

What is a Co-operative?

- It is an **enterprise, or business**, owned by an **association of persons** seeking to satisfy common needs (access to products or services, sales of their products or services, employment, etc.)
- This association includes one or more kinds of **users or stakeholders of the enterprise**:
 - **consumers** who use the enterprise to acquire products or services (such as a retail co-op, housing, health-care or day-care co-op);
 - **producers** (such as independent entrepreneurs, artisans, or farmers) who use the enterprise to process and market the goods or services they produced, or to buy products or services necessary to their professional activities.
 - **workers** who use the enterprise to secure their employment and control their working conditions.
 - Co-operatives operate **democratically (one person, one vote)** through two bodies (general meeting of the members or delegates, and the board of directors which is composed of members elected at a general meeting). The delegate structure may be required to reflect the size of the organization or the distance covered by the co-operative.
 - The co-operative's start-up capital usually comes from **co-op shares** purchased by members.
 - Each member's **liability** is limited to the amount of his or her share in the capital.

Steps in Forming a Co-operative

The Legal status of a co-operative

- **A co-operative may be formed in accordance with:**
- The co-operative Societies Act 1974 setting out its corporate form and mode of operation.

The purpose of a co-operative

The purpose of a co-operative is both economic and social. It may include, for example, social development or local economic development through job creation or the provision of goods and services that would be otherwise unavailable.

- The purpose of a **consumers' co-operative** is: to meet the members' needs by offering them, for example, the best price for products and services bought by members (as in a supply coop) or sold for members (as in a marketing co-op) Examples of producers' co-operatives include: agricultural supply and food processing co-operatives.
- The purpose of a **workers' co-operative** is: to meet members' needs of securing employment or of finding work that offers good working conditions (good salary or better working environment for example).
Examples: all sectors, although primarily sectors where labour or knowledge is key to the business operation. A variant of workers' co-ops is when employees acquire a minority share ownership in the Employer's business.

How is a Co-operative Different from other businesses?

Co-operative Business	Investor-owned business	Non-profit organization
Ownership		
The share is listed in the member's name.	Generally, a share carries no name. Unless registered, it belongs to the Bearer.	There is no ownership. Members are taken on (or membership accepted) when they agree to pay annual dues conferring member status, or a one-time membership fee.
In general, a share may not increase in value. It can usually only be redeemed by the co-operative at its par value.	A common share may increase in value. A share-holder may sell his or her shares to another person at an agreed upon price.	Anyone may become a member, whether or not they use or benefit from the services provided by the organization, as long as they support the purpose of the organization.
Member's responsibility is limited to the amount of the shares he or she holds.	Shareholder's responsibility is limited to the value of the shares he or she holds.	
Voting		
A member is entitled to only one vote at a general meeting, regardless of the number of shares he or she holds.	The number of votes of share holders is entitled to at a general meeting is equivalent to the number of shares held in the company	Generally, one person, one vote. Delegates or proxies may be used depending on the governing legislation
Certain co-operatives with a large and dispersed membership may introduce delegate structure for representing members (eg. Delegates representing multiple members from a geographic district).		
No proxy voting allowed	A shareholder may obtain a proxy to vote for other shareholders	
Sharing in the surplus		
Co-operative legislation may limit or prohibit the payment of interest on share capital	There is no limit on share dividend	Surpluses do not belong to individual members but to the organization. They may, therefore, not be redistributed among the members but must be returned in full to the indivisible general reserve of the organization.
Surpluses may be paid into the reserve or to members in the form of patronage returns proportional to the business done by each member with the co-operative	Profits may be may be distributed in the form of dividends according to the provisions for each class of shares or reinvested in the company. The value of shares reflects the net value of the corporation.	

Co-operatives in the Bahamian Economy

Co-operatives play an important role in the Bahamian economy. They operate in most economic sectors. In some cases, they are a community's main tool for economic and social development.

Approximately 32,000 Bahamian co-operatives reported their activities in 1999 (non-financial, and credit unions). Taken together, these co-operatives.

