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Enabling Agricultural Cooperatives through Public Policy and the State

The Case of Uganda

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Abstract

This paper analyses the role of public policy and the state in enabling cooperatives in Uganda, focusing on agriculture. Through a review of literature, analysis of primary and secondary data, the paper notes that the Ugandan government has since early 2000s facilitated the scaling up, conduct and integration of cooperatives in the development process through: incorporation of cooperatives' relevance into relevant development plans, strategies and programs namely: Poverty Eradication Action Plan, and programs, Agriculture Development Strategy and Investment plan; and Prosperity for all program; Consultative formulation of a Cooperative Development policy, amendment of Cooperative laws and regulations; reform of warehouse receipt system and commodity exchange; promotion of Area Cooperative Enterprises to provide agricultural extension services, input supply, produce marketing, savings and credit services; support to financial services cooperatives to increase capital provision; provision of agricultural extension services and value addition support; sensitization and promotional activities to popularize cooperatives; cooperatives capacity building focusing on leadership, business management and entrepreneurship, and integration of gender and environment concerns in cooperative development. Some institutional challenges which need to be addressed face government in fulfilling its policy commitments, including; inadequate financial and skilled human resources, and weak linkage between the government and cooperative movement.

Introduction

Cooperatives in Uganda play a major role in financial resources mobilization, agro-processing and marketing of agricultural produce. They also contribute in significant ways to eradicating poverty, improving food security, providing employment, mitigating the problem of financial leakages like repatriation of funds and other remittances abroad, ensuring environmental sustainability, tackling the HIV/AIDS and malaria pandemic, and mainstreaming gender.¹ Cooperatives therefore offer enormous potential for delivering growth by providing opportunities and empowering the vulnerable to participate in the development process. Indeed a sizeable Ugandan population derives its livelihood directly or indirectly through co-operative based activities.

Over the last decade therefore, the Ugandan government has shown commitment and interest in reviving the cooperative sector, whose collapse started in 1971, when Idi Amin (*the president then*), declared ‘the economic war’, that saw the expulsion of Asians from Uganda, consequently virtually grounding the economy to a halt. In recognition of the role of cooperatives in poverty reduction, the government has sought to create an enabling environment for cooperatives to develop and thrive. It has strengthened surviving cooperatives and promoted the establishment of new marketing and financial cooperatives to reach farmers with services that contribute to improving rural livelihoods and reducing poverty. The Government realized that, the full potential of the cooperative enterprise in fostering development is yet to be harnessed due to internal problems related to governance and leadership, poor capitalization, inadequate knowledge, management information systems and expertise in managing cooperatives. The legal and regulatory framework was inadequate to ensure that the cooperatives function in the best interests of the members and the entire country. Among other interventions, a National Cooperative Policy has been announced that seeks to address the issues affecting the performance of the cooperatives with the view of enhancing their contribution to the wellbeing of the members and ultimately, the development of the national economy.

The development of cooperatives is a key component of the Ministry of Agriculture, Animal Industry and Fisheries Development Strategy and Investment plan MAAIF/DSIP 2010/11 – 2014/15 whose aim is to:

- Increase agricultural production and productivity;
- Increase access to markets and value addition;

¹ Ministry of Trade, Industry and Cooperatives. 2011.

- Create an enabling environment for the private sector in agriculture; and
- Strengthen agricultural institutions at the centre and in local governments.

Government is also implementing the ‘*Prosperity for All*’² program which is the national development objective, and is reviewing policies and approaches to development that need to be streamlined with cooperatives if the economy is to grow sustainably. The Uganda Cooperative Alliance (UCA), an independent umbrella organization of cooperatives, is spearheading reforms of the sector by promoting sustainable cooperatives that provide services for the poor. The reformed cooperatives offer a complementarity of services by combining access to financial services through SACCOs with bulk-marketing services for farmer produce through Area Cooperative Enterprises (ACEs) and Rural Producer Organizations (RPOs).

While there is increasing participation of governments in supporting effective development of cooperatives through providing an enabling legislative, political and economic environment, there is scanty literature on the topic particularly on the African economies.

This study analyses the role of public policy and the state in enabling the cooperatives in Uganda, focusing on *agriculture* with the overall objective of increasing understanding of how the growth of cooperatives can be enhanced. It provides some recommendations for policy makers on the way forward. In particular, it considers the following questions:

- How are the cooperatives structured? What are their activities and challenges are they facing?
- Under what conditions are politicians and policy makers supporting the cooperatives?
- What types of public policies, laws and government programs have facilitated cooperatives scaling-up? How effective are the policies and to what extent are the support approaches bottom-up (participatory)?
- What resources and institutional support is provided by the government to cooperatives and how effective and sustainable are they?

² The ‘prosperity for all’ plans to find ways of helping people to solve the complex problems associated with inputs of production i.e. land, labor, capital, entrepreneurship (management and organization). It proposes to support the development of cooperatives which are intended to assist the small farmers in managing their marketing better and in mobilizing savings and credit which can increase the capacity of farmers to acquire inputs.

- What are the institutional challenges faced by government in fulfilling its policy commitments?
- What is the recommended way forward?

The study reviewed the available literature and analyzed both primary and secondary data on the topic. The primary data will consist of semi-structured interviews with government officials other organizations concerned with development of agricultural cooperatives such as UCA, and randomly selected ACEs and Unions. The secondary data was obtained from data bases and Reports from MTIC and UCA, and publications on the internet.

