible service of high quality input supplies on behalf of its members for seeds, feeds, fertiliser, agrochemical, machinery and other key associated inputs. The co-operative plays an important role in selecting the suppliers (private or state) with the most competitive price most suited to the members needs. This might include extended credit and loyalty bonuses from the supplier. Suppliers are selected with some or all of the following criteria in mind.

- Technical characteristics of the product
- Contractual arrangements, such as price, payment terms, delivery schedule, back-up service, guarantees etc.
- Loyalty, support and long term record

On setting-up the contract of supply to the co-operative by the supplier/manufacturer, it may then decide to produce a catalogue or newsletter informing members of the range of products, together with prices, payment terms and delivery arrangements. One very important factor is that the co-operative requires a certain level of volume commitment from all members, so that it can negotiate for the very best terms and conditions on behalf of its members for a wide range of products.

2.2 Marketing Co-operatives

Marketing co-operatives can be set-up by a group of five or more farmers, who wish to strengthen their sales and marketing of their produce from their farm by co-ordinating their marketing/sales activities together with other like-minded growers and producers of similar types. This activity requires careful planning in order to organise a regular flow of consistent high quality product to their ultimate market, the consumer or processor. The aim of the marketing co-operative is to secure regular outlets in the market, longer-term contracts and higher prices and ultimately higher profits for the co-operative and ultimately the members. The activity may include employing a marketing/sales specialist (and eventually administration staff) and the setting-up of a warehouse for storage, grading/packing and distribution of the products. Without forward planning, commitment and some financial investment from all members, the marketing co-operative cannot function effectively. The most common commodities for Marketing Co-operatives are Grain, Fruit, Vegetables, Flowers, Milk and Livestock.

2.3 Processing Co-operatives

Processing Co-operatives can be a logical step in the food chain from the marketing co-operative. This will assist the members to add value, achieve even higher returns, obtain more secure markets and complete the vertical integration in the market by setting-up contracts for their products with supermarkets, shops, the catering industry, etc. However, this development can demand significant financial investment and high calibre of management, which is unlikely to come from the members in total. This therefore requires careful planning, possible long-term investment, loans from banks, credit from equipment suppliers, support from development funds or government. Processing can be on a small and local basis, with a relatively low level of initial investment, in order to supply a niche market. For example specialist cheeses, exotic fruit or vegetables, certain flowers and cured meats/fish.

2.4 Service Co-operatives

These co-operatives are formed when it is identified that a group of private farmers/producers require a certain level of service/advice, which they could not afford on their own, in order to develop and benefit their own business performance. By forming a service co-operative and organising this advisory support, provides critical inputs for members, in order for them to improve their overall business performance. There are a number of different types of Service Co-operative. These services range from the supply of Machinery

(Machinery Rings), Grain Storage, Credit, Agronomy Specialist, Veterinary specialist and Secretarial.

2.4.1 Machinery Rings

The basic structure and operations of a MR are as follows:

- A Machinery Ring is a member based/run co-operative with its own model rules, statutes and elected board.
- Each member pays an annual membership fee.
- Members supply a list of their own machinery, which is available for use/hire by members through the MR and this is circulated to all members.
- Hire rates per hour or per ha are agreed by the board of the co-operative.
- An administration fee is charged on each hire to cover costs and overheads.
- A member of the MR or an employed (part time) secretary has the role to keep an up-to-date list of all the machinery available from members as well as manage and co-ordinate the hire of the machinery.

2.5 Multipurpose Co-operatives

A Multipurpose Co-operative combines all the functions of the above mentioned models. This type of agricultural co-operative provides all the input supplies, manufactures animal feed using members own grain, markets members outputs, provides all relevant services and carries-out trials for feeding livestock and for new varieties of cereals. This size of multipurpose co-operative, with the potentially of over 1000 farmer members can therefore offer a much wider range of services and facilities. These services range from legal advice, farmer pensions, farm insurance, training and education, farm demonstrations, grain storage, regional collection depots/shops and advisory bulletins and newsletters. They employ large numbers of high quality staff in order to support their members requirements in developing the private farming businesses through the farmers' own agricultural co-operative.

ANNEX 3 CO-OPERATIVE GOVERNANCE

3.1 Model statutes and rules

Today's statutes have to clearly match the objectives of the proposed co-operative, as agreed by the members. Any future changes that may be planned as the co-operative develops should be included in the initial statutes. The statutes should detail the objectives of the co-operative as agreed by the founding members, the key activities that are to be implemented, the membership proceedings and their voting rights, rights and duties of members (members agreements), the financing of the co-operative and the dispersal of surpluses. All of the above are of a strategic nature as they refer to the way the co-operative should operate in the future.

The statutes therefore can only clearly be stated once all members have agreed the key objectives, activities, operations and management system. The model rules for each and every type of co-operative, are specific to that business in order that the rules and statutes encompass all the necessary objectives and operations that will allow for a successful and secure business. The correct form of statutes and model rules will prevent the co-operative being “railroaded” by any local or national government, individual member, executive manager, supplier or customer.

A co-operative is a group of producers who share a common vision or goal and decide to adopt certain common statutes and rules, which are in the general interests of all members. Therefore the Statutes, Rules and Members’ Agreements are the “cornerstone” of any successful co-operative business.

Participation and active involvement by all members in the life of the co-operative will ensure solidarity, security and a democratic decision making process.