- had a membership over 29,000
- employed over 117 direct and 593 people indirect
- had assets worth over \$100 M

• Financial co-operatives

- 15 credit unions
- 27,805 members
- \$99,108,853 in assets
- a population penetration rate of over 17%

• Non-financial co-operatives

- 15 co-operatives
- 956 members
- \$911,923 in assets

Top non-financial co-operative enterprises – 1999

Co-operative	Number of Members	Assets \$	Number of employees
North Cat Island Co-operative Society Ltd.	162	220,512	19
Long Island Co-operative Society Ltd.	84	54,615	1
New Providence Livestock Producers	16	124,580	2
Abaco Agricultural Co-operative Society Ltd.	97	25,375	1
Grand Bahama Agriculture Co-operative Society Ltd.	21	31,909	1
Mayaguana Co-operative Society Ltd.	60	60,966	-
North Andros Agricultural Co-operative Society Ltd.	137	47,348	-
South Andros Co-operative Society Ltd.	220	172,159	-
Natural Products Co-operative Society Ltd.	13	160,217	-
Total	810	897,681	24

Top financial co-operative enterprises – 1999

Credit Unions	Branches	Number of Members	Assets \$	Number of employees
Teachers & Salaried Workers Co-operative Credit Union Ltd.	3	13,318	46,773,522	31
National Workers Co-operative Credit Union Ltd.	2	5,295	17,482,957	22
Public Workers Co-operative Credit Union Ltd.	2	2,291	9,605,301	9
Paradise Island Resorts & Casino Co-operative Credit Union Ltd.	1	1,592	8,407,549	7
Royal Bahamas Police Force Co-operative Credit Union Ltd.	2	1,607	8,667,851	7
Grand Bahama Co-operative Credit Union Ltd.	1	2,292	3,995,320	5
Bahamas Transportation & Taxi-Cab Workers Co-operative Credit Union Ltd.	1	309	416,467	1
Bahamas Utilities Workers Co-operative Credit Union Ltd.	1	452	1,869,242	3
Total	13	27,156	9,721,809	85

Bahamas Co-operatives Societies Act

The requirements and procedures for the incorporation and operation of co-operatives in the Bahamas are laid out in The Co-operatives Societies Act, 1974 and the Co-operatives Regulations 1974, which are administered, by the Department of Co-operative Development, Ministry of Commerce Agriculture and Industry.

The purpose of the legislation is to:

- Provide for specific needs of individual co-operatives;
- Give co-operatives greater flexibility;
- Set out provisions which must be included in the articles and by-laws of co-operatives; and
- Allow for additional by-laws unique to the needs and operation of individual co-operatives.

Department of Co-operative Development
East Bay Street
P O BOX N-3028
Nassau, Bahamas

Phone: (242) 356-3152
Fax: (242) 356-4622

How to go about forming a co-operative in the Bahamas

An organization must be incorporated in order to be called a co-operative. The use of the word “**co-operative**” in the name or description of an organization is restricted only to incorporated co-operative organizations. The requirements and procedures of incorporation are detailed in the Co-operative Societies Act, 1974 which is administered by the Government of the Bahamas.

The Co-operative Societies Act, 1974 addresses all legislative areas concerning co-operatives. Its purpose is to:

- Provide for specific needs of individual co-operatives
- Give co-operatives greater flexibility
- Set out provisions which must be included in the articles and bylaws of co-operatives and;
- Allow for additional bylaws unique to the needs and operation of individual co-operatives. These are identified in the Act by the words “subject to the bylaws” in various subsections. The provisions of the Act will apply in cases where bylaws have not been formulated.

In order to incorporate a co-operative, the incorporation package (which includes the Articles of Incorporation, a notice of Registered Office, a proposed set of by-laws and Business Development Plan) must be completed and submitted to the Department of Co-operative Development with the appropriate fees.

It is important to establish or confirm your basic purpose so that everyone shares the same understanding of the organization’s goals and objectives. A formal written schedule should be developed to outline all steps and deadlines in the development process. The schedule also enables you to designate specific tasks to members, with realistic objectives and achievable assignments.

Membership Requirements

A minimum of ten (10) persons is required to apply for incorporation. To become a member, a person must be at least sixteen years of age (except in the case of a junior co-operative) and must have purchased the required number of shares or have paid the required membership fee. The shares or fees are determined by the incorporators.

The Incorporation Package

An application must be submitted to the Director of Co-operatives. The applicants are required to submit the forms of the incorporation package in duplicate (Articles of Incorporation in the prescribed forms, a Notice of Registered Office, and a proposed set of bylaws) and the prescribed fee. The Articles of Incorporation and bylaws represent an agreement between members concerning the co-operatives aims, objectives and rules of operation, and they provide a sound legal basis of operation. The Director may request additional information.