The paper is organized as follows. Section one provides a background to the study. Section two presents the findings of the study. The last section provides conclusions and some recommendations on the way forward.

Background to the Development of Agricultural Cooperatives

The co-operative movement in Uganda started in 1913 driven by the urge to fight against the exploitation of the private European and Asian interests that sought to monopolize domestic and export marketing, especially of cotton and coffee. It operated informally, until the 1946 Co-operative Societies Ordinance was enacted to legalize their operations. A Registrar for co-operatives was appointed and a Department for Co-operative Development created. However, many co-operatives refused to register under the Ordinance as they perceived this as a means of increasing government interference in their activities. Following an inquiry into the cause of fear by cooperatives to register under the Ordinance, the Ordinance was amended to provide for: i) enough autonomy to make registration acceptable. The Administrator General was to carry out the functions of the Registrar, and the Department for Co-operative Development would be headed by the Commissioner for Co-operatives, ii) compulsory acquisition of a number of ginneries for passing on to co-operative unions financed by government loans, iii) elimination of discriminatory pricing policies and iv) offering private African access to Buganda coffee processing. These policy measures yielded a positive impact with all the existing groups³ (273) registered as co-operative societies by the end of 1959. At the end of 1961, there were 21 registered co-operative unions, including the Uganda Co-operative Alliance and 1,662 primary co-operative societies with a membership of 252,378.

³ Figures presented are from: Arain, Shafiq Et al. (1967). Commission of Inquiry into the Affairs of all Cooperative Unions in Uganda. Kampala. Government of Uganda. p16.

Further expansion 1962 –1970

Following Uganda's political independence in 1962, government favored co-operatives as policy instruments for rural development. It put policies in place to ensure the achievement of that aim. The 1952 Ordinance was repealed by the 1963 Co-operative Societies Act that restored the office of the Registrar, combining it with that of the Commissioner for Co-operative Development. Also restored were the powers of the Departmental staff that had complained that their advice was usually ignored, as they did not have powers to enforce it.

A Co-operative College was opened at Bukalasa in 1963 and later, a fully fledged one was built at Kigumba, in Masindi.⁴ In 1964, a Co-operative Development Bank was formed to mobilize co-operative savings and fund co-operative development. Co-operatives were granted 100% monopoly to gin cotton. By 1965, co-operative unions handled 61% of the volume of cotton, 40% of the Robusta coffee and 90% of the Arabica. Stimulated by heavy government support through the direct assistance and subsidized services, the co-operative movement expanded immensely into many sectors including fishing, dairy, cattle marketing, hides and skins, savings and credit.

Loss of autonomy

Gross mismanagement, corruption and embezzlement became common in the cooperatives started in the late 1960s. A Commission of Inquiry report of August 1966 made extensive recommendations some of which were legislated in the 1970 Co-operative Societies Act to curb these evils. However, the Act gave too much power to the Minister, such that he could undo the provisions of the Act and alone if he so wished. The co-operative movement was thus robbed of its autonomy. Henceforth co-operative societies and unions were run like government parastatals. By the time Amin came to power in 1971, there were over 2,500 primary co-operative societies with over 750,000 family members. There were 36 unions including 4 national unions and an Apex.

⁴ The Bukalasa Co-operative Wing continued to be part of Kigumba until government allocated it to the Ministry of Agriculture Animal Industry and Fisheries.

Decline during Idi Amin and Obote II years, 1971 – 1985

The Idi Amin's regime (1971-79) saw a decline in the performance of cooperatives. Following his declaration of 'the economic war' that saw the expulsion of Asians from Uganda, the economy was virtually put to a halt, with prices of controlled crops like cotton and coffee where co-operatives were dominant dropping so low such that their production fell and farmers resorted to growing other crops like maize and beans. That notwithstanding, co-operatives grew in number⁵ during Amin's driven by the realization of civil servants and wage earners that they could only overcome the credit squeeze through formation of co-operative savings and credit societies as the banks could not help. Many consumer co-operative societies were also created to take advantage of scarce commodities distributed through co-operatives by government.

Though Obote's government attempted to revive and use co-operatives as instruments for rural development⁶ during his regime 1980-85, his efforts were hampered by excessive government involvement that virtually turned cooperatives into government parastatals. Worse still, as the guerrilla war intensified, such efforts were destabilized as the war was largely fought in the co-operative movement's strongholds like the Luwero triangle in which the three giant unions of West Mengo, Wamala and East Mengo operated. Co-operatives incurred a lot of war losses in the form of people and property. Obote's regime was toppled by that of Okello which was in turn toppled by Yoweri Museveni's National Resistance Movement⁷ in 1986.

Further decline of cooperatives during structural adjustment

The NRM government adopted Structural adjustment policies in the late 1980s, which among other things resulted in liberalization of agricultural markets, privatization of public institutions, and cutting of funding for services in many sectors. This led to a further decline of cooperatives. The buying monopoly that had been enjoyed was abolished. The government marketing boards on which the cooperatives largely depended for crop and marketing finance were abolished and with that, the provision of crop finance by government stopped. Worse still, cooperatives were

⁵ The number of primary co-operative societies rose from 2,500 in 1971 to 3,054 in 1978; the unions increased from 36 to 41 and members from 750,000 to 1,100,000 during the same period.

⁶ During Obote's regime, cooperatives were encouraged to form cooperatives in order to take advantage of scarce commodities and services provided by government.

