

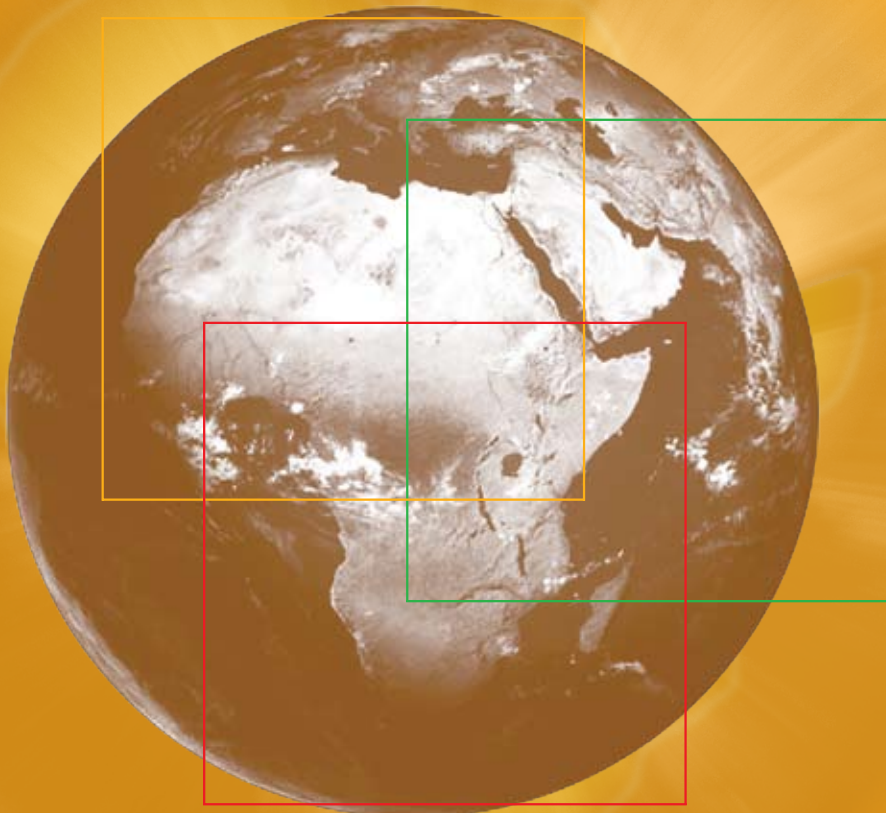


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Coop^{AFRICA} Working Paper No.15

Cooperatives: The sleeping economic and social giants in Uganda

Lawrence M. Kyazze





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Acronyms

ACDI	Agricultural Cooperative Development International
ACE	Area Cooperative Enterprise
ACOSCA	African Confederation of Savings and Credit Association
CBOs	Community Based Organizations
CCA	Canadian Cooperative Association
CECFIS	Community Empowerment through Cooperative Financial Services
CFSP	Cooperative Food Security Project
CUDIWU	Credit Union Development in Western Uganda
DFID	Department for International Development
ECRP	Elgon Cooperative Reform Project
FETAS	Farmers Empowerment through Agricultural Services
GTZ	Germany Development Services
HIV/AIDS	Human Immune Virus/Acquired Immune Deficiency Syndrome
ICA	International Cooperative Alliance
IFAD	International Federation of Agricultural Development
ILO	International Labour Organization
MFI	Microfinance Institution
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MoFPED	Ministry of Finance, Planning and Economic Development
MoES	Ministry of Education and Sports
MoLG	Ministry of Local Government
MTTI	Ministry of Tourism Trade and Industry
MWLE	Ministry of Water, Land and Environment
NGOs	Non Government Organizations
NOTU	National Organization of Trade Unions
PCs	Primary Cooperatives
PMEU	Project Monitoring and Evaluation Unit
RNSRD	Royal Norwegian Society for Rural Development
RPOs	Rural Producers Organizations
SACCOs	Savings and Credit Cooperatives
SCC	Swedish Cooperative Centre
UCA	Uganda Cooperative Alliance
UCI	Uganda Cooperative Insurance
UCSCU	Uganda Cooperative Savings and Credit Union Limited
UCTU	Uganda Cooperative Transport Union Limited
UGX	Uganda Shilling
UNFA	Uganda National Farmers Association
USAID	United States Agency for International Development
USD	United States Dollar (Average exchange rate per 1USD is 2,100 UGX May 2009)
YEEO	Youth Economic Empowerment through Cooperative

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Executive Summary

The cooperative approach to the management of business is not new or distinct to any tribe, race or country. Cooperatives appear more or less simultaneously with the economic and social demands of populations. The overriding question that is yet to be satisfactorily answered is the extent to which the cooperative movement in Uganda is performing well. This paper attempts to shed light on this question by discussing the history and current status of the cooperative movement in Uganda.

Uganda is one of the few British Colonies that advocated for the establishment of cooperatives as early as 1900. Some pseudo cooperatives were subsequently established to operate along the ideals of the Rochdale cooperative pioneers of 1844. The Cooperative Ordinance of 1946 and the Cooperative Societies Act of 1962 only served to formalize the already organized cooperatives. The performance of cooperatives in the immediate post-colonial period was impressive, with the government offering them a monopoly status in agricultural marketing. Their performance was good; however, this was short-lived as political interference and insecurity started to trickle in the 1970s. With political control from outside the movement, members' involvement in the management of cooperatives eroded. Primary cooperatives and unions increasingly became indebted so that they could not effectively provide services to members.

Nonetheless the cooperative movement remains, with its spidery network consisting of active, semi active, dormant and extinct cooperatives that total over 10,000 primary cooperatives and 40 cooperative unions that fall under one apex cooperative organization – the Uganda Cooperative Alliance. With poor service provision to the members, other cooperative-like organizations that included labour unions and community based organizations sprung up to fill the lacuna that had been left by agricultural cooperatives. Nevertheless, the presence of over 3000 Savings and Credit Cooperatives (SACCOs) has rekindled the hope of reviving cooperatives in Uganda.

The Government has continued its role of registration, but delegated its supervisory, monitoring and control roles to local governments through the decentralization policy. Some of these roles have also been taken up by other agencies such as the Uganda Cooperative Alliance (UCA), Uganda Cooperative Savings and Credit Union Limited (UCSCU) and Non Government Organizations (NGOs). The role of UCA is basically to advocate for the interests of the movement and represent it in different forums. With the substantial funding from different donors, UCA has become the “pillar” of cooperatives in promoting productivity, marketing, training and innovativeness, as evidenced by the introduction of ‘Area Cooperative Enterprises’. Through its social protection and poverty alleviation programs, UCA has become recognized as the incubator of cooperation in Uganda. Likewise, UCSCU has done a commendable job with regard to strengthening SACCOs, which are increasingly being used by the government to channel funds to the grassroots through its “Prosperity for All” programme.

UCA and UCSCU have also been key players in the provision of cooperative education through seminars and workshops for cooperators and staff. Since the placement of the Uganda Cooperative College – Kigumba under Ministry of Education, very little training of cooperators has been conducted. The cooperative wings of the college, numbering 14 and spread around the country, are largely not functional. The immediate reclaim of the cooperative college and the cooperative wings may revamp cooperative education and training.

The significance of cooperatives for development in Uganda cannot be overemphasized. In the early days, cooperatives assisted the less privileged to improve their living conditions. Despite the current lukewarm performance, they continue to offer employment opportunities to many people, especially women and the youth. They have contributed to poverty reduction through the establishment of income generating activities and the offering of employment opportunities. Cooperatives provide social protection through educating members on HIV/AIDS. The establishment of specialized innovative cooperative enterprises, such as rural electrification, rural water, and indigenous community service farms is likely to enhance development in the rural areas.

1. Introduction

1.1 Background to the paper

Uganda is one of the few British colonies that advocated for the establishment of cooperatives as early as 1900. Some pseudo cooperatives were subsequently established to operate along the ideals of the Rochdale cooperative pioneers of 1844. Consequently, the Cooperative Ordinance of 1946 and the Cooperative Societies Act of 1962 only served to formalize the already organized cooperatives. The performance of cooperatives in the immediate post-colonial period was impressive, with the government offering them a monopoly status in agricultural marketing. However, this good performance was short-lived, as political interference and insecurity started to trickle in the 1970s. With political control from outside the movement, members' involvement in the management of cooperatives eroded. Primary cooperatives and unions increasingly became indebted and they could not effectively provide services to members. Nevertheless, the presence of over 3000 Savings and Credit Cooperatives (SACCOs) has rekindled the hope of reviving cooperatives in Uganda. This optimism has necessitated developing an overall understanding of the status of the cooperative movement in the country. This paper responds to this challenge by providing the historical background of cooperatives in Uganda and analyzing the organization, performance and status of the cooperative movement.