Articles of Incorporation

The Co-operatives Act, 1974 requires that the Articles of Incorporation establish the following criteria:

1. Name of the co-operative;
2. Details of share capital, par value of the shares and limits, if any, on the number of share that can be issued by the co-operative;
3. Number of directors indicated
4. Full names and addresses of the directors;
5. Objective or purpose of the co-operative (it is important to set objectives for a new co-operative to ensure that all members have the same understanding of its purpose and the anticipated level of involvement of the board of directors);
6. Any restriction on business activities;
7. Any other provisions (example: if the intention of the co-operative is to carry on business without the purpose of financial gain for its members, a statement must appear in this section); and
8. Full names and addresses, with signatures, of the incorporators.

Co-operative organization

Directors

The directors named in the Articles of Incorporation will serve as directors until the co-operative's first general meeting, when directors will be elected for a stated term of office. A director must be a member of the co-operative. The directors are responsible to:

- Direct the management of the co-operative's business and other affairs;
- Exercise the powers of the co-operative (directly or indirectly) through the employees and agents of the co-operative;
- Appoint committees as required;
- Comply with the bylaws set by the members and the Co-operative Act, 1974; and
- Establish the policies of the co-operative.

Bylaws

Section 10 of the Co-operative Act, 1974 requires that a society make by-laws for any such things as are necessary or desirable for the purpose for which such society is established.

A co-operative shall include by-laws relating to:

- (a) Conditions of membership including:
 - (i) The rights of members, if any;
 - (ii) The qualification and withdrawal of members and the transfer of shares;
 - (iii) The amount of the membership fee and the annual fee, if any, to be paid by members; and
 - (iv) The conditions on which membership ceases or may be terminated, the disposition that may be made on cessation or Termination of a member's interest, and the determination of the value of the member's interest.
- (b) The election, term of office and removal of directors and Members of directors' committees
- (c) The location where the registered office is to be situated.

Registration

The Director will review the Articles of Incorporation, the Notice of Registered Office and the proposed set of by-laws for compliance with the Co-operatives Act 1974. When all legislative requirements have been met and it is appropriate to approve the incorporation, the Director may:

- Register the Articles of Incorporation and by-laws;
- Enter the name of the co-operative in the register;
- Issue a Certificate of Incorporation in accordance with section 7, stating that the co-operative is incorporated pursuant to this Act and showing the incorporation date; and
- Send to the co-operative at its registered office two copies of its by-laws certified as registered.

The co-operative officially comes into existence on the effective incorporation date recorded on the Certificate of Incorporation. Within one month of the incorporation date, a co-operative must hold a general meeting at which all members are entitled to be present and to vote.

Annual General Meeting

The co-operative must hold an annual general meeting each year and no later than five months after the end of its fiscal year. The board of directors should have its first meeting after the annual general meeting, and should elect a president, a secretary and a treasurer at that time. The names of the directors and officers must be forwarded to and included in the annual return filed with Department of Co-operative Development.

Financial Statements

A co-operative must appoint an auditor at its first annual general meeting and each subsequent annual general meeting.

Sources of assistance and information on co-operatives in The Bahamas

Bahamas Economic and Co-operative Development

The co-operative mandate of the Department is to promote and support the use of co-operative structures, principles and business practices to strengthen and enhance the nations economy and society.

Assorted information and education material, including an ongoing fact sheets, are available from the Department office.

Department of Co-operative Development
East Bay Street
P O BOX N-3028
Nassau, The Bahamas

Phone: (242) 356-3152
Fax: (242) 356-4622

Guidance and ongoing support for co-operative development are available from the Co-operative Development Officers. Their responsibilities are to promote cooperation, co-operative ownership and governance; and to support the development of new commercial and community service co-operatives.

Bahamas Co-operative League
Jerome Ave
P O BOX SS 6314
Nassau, The Bahamas

Phone: (242) 3933691

The questions most frequently asked about co-operatives

Are there advantages to forming a co-operative rather than a traditional private enterprise?

Definitely, particularly if you think you will need to obtain the commitment and advice of associates. The co-operative option could then prove to be the best legal choice because it is an organizational tool designed to meet the needs, and facilitate the operations, of both small groups and of large groups with tens, hundreds or even thousands of members. It offers a proven legal framework for governing collective decision-making and for protecting everyone's interests.

Therefore, if you are attempting to meet a special economic, social or cultural need, the co-operative's legal format may be the best way to become an entrepreneur or resolve your problem with others who share the same goals. You might be looking for a way to obtain affordable quality housing or access to any other product or service unavailable in your area. You might want to create job corresponding to your abilities and your requirements, or reduce your costs of production.