⁷ Previously called National Resistance Army.

heavily indebted, with severe weaknesses in entrepreneurship, management and commitment in leadership, which made it impossible for co-operatives to seize opportunities that the liberalization policies offered. New investors with superior organizational and managerial capabilities with access to cheaper capital and better technologies entered the markets, competing with the unions to obtain produce from farmers for marketing. A new Cooperative Statute of 1991 was put in place which gave some high degree of autonomy to the cooperatives to manage their own affairs and marked the end of political interference. Most of the services that Government used to provide including audit, education and training and loan funds were cut. These measures, combined with the inability of co-operatives to quickly adjust to change led to sharp decline of co-operative marketing and the co-operative movement as a whole. Most of the unions collapsed due lack of crop finance, affecting the continued survival of the primary societies. The Uganda Cooperative Alliance (UCA), as an apex body, was affected as well, since it was supported by the cooperative unions.

Revival of cooperatives

Beginning the late 1990s efforts to revive the cooperative movement were started by UCA in collaboration with other stakeholders. The whole co-operative movement, including marketing co-operatives has had to be transformed by addressing many of the weaknesses that had been demonstrated including the high degree of dependency, the lack of entrepreneurial culture, the poor leadership and management, inequality in the distribution benefits to the members, the costly and unsustainable co-operative structure, inadequate member participation, and lack of own financial resources. The new approach to cooperative development has focused efforts at the grassroots level to address the weaknesses identified. The UCA has focused on organizing and strengthening grassroots farmer organizations to maximize membership and build the commitment of members. Grassroots community based organizations, parish farmers associations and other smaller farmer groups were all organized under Rural Producer Organizations (RPOs). These are primary cooperative organizations located at the village or parish level. RPOs were strengthened to act as cooperatives where produce supplied by members is bulked and marketed collectively.

At the sub-county level, the Area Cooperative Enterprises (ACEs) were created to act as smaller cooperative unions for the RPOs. A number of RPOs (5-20) in a sub-county merge to form an

ACE. ACEs market produce for their members and bargain for better prices,⁸ collect and disseminate market information, add value to members' produce through processing or simply by sorting and grading. They also link producers and input dealers, support agricultural extension services (for example by inviting extension agents or input dealers to come and talk to the members, set up demonstrations, organize farmer exchange of ideas etc.), production planning and many others. Hence, Area Co-operative Enterprises have become a tool for business development for members, while at the same time ensuring that the commission earned is enough to cover costs.

In the new approach to cooperative activities there is a linkage between RPOs, ACEs and SACCOs, which has been termed a "triangular model." The RPOs, who are the producers, supply produce to the ACE, which looks for markets for the produce. The SACCOs provide financial assistance to the farmers, who are registered members of the SACCO, and to the ACE. Members can access loans from the SACCO using the produce that they supply to the ACE as security. Payments after sales of produce are made to the individual SACCO accounts of farmers. An ACE may market produce to individual traders or export traders. The RPOs and ACEs may register as members of the union and trade directly with it (Figure 1). The previous old structure of cooperatives had been vertical and hierarchical, with farmers at the lowest level sending their produce to the primary societies and the primary societies then sending it to the unions (see Figure 2). The unions sent the produce to the marketing boards, which had the responsibility to find export markets for it.

These reformed cooperatives are meant to be managed as profitable business units competing with other private traders in agricultural output markets. In the reformed system cooperative marketing has been greatly expanded and enriched to include non-traditional crops⁹ and other products such as honey and fish, to ensure an all-year business pattern, reduce the risks of crop failure and low prices during the peak production season.

The current activities of co-operatives are organized in a four tier vertical structure of primary societies that consist of at least 30 persons aged above 12 years. A minimum of two primary societies form a secondary while two or more secondary societies form a tertiary which provides specialized services. Secondary and tertiary societies form the apex. Currently the co-operative movement is composed of 13,202 co-operative societies (of which about 90 % are involved in agriculture marketing and production, and savings and credit) (92.5% of the total cooperatives)

⁸ An ACE may market produce to individual traders or export traders. The RPOs and ACEs may register as members of the union and trade directly with it.

⁹ These include rice, maize, beans, bananas, fruits and vegetables, and aloe vera.

with a membership of about 4 million people. There are 13,064 primary societies/RPOs, 129 secondary societies of which 70 are Area Cooperative Enterprises, 8 tertiary societies and 1 apex, the Uganda Co-operative Alliance Ltd which is responsible for lobbying, advocacy and resource mobilization for the cooperative movement, capacity building and advisory services to the movement, and promotion of relationships and alliances between bodies and institutions involved in the development of cooperatives.

