



**International Co-operative
Alliance – Africa**
A Region of the International
Co-operative Alliance

LEGAL FRAMEWORK ANALYSIS

National Report -Zambia

Prepared by:

Zondani Lungu¹
National Expert

Copyright, April 2020



“This report has been produced with the assistance of the European Union. The contents of this report are the sole responsibility of ICA- Africa and can in no way be taken to reflect the views of the European Union

¹ Zondani Lungu, (260) 976 404903, <mailto:zoxlungu@gmail.com>

Table of Contents

Acronym	3
1. Introduction	4
1.1 Legal Context	4
2. The cooperative law of Zambia	5
2.1 General Context (A-Q 1&3).....	5
2.2 Specific elements of the co-operative law (A-Q 4-7,8-11, 12-18).....	6
3. Degree of “cooperative friendliness” of the national legislation.....	8
4. Recommendations for the improvement of the national legal framework	9
5. Annex.....	10
5.1 Legal Framework Questionnaire responses (Zambia) -National expert	10
6 Documents Reviewed.....	17

i. Acronym

AGM	Annual General Meeting
CDSP	Cooperatives Development and Sustainability Programme
EIF	Enhanced Integrated Framework
FISP	Farmer Inputs Support Programme
ICA	International Cooperative Alliance
LFQ	Legal Framework Questionnaire
MCTI	Ministry of Commerce, Trade and Industry
MMD	Movement for Multi-party Democracy
UNIP	United National Independence Party
ZCF	Zambia Cooperative Federation

1. Introduction

This national report forms part of a Legal Framework Analysis (LFA) undertaken for Alliance Africa, in terms of an agreement between the International Cooperative Alliance (ICA) and the European Union to which Alliance Africa is a co-signatory. The agreement is entitled “Cooperatives in Development – People Centred Businesses in Action”.

The objectives of the LFA are set out in the following statement:

“Cooperatives benefit from regulations acknowledging their specificities and ensuring a level playing field with other types of business organizations. The absence of a specific legal framework for cooperatives or a weak legal framework may damage cooperatives, while in contrast a supportive regulation may allow their development. This is the reason why knowledge and evaluation of cooperative legislation is a necessary tool for ICA offices and members to support their advocacy and recommendations on the creation or improvement of legal frameworks, to document the implementation of cooperative legislation and policies, and to monitor their evolution. Against this background, the objectives of the LFA are: (i) to acquire general knowledge of the national legislation on cooperatives, including but not limited to the legislation in force in the 107 countries represented by ICA members, as well as of supranational cooperative legislation if existent; (ii) to evaluate the national jurisdictions covered by the LFA according to their enabling environment for cooperatives, in order to compare national cooperative laws with pre-determined indicators, based on a scale of “cooperative friendliness” of the national legislation; and (iii) to provide recommendations for eventual renewal of the legal frameworks in place.”

This report is prepared based on the legal framework analysis of cooperative law i.e. the cooperative societies Act and Cooperative rules and aspects of the Tax laws by the author based on the Legal Framework Questionnaire (LFQ) provided by ICA-Africa. Input through the administration of the Legal Framework Questionnaire (LFQ) was solicited from two members namely, Zambia Cooperative Federation and Tubalange Primary Cooperative Society but in vain. The report presents the cooperative legal context for Zambia per overall objectives of the ICA - Africa legal framework analysis exercise.

1.1 Legal Context

The Constitution of Zambia is the principle law of the country governing the socio-economic and human rights of the Zambian society. Sector and sub-sector specific laws are integral to the constitution of Zambia as chapters constituted in form of Acts of parliament.

Group based socio-economic and cultural associations, whether they be clubs, political parties, faith-based organizations or community-based organization, they are all governed under the societies act. The Societies Act prescribe the basic standards for formation, operation and liquidation of organizations registered under the registrar of societies who is responsible for implementing it. However, the Societies Act does not promote thrift by organizations under its jurisdiction because its focus is on charity and public good.

The Cooperative societies Act was formulated to redress the non thrift nature of the Societies Act to meet the needs of group associations with intent for business though not for profit. Consequently, the cooperative societies act in many aspects mirror the societies act i.e. among others

- The minimum number of memberships is in both cases 10 members
- Condition for becoming a member is premised on voluntary and open to everyone
- Governance structures where members' general meeting is the supreme policy body while the board of directors is the delegated body for oversight on the secretariat between annual members' meetings (AGMs).
- Requirement for annual returns and audit of books of accounts.