By forming a consumer or service co-operative, you will be able to obtain:

- products or services you need. As co-owner of an enterprise operating according to democratic rules, you will be able to define the characteristics of the products or services with the other members;
- products or services at a lower cost. The enterprise is not operated to maximize profits that must be returned in the form of dividends to shareholders, but to maximize members' co-operative advantage, i.e. quality products and services at the best price.

By forming a workers' co-operative, you will be able to obtain:

- the job you do not have or the job you would like to have;
- the right to take part in defining your working conditions (salary, benefits, organization of work, health and safety in the workplace, etc.);
- the right to share in surpluses in the form of returns in proportion to salary or your hours of work.

How many people are needed to form a co-operative?

The legislation requires at least ten members.

Is a co-operative non-profit?

Although the primary goal of a co-operative is not to maximize profits but its service to members, a co-operative must, nevertheless, generate sufficient revenue to cover expenses and ensure its growth. After securing, in a general reserve, the capital need to finance the expansion of the business, any surpluses remaining are returned to members.

Must all members of a co-operative buy shares?

YES, this is a qualification for membership.

What is the cost of a share in a co-operative with share capital?

A distinction must be made between a share and the number of shares required to become a member of a co-operative. The number of shares, or the cost of the shares that a member purchases, will depend on the kind of co-operative. When it is first set up, each co-operative defines the minimum amount each person will have to invest to become a member. This amount may correspond to two shares or to several shares. This requirement will be set out in the co-operative's by-laws.

Some co-operatives may decree that the value of a share is always the same – such as, ten dollars. Depending on investment or start-up requirements, a co-operative will define the number of ten-dollar shares a person must purchase to become a member:

- in a consumer co-operative, it might be only two dollar share;
- in a producer or worker co-operative, where initial start-up costs are usually higher, it might be one hundred ten dollar shares for a total of one thousand dollars or more.

Must all members have exactly the same total value of shares?

No. All must have the minimum number of coop shares defined by the co-operative in order to be eligible for membership, but some members may decide to invest more and to buy more than this minimum number. This does not give them greater rights in the co-operative, because the rule of one person, one vote applies regardless of the number of shares a member has. The amount members must invest in coop shares vary greatly from one co-operative to another. It depends on the enterprise's capital requirements. Shares may also be bought through payroll deduction of a percentage of salary (for example 5%) in a worker co-operative or through the payment of patronage returns, enabling the enterprise to finance its own growth in whole or in part.

May non-members invest in a co-operative?

Normally, only members may invest in a co-operative. Given the size of investment necessary to start up or develop an enterprise in certain economic sectors, however, the new legislation contemplates the issue of preferred shares to non-members. The legislation may place a limit on the percentage of an enterprise's share capital that may be held by non-members.

Do all members earn the same salary in a workers' co-operative?

This is not obligatory. It may sometimes be the case in very small co-operatives, such as co-operatives composed only of professionals. Generally, however, a co-operative must adapt its salary policies (particularly its salary scale) to the practices in effect in the sector in which it is operating. Otherwise, it runs the danger of having production costs that are too high to be competitive in the marketplace. If salaries are too low, on the other hand, the co-operative may face difficulty hiring or retaining experienced workers.

Salary policies are set by the board of directors.

Does a co-operative perform as well as a traditional private enterprise?

It may perform a great deal better, particularly in the case of worker co-operatives. Some studies comparing the performance of these co-operatives with private enterprises operating in the same economic sector have demonstrated their superiority in two ways:

- low absenteeism;
- better quality of products and services.

This is the result of the high motivation of workers. They know that the business belong to them. They know that the better their work, the greater the surplus the enterprise generates at the end of the year, the more they can increase their income through returns.

The co-operative model is also particularly well suited to new methods of participatory management being increasingly adopted by enterprises wishing to maximize their performance and the quality of their client services. In fact, through its democratic management philosophy and its work team approach, a worker co-operative can function like a natural quality circle.

This democratic management approach is particularly important in highly skilled sectors. By its nature, a worker co-operative has the potential to be an "intelligent" operation in which all workers contribute their intelligence and skills to collective decision-making for the benefit of the enterprise.

Definition and principles of a co-operative

“Statement of Identity”

The Statement on Co-operative Identity was adopted in 1995 by the General Assembly of the International Co-operative Alliance (ICA) held in Manchester to mark its centennial. The statement is the result of a long process of consultation involving thousands of co-operative around the world.