1.2 Research methodology

This working paper is based on a baseline survey that was conducted in October 2008. The study was designed to get a "bird's eye view" of the status of the cooperative movement in Uganda. Qualitative techniques were used to obtain primary data from purposively sampled key informants in the cooperative movement. The informants were sampled on the basis of the positions they held in the national cooperative organizations. Some of the consultations with these informants were conducted through electronic mail and telephone conversations. This primary data was supplemented with secondary data from recent annual reports, surveys by other organizations such as the Ministry of Finance, Planning and Economic Development (MoFPED), the Bank of Uganda (BOU) and policy documents.

1.3 Organization of the working paper

This paper is divided into seven sections. The first one consists of the background to the paper and research methodology. Section two gives a historical overview and the status of the cooperative movement in Uganda. The third section presents the structural organization of the cooperative movement in Uganda, paying attention to the national federations namely, the Uganda Cooperative Alliance (UCA), Uganda Cooperative Savings and Credit Union (UCSCU), Uganda Cooperative Transport Union (UCTU), and the Uganda Cooperative Insurance. Section four pays attention to the role of the government in cooperative development, including cooperative

legislation, development policy and cooperative education and training. Section five discusses the contribution of donors to cooperative development in Uganda, while section six attempts an evaluation of the contribution of cooperatives to development through employment creation and social protection. Section seven concludes the paper by summarizing the current performance of the movement and highlighting the support needed to improve performance and visibility of the movement in Uganda.

2. The cooperative movement in Uganda

2.1 Historical overview

The beginning of the cooperative movement in Uganda can be traced as far back as 1913, when the first Farmers' Association was founded by African farmers. This was in response to the exploitative marketing systems that were against the native farmers. The colonial arrangement was that the native farmers would be engaged in the production of cash crops, such as coffee and cotton, while the Europeans and their Indian allies would concentrate on the processing and marketing of such produce. The racial division gave Europeans and Indians a chance to gain from the production of these crops at the detriment of the Africans. They then realized that forming cooperative would give them a common voice, purpose and strong bargain power (Mukasa, 1997). With the colonial administration forcing Africans to produce high quality crops and sell at low prices, some Baganda farmers in the Midwest of Buganda Region formed the above mentioned pseudo cooperative in 1913 (Kyamulesire, 1988). Nevertheless, the continued exploitation of African farmers ignited strikes that culminated in the formation of many other parallel farmers' associations, such as the Buganda Growers Association in 1923 and the Uganda Growers Cooperative Society in 1933. The proliferation of these associations saw Africans agitate for a law to address the injustice, which was enacted as the Cooperative Ordinance of 1946.

Uganda attained independence in 1962 and subsequently enacted the first Cooperative Societies Act in 1962, which made several amendments to the 1946 Ordinance. The Government then went on to vigorously promote the establishment and diversification of the cooperative movement in the country. With the government assertion's that "the cooperative sector of the economy should attain a position of prominence", agricultural cooperatives that engaged in marketing, processing and export of cash crops became prominent (Kyamulesire, 1988: 25). The practice of thrift through cooperative enterprises provided a medium for mobilizing local savings to finance some of the marketing, processing and credit activities of these agricultural cooperatives. The resultant growth was rapid, as the business handled by these cooperatives increased progressively and prosperity for the farmers was eminent. Table 1 illustrates this growth.

Table 1: Volume of produce handled by cooperative in Uganda, 1946 - 1970

Produce	1946	1950	1955	1960	1965	1970
Arabica Clean	20	384	6,712	5,092	4,861	8,089
Robusta Clean	-	479	7,432	19,322	31,179	175,168
Lint Cotton	-	4,010	32,313	81,114	267,420	466,776
Balesv						
Ground nuts	-	269	441	477	1,861	1,312
Maize	2,044	3,306	3,135	436	904	7,294
Tobacco	-	-	250	308	1,962	3,314
Vegetables	-	-	-	-	618	408
Miscellaneous	105	603	860	112	4,320	7,533

Source: Annual Report of the Department of Cooperative Development, quoted in Kyamulesire (1988).

However, the growth and prosperity of the cooperative movement was short-lived. Military governance under Idi Amin (1971 - 1978) was unfavorable for cooperative development. The absence of the rule of law, uncertainty of the future, the international embargo on Uganda and insecurity all culminated into bad internal governance to the detriment of not just cooperatives, but the economy as a whole (Brett, 1993). The subsequent periods were no better in terms of security and favourable conditions for cooperative performance. Some of the federations that had been formed in the 1960s and early 1970s, such as the Uganda Cooperative Central Union, the Uganda Wholesale Consumer Cooperative Union, and the Cooperative Bank, were adversely affected and most of them simply collapsed. By the time the Yoweri Museveni government introduced new policies, such as economic liberalization, decentralization, restructuring, downsizing of staff and autonomy of the cooperative movement in the late 1980s, the cooperative movement was largely unprepared for them (Beijuka, 1993; Mukasa, 1997). The result was the onset of another decline in the performance of cooperatives in Uganda.

Throughout the 1990s, cooperatives recorded a continuous decline in the volume of marketed agricultural produce, both at the primary and secondary levels. For instance, in 1992/93 cooperatives marketed only 22 per cent (i.e. 28,585 tons out of 130,068 tons) of the total agricultural exports from Uganda. By 2001/02, cooperatives were marketing only two per cent (3,868 tons out of 180,164 tons) of the agricultural produce. The volume of produce handled by cooperatives further declined to approximately one per cent (2,104 tons out of 162,254 tons) in 2006/07. It is worthwhile to note that while the performance of cooperatives declined steadily, the number of multinational companies handling the export of coffee increased from 14 percent (18,459 tons) to a massive 83 percent (134,589 tons) over the same period.

Nevertheless, the decline in the performance of agricultural cooperatives did not spill into the other types of cooperatives. For example 2,351 SACCOs were registered between 2004 and 2008, with savings of over USD 47,619,048 (UGX 100 billion); total share capital of over USD 10,952,381 (UGX 23 billion); and USD 36,666,667 (UGX 77 billion) in loans to members (Ministry of Tourism, Trade and Industry, 2009). Thus, while agricultural cooperatives faced a downturn in their performance, financial cooperatives seemed to prosper from liberalization policies.

The steady decline in the performance of agricultural cooperatives has often been attributed to a variety of factors, which may be classified into the internal and external causes of the poor performance. Among the internal causes include the mismanagement and embezzlement of funds by cooperative leaders and officials. There were instances where employees, especially of cooperative unions, misused assets such as vehicles and swindled funds for paying farmers for the delivered produce to satisfy personal interests. The result was the frustration of members who subsequently withdrew their participation. With inadequate membership oversight, management committee members connived with employed staff to further embezzle funds. This was compounded by members' ignorance on their rights and obligations in the management of their cooperatives.

The causes that were external to the cooperative movement included wars and political instability that saw cooperatives lose assets such as vehicles, buildings, stocks of produce, livestock and personnel throughout the 1970s. Many more assets were lost or destroyed during the National Resistance Movement's armed struggle between 1981 and 1986 (Brett, 1993; Beijuka, 1993; Mukasa, 1997).

2.2 *Area Cooperative Enterprises (ACE)*

In an effort to resuscitate agricultural cooperatives that had been battered by both the war and economic liberalization policies, the UCA came up with an innovative idea of grouping together approximately ten primary agricultural cooperatives into a "mini union", which was known as ACE for collective marketing of produce. These enterprises also provided a mechanism for mobilizing resources to supply farmers with quality seeds on credit, which was to be recovered from the respective member's payment for the produce delivered for marketing. The model, thus, came in to fill the existing gap that had been left by the inefficient cooperative unions. This model is commendable for it enabled farmer members to obtain quality seeds; share knowledge and experience; improve the quality and quantity of their produce; and monitor market information for better prices for their produce. Their only constraint is associated with the safe storage of the produce before marketing. In an interview, the General Secretary of UCA produced a report to show that there are over 53 ACEs in Uganda, each with an average of 10 primaries cooperatives. This implies that at least 530 primary agricultural cooperatives belong to these enterprises in the country. By December 2008, the turnover of these enterprises stood at USD 11,283,901, with net surplus of USD 66,425.