Unlike the Societies Act, the Cooperative Societies Act promotes among others;

- Mobilization of financial resources among the cooperative members as capital for investment required to achieve the joint benefit.
- Confines board membership to members of the cooperative
- Provide for sharing of residual (surplus/Profit) income among members as patronage bonus purposes

2. The cooperative law of Zambia

The cooperative law embodied in the Cooperative Act and cooperative rules is the legal instrument of government for management of the cooperative sector in Zambia

2.1 General Context (A-Q 1&3)

Cooperatives in Zambia have been under a specific regulatory framework that is a stem of the overall legal regime for national economic management. Prior to independence in 1964, the cooperative ordinance was the regulatory framework that governed all types of cooperatives. After 1964, the government repealed the cooperative Ordinance and established the Cooperative Societies Act No. 63 of 1970 and the cooperative rules of 1972 developed to give basis for the enforcement of the Act. The Act is integral of the Zambian Constitution as a chapter 397. The repeal of the cooperative Ordinance was informed by the government policy to promote cooperatives as a rural development strategy. Therefore, the cooperative Act and rules premise the operational context for all the cooperatives in Zambia from formation to liquidation i.e.

- i. **Formation** - The Act defines what a cooperative is and prescribes at least 10 people voluntarily cooperating to form and collectively owning a cooperative to achieve joint economic benefit(s) upon being registered with the registrar of cooperatives. The minimum

membership is a requirement to be complied with at all times for the cooperative society not to be deregistered.

- ii. **Governance** – The Act prescribes that the Annual General Meeting be the supreme cooperative policy body with a mandate to delegate to its board of directors constituted of its members the supervisory function to oversight cooperative operations in between the AGMs.
- iii. **Business viability** – The Act prescribes cooperatives to source adequate capital from among its members only to sustainably meet its investment plans
- iv. **Disposal of surplus/ “profit”**- The Act guides the allotment of cooperative residual incomes for purposes of cooperative development and promotion of members once such income has been pronounced in an authentic audit of the cooperative books of accounts i.e. as patronage bonus.
- v. **Liquidation**- The Act guides the procedure for cessation of cooperative activity and liquidation including settlement of both member and cooperative liability
- vi. **Compliance and charges**- The Act prescribes compliance standards and respective charges in the event that a cooperative society does not comply. Cooperatives can only remain operational when engaged in initiatives that are legally acceptable under the Zambian laws.

2.2 Specific elements of the co-operative law (A-Q 4-7,8-11, 12-18)

In Zambia, under the Cooperative Act, the cooperatives are all those entities

- i. Constituted by a group of persons (at least 10) united voluntarily to meet their common economic, social and cultural needs and aspirations premised on collective enterprise ownership and democratic control. In achieving their purpose and objectives, cooperatives are expected to engage in lawful business, adhere to tenets of the general law, Cooperative Act and cooperative principles as indicated in the cooperative rules i.e.
 - **Voluntary and open membership** – manifested in the nondiscrimination or prohibition of those seeking or relinquishing membership of the cooperative upon meeting the relevant requirements prescribed in the cooperative Act, Cooperative Rules and respective By-Laws
 - **Democratic Member Control**- manifested in mutual regard and “one man one vote” decision making processes and procedures
 - **Member Economic Participation** - manifested in member based cooperative business transactions and member financial (capital) contribution to facilitate the cooperative business investment
 - **Autonomy and Independence** -manifested in intra-influence in the cooperative business conduct and welfare i.e. “By Members For Members” adage.
 - **Education, Training and Information** -manifested in member knowledge gain, skill upgrade and access to information