DEFINITION

A co-operative is 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.

VALUES

Co-operatives are based on the values of self-help, self responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, co-operative members believe in the ethical values 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 organizations, 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 organizations controlled by their members, who 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 organized in a democratic manner.

3RD PRINCIPLE: MEMBER ECONOMIC PARTICIPATION

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

4TH PRINCIPLE: AUTONOMY AND INDEPENDENCE

Co-operatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, 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-operatives. They inform the general public – particularly young people and opinion leaders – about the nature and benefits of cooperation.

6TH PRINCIPLE: COOPERATION AMONG CO-OPERATIVES

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

7TH PRINCIPLE: CONCERN FOR COMMUNITY

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

How a co-operative works

Structure of a co-operative

A co-operative is both an association of people and an enterprise. It, therefore, has two different structures:

- **the association of people** is composed of all the democratic structure (general meeting, board of directors, other boards and committees) in which members or their representatives (elected on a one person one vote basis) can participate directly or as delegates of groups of members;
- **the enterprise's structure**, the complexity of which may vary with the scale and nature of economic activities, and which may be more or less similar to that of other private enterprises (with a head office and administrative units). The association of people is directed by a voluntary board of directors.

The co-operative is governed by the board of directors and directed by the person holding the position of chief executive officer, general manager.

By-laws

A co-operative's by-laws are like a government's constitution. They define the rights and obligations of each member of the co-operative. They constitute a legal document.

In many cases, they may only be amended by a majority of three quarters of the members at a general meeting.

They must include provisions regarding:

- the co-operative's mission and its fields of activity
- requirements for becoming a member (including the number of coop shares and for terminating membership (withdrawal or expulsion);
- the procedure for calling the annual general meeting, special general meeting and meetings of the board of directors;
- the powers and responsibilities of the board of directors, the executive committee (if one is planned), and other committees and boards;

The democratic structure

A co-operative operates according to the rules of parliamentary democracy.

Annual general meeting

The board of directors must call and organize an annual general meeting. The by-laws may provide for a quorum (number of member or percentage of total members), without which a general meeting may not be held. One member may not vote for another member (no proxy voting). In particular, the annual meeting has exclusive authority to:

- amend the by-laws
- elect members of the board of directors and of other committees as required;
- appoint the external auditor;
- decide to wind up the co-operative or amalgamate it with another co-operative;
- decide to apply for membership in an umbrella organization.

Board of directors

It governs the co-operative on behalf of members. It usually has exclusive authority to:

- hire and fire the person holding the position of chief executive officer/general manager
- approve salary and human resources management policies;
- define the co-operative's strategic and operational objectives;
- approve production (type and quality) and sales (price) policies for the co-operative's product and services;
- dispose of co-operative's assets;
- propose to the annual meeting the amount and method of payment for patronage dividends;
- prepare and submit the annual report of activities to the general meeting.

Chief Executive Officer/Manager

The chief executive officer (CEO) has the same responsibilities and powers as in a private company: i.e. planning, organizing, directing and controlling the enterprise. The CEO reports directly to the board of directors and must keep it informed of all the enterprise's activities.

The CEO has the power to hire and fire employees of the enterprise in accordance with the provisions of the by-laws and with the directives and policies issued by the board of directors.

In the case of a worker co-operative, however, the power to expel rests with the board of directors because the employee is also a member. Expulsion must be in accordance with the clauses and procedures set out in the by-laws. The CEO may, however, assign and transfer members to different responsibilities and positions.

In the case of both worker co-operatives and other types of co-operatives, the by-laws may give the board of directors (not the CEO) the power to hire and to dismiss managers of the enterprise.

The various kinds of co-operatives

There are various kinds of co-operatives working in a multitude of sectors of economic activity.

Financial Co-operatives

- These co-operatives offer financial, loan or investment services, and insurance services to their members.
- They are owned by user members or by subscribers to insurance.

Examples

- Credit unions
- Insurance co-operatives

Consumer Co-operatives

- They provide their members with goods for their personal use.
- They are owned by the consumers of the goods sold by the co-operative.
- They work in various sectors. They range from small purchasing groups to large supermarket-type organization.

Examples of sectors

- Food
- Natural Food
- School supplies (stationery, school supplies, computers and software)
- Hardware
- Clothing

Service Co-operatives

- They provide services to their members (individuals or corporations).
- They are owned by the users of the services.
- They can range in size from small day care centers to large housing co-operatives.
- They can represent an interesting alternative to public services delivery.