2.3 *The status of the cooperative movement*

There are various types of cooperatives in Uganda, but the most common ones include agricultural marketing cooperatives, fishing cooperatives, consumer cooperatives, savings and credit cooperatives (SACCOs), farm supply cooperatives, dairy cooperatives, insurance cooperatives, transport cooperatives, cooperatives in crafts services, housing and building cooperatives, poultry cooperatives, mining cooperatives, industrial cooperatives, health cooperative, education cooperatives, and rural electrification cooperatives. Indeed, there could be as many types of cooperatives as the number of economic activities that are undertaken in the country.

In 2008, a total of 10,687 cooperatives had been registered by the Registrar of Cooperative Development. Out of the total number, 10,641 were primary cooperatives with approximately 3.9 million members, 41 were cooperative unions, four were cooperative federations and one was a cooperative confederation, namely the Uganda Cooperative Alliance. Of these cooperatives, 83 percent were permanently registered, while 17 per cent were registered on probationary terms. Agricultural cooperatives constituted the bulk of these cooperatives, taking up 55 per cent of the total. SACCOs constituted 23 per cent of the total, while multi-purpose cooperatives took up six per cent of the total. Other types of cooperatives (consumer, housing, transport, handicraft, and rural electrification, among others) constituted the remaining 16 per cent of the total (Ministry of Tourism, Trade and Industry, 2009). Table 2 shows the status of these cooperatives by activity in 2009.

Table 2: The status of the cooperative movement in Uganda, 2009

Activities	Permanent		Probation	
	Active	Dormant	Active	Cancelled
Agric. marketing	2,517	67	138	112
Farming	55	4	-	-
Dairy	165	2	12	2
Fishing	67	4	13	4
Multipurpose	501	29	59	6
Housing	9	2	2	-
Handcraft	18	-	1	
Consumers	201	-	39	15
Carpentry	6	1	2	-
Distillers	8	-	7	10
Agro-Forestry	3	-	-	-
Mixed farming	36	-	-	-
Transport	186	21	62	24
SACCOs	2,384	30	1,099	67
Revenue collectors	-	-	1	0
Livestock marketing	-	-	-	-
Microfinance	49	1	-	-
Livestock	210	8	34	12
Enguuli	20	1	-	-
Village bank	3	-	-	-
Animal Husbandry	2	-	5	5
Hides & Skins	11	-	-	-
Thrift & Loan	15	2	3	-
Building	-	-	-	-
TOTAL	6,469	195	1,477	257

Source: Registrar of Cooperatives. Key: C = Cancelled, A = Active

In the entire cooperative movement, the savings and credit sector is the most active and vibrant. The high level of activity of SACCOs is due to the involvement of two major stakeholders namely, UCSCU and UCA, which have contributed enormously to fill the gap left by government. According to the Ministry of Finance and Economic Planning National SACCOs Statistical study of July 2008, there were 1513 active SACCOs in the country with a membership of 644,318, and a share capital of USD 10,256,304. Members' savings amounted to USD 26,176,569 and loans to members totaled USD 31,139,825.

2.4 *Cooperative-like organizations*

There are several cooperative-like organizations, including microfinance institutions and community based organization (CBOs). These organizations operate like cooperatives and their members behave like cooperators in communities. It is important to note that the cooperative movement is not merely a trading or credit system, but is an important influence on people's social and economic lives. It, therefore, comes constantly into contact with other socio-economic actors in the country.

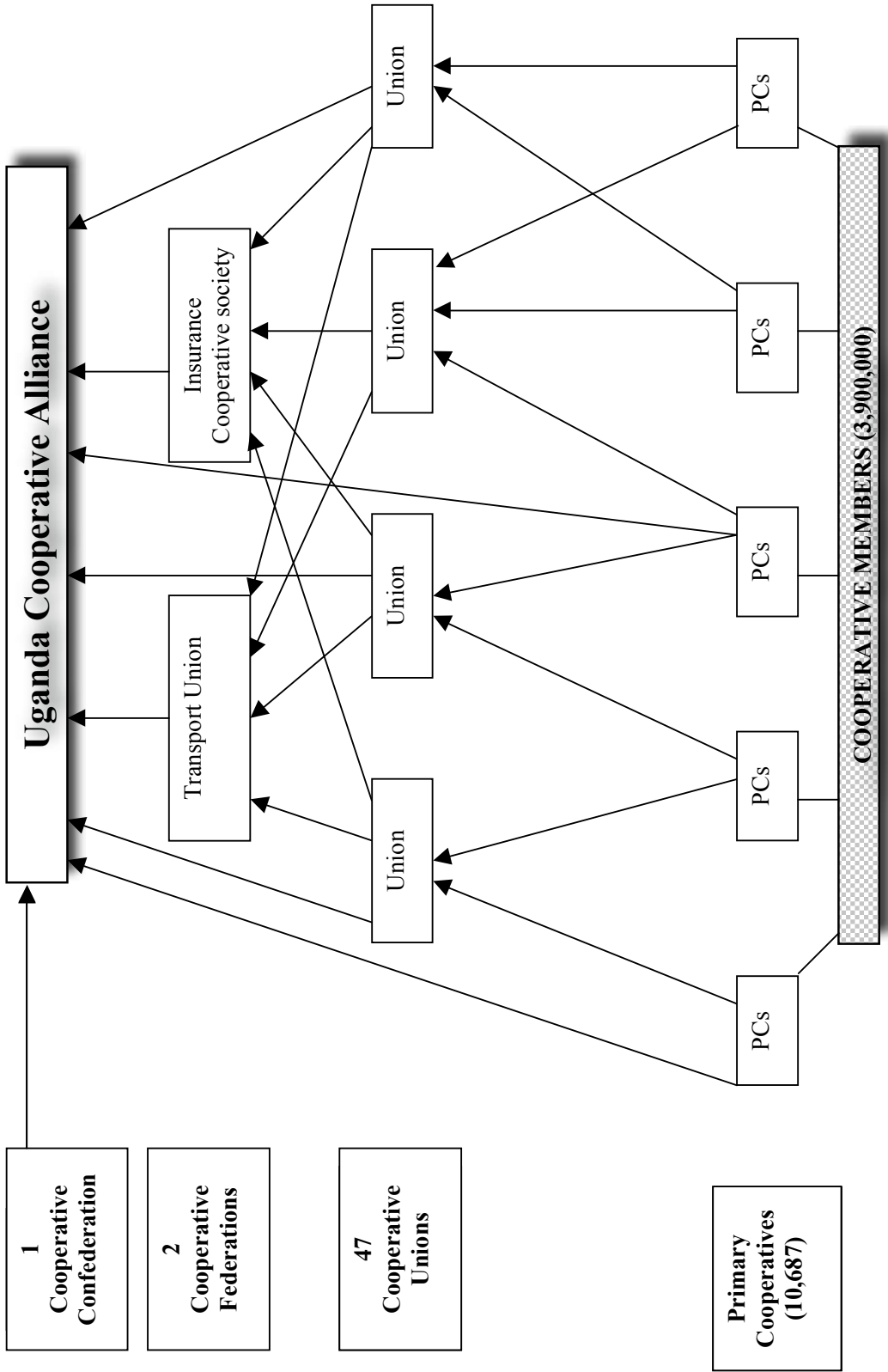
Microfinance institutions (MFIs), which have been expanding since the 1990s in most developing countries, have been embraced in Uganda for their potential contribution to poverty alleviation. The growth of microfinance is increasingly being considered to be an important element in the development strategy of Uganda (Hannig & Katimbo-Mugwanya, 1999). However, the difficulties in building viable and sustainable microfinance institutions are also being recognized. While it is accepted that liberalization and deregulation of the financial sector are important, the existing conditions set by the Bank of Uganda and the Ministry of Finance, Planning and Economic Development (MoFPED) seem not to be adequate and sufficient in the regulation of MFIs. In the recent past, MFIs have been operating like SACCOs. Unfortunately, due to poor or non existence of regulatory measures, many MFIs have simply closed or abandoned their customers. The frequent abrupt closure of these institutions is increasingly becoming a setback.

There are also Community Based Organizations (CBOs) or farmers' organizations in Uganda. Like MFIs, CBOs have no regulatory framework and are only registered by local authorities. They are in the thousands in number, but their status is not well known. UCA supports many CBOs as Rural Producers' Organizations (RPOs). The government may soon be required to put in place a legal framework for governing, controlling and evaluating community service organizations (Kapuriri, 2008).