Figure 1: New model of agricultural cooperative marketing activities in Uganda

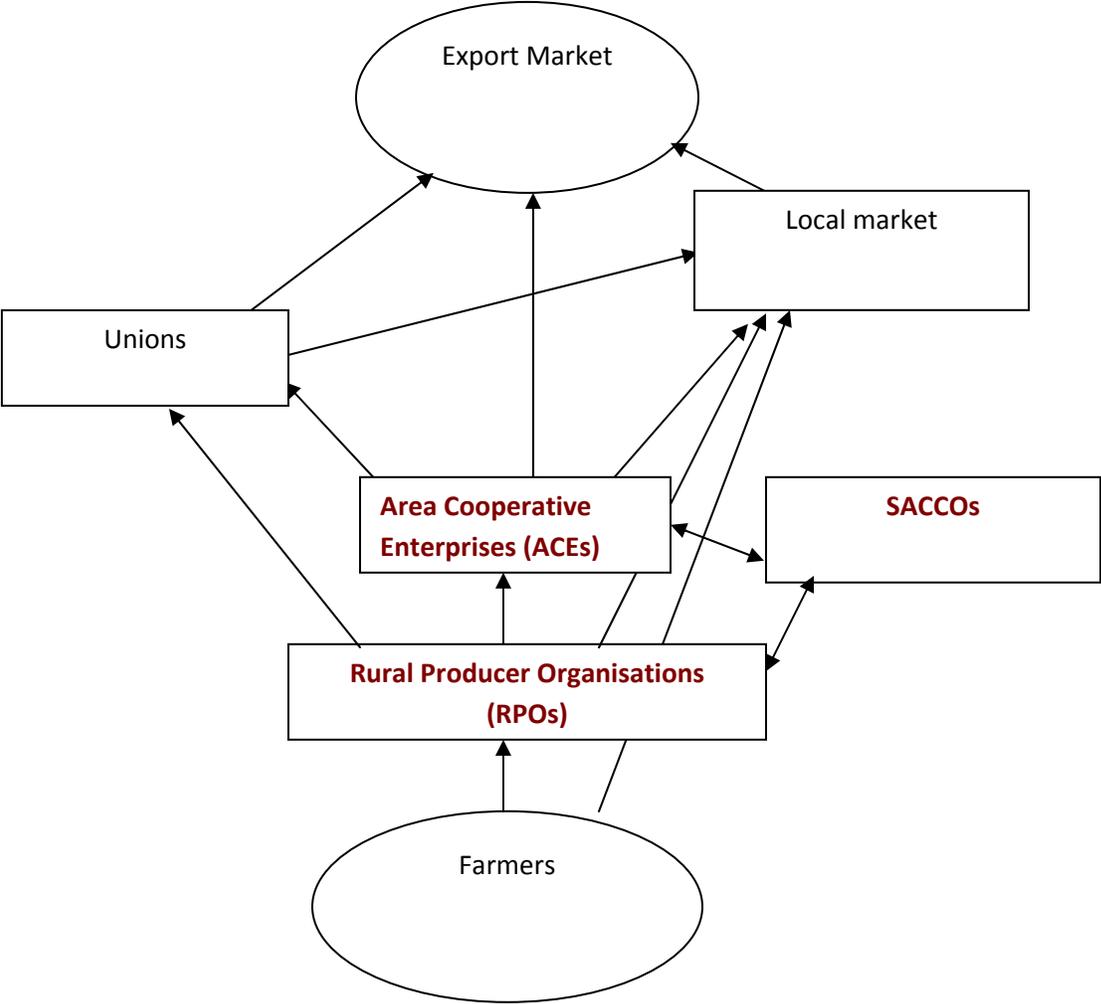
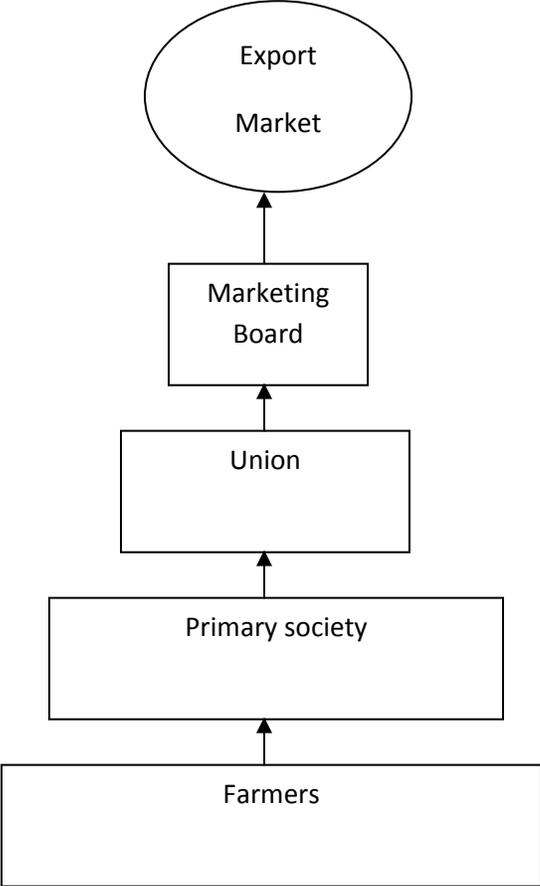


Figure 2: Old model of agricultural cooperative marketing activities in Uganda



Activities of cooperatives

The activities of agricultural cooperatives can be categorized in five: (i) Production and marketing (ii) Agro processing and value addition (iii) Savings and Credit (iv) diary; and (v) Consumer.

(i) *Production and marketing*: cooperatives have been involved in the production and marketing of coffee, cotton, tobacco, maize, milk among others. With the breakdown of organized and streamlined process, the farmers have been subjected to the mercy of middlemen who are more of speculators. This has resulted in low prices, poor quality control and lack of incentives to the farmers. This situation is more worrying in the sectors which are highly controlled by few operators such as sugarcane, tobacco and cotton. The MTIC is spearheading a strong move to encourage and promote the revival of cooperatives in the production and especially the marketing of basic agricultural commodities so as to protect the interest of the farmers; promote quality production and encourage sustainable production through a stabilized farm gate mechanism.