Examples of services

- Community development
- Electricity, natural gas
- Housing
- Day care centres and nurseries
- Funeral services
- Health care
- Transportation and communication
- Tourism

Producer co-operatives

- Some co-operatives market, or process and market, their members products and services directly.
- Others may also sell the input necessary to their members' economic activities (such as agricultural supply co-operatives).
- they are owned by members that purchase from them their inputs, or who deliver to them the products and services they market.

Examples of sectors

- Agricultural processing marketing (fruits etc.)
- Farm supply
- Crafts
- Livestock and crops
- Taxi industry
- Fisheries

Workers Co-operative

- the purpose of these co-operatives is to provide their members with work by operating an enterprise. They may be found in all economic sectors.
- In a worker co-operative, the members, who are the collective owners, obtain jobs and control the management and administration of their enterprise.
- Employees can also form a co-operative for the purpose of acquiring voting shares of the corporation which employ them.

Examples of sectors

- Agri-food
- Natural food
- Arts and entertainment
- Manufacture and sale of clothing
- Communications and marketing
- Construction and renovation
- Education
- Forestry
- Printing and publishing
- Industrial production and manufacturing
- Ambulance services
- Business services
- Home nursing services
- Home care

Multi-Stakeholder Co-operatives

- The membership of these co-operatives is made of different categories of members who share a common interest in the organization; i.e. clients, workers, investors, community organizations etc.

Examples of sectors

- Home care services
- Health services
- Disabled business
- Community services

Proposed Bahamas Co-operative Societies Act 2000

**Note: THE NEW CO-OPERATIVE SOCIETIES ACT IS EXPECTED TO BE PROCLAIMED BEFORE THE END OF 2000
Enforcement of the co-operative legislation is the responsibility of the Department of Co-operative**

Capital structure of co-operatives

The new Co-operative Societies Act recognizes co-operatives with different capital share structures:

- with member share capital, that is in which people must have coop shares to qualify as members
- a coop may issue qualifying and equity shares.
- with or without the power to issue investment shares, that is the co-operative can access capital from investors who expect a return on their investments and not membership status. Of course, members can also be investors.

Workers Co-operative

The new Co-operative Society Act includes provisions for worker co-operatives:

- Workers co-operatives are co-operatives whose prime objective is to provide employment to its members and to operate an enterprise in which control rests with the members.

How to incorporate/Register

To apply for incorporation, at least 10 persons must send the Director, appointed under the Co-operative Societies Act, the following:

- By-laws
- Notice of Registered Office
- Notice of Directors
- A declaration signed by all the applicants that after incorporation the co-operative, a declaration signed by the all the applicants that the co-operative will be in compliance with either part 13 or 14 of the Bahamas Co-operative Society Act. Part 15 includes specific provisions applicable housing co-operative and Part 14 includes specific provisions applicable to worker co-operatives.
- The name must not be confusing with other names, including corporate names, and it must include the word "co-operative".
- The required registration fee.

Main features of by-laws

By-laws are required for a co-operative to operate. The by-laws address:

- the qualifications and procedures for acceptance of members
- the rights and obligations of auxiliary members and conditions for their acceptance
- transfer or assignment of member's interest
- the selection, qualifications, term of office and removal of directors and members of committees of directors
- the distribution of any surplus earnings
- the definition of the agent relationship if the co-operative can act as an agent for its members
- the conditions on which membership is terminated whether by voluntary or involuntary
- the way in which votes must be held if the co-operative wishes to hold electronic meetings (New Act)
- the representation of members by delegates, if any, who may be represented, and powers, duties, selection, voting rights and procedures for the removal of delegates etc.
- the referral of disputes between a member and the co-operative to a process of dispute resolution
- any other matter that the members consider necessary or desirable

You may obtain additional information to assist you in applying for incorporation/registration and drawing up by-laws by contacting the Department of Co-operative Development, Ministry of Agriculture, Commerce and Industry, East Bay Street, P O BOX N-3028, Nassau, Bahamas

The 7 steps in forming a co-operative

Phase I – develop the co-operative business idea

→ Step 1: Assemble a group of interested people

- Identify the needs to be met:
 - unavailability or instability of work,
 - unavailability of certain products and services,
 - poor quality of certain products and services,
 - products and services overpriced,
 - market development.
- Identify professional assistance needed to launch the business:
 - legal consultant,
 - co-operative development consultant,
 - feasibility study, business plan and financial consultant,
 - accounting consultant,
 - other, _____