3. The structural organization of cooperatives in Uganda

Given the opportunity and support required, cooperatives can still offer fundamental services because of their expansive network. There are over 140 counties with over 840 sub counties and with a total of over 5,800 parishes in Uganda. There is at least a primary cooperative or store to attend to members' demands in every village. Figure 1 shows the structural networking of cooperatives, from the grassroots that consists of members who form primary cooperatives (PCs) along economic activities. The primary cooperatives, in turn, form the cooperative unions. The cooperative unions along with some primary cooperatives form cooperative federations. The Uganda Cooperative Alliance is the apex cooperative confederation responsible for training, advocacy, and representation of the cooperative movement in national and international fora.

Figure 1: Cooperative networking in Uganda



3.1 *The Uganda Cooperative Alliance (UCA)*

The Uganda Cooperative Alliance was registered in 1961 as the confederation for the entire cooperative movement in Uganda. In 1963, membership rose from 128 to 524, which included 19 cooperative unions and 505 primary cooperatives. The original objectives of UCA included promotion of cooperative education, publicity, advocacy and representation locally and internationally. Educational activities were carried out through mobile film shows using a van that was donated by ESSO (EA) Petroleum Company. With financial assistance from the USAID, ten rural cooperative wings of UCA were built at Mukono, Masaka, Mbarara, Hoima, Arua, Gulu, Mityana, Jinja, Tororo, and Mbale (Kyamulesire, 1988). However, the confederation did not effectively utilize these rural training centers to promote cooperative education, with the result that only the Tororo wing remained relatively active.

With inadequate funding and the lack of income generating activities, UCA found it difficult to live up to most of its objectives. It was only the support of donors, such as the Swedish Cooperative Centre (SCC), the Canadian Cooperative Association (CCA), the United States Agency for International Development (USAID), the Agricultural Cooperative Development International (ACDI), the Royal Norwegian Society for Rural Development (RNSRD) and the International Federation of Agricultural Producers (IFAP), which enabled the confederation to initiate some programmes. The programmes initiated through this support included the Policy Analysis and Planning Programme; Agri-business Development Programme; Management Improvement Programme; and Education and Training Programme. The audit firm programme that was started with the assistance of USAID failed to take off due to logistic difficulties, as well as the lack of the requisite skills and competency.

UCA is one of the major pillars in cooperative operations and development. It has been involved in numerous projects that have facilitated the visibility of the cooperative movement in Uganda. This has been particularly important as government reform meant that cooperative development was not given its former prominence. UCA's activities in this regard have included advocacy and global image outlook. UCA has well trained staff. There is organized and professional reporting from all centers that benefit from its programs. The innovative approach of using Area Cooperative Enterprises, Village Banks, Youth Programs, Rural Production organizations are positive indicators of its progress and better performance.

UCA has 80 members of staff in areas of the secretariat, finance and administration of microfinance and agri-business. UCA organizes its staff in geographical areas, with a secretariat at Kampala as its Headquarter and regional offices in Mukono, Mbarara, Mubende, Jinja, Mbale, Nebbi, Arua and Apac. Its main source of funds comes from membership contributions. The other sources of funds include rental income, sales and consultancy services. Table 3 shows the level of funding obtained from these sources from 2004 to 2008.

Table 3: Income of UCA, 2004-2008 (in USD)

Source of Income	2004	2005	2006	2007	2008
Member subscription	2,983.3 (9.7%)	3,652.38 (9.1%)	3,347.62 (7.9%)	7,689.76 (16.5%)	7,497.62 (17.6%)
Rental income	118,067.96 (38%)	122,027 (30.8%)	127,469 (30.5%)	107,165.73 (26%)	121,299.41 (28.6%)
Sales of services to related companies	1,428.57 (4.6%)	1,428.57 (3.6%)	1,428.57 (3.4%)	1,428.57 (3.1%)	1,428.57 (14.5%)
Other income (Consultancies)	40,096.05 (12.9%)	165,162.45 (41.7%)	55,453.45 (13.3%)	45,162.4 (9.8%)	61,161.56 (14.5%)
Profit from disposal of investment	136,372.38 (44.1%)	101,204.59 (25.5%)	229,366 (55%)	283,545.78 (61.7%)	231,340 (54.7%)
Total	298,948.26	393,474.99	417,064.64	444,992.24	422,727.16

Source: Kapingiri, 2008

The existence UCA Business Service Ltd as a registered company working for cooperatives is a stride ahead in cooperative business. The UCA printing services provides services that are based on the needs and interests of cooperators. The printing of the ‘Cooperative News’ magazine also disseminates information to cooperators and the public at large.

Section 28 of the Cooperative Societies Statute, 1991 provides for the roles of UCA as follows:

- a) “Consider and make recommendations to Government on matters of policy relating to the cooperative movement”.
- b) “Make representation to the Government as it may think fit in relation to any matter affecting registered cooperative societies in general or any particular registered society which such societies generally or any such society may request the Board to bring to the notice of Government”.
- c) “Carry out any other duty assigned to it under the provision of this statute”

Thus, the roles of UCA include advising, regulating, re-organizing, and revamping the numerous dormant cooperatives in the country. The lack of adequate funding has, however, constrained the confederation from performing some of its roles. Nevertheless, UCA amended its by-laws in 2005 to take into account the roles delegated to it by government. The new by-laws included a revised vision and mission, to include objectives of being an advisor to government on policy issues and to be in consultation with the registrar or any other authority on matters affecting the cooperative movement. The activities of the confederation have since been confined to the realization of these objectives. Below summarizes some of the programmes and activities of the confederation as described in UCA’s Annual Reports (2000-2007).

- **Policy Planning and Agri-business Development Programme:** The focus of this programme was to establish a system of accessing information on economic activities for the cooperative movement. It included developing a system that would provide marketing information to be used in price monitoring and identifying potential markets at home and abroad.
- **The Agri-business Development Programme:** This was to provide information about potential markets, appropriate production and processing technologies and assistance in making project proposals acceptable to the banks for funding. The fundamental purpose was to increase and diversify agricultural production and exports beyond the traditional export crops of coffee and cotton. An agri-business advisory service was to give assistance to identify investment opportunities to conduct business.
- **Management Improvement Programme:** The objective of this programme was to strengthen financial control and improve decision-making among cooperatives and, thus, improve on efficiency of business management. This programme was a precursor to computerization of all management functions, financial controls, and internal budgeting. Kabuga and Bibangambah (1990) had observed that the building of capability in cooperatives through this programme hinged on several pillars, the most important of which were mobilization, education and training. It was important that cooperative members know not only their rights and obligations, but also the art and science of good management.
- **Education and Training Program:** The objective was to develop a self sustaining education and training programme for the cooperative movement by making the best use of a broad range of cooperative wings and provide training for the youth and women.
- **Cooperative Food Security Project (CFSP):** This project operated in 14 districts with a total of 15,000 farmers. Purpose was to improve food security and increase income for the farmers. It was also intended to build capacity among cooperatives and to encourage rural saving for the members. Other components were farmer training, demonstration pilots, farmers to farmer exchange visits, beans, seed multiplication scheme, silos and granaries demonstrations, farmers' day and farmer competitions, animal traction course, study circles and training of cooperative leaders and staff.
- **Farmers Empowerment through Agricultural Services (FETAS):** Locally funded program between UCA and Uganda National Farmers Association (UNFA). The program operated in 5 districts, with 25 cooperatives and with 75 farmers' parish associations. The main objectives were economic empowerment and capacity building to generate more income for the farmers.
- **UCA/CCA Village Bank Project:** This project aimed to help set up new generation of savings and credit cooperatives that would help to demonstrate how saving and credit cooperatives can provide high quality growth. Also to enhance the capacity of UCA to effectively participate and make a contribution to legal framework for microfinance institutions.

In the process 40 committee members from 10 village banks were trained and over 200 members received training in group lending methodology.