(ii) *Agro processing and value addition*: there are many cooperative societies involved in agro processing and value addition, for example West Acholi, Lango, East Acholi and Nyakatonzi Cooperative Unions are ginning cotton. Ankole Coffee Processors, Bugisu and Gumutindo are actively involved in the processing of coffee. There are also a number of primary cooperatives and ACEs processing honey, drying fruits, wine making wines, medicinal syrups and associated products, examples of these include Nama ACE, Kangulumira, Ruhinda ACE, Bushenyi connoisers honey, Nyabubaare ACE and Tibigwa Cooperative society.

iii) *Savings and Credit*: There are 5,166 savings and credit cooperatives. The promotion of SACCOs has contributed to improvement in outreach of financial services to the communities. There is now at least one SACCO in every sub county. These savings and credit cooperatives are offering a number of financial products including credit extension, savings mobilization, and business advisory and financial literacy. Latest reports show that savings and credit cooperatives have mobilized savings of Ugx. 208.3 billion Ugx. 177.8 billion in share capital and extended Ugx.292.1 billion as loan portfolio (MTIC, 2012). Uganda Cooperative Alliance (UCA). 2011, pp 12 notes that, 'access to financial services from sustainable institutions by the hitherto underserved rural population has as a result unlocked their potential. SACCO members' agricultural production has noticeably increased because they are able to borrow from their SACCOs to finance their agricultural production requirements, increase their production, sell at higher prices through their marketing co-operatives (ACEs) and thereby increase their incomes.

Increased production has also helped them to improve their food security/sovereignty while increased income has assisted members to reduce their poverty levels.’ However, UCA (2011) observes that SACCOS are faced by several challenges:

i) Many SACCOs are located in hard to reach areas, where the support infrastructure is poor or missing altogether. Of concern is lack of electricity and communication services. Where improvisations have been made; these raise the cost of doing business for the affected SACCOs.

ii) There is a challenge of proliferation of externally dependent SACCOs in rural areas; a result of some Government officials mobilizing the people to form SACCOs in order for them to access Government’s support. Many people have as a result rushed to start SACCOs so that they can use them to access the funds under the Government’s ‘Prosperity for All program’. This breeds confusion among the rural people particularly when contrasted with the UCA’s methodology of promoting self sufficient SACCOs.

iii) In spite of the community mobilization and sensitization exercises conducted, there is still a low banking culture, financial literacy and co-operative awareness among many communities in the country. More work therefore still needs to be done to rectify this.

iv) There are some incidences of political interference in the management and operations of SACCOs particularly during the election of leaders and recovery of overdue loans from the defaulters.

v) SACCOs face a problem of weak regulation and supervision laws that are not being effectively implemented. This allows errant leaders and management staff to flout their SACCOs bylaws, policies and procedures as well as the Co-operative Law and still get away with it. Weak criminal and civil laws also do not help SACCOs prosecute and recover their funds from loan defaulters as well as fraudulent leaders and management staff. These pose a big challenge to SACCOs’ operations since some knowledgeable fraudulent SACCO leaders take advantage of the weakness in the law.

(iv) Dairy Cooperatives: there are 241 dairy cooperatives located in different parts of the country especially in the districts of South Western Uganda. The cooperatives have formed unions in Sheema, Bushenyi, Mbarara, Isingiro, Ibanda, Ntungamo Rukungiri, Kabale, Mpigi, Gulu and Kiruhura. The activities of dairy cooperatives are to:

- Supply of qualitative breeding and veterinary inputs such as drugs and pesticides.
- Cold storage and transportation of milk and other dairy products.

- Facilitate farmers: i) get favourable prices of milk because of the strong negotiating capacity; ii) Acquire price stability; iii) Access better markets.
- Contribute towards the establishment of a modern milk processing plant through the Uganda Crane Creameries Cooperative Union Ltd.
- Attain improvement in quality and quantity of dairy products

(v) *Consumer cooperatives*: These types of cooperatives undertake, wholesale trading, retailing of both farm inputs e.g. seed and cooperators products and sometimes the production and processing of consumer goods. In the 70s and early 80s Consumer cooperatives played a big role in stabilizing prices of consumer commodities and did not only check the exploitation of the consumers by the individual businessmen but also practiced fair trade practices and offered market for cooperators.

As a mitigating measure to the plight of the low socio-economic status households, the MTIC is reviving and promoting consumer cooperatives in the country to help bring about fair trading practices, offer ready market for cooperators products, stabilization of prices and mitigate against exploitation through unreasonable hiking of prices by the unscrupulous private business individuals. The cooperatives will operate a chain of stores across the country thereby help in consumer commodity distribution. They will be involved at every stage of the commodity and consumer goods value chain.

The role of government and state in enabling of cooperatives

The full potential of the cooperative enterprise in fostering development was yet to be harnessed due to internal problems related to governance and leadership, poor capitalization, inadequate knowledge, management information systems and expertise in managing cooperatives. The legal and regulatory framework was inadequate to ensure that the cooperatives function in the best interests of the members and the entire country. The absence of the policy also undermined the current co-operative law and efforts towards the development of the co-operative movement. Thus there was a need for Government to create a more conducive environment for the co-operatives to expand, and diversify their activities. This has been achieved through a number of interventions; Consultative formulation of a Cooperative Development policy, amendment of Cooperative laws and regulations; reform of warehouse receipt system and commodity exchange; support to financial services cooperatives; agricultural extension services; value addition support; promotional activities to popularise cooperatives; and cooperatives capacity building.