3.2 Structure, role and democratic function

Areas to consider are the size of the board, terms of office for the chairman and board members, voting rights, annual general meeting procedures etc. The authority, responsibility and duties of the executive manager must be clearly defined. Audit committees and sub-committees of the main board, carryout certain functions on behalf of the main board such as financial control, membership relations, staff salary structure, future marketing strategy, selection of executive manager and future investment strategy.

Co-operatives differ a lot from investor lead commercial enterprises, in that the farmer producer member is the “cardinal stakeholder”, to whom all benefits, be they financial, service or locals economics, relate.

3.3 Co-operative Management

The efficient management and control of a co-operative is based upon democratic decision-making principles and respect for the statutes, rules and regulations that govern the business. It also relies on member participation in all aspects of the business and a clear definition of the functions, duties and roles of the management team. It may also be appropriate to use the services of a consultant organisation, who specialise in co-operatives (and fully understand Farmer Controlled Businesses), in order to achieve the co-operatives overall objectives.

The co-operatives decision making process ensures that it operates in the sole interests of its members. The management board of the co-operative are involved in decision making at policy level. Firstly, they prepare a mission statement and set of hierarchy of objectives from which a set of strategies are agreed to achieve the overall objectives for the co-operative. The executive manager is appointed with the task of preparing an operational plan in order to achieve the objectives and strategy agreed by the board of elected members. The board (at monthly or quarterly meetings) using previously agreed levels of performance, both physical and financial, should closely monitor the executive manager and the business performance.

There should also be mutual trust and a total transparency within the business operations of the co-operative. This is the key to successful co-operative management when there is a “working partnership” between the chairman/president of the board and the executive manager. It must be remembered that co-operatives operate in a highly competitive market environment, which requires high levels of business, management and member performance.

ANNEX 4 – EXISTING CO-OPERATIVE STATUTES

- Tashlock Dairy Co-operative (model rules)
- Credit Union/Input Supply Co-operative (model rules)
- Machinery Rings (model rules)

ANNEX 5 - UZBEKISTAN CO-OPERATIVE LAW

- Decree of Cabinet of Ministers No. 168 22.04.98

The organisation of activities of the Association of Dekhkan and Private Farms:

Paragraph 6: Recommends that the Association carries out organised work among Dekhkan and Private farms and provides required assistance in the creation of specialised co-operatives, on a voluntary basis for the following: Agricultural machinery supply service, Input supply and the Production of animal feeds. This will be at the expense of the funds of Private and Dekhkan farmers and others by charging commissions and by borrowing.

Paragraph 7: To allow:

Co-operatives established by Private and Dekhkan farmers to conclude sales of their produce with processing enterprises as an experiment;

Members of the Association or purchase co-operatives to deal with the export of produced and processed fruit and vegetables, produced by Private and Dekhkan farmers on the basis of barter and without selling part of forex earnings to the Central bank of Uzbekistan.

State custom committee, jointly with the MoAW, Association of Dekhkan and Private farmers, to elaborate and confirm procedures for preparation of corresponding documents for export of fresh and processed fruit and vegetables, produced by Dekhkan and Private farms.

Paragraph 9; MoAW, Uzplodovoshvinprom-holding, Uzkhlopkopromsbit, Uzkhleboproduct, Uzgosnefteproduct, Uzkhimprom, Uzelkhozsabremont, Maslogirtabakprom and other concerned institutions and organisations jointly with the Association of Dekhkan and Private farms are to develop procedures for complete and timely supply of agricultural machinery, fuel, fertiliser, seeds, seedlings, pedigree livestock, animal feed and other inputs, as well as provide required services.

Paragraph 10. To add the above to the regulation for the Fund for support of Dekhkan and Private farms.

Statute of the Union of Dairy Cooperative - Tashlock

Article I

Objectives

1. The objectives of the cooperative is to provide services only to its members and in processing their milk;
 - To collect their daily production (milk);
 - To control the quality of the dairy product;
 - To arrange transportation of their product
 - To provide advisory services to member-farms in terms of improvement of the milk quality, its storage and pricing;
 - To provide animal feed only to producers of milk;
1. The above mentioned objectives of the Union of cooperative can be altered upon extraordinary resolution of the General Meeting.
The cooperative should not avoid regulations and instructions given in chapter 1.
2. Except for the problems specified in the chapter 3, if the cooperative is a member of the Union of cooperatives of private and dekhkan farms, it can use required services.
Furthermore, dairy cooperative can use services of the Union.

Article 4 – Duration

1. If the duration of operation of the Union of Cooperatives is not extended or stopped untimely, its activity should last for 25 years from the date of registration.
2. The Union of cooperatives does not stop its activity if one of its members die, exit from the cooperative, his membership is prohibited, his assets are sold or he is bankrupted, leave the cooperative, his family separates or the activity of the legal entity, where he is member, stops, or the rights for operation change. It will continue its performance with the remaining members.

Chapter II.

MEMBERS

Article 6 – ADMITTANCE

1. The cooperative should consist of at least 9 members. Managers of the farms should be the representatives.
Members of dairy cooperative make obligations to manage their activities and supply of milk according their share of the total supply.
2. The following categories can be members of the cooperative:
 - All legal and physical persons located in the territory of the Union of dairy cooperative, i.e. private farmers or managers of private farms;
 - Other Unions of dairy cooperatives and their Associations, despite their location out of the territory of the dairy cooperative.
1. In order to be the member of the cooperative legal and physical persons can apply for shares as specified in the Article 11.