- **UCA/CCA Women's Revolving Fund Project:** This project had started in 1995 on pilot basis and later expanded. By 2000/01 it had covered 10 districts, with 76 cooperatives serving 2190 individual women. The purpose was to assist women improve their standard of living by setting viable income generating projects. The women received training in entrepreneurship skills development and record keeping in businesses.
- **Elgon Cooperative Reform Project (ECRP):** The project was funded by Norwegian Society for development (NRP/NOR COOP) in Kapchorwa district to cover 25 primary cooperatives. The purpose was to improve the business performance of 25 cooperative, improve on the production of coffee and improve governance in the selected cooperatives. The programme ended in 2002 with progressive positive results in leadership and increased production. Over 1250 members were trained and 25 secretary managers were also trained.
- **Leadership for Change (LFC):** The project managed by UCA and UNFA and funded by SCC. A pilot project where 24 leaders were selected from primary cooperatives and farmers associations. The training system was by arenas of one week where participants were sent home with assignments to put in practice what they had learnt. Then they report back in 3 months time to share experiences and problems. The 4 arenas included vision, individual growth, entrepreneurship, leadership and managing change. It was a regional program for Uganda and Kenya. For leadership development, 21 leaders from 6 cooperatives and 4 parish farmers associations were selected; UCA and UNFA staff was also trained in the 4 arenas to be equipped with the necessary skills. Today participants come from Kenya, Uganda, Tanzania, Rwanda, Zimbabwe and Zambia. The Program has run for the last 9 years and still continuing with a lot of progress and development.
- **Community Empowerment through Cooperative Financial Services (CECFIS):** This was a 3 year project from 2000 with purpose of promoting community-based financial cooperatives to complement Farmer Empowerment through Agricultural Services (FETAS). The specific goal was to increase rural communities' power to create, participate in and manage their own financial markets.
- **Credit Union Development in Uganda Project (CUDIWU):** The CUDIWU project is a village bank model sponsored by the CCA and aims at transforming 12 participating cooperatives by building their capacity through quality training in best practices and also to improve the women's involvement in credit unions. The project covered 7 districts servicing approximately 1606 members.
- **Project Monitoring and Evaluation Unit (PMEU):** The major objective of PMEU was to provide regular and periodical feedback on the relevance, performance, efficiency and impact of all UCA projects. The purpose was to assess the progress (results), the effects and impacts

of the projects and to identify major implementation problems to assist in planning. The results were that all project staff were trained and developed monitoring tools and data collection formulation. Data was collected evaluated and recommendations made for each project.

- **Youth Economic Empowerment through Cooperative Project (YEECO):** This was a 4 year project by 2005/06 to empower the youth and the funder was SCC. The program was in 10 districts targeting youth cooperatives/groups to consolidate their operations with targeted participants totaling 8,778 youth. The purpose of YEECO was to prepare the leaders of tomorrow with better cooperative knowledge, develop skills in leadership and create employment for the youth. By the end of 2006 over 4,142 employment opportunities were created through various income generation activities engaged in by the youth.
- **Promoting Area Cooperative Enterprises Program (PACE):** This program was funded and supported by Royal Norwegian Society for development (Norges Vel), while UCA was responsible for its implementation. The 3 year program that started in 2004 was to cover 10 districts with total producers totaling 17,320 supported through 165 primary cooperatives, 27 area cooperative enterprises and 33 SACCOs. The purpose was to increase income capacity building and provision of better services to members. Training covered 733 leaders and 3,633 farmers were trained in different skills. Study circles and farmer methodologies were adopted and a total of 165 Rural Produces Organizations (RPOs) had membership of 16,190 members with accumulated share capital of USD 176,190.48.
- **Integrated Finance and Agricultural Production Initiative Project (IFAPI):** This project was a joint effort of UCA and CCA with aims of improving the livelihoods of producers in parts of West Nile and in the Northern Region. For the whole area, 22 sub counties were selected and a total of 34 cooperative organizations, 19 primary cooperatives, 3 area cooperative enterprises and 12 SACCOs were supported by the project. The project goals were poverty alleviation, community controlled cooperative services that were aimed at improving people's well being by increasing food production, income and provision of financial services. The project created linkages between farmers' stock-ists, input supplies, marketing services, agricultural extension workers, animal traction, and fruit production demonstration and mobilized members.

3.2 *The Uganda Cooperative Savings and Credit Union Limited (UCSCU)*

The Uganda Cooperative Savings and Credit Union was registered in 1972 to coordinate the activities of savings and credit primary cooperatives and promote the economic interests of its members. It was also intended to serve as an international link for SACCOs. With regard to its membership, it has been problematic to establish the exact number due to the lack of accurate statistical data on the number of active SACCOs in Uganda. UCA has its own figure of 1513; while the government recorded 1518 SACCOs. The Registrar of Cooperatives recorded 3483 SACCOs. The UCSCU

claims that there are approximately 1513 SACCOs according to a census conducted in 2008. Nevertheless, UCSCU reported an increase in its membership to 500 SACCOs in 2008 following the Government's decision to provide credit to entrepreneurs through SACCOs. Table 4 provides data on the membership of the union between 2005 and 2008 and the annual percentage increase in membership.

Table 4: UCSCU membership, 2005-2008

Year	2005	2006	2007	2008
Affiliated SACCOs	256	320	380	500
Percentage increase each year	-	64%	60%	120%

Source: Kapiriri (2008)

UCSCU manages its operations and decision making through delegates' annual general meetings, which in turn elect a management committee. The management committee elects some of its members to sub committees namely credit, education, projects and supervisory. Besides the employees at the headquarters, there are 95 employees in the field, out of whom 15 are field officers, 40 administrative assistants and 40 financial extension workers (FEW). The employees are all university graduates. The administrative operations and activities are headed by the general manager (See Figure 2).

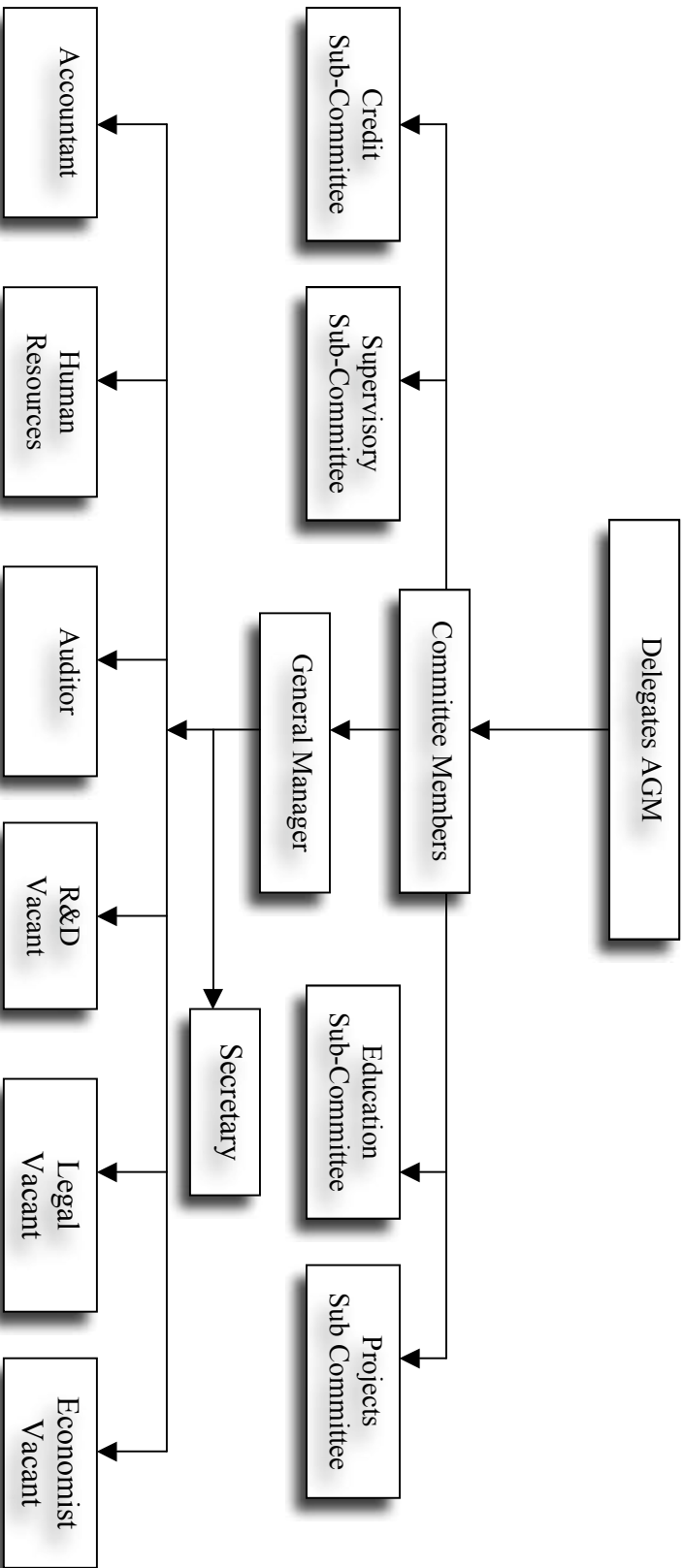
The UCSCU engages in research and supplies of related information to its members. The savings and credit union has a number of programs ranging from the central fund, savings fund, and risk management insurance that comprises of life savings fund, loan protection fund and the members' savings guarantee fund. Other programmes of UCSCU include education and training, as well as the stationary supply that involves the supply of uniform and standardized stationery for all savings and credit cooperatives. Table 5 provides data on the funding levels of share capital, the central fund and the loans fund between 1980 and 1987.