- **Co-operation among Co-operatives** – manifested in collaborative or amalgamative initiatives among cooperatives for economies of scale, competitive advantage, advocacy and or visibility
 - **Concern for Community** – manifested in cooperative attitude towards public good and relevance in its business i.e. environmental degradation, profiteering etc.
- ii. Operationally governed by members assisted by staff through the following structures;
- **Members’ Annual General Meeting** (usually ordinary though at times special) as the supreme policy making body through its resolutions
 - **A board of directors** whose membership is drawn exclusively from among the cooperative members elected to it
 - **Board Sub-Committees** constated by the board of directors with membership drawn from both the board and general membership whose expertise is relevant to the respective committee subject matter
 - **A secretariat** of qualified staff charged with implementation of the AGM resolution on a daily basis under the oversight of the board of directors. Normally responsible in management of cooperative resources for application in action areas deemed relevant to attainment of the cooperative purpose and objectives and contributing to the achievement of their common economic, social and cultural needs and aspirations. Key roles of the secretariat include among others: -
 - Record keeping of cooperative transactions
 - Periodic reporting to the board of directors
 - Facilitation of member education, training and information access
- iii. Financially member dependent (*though exceptions exists for cooperative Unions and Federations especial for mobilization of capital for value addition operations*) through:
- **membership fee** – initial evidence of commitment towards voluntary cooperation
 - **member shares** – level of investment into the cooperative and evidence of collective ownership
 - **Member capital contributions** – member commitment to business viability and sustainability as premise for the cooperative’s business resilience at a given economic environment. Primarily disposing the residue income (Surplus/Profit) from cooperative business into cooperative development and patronage bonus.
 - **Compliance to taxation and liability** – Financial propriety as prescribed in the Income tax Act in what is payable by or exempt for “Not for profit” outfits and as prescribed in Cooperative Act regarding liabilities
- iv. Primarily, the cooperative approach promotes the “By members for members” to involve, manage and gain socio-economic benefit for purposes of fostering self-reliance in

individual, community and national development. Consequently, cooperation among cooperatives is allowed in the Cooperative Act as a means to consolidating the cooperative approach.

The Cooperative Act provisions on voluntary membership, democratic control and member-based business financing insulates cooperatives from external influence. However, cooperatives are not that insulated from government initiatives that transgress the provisions of the cooperative law i.e.

- The 1988 transfer of National Marketing Board functions to Zambia Cooperative Federation without general membership consent
- The use of cooperatives formation to mobilize the communities in the implementation of the Farmer Inputs Support Programme (FISP) since 2001 which undermines the cooperative ethos regarding voluntary cooperation to cooperation for the purpose of accessing government resources.

3. Degree of “cooperative friendliness” of the national legislation

Typical assessment of friendliness of the cooperative law in Zambia is the extent the law facilitates or hinder the cooperative approach. The cooperative law in Zambia is cooperative friendly by content.

- i. However, the enforcement compliance levels to the provision of the act can and has created barrier effects. The registration of cooperatives formed under the FISP by the Ministry of Commerce, Trade and Industry (MCTI) undermines the essence of the cooperative law. Such cooperatives do not have any obligation to the cooperative spirit other than accessing government resources.
- ii. Periodic review and amendments to the law provisions enables it to be responsive to obtaining socio-economic environment and to hedge the law’s friendliness.
 - The review of the Cooperative Ordinance in 1970 giving birth to the Cooperative Act No. 63 of 1970 was meant to escalate formation of cooperatives as a strategy for higher participation by the indigenous nationals in the economy by the United National Independence Party (UNIP) government, a trait the Cooperative Ordinance did not promote by design of the colonial government
 - The review of the Cooperative Act No. 63 of 1970 giving birth to the Cooperative Act No. 20 of 1998 was done to make it responsive to the demands of economic liberalization instituted in 1991 by the Movement for Multi-party Democracy (MMD) government
- iii. The world-wide nature of the cooperative approach epitomized in the International Cooperative Alliance (ICA) has provided bounds in domestication of the cooperative law in Zambia. Consequently, the cooperative law in Zambia has, in the main, promoted best

practice that is internationally acceptable especially through its compliance to the cooperative principles. Best practice is evident i.e.

- Cooperative governance in Zambia has remained compliant to the cooperative governance principle both in structure and procedure like, among others, election of leaders
- Cooperative business has primarily remained member financed and member participated
- Initiatives or consolidation through formation of district and provincial cooperative unions has progressively been undertaken through cooperation among cooperative to take advantage of resultant economies of scale and advocacy

4. Recommendations for the improvement of the national legal framework

The reality of the strategic role the cooperative has in economic development of Zambia calls for a number of adjustments in the enforcement of the cooperative law;