2. In accordance with the stipulations in Article 7, a member of the cooperative can not be member of another cooperative of the same type.
3. Membership of the cooperative is confirmed by the Executive Board.

Resolution for refusal of admittance is made by the majority of votes of the Executive Board and within three months after written application is submitted.

If forms of ownership and denationalization alter refusal of admittance is made in accordance with the conditions specified in Article 15.

In the event of death of the member of the cooperative his heirs may become successors and have the rights and obligations of the true member on behalf of the predecessor and the farm.

4. The cooperative should hold a list of its members. The list should indicate the period of membership, registered number, and the amount of share of the member.

Article 7 – MEMBERS AGREEMENT

1. Members of the cooperative should meet the following requirements:
 - Supply to the cooperative specified quantity of milk;
 - Buy shares corresponding to the quantity the member supplies and buy shares of the members who leave the cooperative.
1. Implements the instructions stipulated in the second part of the Article 11, and in accordance with the internal regulations.
2. Every member of the cooperative should have his (her) agreements.
3. Agreements are set for 5 years. The period is counted from the date of commencement.
4. If the duration of the contract expires, member agreements are no longer valid. There is certain legislation practiced with regard to those members who fail to fulfil their contract in both cases, i.e. while they are members and when they are no longer members of the cooperative.

Article 8. – CEASING OR REPEAL OF OBLIGATIONS.

1. While fulfilling contracts specified in the 4 and 5 paragraphs in the Article 7, confirmed by the Executive Board, no member can exit the cooperative.
2. If member's exit has intrinsic reasoning, the Executive Board can consider his application, as an exception, provided that;
 - His shares are sold to another member and the Authorized Fund of the Union does not decrease by 25%.
 - The Union of the cooperatives has no debts from banks. Authorized Fund is not decreased.
1. Executive Board defines the reasons for his exit and informs about them the chairman, and the resolution is issued within 3 months.
2. The resolution of the Executive Board can be considered at the regular General Meeting.
3. If the member is not allowed to exit then he can appeal again within 3 months. Repeated appeal should be considered at the forthcoming General meeting. If the applicant does re-apply within 3 months he loses that right.

Article 9 – EXPULSION FROM THE LIST OF MEMBERS

1. Expulsion from the list of members can be carried out given intrinsic reasoning. If the member commits a crime, causes damage fails to fulfil his obligations specified in the Article 7. Resolution of the Executive Board should be issued immediately.
2. That resolution can be confirmed if 2/3 of the quorum is collected and all the members are in favor of the proposal.
3. Expulsion from the list of members can be reconsidered at the General meeting.
4. The member who is excluded from the cooperative can get back his shares in accordance with the Article 17.

Article 10 – CONSEQUENCES OF THE EXIT FROM THE COOPERATIVE

1. The member leaving the cooperative is responsible for the debts of the entity within 5 years after his exit, in accordance with the article 11.
2. In accordance with the article 52, the member of the cooperative is responsible for obligations specified in the contract between banks and the cooperative.
3. These instructions are true for successors as well.

Chapter III.

Authorized Fund

Article 11 – ESTABLISHING AUTHORIZED FUND

1. Contribution by every member should be made before entering the cooperative.

Article 12. – RAISING AUTHORIZED FUND

Authorized Fund is raised as a result of attracting new members and by additional contribution of existing members.

Authorized Fund is raised by re-evaluation of fixed assets and other reserve funds. Authorized Fund is raised upon submitting of audit report by a particular agency at the extraordinary General Meeting. Raising of the Authorized Fund results from the increase in the value of shares of capital or allocation of additional shares.

Article 13 – DECREASE IN THE AUTHORIZED FUND

The following may cause decrease in the Authorized fund: cessation of activities, expulsion from the list of members, in the event of death, prohibition (has no sense), selling assets, bankruptcy, separation (in the family), loosing the rights of farm management or cessation of the activities as a legal entity.

Decrease in the Authorized fund may not occur without any reasoning, or due to failure in payment to banks.

Article 14 – Shares of Capital

1. Obtaining shares of capital is specified by consistent registration of the members.
2. Shares are indivisible, and the cooperative recognizes a person or group of people who obtain indivisible shares. Every group of people obtaining one or more indivisible shares has to select a representative for the cooperative. The Executive Board should confirm the representative.

Article 15. – CHANGING THE RIGHTS FOR USE OF FARM

1. If the new member of the cooperative takes over the rights for the farm and his share of capital, the new member should accept obligations specified in the article 7.

Article 16. – TRANSFERRING of SHARE CAPITAL

1. The Executive Board can sell part of the share capital of one member to another member or group of members, as well as to outsiders by the consent of the cooperative. In the view of the situations specified in the article 15, if the rights of the farm-member change, sales of shares can be carried out by the consent of the Executive Board.
2. Insufficient supply of milk by one member should not affect the value of shares of other members.

Article 17. – RETURNING SHARE OF CAPITAL IN PERIOD OF OPERATION OF THE UNION OF COOPERATIVES.