Table 5: Central fund, share capital, and loans 1980-1987

Year	Share Capital (USD)	Central Fund (USD)	Loans (USD)
1980	53	2,396	981
1981	71	4,542	2,187
1982	151	7,839	7,089
1983	221	13,245	7,848
1984	643	16,471	9,499
1985	1,310	19,614	11,204
1986	5,122	37,103	27,532
1987	12,375	82,861	4,159

Source: Kyamulesire, 1988

Figure 2: Organizational structure of UCSCU



UCSCU is affiliated to UCA as an apex organization. At the international level, it is affiliated to the African Confederation of Savings and Credit Association (ACOSCA) and the World Council of Credit Unions (WOCCU). UCSCU is also an associate with Coady International Institute, Canadian Cooperative Association (CCA), and IFAD. Currently UCSCU has an understanding with Uganda Government to implement the “Prosperity for All” (Bonna Baggaggawale) programme. However, as much as Government wants to alleviate poverty through formation of SACCOs, there is little concern for the philosophy and values of cooperatives. Some of the recent projects that were undertaken by UCSCU include the following:

- **Model Credit Union (SACCOs) Development:** This three year project was funded by USAID and aimed at strengthening large SACCOs to comply with international standards. It was implemented under World Council of Credit Unions (WOCCU)’s technical guidance in the period 2001 – 2003.
- **Voluntary SACCOs’ supervision project:** A pilot project for getting SACCOs to start understanding supervision. Voluntary SACCOs agree to be supervised by UCSCU, through signing a memorandum of understanding. This is to prepare the SACCOs to comply with best practices in advance of the forthcoming prudential supervision. The project is technically and financially supported by WOCCU and Canadian Cooperative Association in the period 2007 – 2009.
- **Rural Financial Services Program (RFSP):** The Government of Uganda and IFAD funded a program to enable all parts of Uganda have access to financial services through SACCOs. It includes a component for promoting formation of SACCOs at local administrative units called sub counties; supporting weak SACCOs to scale up their operations; and also supporting large SACCOs to expand their operations. It is also supporting the UCSCU to play its role as the apex of SACCOs in Uganda. Other components include supporting regulation and supervision. The project duration is 2008-2011.

There are also some challenges that have adversely affected the performance of SACCOs in Uganda. Some of the salient ones include the following.

- An unfavourable legal environment – SACCOs operate under a generic cooperative law, shared with other cooperatives such as growers, marketing and consumers. Their unique needs as financial institutions go unattended. No regulatory and supervisory regime is in place. A SACCO specific law is the ultimate solution. The law should borrow from successful models worldwide. Measures should be taken to ensure that enforcement is also provided for, to avoid the law remaining on the bookshelves.
- Negative image created by other micro-financial community-based groups that have cheated the public. Such groups include COWE, TEAM and DUTCH INTERNATIONAL. Because of the weak legal environment, these groups have gone un-penalized.

- Governance problems in various SACCOs resulting from the failure of directors to balance their conflicting interests as SACCO members and as directors. Many board members have yet to learn how to operate as members on one hand and as directors on the other. The way to solve this is to develop streamlined policies and procedures that recognize separation of roles between committees and management.
- The member-control is challenged when faced with lack of know how within the committee members. This leads to weak policies and weak supervision of management. Many SACCOs members do not know their rights and have no adequate financial literacy. Issues of interest rate calculation are still a challenge. Member education and training of management committee members are urgently required.
- Low profitability due to poor costing in order to make the loans attractive to the members, partly due to lack of know-how or relatively high operating costs.
- Overcoming delinquency in the loan portfolios is a challenge. Techniques of measuring and controlling delinquency are not strictly adhered to in various SACCOs.
- The tendency for SACCO leaders to manage the SACCOs in favour of borrowers rather than savers is a key challenge. This is why some SACCOs want to keep interest on loans low and pay little interest on savings. Interestingly, when SACCOs lend to members using external credit, the SACCOs pays high interest to the lender, a rate that is higher than that which they would be pay on internally mobilized savings.
- Demand for credit outweighs savings mobilization in some SACCOs. Commitment of SACCOs to the mobilization of savings may enable them to mobilize more funds to meet the demands of the members.

3.3 *The Uganda Cooperative Transport Union Limited (UCTU)*

The declaration of the so-called ‘Economic War’ in Uganda in 1972/73 led to the registration of the Uganda Cooperative Transport Union to fill the gap that had been created by the expulsion of foreigners who had dominated the transport business in the country (Kyamulesire, 1988). The main objectives of the union were to provide for the transportation of merchandise and passengers; to purchase motor vehicles, accessory spares and ancillary equipment; to arrange for bulk purchase of fuel and oils; to acquire land for establishing petrol stations, workshops, buildings and other prosperity; and to do other activities that are for the enhancement of the union. In the processes of expansion and taking services near to the cooperators, regional workshops were established in the Eastern Region – at Teso Cooperative Union, Soroti; Western Region – at Bannyankole Kweterena Cooperative Union, Mbarara; and Northern Region – at West Acholi Cooperative Union, Gulu. Due to increased demand for transport in 1980s, services were extended to the port of Mombasa in Kenya, as well as to Dar es Salaam and Mwanza in Tanzania.

By 1988 UCTU had 230 members, comprising of cooperative unions and primary cooperatives. It had a share capital of USD 33,333; a reserve fund of USD 276,190; a turnover of USD 1,428,571; assets valued at USD 5,714,285; and a surplus of USD 411,428. UCTU had grown in size and volume of business as summarized in Table 6. The income was mainly derived from hiring out trucks, side trading, commission and rental.

Table 6: Income of UCTU, 2006 and 2007 (in USD)

Items	2006	2007
Hire out of trucks	3,190,476	2,859,048
Side trading	89,524	28,571
Commission owned	810	762
Rental	1,429	1,429
Total	3,282,238	2,889,810

Source: Kafiriri (2008)

3.4 *The Uganda Cooperative Insurance*

According to Kyamulesire (1988) Uganda Cooperative Insurance (UCI) came in existence in 1975 with the objectives of promoting the national economic interest of its members in accordance with cooperative principles. Other goals were to provide life insurance, general insurance and to invest funds for the attainment of these goals. The UCI initially operated on a commission basis and obtained the following results.

Table 7: Commission earned 1975 – 79

Financial Year	Premium USD	Commission USD	Net Commission USD
1975 - 6	2,974	393	190
1976 - 7	3,769	357	146
1977 - 8	4,471	515	263
1978 - 9	2,959	319	70

Source: Kyamulesire (1988)

The general decline of cooperatives also affected the operations of the Uganda Cooperative Insurance. The longest clients were Cooperative Unions and National Cooperative Enterprises. The Registrar for Cooperative Development in an interview stated that, UCI was dormant due to lack of capital. He emphasized that when the Uganda Insurance Commission introduced new regulatory measures, UCI did not meet the criteria due to lack of funding. However UCI still manages a few insurance policies for their clients.

4. The role of the government in cooperative development

The major partner in cooperative development in Uganda has been the Government. Historically, cooperatives have enjoyed government protection, guidance, supervision and development. Through the Department of Cooperative Development, the Government has played these roles by providing services such as registration, auditing, and staff training, among others. These services have always been provided within a legislative framework, which has also been a major responsibility of government.

4.1 Cooperative legislation

The legal aspect of the cooperative movement in Uganda can be traced as far back as 1946 when the first Cooperative Societies Ordinance was passed. This Ordinance gave express power to the Government to control the operations of the cooperative movement. Today, cooperative law in Uganda is derived from three sources namely, the Cooperative Societies Statute 1991 / Cap 112(2000); the Cooperative Societies Regulations; and the Cooperative Model By-laws. The Cooperative Societies Statute forms the basis upon which the Regulations and By-laws are framed. The Regulations are made by the Minister for Tourism, Trade and Industry, under provisions of Section 78 of the Statute. Regulation No. 7 empowers a primary cooperative to make by-laws in respect of certain matters which are compulsory to the members.