- i. **Establishment of a robust monitoring strategy-** for compliance levels to the cooperative law provisions and identification of short comings in the law. Currently the department of cooperatives at the MCTI is inadequate especially at district level where more cooperative societies exists. Human resource mobilization and capacity building is a dire need in the MCTI at district level. Initiatives to address this through the Cooperatives Development and Sustainability Project (CDSP) under the Enhanced Integrated Framework Programme (EIF) are commendable.
- ii. **Periodic review of the Cooperative Act** – Is still required to sustain its friendliness towards cooperative development and, being in tandem with both local and international economic and cooperative trends. It may be necessary to undertake partial sector-based reviews of the law to hedge its sector-wise friendliness i.e. reviewing its provision on the Credit and Savings cooperatives with respect to the rapid changes in delivery of financial services with the advent of the Mobile Money.
- iii. **Vertical and horizontal integration** – in value addition and inter industry relevance is what can sustain economic viability of the cooperatives in the long term. Such integration would trigger both economies of scale, comparative advantage and synergy among cooperatives.
- iv. **Heightened community sensitization** - by the Ministry of Commerce Trade and Industry through the Department of Cooperatives in conjunction with the ZCF on the strategic role cooperatives can play in the economic development of Zambia will help stakeholders and the public to appreciate more the cooperative approach to development

5. Annex

5.1 Legal Framework Questionnaire responses (Zambia) -National expert

THE COOPERATIVE LEGAL FRAMEWORK ANALYSIS (ZAMBIA)

April 2020

RESPONSE TO THE LEGAL FRAMEWORK QUESTIONNAIRE BY THE NATIONAL EXPERT

Inquiry	Response	Reference as applicable
Part I. Outline of the national cooperative legislation		
Section 1. National cooperative law: sources and general features		
A-Q1.	<p>Cooperatives in Zambia are regulated under the Cooperative Societies Act and cooperative rules. Initial regulation was through the Cooperative Societies Act 1970 and cooperative rules 1972 both of which were amended in 1998 and 1999 respectively. The cooperative societies act is Chapter 397 of the Constitution of Zambia.</p> <ul style="list-style-type: none"> – The Cooperative Societies Act and cooperative societies rules are administered by the Ministry of Commerce, Trade and Industry under the Act and Department of Cooperatives. – The act and the rules regulate all aspects of the cooperative movement in Zambia from formation, registration, governance, business, surplus and winding up. – Alongside the cooperative societies act and cooperative societies rules Cooperative Societies formulate by-laws that are specific to the operational need of each cooperative society whatever the type. 	<ul style="list-style-type: none"> ▪ Cooperative Societies Act No. 20 of 1998 (CSA .20 .1998) -Part 3
A-Q2	<p>No special laws exist for specific type of cooperatives in Zambia beside the Cooperative Societies Act and cooperative societies rules.</p> <ul style="list-style-type: none"> – Therefore, whether the cooperative is a worker cooperative, social cooperatives, cooperative bank, youth, women, educational cooperatives they are governed by the Cooperatives Societies Act as provided for in the Zambian constitution and the cooperative societies rules. 	
A-Q3.	<p>The ICA principles are only explicitly provided for in the Cooperative rules as requisite evident for suitability to register a cooperative society (Cooperative rules Form A-1) but only implied in the Cooperative Act.</p> <ul style="list-style-type: none"> – The Act definition of what a cooperative society is does imply the ICA principles in the use of the terms “United Voluntarily”, “Association”, “jointly”, “common” etc. – The bylaws, however, convey all the ICA principles as basis (guide) 	