Clear policy guidelines for cooperatives

The reformed cooperative system focuses on providing clear policy guidelines to guide the operations of the cooperatives. At the national level, the national

Cooperative development policy, (2011) outlines strategies to develop and strengthen the co-operative movement in order to play a leading role in poverty eradication, employment creation and socio-economic transformation of the country. This shall be realized through:

- Instituting the necessary legal reforms to promote good governance that will facilitate rebuilding and revitalizing the co-operative movement;
- Strengthening the MTIC and local Government co-operative offices for effective service delivery;
- Diversification of co-operative enterprises;
- Enhancing productivity & competitiveness;
- Co-operative training and education;
- Promoting gender balance, fair representation of marginalized groups and good environmental practices within co-operatives;
- Mitigating the spread and effects of HIV/AIDS and malaria using the cooperatives network;
- Improving coordination within Ministries, Departments and Agencies, and private-public partnerships.

A public–private partnership arrangement is applied for the implementation of the policy. In developing this policy, due consideration has been made to the various Government programs aimed at eradicating poverty through commercialization of agriculture, provision of rural finance, improved market access, employment creation and industrialization. The policy is also a result of the wide consultative process involving government officials, private sector executives, co-operators, academia, donor community and mass media. The Consultative process that has been followed in developing this policy has helped to identify the priority areas for co-operative development and relate it to national development policies (MTIC, 2011. pg 25). Strategic actions to help achieve these priorities have also been arrived at through a consultative process mechanism. A National Co-operative Development Plan has been developed to guide

implementation of this policy. Monitoring and impact assessment of Policy implementation shall be carried out on a regular basis using appropriate sets of indicators and shall involve full participation of the key stakeholders. The Policy Analysis Unit of the Ministry shall coordinate the overall monitoring, evaluation and review of the policy.

At the grassroots level, members of cooperatives have been made more aware by their leaders and staff of UCA of the principles of cooperatives and their roles and responsibilities as cooperative members. All the cooperatives have by-laws that guide their activities and their required oversight and internal controls.

The Ministry is also amending the Cooperative Societies Act (Cap. 112- Laws of Uganda) and the Cooperative Societies Regulations 1992¹⁰ to support the implementation of the National Cooperative Policy (MTIC, 2011). This will enable the cooperative movement to be responsive to operational environments.

Support to agro-processing and value addition

For the farmers to obtain maximum benefit, value must be added to their products. This will involve processing branding and packaging. The MTIC is working with Bank of Uganda to see how cooperative unions and societies can access funding through an Agricultural Credit Facility that would facilitate value addition through procuring agro-processing machinery and equipment. The ministry is also lobbying Development Partners for possibility of securing grants or consensual loans to acquire agro processing equipments and machinery for onward lending or leasing to cooperative unions to aggressively embark on value addition projects.

Support to marketing institutions

¹⁰ All cooperatives are registered under the Cooperative Societies Act, Cap 112 (1991) and Cooperative Societies Regulations of 1992. These are administered by the Registrar of Cooperative Societies in the MTIC, who is responsible for providing and administering the services required by the societies for their formation, organization, registration, operation and advancement.

The establishment of a Warehouse Receipt System (WRS)¹¹ and commodity financing as a marketing instrument to enable producers of commodities to increase access to commodity trade finance, improve stock quality, access to better markets, and maximize their returns has been put in place, in partnership with cooperative unions and societies. The system involves a farmers group depositing produce into a certified warehouse where it is weighed and tested for quality. In return the warehouse manager, issues a receipt to the produce depositor, which outlines the product details. This receipt can then be used by the farmer to look for a market instead of carrying the produce physically, it can be traded on the Uganda commodity Exchange or it can be used as collateral in the banks for loans. A survey on all warehouses was done in 2008/09, and 2011/12 training in warehouse receipt system was done and several warehouses have been launched.¹² The provision of finance receipts by banks

The provision of finance receipts through ware house receipt system is expected to yield better returns. This instrument improves access to trade but can also provide input finance that is easily accessed using commodities as collateral. This minimizes the need for crop finance, yields bargaining power, thereby leading to reduced exploitation of farmers by middlemen. It also encourages linkage among cooperatives where the savings and credit societies provide funding for the producer and marketing cooperatives that are dealing in collective bulking. However, participation by farmers in collective marketing and utilizing the ware house receipt system to enhance their incomes is still low.

Strengthening cooperative capacities

¹¹ The WRS project is funded by the Common Fund for Commodities (CFC), co-sponsored by the International Coffee Organisation (ICO) and the Government of Uganda. The project is implemented through the MTIC with Uganda Coffee Development Authority (UCDA) and Cotton Development Authority. The project focuses on developing and strengthening the following areas: (i) Promotion of privately run Warehouse System and establishment of a collateralisable Warehouse Receipt System. (ii) Improve and strengthen coffee/cotton quality assurance services. (iii) Develop a system of Commodity Trade Finance based on commodity inventory collateralisation and Warehouse Receipt System.

¹² For example two warehouses were launched in Kasese in 2011/12 (MTIC, 2012).