The Cooperative Societies Statute established the Office of the Registrar of Cooperatives, who is also recognized as the Commissioner for Cooperative Development. This is a public office responsible for the formation, organization, registration, operation and advancement of cooperatives in the country. The Registrar of Cooperatives follows elaborate criteria in the registration of primary and secondary cooperatives. For any group to qualify for registration as a primary cooperative, it must have a minimum of 30 members. The membership should be based on common bonds like residence, occupation, profession and the types of services. A minimum of two primary cooperatives is required to form a secondary cooperative, otherwise known as a cooperative union. In turn, the law similarly allows two cooperative unions to come together to form a national union.

The management of a primary cooperative is composed of three separate and distinct groups which are: members who have fully paid entrance fees and share contributions and are patronizing their cooperative; the management committee members, who must not consist of less than five and not more than nine members, elected in a general meeting to oversee the promotion and operation of business on behalf of the members; and the management staff who are employees of the cooperative entrusted with day-to-day management of the cooperative.

4.2 *Cooperative development policy*

The National Cooperative Policy (2010) provides the policy guideline for cooperative development in Uganda. The general objective of the Government is to develop and strengthen the cooperative movement in order to enable it play a leading role in poverty alleviation, employment creation and social-economic transformation of the country. To this end, the Government recognizes savings and credit cooperatives to be significant drivers in the mobilization of people to save as individuals or groups for purposes of enhancing production, investment and capital accumulation. The Government's goal is to establish a SACCO in each Sub-County to spearhead savings mobilization and increased household incomes.

Besides the focus on the development of savings and credit cooperatives, the other objectives of Government in cooperative development include:

- Re-building the cooperative movement to efficiently and effectively respond to members' needs;
- Developing and reviewing the legal and regulatory framework and promoting and enhancing good governance in the cooperative movement;
- Developing the capacity of cooperatives to compete in the domestic, regional and international markets, as well as to provide a framework for improving capitalization and diversification of financing tools appropriate for the movement;
- Facilitating improvement of supply chain efficiency and marketing infrastructure and diversifying the type and range of enterprises that cooperatives undertake;
- Strengthening the technical capacity of the Department of Cooperative Development and the local government;
- Building an efficient and modern cooperative management information system;
- Addressing the crosscutting issues of gender balance and fair representation of marginalized groups, sustainable natural resources use and HIV/AIDS and malaria.

In the agricultural sector, the Government of Uganda, through the National Agricultural Advisory Service (MOFPED, 2004), promotes the establishment of Area Cooperative Enterprises (ACEs) to streamline the marketing of produce. This has been necessitated by the dismal performance of agricultural cooperative unions in facilitating primary cooperatives to market their members' produce. The primary agricultural marketing cooperatives deal in crops such as coffee, cotton, maize, groundnuts, and other cereals. Unfortunately, there seem not to be up to date data on these cooperatives, as is the case with SACCOs (Kapiriri, 2008). This lack of data could be attributed to the government policy of decentralization that has placed the regulation and monitoring of primary agricultural cooperatives under the local government authorities, which do not report to the headquarters of ministries.

The local authorities do not have adequate cooperative staff to keep proper records of these cooperatives, and the Commissioner for Cooperative Development has no direct supervisory power over cooperative field staff. The existing structure is decentralized at the district level, with no information at the headquarters of ministries, with the result that the Department for Cooperative Development appears to be de-linked from the local/district level. Figure 3 shows the disconnection between the office of the Registrar of Cooperatives and the districts. This has sometimes made it difficult to support the development of primary cooperatives at the local level.

Figure 3: Relationship between the Department of Cooperative Development and the districts

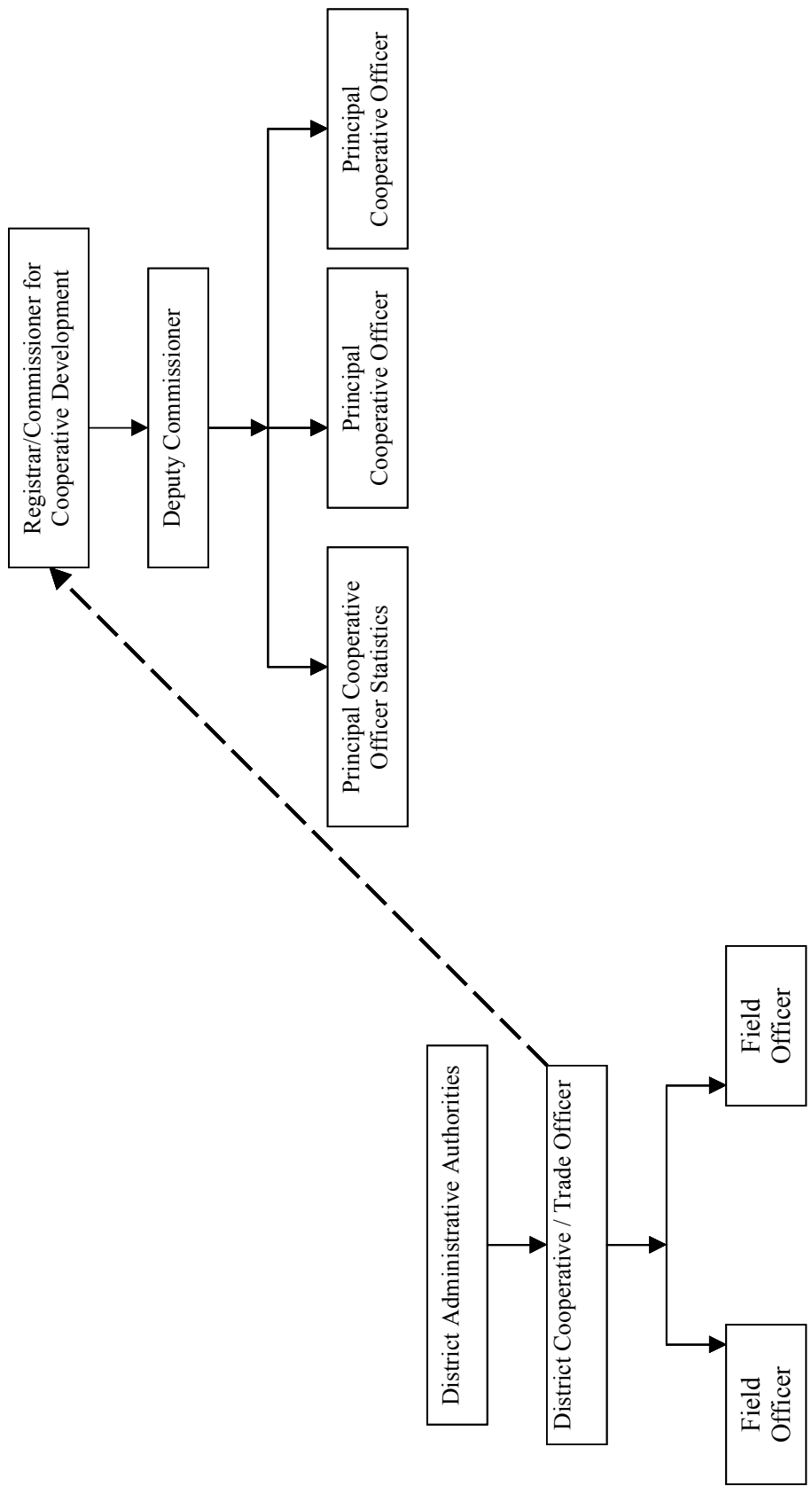


Figure 3 shows that the district cooperative officers are not accountable to the Commissioner for cooperatives in terms of their performance. The only direct contact is while submitting an application for registration of a primary cooperative and approval of maximum liability. Such a structure may not help to develop the cooperative movement.

4.3 Cooperative education and training

Education and training in cooperatives was initiated along with the establishment of the Department for Cooperative Development as far back as 1947. However, cooperative education started in 1951 at Kabete in Kenya and was later moved to the Local Government and Community Development Training Centre at Nsamizi – Entebbe in 1954. The training of cooperative officials and members was organized at selected places in the regions (Kyamulesire, 1988). Certificate and Diploma courses in cooperatives were started at the Bukalasa Agricultural and Cooperative College in 1963. The current Cooperative College at Kigumba was opened in 1975 and offers a number of courses in cooperatives as follows:

- Diploma in Cooperative and Business Administration – 2 years;
- Diploma in Project Planning and Entrepreneurship Development – 12 months;
- Diploma in SACCOs and Microfinance Management – 12 months;
- Certificate in Project Planning and Management – 3 months on Distance Learning;
- Certificate in Cooperative and Business Administration – 12 months at Tororo Campus.