1. Share of capital is returned in the following cases: exclusion from the list of members, selling assets, bankruptcy, separation (in the family), members of legal entity exit from the entity, cessation of farming activities. The same is true for specifications provided in the paragraph 2 of the article 13 (the rest is not understandable).

GENERAL MEETING

Article 18 – FORMATION OF THE GENERAL MEETING AND ITS OBJECTIVES

1. General Meeting consists of the members of the cooperative gathered for the meeting and registered in the admittance notebook.
2. The formed General Meeting implies unanimity of its members. Decisions made there are authoritative even for those who were not present at the meeting.

Article 19 – CONVENING of MEETINGS

1. Forthcoming General Meetings are arranged by the Executive Board, on its own initiative and upon request of 1/5 of permanent members, and auditor within two months

Article 20 – AGENDA

- 1. Agenda of the General Meeting is drawn-up by the Executive Board. It is designed on the basis of proposal of the administration, auditor and members of the cooperative. Before convening the General Meeting, the Executive Board should include in the agenda questions submitted by members at least 6 weeks in advance.**

Article 21 – JUDGES OF THE GENERAL MEETING

- 1. The chairman of the Executive Board, or his deputy, given their absence conducts the General Meeting. A chairman is elected at the meeting.**

Article 22 – RIGHTS AND AUTHORITY FOR PARTICIPATING AND VOTING AT THE MEETING

- 1. Every member has the right to participate at the General Meeting or to send his representative.**
- 2. Irrespective of the size of the share in the cooperative every member or his representative has one vote.**

Article 23 –REGISTRATION OF RESOLUTION OF THE GENERAL MEETING

- 1. Every member should have a list stating his name, residence, and share of capital.**

Article 24 – CONVENING THE FORTHCOMING GENERAL MEETING AND ITS OBJECTIVES.

- 1. General Meeting should be called at least once a year, the meetings should be called within 4 months after the reporting year.**

Article 25 – CONVENING FORTHCOMING EXTRAORDINARY GENERAL MEETING AND ITS OBJECTIVES

1. **The Executive Board in case that they find it useful to know opinion of other members can convene this type of meeting. Extraordinary General meeting is convened within 2 months by the Executive Board upon request of 1/5 of the members or upon written request of an auditor.**

Article 26 – QUORUM AND MAJORITY AT THE FORTHCOMING EXTRAORDINARY GENERAL MEETING

1. **In order to carry out formal meetings and issue resolutions at the annual General Meeting or extraordinary meetings, participation of 2/3 of the members of the cooperative or their representatives should be ensured.**

Chapter 5

EXECUTIVE BOARD OF THE UNION OF COOPERATIVES

Article 28 – Formation of the Executive Board

1. **The Executive Board selected at the Annual General Meeting manages the Union of cooperatives.**
2. **Member of the Executive Board should meet the following:**
 - **Be a citizen of Uzbekistan;**
 - **Should not be involved in the activity of other organizations competing with the cooperative;**
 - **Should not have been convicted of a crime which would result in depriving him of holding managerial positions.**

Article 29 – TERM OF MANDATE OF MEMBERS OF THE EXECUTIVE BOARD AND ITS RENEWAL

1. **Members of the Executive Board are members of the cooperative, they are elected for 3 years and 1/3 can be re-elected.**

Article 30 – TEMPORARY APPOINTMENT OF REPRESENTATIVES OF THE EXECUTIVE BOARD AMONGST MEMBERS OF THE COOPERATIVE

1. **If one or more members of the Executive Board exit from the cooperative due to dismissal, stopping, in the event of death or other reasons, the Board can appoint someone else temporarily.**

Article 31 – OBLIGATIONS OF MEMBERS OF THE EXECUTIVE BOARD

1. **Every member of the Board can be dismissed at the General Meeting.**
2. **In accordance with the general rules, managers are accountable for their work to other members of the cooperative.**

Article 32 – CHAIRING THE EXECUTIVE BOARD AND ITS MEMBERS

1. **Chairman of the Executive Board is elected from its members at the General Meeting. This is carried out at the first and subsequent Annual General Meetings,**

the objective of which is to consider the review of the annual report and re-election of members to the Executive Board.

Article 33 – MEETING OF THE EXECUTIVE BOARD

- 1. Meeting of the Executive Board is convened at its building or other building by its chairman (or his deputies, if the chairman is not available), upon request of the members of the cooperative or at least once a month, as well as upon request of 1/3 of the members of Administrative Board.**

Article 34 – OFFICIAL REGISTRATION OF RESOLUTIONS OF EXECUTIVE BOARD

- 1. Resolutions of the Board are confirmed when they are included in the registration book.**

Article 35 – AUTHORITY of the EXECUTIVE BOARD

- 1. Apart from the obligations specified in the Statute and procedures for internal operation, it has the following authority;**
 - It represents the cooperative in negotiations with the government, state and private organizations, etc.;**
 - It carries out different activities within the framework of its authority;**
 - It issues resolutions concerning contracts and trade operations related to the activities of the Union of cooperatives;**

Article 37 – DIRECTOR

- 1. Any member of the cooperative, but not a member of the Executive Board can hold the position of executive director of the Executive Board. Hiring a director is carried out on the basis of contract confirmed by the Executive Board.**
- 2. Executive director of the Executive Board carries out his obligations in accordance with the Internal Administrative Rules and authority provided that the Board, which are fulfilled under the guidance, control and monitoring of the Executive Board.**
- 3. According to the employment contract, the Executive Board agrees the annual salary of the Director. The Board can award bonuses as well. However the total amount of bonuses should not exceed the amount specified in the Internal Administrative Rules.**
- 4. The director should not:**
 - Be involved in the activity of other organizations competing with the Union or its members;**
 - Be convicted of a crime which result in depriving him of holding managerial positions**

Chapter V AUDITOR

Article 38 – AUDITOR

- 1. One auditor and his assistant are elected by secret ballot at the forthcoming General Meeting for three reporting years.**

An accountant who was confirmed for the position of an auditor should proceed with his new functions.