→ Step 2: Conduct a feasibility study

- Conduct a preliminary market review
- Identify available technical and financial assistance
- Assess receptiveness to the co-operative business in the local community
- Evaluate if the co-operative is the best legal framework to use or if
The kind of co-operative selected is the most suitable
- Define the intended benefits of the co-operative for members, (eg. Quality, price) and characteristics:
 - products and services offered (consumers' co-operative)
 - or products and services marketed (producers' co-operative)
 - or salaries and working conditions (workers' co-operative)Evaluate the project's potential to attract the minimum number of members required

If this study is not conclusive, the group should reevaluate its business idea.
If this study shows that the planned co-operative is feasible, the group can proceed to the second phase.

Phase II – Coordinate the pre-co-operative's activities

→ Step 3: Hold an organizing meeting

- Choose the corporate name of the co-operative, the local of its head Office
- Define the co-operative's mission (objectives, purpose)
- Elect a temporary board of directors and secretary to the board
- Officially submit an application for incorporation as a co-operative from the registration for co-operatives.

→ Step 4: Conduct a viability study

- Obtain financing for the viability study from such sources as:
 - internal financing by the members
 - special grant
 - and/or negotiate a technical assistance or business start-up agreement with a specialized organization.
- Define the strategic objectives
- Evaluate the various strategic scenarios, production costs, and human, material and financial resources necessary
- Evaluate the various start-up financing scenarios
- Do a preliminary projection of budgeted statements and of a cash budget (revenues and expenditures, investments by members in share capital, partners, credit union or bank loans, grants).

If this study concludes that, although the planned co-operative looks feasible it would not be financially viable, the group should consider terminating the project.

If the study shows that the new co-operative will be financially viable, the group can proceed to the third phase.

Phase III – Organize and start up the co-operative

- Set up ad hoc committees to distribute the workload among the members of the temporary board of directors. For example:
 - planning committee
 - training committee
 - committee to draft by-laws
- **Step 5: Organize the association**
- Decide on the association's structure and define the various categories of members, if necessary (consumers, suppliers, workers)
- Determine the roles and responsibilities of the various democratic bodies (general meeting, board of directors, committees)
- Establish the articles and by-laws
- Recruit members
- Organize and offer a program to train members in the administration and management of a co-operative, the chairing and running of annual meeting (eg. "parliamentary procedure") the operation of a committee of board.
- **Step 6: Organize the enterprise**
- **Step 6.A: Plan the operation of the enterprise**
- Draw up an organization chart of the enterprise
- Do the operational planning for the first year of activities
- Negotiate contracts for the supply of necessary products and services (inputs) and, as required, sales or marketing contracts (depending on the kind of co-operative and the nature of the enterprise)
- Devise and implement an ad hoc accounting system
- Define the duties and responsibilities of each position
- Develop a salary policy
- Select and recruit the person to occupy the position of chief executive officer/general manager
- **Step 6.B Plan and organize the enterprise's start-up financing**
- Determine the value of the membership share to become a member (for example, \$10 or \$50)
- Evaluate the value of the share capital on start-up and during the first three years of operation (in terms of the expected growth in the number of members)
- Prepare the preferred share by-laws (if applicable)
- Draw up the overall financing plan for the first three years of operation
- Draw up the business plan
- Negotiate the capital contribution of external financial partners (if necessary); venture capital corporations, private funds, credit union investment programs
- Apply for a government start-up (if they are available and if required)
- Negotiate medium term credit union or bank loans and a line of credit
- **Step 6. C: Recruit and train the enterprise's staff**
- Select and recruit employees (responsibility of chief executive officer, except in the case of a worker co-operative where recruitment decisions are usually made collectively)
- Organize and offer a staff training program
- Organize and offer a co-operative training program
- **Step 6. D: Ensure the legality of the enterprise's operations**
- Take care of the legal formalities and obtain the legal authorization necessary to start up the enterprise's activities:
 - submission for registration by Director of Co-operative Development
 - co-operatives may also have to register with, or licensed by, other legislation or departments
- **Step 7: Hold the initial general meeting**
- Adopt the by-laws
- Adopt the business plan
- Approve the co-operative's membership in a sectoral federation or an inter-sector inter-co-operative organization
- Appoint an external auditor
- Elect the members of the board of directors, and of any other committees (if the general meeting has the power to do this)

Drawing up the business plan of a new co-operative

A work tool

A business plan is a document providing a complete description of the co-operative enterprise you wish to form. It describes in detail the products or services that will be produced or sold, the organization of work and the management approach, the results of the market study and the marketing plan, the characteristics of the paid and unpaid human capital (the members), equipment and material needed, financing requirements and the financing plan. The business plan is a work tool. It serves two purposes:

- To facilitate the acquisition of external capital, credit union/bank loan or grants. It must explain to the person or organization from who financial support is sought why they should invest in the enterprise you are proposing, the seriousness of that enterprise, and your team's ability to launch and develop it successfully.