In collaboration with private partners, capacity building interventions are being carried out by the MTIC, mainly in the areas of leadership and management. For example, in 2011/12 234 Cooperative leaders from 7 districts were trained in Financial Management, Governance, Internal Controls and Risk management, in partnership with the Uganda cooperative Savings and Credit Union¹³(Table 1). Cooperative agricultural extension services are provided by district commercial officers, while other training services are provided by UCA, and certain NGOs working in the districts. Given the rapid expansion of cooperative movement continuous efforts are needed towards strengthening cooperative capacity.¹⁴

¹³ Other development partners and NGOs who support capacity building for cooperative movement are UCA, Uganda Cooperatives Savings and Credit Union (UCSCU), AMFIU, TRIAS Uganda, and Abitrust.

¹⁴ In a study by Afranaa et al (2010), support in the provision of farmer training was identified by ACEs as a desired area for government support.

Table 1: Training/ Capacity building of cooperatives by MTIC

Year	Training
2002/03	Training in leadership and management for Cooperative unions, Chairman, District civic and political leaders, CAOs, from Districts of Luwero, Kampala, and Wakiso.
2003/04	Directors and Committee members of South Bukedi, UCSCU, Nyakatonzi and UCA trained in leadership and management.
2004/05	NA
2005/06	Capacity building facilities by development partners like SUFFICE, GTZ, MCSC etc have been accessed. Societies have started on a firm foundation.
2006/07	NA
2007/08	Cooperative based Agric extension services: Training farmers, Animal traction introduced, fruits distributed to the youth, women, disabled. Demonstration plots established at primary societies.
2008/09	Farmers trained in market information.
2009/10	About 120 Cooperative field staff including DCOs trained in cooperative related fields. WRS and Rural Information Centres training done in several districts.
2010/11	Training for DCOs in business management and supervision. SACCO leaders trained to form SACCO forums.
2011/12	With funding from Rural Financial Services Program (RFSP), 234 Cooperative leaders from 7 districts were trained in Financial Management, Governance, Internal Controls and Risk management. ¹⁵ 410 trained in WRS and Cooperative business management and entrepreneurship.

Source: Several Reports by MTIC.

¹⁵ The districts were: Kabale, Kiruhura, Sironko, Iganga, Kitgum, Rakai and Mubende.

Popularization of cooperatives

To revive cooperatives in the country, extensive community mobilization and sensitization as well as general education is being carried out through meetings and workshops with a view to raising the communities' awareness about co-operatives, improving their financial literacy and banking culture, gender awareness, climatic change and health management. More RPOs are joining cooperatives as a result of the "cooperative sensitization" in RPOs and they are in the process of getting registered. For example, there was an increase of 21,049 members of RPOs in all ACEs in 2011/12, representing 39 %, as a result of sensitization of 21 RPOs.

Communities are being encouraged to participate in the various promotion activities. This will also enhance linkages among cooperatives; create awareness and generate solutions to some of the challenges the cooperatives face. During these celebrations the cooperators exhibit what they do and share knowledge on the development of the sector. A national cooperative development Forum has been established to facilitate interaction and information sharing in the sector. Among the channels for creating awareness and promoting of cooperatives is Celebration of Cooperatives day which is done on the first Saturday of July.

In spite of the community mobilization and sensitization exercises conducted, there is still lack of co-operative awareness among many communities in the country, a low banking culture and financial literacy (UCA, 2011). This calls for more efforts towards cooperative sensitization.

Management Information Systems in the cooperatives

The existing Co-operative Management Information System is characterized by manual files, low numbers of ICT equipment and limited internet access, computer hardware and software, and electric power back-ups, a high degree of ICT illiteracy and poor data and information management practices. This results into the scarcity of reliable and accurate data for co-operative planning, monitoring and decision making at all levels. There has also been low adaptability to technological changes among the cooperatives. However, the cooperatives are beginning to use computers, emails and other automated technologies in execution of their work.

Implementation and popularization of CODAS to support information linkages between the Department and the movement was piloted in Mbarara, Mbale and Mukono. This would help analyze data and disseminate information on cooperative development indicators to aid planning for cooperative development.

Cooperatives and Gender

The integration of gender in cooperative development is essential and has benefits like enlarging membership both in numbers and quality. In the execution of cooperative support work, government and its stakeholders ensure that both women and men participate in economic activities as well as in the leadership and management of their cooperatives. This has been achieved through training. For example, training on Gender and HIV/AIDs was conducted for 13 ACEs and 8 SACCOs in five regions (a total of 696 co-operators trained.) in 2011/12. This training plus continued sensitization has led to the increase in the number of women participating in cooperative activities as well as accessing services from 24,491 to 29,040 or 18.6% (UCA, 2012).

Co-operatives have enabled women to access products and services, and also improve on their business and entrepreneurial skills and knowledge. The women are involved in cooperatives and some have assumed management and leadership positions. This has also provided a platform for advocacy, leadership training and, management and skills development. The promotion of women dominated activities has increased the number of women participating in cooperatives. The technologies used on a co-operative basis like tractors and ox-ploughs have eased labour burdens for women. This has led to accelerated improvement in the social aspects such as employment, education and health of women. Women now have more time to look after their families and also to venture into other economic and social activities.

Through SACCOs the problems of women's and youth access to credit, land, equipment, extension services and education is being addressed. Obstacles to women's equal participation are also being addressed through internal policies. The cooperators are being encouraged to include a woman and youth on the committees whenever they go for elections.