- 2. The auditor ensures accuracy and timely preparation of reports, summarizes fulfilled activities, submits financial report and report on results of stock-taking. His main activities are the control of the value of the Union and financial documents, as well as to ensure the use of agreed procedures in accounting. He also ensures accuracy of annual accounting reports and the status of financial information sent to members by the Executive Board.**

Obligations of the auditor are specified in the Internal Administrative Rules.

Chapter VII

FINANCIAL INDICATORS

Article 39 – TERM OF ACCOUNTING YEAR

- 1. Accounting year starts at 1 January and finishes at 31 December. As an exception, the first reporting year starts at the date of establishment of the Union, i.e. 7 June 1996 till 31 December 1996.**

Article 40 – CARRYING OUT ACCOUNTING

The cooperative carries out accounting in accordance with the procedures specified in the schedule.

In accordance with the terms specified in the paragraph 2, of the article 3, income from product supplied by non-members is kept in a separate account from members of the cooperative.

Article 41 – CONSIDERATION OF ACCOUNTING

- 1. At the end of reporting year the Executive Board prepares the annual accounts and stocktaking. Besides it prepares reports on the performance of the cooperative for all members. These documents should be submitted to the auditor at least one month in advance of the date of General Meeting.**
- 2. The auditor reports on the performance at the General Meeting.**

Article 42 – PRESENTATION OF REPORTS

- 1. Reports specified at the General Meeting are presented according to the schedule.**

Article 43 – NET PROFIT AND SURPLUS TO BE ALLOCATED

1. **Difference between the income of the union and its expenditure makes profit at end of the reporting year. It does not include funds received from the government and other social institutions. These funds are allocated to the special reserve funds.**
2. **Reserve fund is formed as follows:**
 - **Indivisible reserve fund is formed from the funds resulted from transactions with non-members;**
 - **Official reserve fund;**
 - **Defined and voluntary reserve fund based on the statute.**

Article 44 – USE OF ANNUAL PROFIT

1. **The annual profit is allocated on the basis of resolution issued at the General Meeting, and proposed by the Executive Board. Forthcoming General Meeting defines the use of funds in accordance with the following indicators.**
2. **Every year 1/10 of net profit is allocated to the official reserve fund (besides profit made as a result of transactions with non-members and part of profit to be allocated to indivisible reserve fund).**

If the amount of reserve fund is as much as the amount of Authorized Fund, that kind of deduction is not required.
3. **If the indivisible fund is used to cover “social cost” then it is covered at the expense of deductions to reserve fund.**
4. **According to the proposal of the Executive Board, General Meeting can postpone allocation of profit.**

Article 45 – UNFAVOURABLE YEAR

1. **Losses resulted from one or more reporting departments can be covered at the expense of special funds meant for these purposes, by the decision of the Executive Board.**
2. **Unrecovered losses can be reimbursed at the expense of funds to be levied to other reporting departments, as well as special resources, by the Resolution of the General Meeting.**
3. **If the losses are not covered at the end of the reporting year, the following measures are taken by the Resolution of the General Meeting:**
 - **They can deferred;**
 - **They can be covered at the expense of savings (finances allocated for certain purposes);**
 - **They can be covered at the expense voluntary reserve funds;**
 - **They can be covered at the expense of funds generated from transactions with non-members, which are later compensated in accordance with the conditions specified in the paragraph 2 of the article 45.**

Chapter VIII DIFFERENT INDICATORS

Article 46 –TERMS FOR ALOOCATION OF DONATED FUNDS

1. If the cooperative receives donor funds from the government for purchase of equipment, it has to allocate some part of those finances for unforeseen expenses, such as maintenance of the equipment, etc.

Article 47 – CONTROL OF THE FINANCIAL AUDIT AND LEGAL EXPERTS

1. The Cooperative is controlled by legal experts, who then report to the chairman of the cooperative. The chairman can communicate his thoughts to the auditor. The auditor will discuss the issues at the forthcoming General Meeting.

Article 48 – IMPORTANCE OF THE CONTROL

1. If the control reveals incompetence of members of the Executive Board, or unawareness of requirements of the Union, as well as infringement of some provisions of legislation and statute, extraordinary General Meeting can be convened upon the request of the officials responsible for establishment of the cooperative.

Chapter IX

STOPPING, FINALIZING AND TRANSFERRING

Article 49 CONDITIONS FOR DISMANTLING THE COOPERATIVE

1. If $\frac{3}{4}$ of the Authorized Fund including reserve funds is lost, the extraordinary General Meeting has to declare all the cooperatives to be dissolved. This resolution should be published in oblast and rayon newspapers within 30 days.