	for the practice of cooperative values by the members and in compliance to the cooperative societies rules provisions.	
Section 2. Definition and objectives of cooperatives		
A-Q4.	<p>The Cooperative Societies Act does define cooperatives as; “<i>An autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.</i>”(Cooperative Societies Act 1970 version) while in the Cooperative Societies Act 1998 version they are defined as “Any enterprise or organisation owned collectively by its members and managed for their joint socio-economic benefit and whose activities are not prohibited by law”</p> <ul style="list-style-type: none"> – <i>Association of persons that voluntarily unite to meet their common needs and aspirations (collective member ownership and joint socio-economic benefit) are the essential elements of the notion of “cooperative”.</i> – <i>The fact that cooperatives are legally constituted to operate as “By members for members” is a distinguishing legal characteristic to the “For-Profit” shareholder corporations which do not require shareholder participation beyond provision of capital. Consequently, they are legally: -</i> <ul style="list-style-type: none"> • <i>expected to be an association of at least 10 members the constitutional legal threshold for group action</i> • <i>expected to primarily service their membership</i> • <i>expected to mobilise financial resources (capital) from among members instead of outsiders to finance the activities that contribute to jointly attaining their socio-economic benefit</i> • <i>expected to be devoid of usury and profit motive but merely making surplus to support business viability, payout of patronage bonus and member promotion through education and training</i> • <i>Treated as special types of business concerns that support the government core mandate of improving the living standards of its citizens deserving exemption from tax on their income (surplus) on the lines charitable organisations in Zambia are treated</i> 	CSA .20 .1998 - Part 3, 11
A-Q5.	<p>The cooperative law does not present a specific objective or set of objectives except that all cooperative societies are required (before registration) by the legal definition of cooperatives to craft objectives that espouse attainment of <i>their common needs and aspirations. Form A-1 of the cooperative society’s rules demand the indication of the objectives as a basis for assessment for suitability to register a cooperative.</i></p> <ul style="list-style-type: none"> – Although the cooperative law does not assign a precise purpose to 	CSA Rules 1999 First Schedule Form A & A-1

	<p>cooperatives, the registration procedure however, demand that this is indicated by the applicant.</p> <ul style="list-style-type: none"> • Upon registration, compliance to the purpose indicated by the cooperative is monitored by the department of cooperatives through demand for annual returns and audit reports among others to provide evidence towards attainment of joint socio-economic benefit. <ul style="list-style-type: none"> – Actualisation of the 7 cooperative principles enshrined in the cooperative rules and also demanded of the cooperative society in the registration form A-1 constitute member promotion – Member meetings i.e. Annual General Meetings, member participation in cooperative society events and business activities, education and training event are among avenues for carrying out member promotion – The persona in “By Members for Members” and the “cooperation among Cooperators” principle are the drivers in member obligation to the cooperative and vice versa – Nonmember transaction may occur as in the case of consumer cooperatives but the proceeds are exclusively for the benefit of members 	
A-Q6.	<p>Per definition of a cooperative in the Act, a cooperative may not <i>pursue objectives other than member-promotion except for spin-offs to its core mandate such as value addition ventures that result in economies of scale (Milling, oil processing, mineral trading) and for moral reasons but never outside member interests</i></p>	CSA .20 .1998 - Part 3,
A-Q7.	<p>A cooperative in Zambia can only legally carry out any economic activity as provided for in the cooperative societies Act 1998 definition of a cooperative.</p> <ul style="list-style-type: none"> – Whether <i>economic activity or sector is banking, insurance, platform cooperativism, etc. It’s feasible to be undertaken if the legal requirement is met.</i> 	CSA .20 .1998 - Part 3
Section 3. Establishment, cooperative membership and governance		
A-Q8.	<p>There is a register (data base) in the office of the registrar capturing each a cooperative registered or deregistered.</p> <ul style="list-style-type: none"> – In Zambia, a cooperative is legally a cooperative once it’s been registered in accordance with the provisions of the Cooperative Societies Act and the cooperative rules i.e. <ul style="list-style-type: none"> • The minimum legal requirement of 10 members for any cooperative to be registered • Should internally mobilize adequate funds to viably engage in the business registered for. – Violation of the minimum requirements result in deregistering of the 	CSA .20 .1998 - Part 2