The involvement of the youth to participate at all levels of cooperative management is also very important. Through the Uganda Cooperative Alliance 27 youth clubs have been formed in 24 secondary schools and linked to 17 SACCOs to increase awareness and participation of the youth in cooperatives.

Concern for the environment

The need to mainstream environmental concerns in cooperative business has been emphasized in the Cooperative development policy. In order ensure that the farmer cooperative livelihood from land is supported on a sustainable basis, the issues of environment and climate change are mainstreamed into cooperatives. This has been achieved through training of the UCA staff that has in turn trained leaders of project supported cooperatives. Some cooperative members were trained in tree nursery management and environmental mainstreaming. Recently when Uganda hosted the SACCA congress in Entebbe, tree planting was one of the activities of the event to amplify the concern the cooperators have for the environment. However, there is need for further sensitization, networking and training of communities to embrace renewable energy use.

Challenges faced by government

In fulfilling and its policy commitments to revive the cooperative movement the government is faced by a number of institutional challenges in the areas of human and human resources, linkage between the central and local governments and resistance from the cooperative movement.

Human resources

There are inadequate skilled human resources for supervision and technical services.¹⁶ This is partly attributed to restructuring of government departments following decentralization which left cooperatives with few staff especially at the local government level. The remaining structures were not adequately facilitated and equipped to effectively service the entire cooperative movement. Currently, commercial officers handle all the commercial services at the district level (including trade, tourism, industry and cooperatives) yet cooperatives need close attention by a dedicated officer. Following decentralization, the district commercial services department was merged with the production department which is dominated by agricultural leaning officers such as agricultural, veterinary and fisheries, and these officers supervise

¹⁶ Based on several MTIC Reports and interviews with officials of the Department of Cooperatives in the MTIC in March and April 2013.

cooperatives.¹⁷ Coupled with that was a ban on recruitment of new staff for the MTIC following its creation from the former Ministry of Tourism, Trade and Industry in July 2011; which has denied the Ministry the critical staff to perform its functions. There is thus a need for scaling up human resources for supporting cooperatives at local and central Government levels.

Financial resources

Insufficient resources are major constraint to the cooperative activities of the MTIC. MTIC 2012, for instance, notes that several activities towards revitalization and development of cooperatives including cooperative extension services, public awareness and infrastructure for private sector development¹⁸ are limited by inadequate resources. UCA 2012 also notes that regulation and supervision laws of cooperatives such as SACCOs are not being effectively implemented due to the resource constraints faced by the Co-operative Registrar. This allows errant leaders and management staff to flout their SACCOs bylaws, policies and procedures as well as the Co-operative Law and still get away with it (pp. 13). There is thus a need for more financial resources to strengthen the Department of Cooperatives in order for it to effectively perform its functions.

Conflict of interest or misunderstanding of roles of MTIC by the cooperative movement

There seems to be a conflict of interest or misunderstanding of the roles of government in the development of cooperatives by the Cooperative movement, which could signify weaknesses in linkages between the government and cooperative movement. Two cases reported by UCA 2012 serve to illustrate this.

- i. 'There is a challenge of proliferation of externally dependent SACCOs in rural areas; a result of some Government officials mobilizing the people to form SACCOs in order for them to access Government support. Many people have as a result rushed to start SACCOs so that they can use them to access the funds under the Government's *Prosperity for All program*. This breeds confusion among the rural people particularly when contrasted with the UCA's methodology of promoting self sufficient SACCOs.' (p. 13)
- ii. 'There are some incidences of political interference in the management and operations of SACCOs particularly during the election of leaders and recovery of overdue loans from the defaulters.' (p. 13).

¹⁷ For instance, in the some of the new districts of Kiryandongo to Kisoro region, the position of commercial officer occupied by either a production officer, veterinary Officer or agriculture officer.

¹⁸ The country ranks poorly on the quality of electricity supply, roads, port and railroad development.

There is also a feeling among unions that creation of ACEs has led to marginalisation of Unions as support resources would now be focused on developing ACEs.¹⁹ An implication is that the cooperative reform process may have been misperceived by or not well justified to the Cooperative movement.

Conclusions and recommendations

This paper has analyzed the role of public policy and the state in enabling cooperatives in Uganda, focusing on agriculture. Through a review of literature, analysis of primary and secondary data, the paper notes that the Ugandan government has since early 2000s facilitated the scaling up, conduct and integration of cooperatives in the development process through: (i) incorporation of cooperatives' relevance into relevant plans, strategies and programs namely: Poverty Eradication Action Plan, and programs, Agriculture Development Strategy and Investment plan; and Prosperity for all program. (ii) Consultative formulation of a Cooperative Development policy, amendment of Cooperative laws and regulations; promotion of ACEs to provide agricultural extension services, input supply, produce marketing, savings and credit services. (iii) reform of warehouse receipt system and commodity exchange to increase efficiency of agricultural produce marketing and returns. (iv) support to financial services cooperatives to increase capital provision; (v) provision of agricultural extension services and value addition support; (vi) sensitization and promotional activities to popularize cooperatives; (vii) capacity building of cooperatives focusing on leadership, business management and entrepreneurship, and (viii) integration of gender and environment concerns in cooperative development. Some institutional challenges which need to be addressed face government in fulfilling its policy commitments, including; inadequate skilled human and financial resources, and weak linkage between the government and cooperative movement.

¹⁹ Basing on interviews with 5 union leaders during April 2013.

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