Article 50 – STOPPING THE ACTIVITY OF THE COOPERATIVE

1. If the cooperative stops its activities before the term is expired, or when the term of contract expires, the General Meeting defines the procedures for sales of assets of the cooperative: it appoints one or more people to carry out this work, or entrusts it to officials involved in the this activity. During this process the General Meeting has the same authority for the cooperative as before.

Article 52 – FINANCIAL OBLIGATIONS OF MEMBERS

1. If the amount of revenue resulted from sales of assets exceeds the amount of the Authorized Fund they are distributed among the members depending on their share holding of capital or in accordance with the provisions of the Article 11.

Chapter X

GENERAL PROVISIONS

Article 53 – SOLVING DISAGREEMENTS

- 1. The Executive Board considers disagreements, which arise, and tries to solve them.**
- 2. Disagreements, which can not be solved in amicable way by parties themselves, should be settled in the court.**

STATUTE

Of the “Credit Union” within the Fergana Association of Private and Dekhkan farms of the Republic of Uzbekistan

General regulations

“Credit Union” (hereinafter referred to as “Union”), which is within the structure of the Association of private and dekhkan farms of Fergana region (hereinafter referred to as “Association”), was formed as a result of the project carried out on the basis of contract ¹ AC\31\94-259 concluded between Tashkent International Mercy Corps (hereinafter referred to as “IMC”) and Oblast Association of private and dekhkan farms.

According to above mentioned contract IMC allocated credit in kind in amount of 50000 sums to 60 private farmers in Fergana Oblast. At the end of the project credits in amount of 5198964 sums with interest and penalty were repaid, which were transferred to “Tadbirkor Bank” to the sub-account ¹ 20208000100566361001, which consequently was refunded to IMC.

1.2. The amount of funds transferred to sub-account¹ 20208000100566361001 of USA IMC in Tashkent is decided to allocate for formation of “Credit Union” to support private and dekhkan farms in Fergana region, as well as to ensure increase in production of agricultural products.

1.3. “Union” provides services only to members of the Association of private and dekhkan farms in Fergana region and which timely pay subscription fees.

1.4. Union is created within Association and is considered to be legal entity with own bank account and foreign bank account, as well as its stamp, letter-head, form and other attributes with their logo indicated.

1.5. Union operates on the basis of self-financing. Union is not responsible for obligations of the government, whereas government is not responsible for obligations of the Union.

1.6. Full name of the Union is “Credit Union within Fergana region Association of Private and Dekhkan farms”.

1.7. The Union is located in Fergana city, Babur street, 85.

1.8. The Union will be guided by Laws of the Republic of Uzbekistan, its decrees and Resolutions, and other normative documents, as well as their Statute.

Objectives, activities, and rights of the Union

2.1. Objectives of the Union are: to maintain sound financial status for its members, to create conditions for accumulation of savings, to create credit resources with reasonable interest rate; to enable its members to use and control their funds for improving their social and economic environment, as well as to support their development and to contribute in meeting needs of the Oblast population in consumer goods and different services.

2.2. The main types of activities which the “Union” is involved in are the following:

- Facilitate development of private farms within the Oblast, which pay membership fees;
- Provide practical support to members of the Union to strengthen their material-and-technical basis by allocating credit, which results in increase in agricultural production;
- Train the members in the sphere of money remittance, use of securities and credit funds;
- Look for ways of raising funds for the “Union”, to buy agricultural machinery and to lease them to private farmers;

- Increase funds of the “Union” and buy seeds, fuel and lubricant materials, fertilisers, fodder, agricultural machinery and provide them to farmers in the form of credit in kind;
- To allocate credit for private farmers for construction of production sites or provide them with construction materials;
- To provide credit for purchase of processing equipment to private farmers for processing their own agricultural products;
- To attract deposits from its members, issue shares (securities) and introduce them;
- To allocate credits for running commercial activities;
- To arrange media promotions in the press, radio and television;
- To cooperate with “Credit Unions” in other Oblasts, CIS countries, abroad.

2.3. The “Union” fixes interest rate for credits so that it covers administration and other costs, and allocates them to the members and provide services to them, and contributes to the development of private farms.

2.4. “Union” is allowed to buy and own different properties, establishments and other types of real estate if it does not contradict the legislation, as well as gifted and transferred on the basis will.

Members of the Union

Private and dekhkan farms located in Oblasts can be members of the “Union”.

The members of the “Union” should meet the following:

- Application for membership should be approved by majority of votes of the Board;
- Membership fee;
- At least one of the “Union” shares is bought or payment in amount equal to the value of one share should be made;

Special application form is used for membership, and upon completion, it is submitted to the member of the executive body responsible for membership.

The member who sells his shares, is no longer a member of the “Union”.

In accordance with the procedure for admittance to the “Union”, Associations, Companies, Partnerships, and Corporations can be admitted as the members of the “Union” and be involved in its management.

Member of the “Union” can leave by putting in an application.

If the member of the “Union” infringes procedures and rules specified in the Statute, he can be excluded by a majority of votes.

Financial issues between the member of the “Union” and the “Union” itself will be solved according to regulations prescribed in the Statute by the Executive Board.

Authorized Fund of the Union

Authorized Fund of the “Union” was formed by the assistance of the Mercy Corps in Tashkent in 1996 and by the interest gained as a result of allocation of credits in kind to private farms in Buvayda, Bagdad, Oltiariq, Okhunbabaev, Toshlok, Fergana rayons, as well as 5.198.964 sum donated for establishment of the “Union” within the Association.