	respective cooperative	
A-Q9.	<p><i>Admission of new members into a cooperative is regulated by the cooperative society's by-laws premised on the cooperative principle of "Voluntary and open membership"</i></p> <ul style="list-style-type: none"> – No one is admissible into membership except they meet membership requirements provided in the cooperative by-laws and cooperative societies rules at the time they apply. – Members are free to leave the cooperatives premised on the principle of "voluntary and open membership". However, members are required to serve a prescribed notice for disengaging from the cooperative society just as they are required to apply to join the cooperative. The notice facilitates preparation of the severance package a member is entitled to under the circumstance. 	CSA .20 .1998 - Part 4, CSA Rules 1999 Part 1, First Schedule Form c
A-Q10.	<p>The cooperative law prescribes how members vote during business meeting as one vote per member directly exercised and not by proxy. In the event of a tie, the chairperson is empowered to cast the deciding vote beside the one vote each member is entitled to.</p> <ul style="list-style-type: none"> • However, the law does allow a co-operative union or a federation, to provide for the determination of the number of voting rights on the basis of the number of shares held by a member 	CSA .20 .1998 - Part 4
0b	<p>The Annual General Meeting (AGM), composed of all the members, is the supreme governance body in a cooperative society. The AGM constitutes a board of directors from among themselves to whom it delegates the direction and oversight role in between the AGMs in the implementation of the AGM resolutions.</p> <ul style="list-style-type: none"> – The board is mandated to: - <ul style="list-style-type: none"> • Constitute sub-committees approved by AGM to oversee implementation of specific resolutions especially, those requiring special skills like audits. • Establish and supervise the secretariat (staff) that implements the resolutions of the AGM • Provide feedback to members and the AGM on the cooperative performance between AGMs – The administrators (staff) are mandated among others to: - <ul style="list-style-type: none"> • Operationalize the AGM resolutions on the cooperative business • Periodically report to the board progress made in achieving the business targets • Maintain record books (Books of account) and facilitate audit of the cooperative business • Facilitate member promotion through education and training 	CSA .20 .1998 - Part 4, 5 &7
Section 4. Cooperative financial structure		
A-Q12.	At primary cooperative society level, the law prescribes 10 shares per	CSA .20 .1998 -

	<p>member but the value of each share is member determined and documented in the by-laws to suit the business environment and the business focus of each cooperative society</p> <ul style="list-style-type: none"> – The law, however, does not prescribe the number of shares each member may hold nor the value of such shares for secondary cooperatives i.e. unions and federations – The cooperative Act and the rules provide the basis for capital contribution by confining it to members of the respective cooperative whose value unit is determined at the AGM as a resolution – For primary cooperatives the contributable value is equal for each member – At union and or federation level, its proportional to the shares held and or according to the members’ capacity given that level of investment gives member levels of influence. – The law provides that other than the membership fee, the share value and capital is returnable to the member in the case of member exit or cooperative dissolution subject to the liabilities such a member may be having with the cooperative at the time. 	Part 4, CSA Rules 1999 Part 1,
A-Q13.	<p>The cooperative law provides that the cooperative determine how profit /surplus is disposed as provided for in the respective by-laws. However, the special treatment cooperatives are subjected to by government i.e. tax exemption is premised on benefiting the members through residual income (Profit/Surplus).</p> <ul style="list-style-type: none"> – The cooperative law prescribes establishment of reserves, especially for credit and savings cooperatives, to support development of the cooperative – Portion of Profit / surplus may be distributed to members but premised on authentic audit report declaration of the profit/surplus, approval by the AGM and primarily towards patronage bonus – Except for union and federation level cooperatives, profit /surplus is not distributed based on proportion to capital subscribed. Such unions and federations will distribute such portion of profit primarily as dividends 	CSA .20 .1998 - Part 4
A-Q14.	<p>According to the cooperative act and cooperative rules, funding of cooperative business is the responsibility of the members either through recapitalization or re-investment of the profit/surplus.</p> <ul style="list-style-type: none"> – Secondary level cooperatives (Unions and Federations) may obtain a loan from financial institutions to fund value addition activities provided that does not compromise the members’ interests. 	CSA .20 .1998 - Part 3, CSA Rules 1999 Part 3
A-Q15.	<p>In the case of cooperative dissolution or conversion into another type of business organization, the cooperative law provides proportional</p>	CSA .20 .1998 - Part 3,