- To facilitate control of the process of launching and developing the new co-operative.

It will be the means by which you monitor the new co-operative's results and follow-up on its activities.

It must be written in clear and straightforward language. It must be relatively brief (no more than about thirty pages, plus appendices). The people who will have to consult it before deciding whether or not to invest in your co-operative, loan it money, or give it a grant often have no time to waste. They have to be able to understand your plan and the exact nature of what you are requesting very quickly.

Attachments to Business Plan:

- Articles of Incorporation of the co-operative
- By-laws
- Data from the market study
- Summary of the curriculum vitae of the main people in charge and a list of members
- Letters of support, intention to buy or sell, etc.
- Any other relevant information that may shed more light on the nature of your operations, equipment needed, manufacturing methods and procedures, etc.

Content of a business plan

- 1. Summary of the business plan (2 pages maximum)
- 2. Brief description of the co-operative (1 page)
 - ● Name, address of the head off, date formed
 - Type of co-operative, objectives, number of members
- 3. Analysis of the co-operative's market
 - Brief description of the characteristics of the products or services offered with respect to comparable products and services available on the market
 - Characteristics of the market, size parts of the market held by competing enterprises, market segments, market trend
 - Characteristics of your sales strategy (direct, through third party, shipping costs, etc.)
 - Characteristics of the clientele (members or non-members), age groups, gender, occupation, family income, location, buying habits, etc.
 - The price of your products or services
- 4. Description of products and services
 - The originality of the products and services compared to what is available from the competition, their distinguishing characteristics (include photographs or sketches if necessary)
 - Description of any research and development activities required before they can be marketed (give associated costs and timetable)
 - Description of new products and services development plan
 - List of legislation that must be complied with and legal authorizations that must be obtained before they can be introduced on the market
- 5. Marketing plan
 - Estimate of sales for the first three years and the market share sought (refer to your detailed market study on which you based your sales objectives; include it as an appendix)
 - List of buyer-members or potential buyers who have already expressed an interest in buying
 - Description of market segments targeted (size, location, other characteristics)
 - Description of your strategic market penetration plan and its cost (how you will advertise your products and services, promotion campaign, media publicity, discounted membership prices, etc.)
- 6. Operations
 - Advantages of the location of your place of business
 - Characteristics and costs of the building and equipment already owned, or to be bought or leased (attach a plan if necessary and refer to detailed descriptions in an attachment)
 - Description of the process and methods of producing the products and services
 - Description of the characteristics of the manpower required (professional qualifications, number, salary costs, etc.)
- 7. Management and organization
 - Characteristics of the association's structure and method of operation (division of powers and responsibilities of the various bodies, names of the directors and a brief description of their expertise)
 - Characteristics of the structure (organization chart) and of the enterprise's method of operation (management philosophy, methods of participatory management that will be introduced, names of managers, their qualifications, a description of their duties, their responsibilities and reporting relationships, etc.)
 - Identification of external professional resources with whom you plan to deal (organization specializing in start-up assistance, accounting firm, marketing consultant, trainer, etc.)
- 8. Timetable of activities

A graph of the timetable for the first three years, with monthly or semiweekly columns and thick horizontal lines to indicate the beginning, duration and end of the enterprise's major series of operations. Each activity should be coded and a brief description given in a column to the left.
- 9. Projected financial statements to include:
 - Statement of assets and liabilities for the first three years
 - Statement of earnings for the first three years
 - Projected cash budget for the first year, estimate of working capital for the following two years
 - Break-even point (level of revenue beyond which the co-operative will generate a surplus, after fixed and variable costs are subtracted)
- 10. Financial plan
 - Total investment needed for start-up
 - Short and medium-term investment plan
 - Source of funds (share capital, external investors, medium-term loans, etc.)
 - Amounts by source, conditions of acquisition (interest, share of surplus, etc.) repayment schedule, security given.