The “Union” raises its funds using the following sources:

- Interest gained on credits allocated to private farms;
- Interest gained on credits in kind: seeds, fertilizers, fuel and lubricant materials, construction materials, pedigree livestock breeds, fodder and other products;
- Funds raised from lease of agricultural machinery;
- Attraction of funds from foreign credit organizations, and investors by establishing links;
- Involve private farms in the exhibition of their products, advertising and sales;
- Issue of securities and their introduction;
- Attract deposits from private farms to the funds of the “Union”;
- Providing marketing and financial services;
- Providing credit for transporting products of private farms;
- Providing services to farmer-members in making business plans, organizing advisory services and training;
- Interest gained from allocation of credit resources, accumulated by the “Union” with the support of foreign or local banks, as well as sponsors;

- Other funds donated to the “Union”

Shares, deposits and obligations

Shares, deposits and number of deposits can be established by the “Union” in accordance with the procedures specified by the Board of “Union”.

Attraction of deposits from private farms and other legal or physical persons (depositors) to the “Union” and settling accounts with them will be carried out according to the following procedures:

- Manager of a farm, or any legal or physical person intending to deposit their funds with certain interest rate in the Fund of the “Union” have to submit application stating amount to be deposited, and the term;
- The application should be submitted to administrator of the executive board responsible for deposit issues;
- Board of the “Union” issues resolution, stating the interest rate on the deposit linked to the term of deposit;
- Interest on the deposit will be calculated from the moment of transfer of funds to the bank account of the fund of the “Union”;
- Funds can be deposited by bank transfer or banking cash, but deposits and interest on them will be repaid by bank transfer to the bank account of the depositor;
- Depositor and executive director of the “Union” conclude contracts stating term of deposit, and the interest rate and it will be signed and stamped by two parties and each party should hold a copy of that contract;
- At the end of the contract period deposits and interest on them will be transferred to the bank account of the depositor and the parties will put the last signature on the contract and it is considered no longer valid.

The number of share, deposits, debts, interests, penalties and payment operations should be certified by the official bank subscription and receipt as determined by the Board of the “Union”.

Meeting and election of members.

Annual meeting of the members is held at the convenient place, time and period for members, and determined by the Board of the “Union”.

Administrator of the executive board of the “Union” should inform the members in written form on arrangement of the annual or special (extraordinary) meeting seven days in advance. Notification for every extraordinary meeting should state the objective of the meeting and issues irrelevant to the objective should not be considered.

Special meetings can be organized by chairman of the board, board or supervisory body (if the resolution is made by majority of voters); the meeting should be held within 30 days upon written request of ¼ of the members. Notification for this type of meeting should be made in accordance with the paragraph 2 of the chapter.

Procedures for the general meeting of the members can be as follows:

- Define of the quorum;
- Reports of the members of the Board;
- Report of the executive director;
- Report of the administrator on deposits;
- Report of the administrator on credits;
- Report from the revision department;
- Questions different to the election ones;
- Election;
- Final part.

Amendments to the procedure of meetings can be made by majority of votes of the members of the Annual meeting.

Financial year of the “Union” finishes at the end of current year.

If there is more than one nominee for the position, election will be carried out on the basis of voting and completion of ballot papers.

Election can be carried out by completion of ballot papers for nomination for one position or several positions at a time.

The members which were not able to participate at the meeting can empower their representatives to act for them or vote by ballot in their absence. Ballot voting in one's absence is entrusted to the secretary of the election commission. The secretary should maintain the rights of the voters, voting in their absence.

Irrespective of the number of shares, every member has one vote.

People under the age of 16 have no right to vote.

Management and audit Committees of the "Union".

Members of the Board of the "Union" should be of age. Members of the "Union" and Mercy Corps can be members of the Board upon resolution of the Board.

By the resolution of the members of the Board, minimum number of members should be 5 and the maximum number should be fixed by the Board. Number of the members of the Board can not be reduced except in the event of death, resignation, end of the period of power and etc.

Standard term of office for Members of the Board is three years.

Members of the board can nominate by majority of votes someone for the vacant place in the Board, executive board and auditing committee.

Ordinary meetings of the Board should be held at the place, time, and period convenient for members of the Board. Chairman of the Board, deputy chairman upon absence of latter may organize extraordinary meeting when they wish to and upon written request of three members of the Board. If the Board does not determine the place and the time of holding the meeting, then chairman of the Board or his deputy can determine it. Notification will be made in the procedure specified by the Board.

The Board of the "Union" appoints executive body consisting of three people from the Board or outside to fulfil determined functions. This body or any person from this body will be authorized to consider applications and approve them in accordance with the procedures specified in the Statute and by the Board.

The Board will handle general management of the activities and funds of the "Union". In addition to ordinary obligations and the ones specified in the Statute, the Board will:

- Define interest rate on credits, depreciation of debts (credits) or terms of payments, as well as maximum term of allocation, and maximum level; controls debt repayment and makes decision on writing off bad debts;
- Defines procedures for introduction of shares; defines the level of profit to be gained from numbers of different types of deposits;
- Defines membership for the executive board and procedures for appointing staff for auditing committee and use of their services, as well as establishing its salary system. Defines principles of hiring, and employing in case that it is required, additional labour for managing activities of the "Union";
- Appoints an executive director for the executive board for a period of 3 years;
- Approves a budget (income and expenditure estimates) for executive board;
- Sues debtors who fail to repay credits on time, participates in legal proceedings;
- Defines bonus system for officials in executive board based on their performance;
- Can fulfil obligations specified in the current legislation, statute and the ones which occasionally requested by the members;
- Chairman of the "Union" and its members fulfil their obligations on social needs.