	distribution of capital over and above settling any liability the cooperative may have. Assets are converted into liquid cash for ease of distribution.	
Section 5. Cooperative external control		
A-Q16.	Where a cooperative is evidently operating divergent to the provisions of the cooperative Act, Rules and by-laws, the government will intervene through the department of cooperatives and other relevant quasi government organs like Zambia Revenue Authority. All cooperatives are registered to operate within the law and for the best interest of all its members.	CSA .20 .1998 - Part 2, 11
Section 6. Cooperation among cooperatives		
A-Q17.	The law provides for <i>cooperation among cooperatives</i> in cases where such cooperatives are affiliates to a secondary cooperative or such cooperatives seek to amalgamate in order to enhance their capacity in achieving their joint benefit	CSA .20 .1998 - Part 10
Section 7. Cooperative taxation		
A-Q18	Like all other business organizations, cooperatives are subject to the general tax regime in place except for income related taxes from which they are exempted as “not for profit” organisations. <ul style="list-style-type: none"> – Cooperative pay excise duty, customs duty and value added tax like all others do 	Income Tax Cap. 323 Part 4
Part II. Degree of “cooperative friendliness” of the national legislation		
A-Q19.	The cooperative law does not present precise barriers to the development of cooperatives. However, changes in the economic environment render the law less effective as was the case with the Cooperative societies act No. 63 of 1970 when the government adopted free market economic model. <ul style="list-style-type: none"> – Whenever the economic environment changes, a revision of the cooperative law is triggered to align it to the current demands as was done to the cooperative act of 1970 to arrive at the Cooperative Act No. 20 of 1998. – It’s worth noting that the cooperative law itself can be externally barred by other laws or statutory instruments government may implement i.e. <ul style="list-style-type: none"> • The 1998 case where Zambia Cooperative Federation, without members’ consent was made to take up the role of NamBoard by issue of a stator instrument rendering it to instantly acquire assets and liabilities. • The other case was in 2001 where communities (Youths and farmers) were instructed to form cooperatives to facilitate implementation of the government’s Farmer Input Support Programme and Youth empowerment programmes. 	

	Such actions relegate the cooperative voluntary membership, collective ownership and joint benefit to convenience for access to government resource. This is detrimental development of cooperatives under the cooperative ethos.	
A-Q20.	<p>The current cooperative law presents best practice especially that it is made responsive to changes in the wider economic domain through amending of the relevant section affected by such changes.</p> <ul style="list-style-type: none"> – The 1998 amendment of the Cooperative Societies Act No 63 of 1970 for purposes of making it responsive to the demands of the economic liberalization the government instituted in 1991 – Although private enterprising is private, cooperatives remain promoted by the government and the public. This seem to be driven by the benefits of group action and group accountability that cooperatives present. – Other than the tax law, there is no evident legal incentives to cooperatives elsewhere. 	
Q21.	<p>The cooperative law remains very much friendly through its sustained compliance in its provisions to the cooperative ethos and standards that are internationally acceptable in the cooperative movement especially, among others,</p> <ul style="list-style-type: none"> • Voluntary and open membership in cooperative formation • Governance and administration of cooperatives where the AGM remain the supreme policy body • Criteria in declaration and disposal of surplus being premised on authentic audit and according to the guide in the cooperative rules respectively 	
A-Q22.	<p>Historically, the cooperative law is structured to conform to the cooperative tradition whose genesis is the 1844 Rochdale cooperative principles as adopted by the ICA</p> <ul style="list-style-type: none"> – Consequently, the Zambian cooperative law is comparable to cooperative laws in other jurisdictions equally influenced by the cooperative tradition and ethos in in 	
Part III. Recommendations for the improvement of the national legal framework		
Q23.	<p>A robust monitoring strategy for compliance to the cooperative law provisions will enhance capacity in identification of whatever short comings the law may have as a consequence of either change in member needs or another legal jurisdiction government may be implementing.</p> <ul style="list-style-type: none"> – Cooperative development is a continuous process necessitating review of the law to ensure it is responsive and facilitative to member needs in as much as members are required to be compliant to it. 	
A-Q24.	The current cooperative law is adequately friendly for cooperative development. However, periodic review of the law will sustain its	

	friendliness towards cooperative development	
A-Q25.	Economic viability of the cooperatives will only be feasible if the cooperative enterprise is both vertically and horizontally integrated. Vertical integration will enable the cooperatives to do value addition to their primary products which will create more income. Horizontal integration will trigger synergies among cooperatives by producing products that will require operations of others. Therefore, promotion of multipurpose cooperatives would bring about this inter sectoral validity and sustainable viability.	
A-Q26.	A more aggressive sensitization approach for both the public and cooperative members by the Ministry of Commerce Trade and Industry through the Department of Cooperatives and the ZCF on the strategic role cooperatives can play in the economic development of Zambia	

6 Documents Reviewed

- i. Cooperative Societies Act No.63 of 1970, Chapter 397 of the Laws of Zambia
- ii. Cooperative Societies Act , Rules of 1972
- iii. Cooperative Societies Act No.20 of 1998, Chapter 397 of the Laws of Zambia
- iv. Cooperative Societies Act, Rules of 1999
- v. Income Tax Act, Chapter 323 of the Laws of Zambia
- vi. Societies Act, Chapter 119 of the Laws of Zambia