If the member of the Board, any manager, or members of the auditing committee or the executive board miss ordinary meetings more than 3 times, or fail to fulfil their obligations, the "Union" may dismiss them. The person to be dismissed will receive notification, and he will have an opportunity to explain the situation, afterwards the board can dismiss him and appoint other person for the position as determined in the procedures.

Chairman of the board and his deputies are elected from the members of the board at the first meeting of the board carried out within 30 days after the annual meeting of members of the "Union", and will hold these positions till the same period of the next year (except for the cases when they are changed by the determined procedures.

If more than one deputy is elected their seniority will be settled by the board.

The chairman of the board of the "Union" chairs meetings of the board and general meetings.

Control and Auditing Committee of the "Union" is formed at the general meeting of the "Union", and it should consist of three people and be approved for a three years period. One of them should be elected as the chairman.

The main functions of the Control and Auditing Committee are to monitor financial activities of the "Union" Fund, and to approve the budget.

The Committee organizes Auditing of the "Union" Fund, at least once a year, and prepares a written report for the general meeting of the members of the "Union".

Executive board of the "Union"

Executive board consists of executive director, required number of specialists and other employees.

Depending on the type of activities their positions will be appointed by the director.

Obligations and authorities of the executive director are as follows:

- Represents the "Union" in state institutions, social organizations, enterprises, legal and physical persons, including foreign legal and physical persons, and international organizations, in the procedure determined by the Board of the "Union";
- Agrees contracts on behalf of the "Union" with legal and physical persons;
- Acts on behalf of the "Union" without letter of confidence;
- Draws-up list of members of staff and budget (income and expenditures) of the executive board, and submits it for to the Board of the "Union" for approval;
- Prepares list of established staff for the "Union" and other internal documents;
- Puts complaints on behalf of the "Union";
- Hires and dismisses staff for the executive board of the "Union";
- Issues orders which should be implemented by the staff of the executive board;
- Issues resolutions in accordance with the current Statute and legislation.

Position of the chief specialist in the executive board is equal to the status of the deputy chairman of the board, which fulfils obligations of the chairman in his absence.

Submits reports on its activities at each monthly meeting.

Obligations and authorities of the executive director and specialists, their activities, as well as their salary system are established at the meeting of the Board of the "Union".

Regulations for using the services of the "Union" Fund.

"Union" provides services only to its members.

If the credit is not repaid by any member of the "Union" on time, the debtor is fined for each day of delay at the rate fixed by the executive board, which is added to the amount of credit payable.

If the credit is not repaid at all, then the "Union" can sue the debtor and exact the amount overdue and expenses made for the legal proceedings by selling certain part of the collateral (estate, machinery, livestock and etc.), and that person will never be allocated any future credit facilities.

All these procedures will be carried out by the bank account of the "Union".

If the case of misuse of credits being discovered, credit should be returned to the Fund with certain penalty within 10 days.

Credits can be allocated after collecting required documents stating economic and financial indicators of a farm, purpose of taking credit, business plan or its draft, and the application for credit is considered and confirmed at the meeting of the Board of the "Union". Then the contract is concluded between the two parties and from the date when the signatures and stamps are put it is considered to be valid.

When considering and approving an application, the loan principles of selection are guided by the credit history of a borrower.

Application of a borrower is not accepted until loans borrowed from another credit institutions are repaid or plan for credit use and possibilities are proved. Inquiries are made of other institutions.

Borrower can use as collateral his own property or assets of the farm, as well as other banks, insurance companies, rayon and city Associations, other legal entities can all act as guarantors.

The "Union" can form its reserve fund from 7% of the allocated credit and its total income.

On ceasing and changing the activity of the “Union”

On ceasing the activity of the “Union”:

- On the basis of a resolution of a meeting of the founders;
- By a resolution of the Court.

In the process of ceasing, a Ceasing Committee is established and all the papers on management of the “Union” are submitted to that Committee.

The Committee claims for debts receivable and considers complaints on credit, and makes a final balance, which is afterwards submitted to the general meeting of the members of the “Union”.

After ceasing the activity of the “Union”, the rights of employees and the staff of the “Union” working on the basis of contract are guaranteed by the Legislation of the RU.

Changing of the activity of the “Union”;

- Changing (merger, acquisition, take over) is carried out on the basis of current legislation and the Resolution of the general meeting of the members of the “Union”.

The activity of the “Union” is considered to be ceased after it is eliminated from the register.

Completion (end) regulations

Employees and the staff of the “Union” should ensure confidentiality of all contracts and financial activities.

Members of the “Union” are allowed to make amendments in their Statute in accordance with the determined procedures. The chairman of the “Union” should inform about those amendments the Fergana Hokimiyat, and relevant organizations within 10 days.

The present Statute should be kept at the Fergana Hokimiyat and at the Union within the Association of dekhkan and private farms.