Table 8 presents data on enrolment in these courses at Cooperative College – Kigumba, at both the main and Tororo campuses between 2005 and 2008.

Table 8: Enrolment at the Cooperative College, Kigumba by campus, 2005-2008

Year	Main Campus	Tororo Campus	Total
2005	256	43	299
2006	291	34	325
2007	301	49	350
2008	307	45	352
Total	1,155	171	1,326

Source: Kapiriri, 2008

As stated earlier, there are over ten cooperative wings of this college that were built to train management committee members, officials and cooperative members. Serious efforts should be made to recover and revamp these facilities. Government funding of cooperative education and training is also inadequate. In order to have meaningful cooperative education, Kigumba Cooperative College and its cooperative wings should be placed under the Ministry of Tourism, Trade and Industry (MTTI).

It should, however, be pointed out that cooperative education and training is one of the areas that is not coordinated by all the stakeholders. Each cooperative organization trains on its own members and staff. For example, UCA conducts its courses/seminars independently, just as UCSCU and other secondary cooperatives do. The quality and quantity of such courses may be wanting, partly due to the fact that the trainers may not be adequately trained and their methodologies may not be coherent. If the Uganda Cooperative College is returned to the MOTTI and the training programs are spearheaded by the Cooperative College, which has well-trained cooperative officers, the end result might be better for cooperative development.

5. The significance of cooperatives for development in Uganda

5.1 Employment creation

The Government is one of the largest employers in Uganda. Nevertheless, the introduction of decentralization and restructuring policies in the public sector has drastically reduced the number of employees. This turn of events has adversely affected the job creation capacity of cooperatives, both in the field as well as at the headquarters, following the resultant retrenchment of public servants who were working in government organizations that supported cooperatives. For instance, by the end of 2006, the headquarters of the Department for Cooperative Development had only three senior members of staff, consisting of a registrar / commissioner, assistant commissioner and one principle cooperative officer. At the same time some districts had a few or no officer to manage cooperative activities. Table 9 shows the employment status in selected cooperative organizations and NOTU in 2008.

Table 9: Employment status in selected cooperative organizations in 2008

Cooperatives	Salaried Employees	SACCO (with at least 3 persons)	Others	Estimated Total
UCA	80	780	77687	78,547
UCSCU	65	720		785
UCTU	96			96
NOTU	8		60	68
Total	249	1,500	77,747	79,496

Source: Kafiriri (2008)

Data in Table 9 suggests that cooperatives do not directly employ a large number of people in Uganda, though they may have the potential to do so. Nevertheless, cooperatives provide significant job creation among the members. For instance, whereas UCA directly employed only 80 people in 2008, it created 4,995 (2,299 for women and 2,037 for men) jobs for cooperative members. These jobs were

distributed in different economic activities as follows: 2,852 in crop production; 729 in animal husbandry; 10 in agro processing; 6 in Fish farming; 18 in apiary; 11 in carpentry; 78 in retail trading; 10 in boda-boda taxi transport; 32 in knitting and weaving; 77 in Saloon; 177 in the services business; 306 in poultry; 3 in aqua culture; 95 in music, dance and drama; and 70 in small-scale business.

Cooperatives also generate income for their members. For instance, Naama ACE members were able to diversify income sources, and subsequently improved their houses, and paid school fees for their children to access better schools and better food. Similarly, members of Bwavumpologoma Busana cooperative (a rice farmers' primary cooperative) reported that their income from rice enabled them to pay fees in private schools. Many had bought motorcycles, seven had built permanent houses, three had bought plots; many bought cows; 3 had bought vehicles; women in rice growing had opened kiosks at the market to sell their produce, built shops and hair saloons resulting in rapid growth of trading centres in the community. Namusungu savings and credit cooperative, one of the large SACCOs in Western Uganda, provided development loans for housing, solar installation, and water harvesting. These loans enabled members to improve their standards of living (personal communication with Mr. Msemakweli, 2008).

Impact of the cooperative model in Uganda can be categorized at several levels; individual; household, community, national and programme levels. The impact may need another study to further understand cooperatives and their contribution to development.

5.2 *Cooperative social protection*

Cooperatives provide social protection through educating members on HIV/AIDS. Through the cooperative forum, courses have been arranged on prevention of HIV/AIDS for members and families. The Ugandan Cooperative Transport Union has had its drivers and members of staff sensitized on how to avoid getting the virus.

The UCA has also been instrumental in offering social protection to its members. As already discussed, a number of projects were started by UCA specifically for women and youth development. For instance, the Cooperative Food Security Project (CFSP) targeted women with the objective of increasing food production and storage. The Youth Economic Empowerment through Cooperatives project was also managed by UCA, and sought to develop youth and to contribute to improving living standards through sustainable community-based cooperatives. Through this project, over 8000 youth in 10 districts increased their income and created several other business ventures.

The establishment of specialized innovative cooperative enterprises, such as rural electrification, rural water supply, and indigenous community service farms, is likely to enhance development in the rural areas in Uganda. Furthermore, social protection tends to be significant where cooperatives are active and access to markets and services also improves.

6. Donors to the cooperative movement in Uganda

Donor support to the cooperative movement in Uganda started prior to independence and has continued since then. Support has usually been provided in two ways, including provision of technical personnel for professional advice and also financial assistance to start projects. With regard to the latter, some of projects that have been funded by donors including:

- Cooperative Credit Scheme (CCS) worth £75,000 from the African Development Fund in 1962;
- USAID/ACDI Credit Scheme in 1962 – 1973;
- USAID for Cooperative Bank of Uganda in the 1970s.

The following are some of the current donors supporting cooperative development in the country.

- Canadian Cooperative Association (CCA);
- Swedish Cooperative Centre (SCC);
- CARITAS;
- DANIDA;
- IFAD;
- Germany Development Service (GTZ);
- European Union (EU);
- NORGEL Vel.

Donors have also been involved in non-cooperative organizations for a long time. For example, the National Organization for Trade Unions (NOTU) and other labour organizations have received substantial support from the donor community. The following are some of their donors:

- Canadian Labour Congress;
- Japan Labour Congress;
- LO-FTF Denmark;
- Trade Unions of London;
- Fredrick Albert Stiftung – FAS;
- East African Trade Congress Arusha;
- SEATIN;
- Organization of African Trade Union Unity in Ghana.

Without external donor assistance and internal corroboration cooperatives could not extend services to their members efficiently or effectively. Non-cooperative institutions exhibit similar features, and depend on donations from external financing for their survival in many cases.

7. Conclusion

This paper has examined the operations of cooperatives in Uganda since the 1940s to 2008. It has been observed that when Government had a role to play in terms of supervision, control, guiding and setting limits, the cooperative movement was vibrant and produced surpluses for the members (Kyamulesire, 1988). However, the liberalization of the cooperative movement that brought along cooperative autonomy seems to have been the point of departure towards the decline in the performance of these organizations. The current performance of cooperatives is generally below their average performance from three or four decades ago. In the absence of strong cooperative unions, UCA introduced the area cooperative enterprises for marketing purpose, which function more-or-less like 'mini cooperative unions'. The role they play right now covers the existing lacuna due to the absence of operations by the major traditional unions, which are either dormant or extinct.

The current strengthening of agencies, such as UCA, UCSCU, and NGOs, may not be the solution to the amorphous situation in cooperatives. The probable answer would be to reactivate the cooperative movement through direct mobilization and promotion, training, supervision, systematic auditing and evaluation of performance. The cooperative principles emphasize the promotion of education, training and information, and cooperation among cooperatives, among others. The recovery of all the cooperatives stores in the country and reactivation of the cooperative wings would provide a step forward in education and revitalizing the cooperative movement to its past glory.

Uganda is predominantly an agricultural country and there are approximately 6000 marketing cooperatives across the country. Therefore, emphasis should be redirected to promotion of marketing cooperatives and to the reactivation of rural savings schemes, which are more suitable for rural areas than SACCOs. Parading SACCOs as a conduit for developing cooperatives seems attractive, but "Money" as a commodity in a system with weak regulation, supervision and safe guards may produce negative sentiments among savers in cooperatives. The promotion of cooperative-like organizations among workers' organizations, employers' organizations and microfinance institutions is welcome, but the legal structure should accord with cooperative laws and regulations. Direct support from government is needed more than before, especially in terms of adequate staffing at all levels and in all districts. The availability of qualified staffing will lead to a rejuvenation and recovery of all cooperative stores, and help to mobilize and training members and the public at large. Ugandan cooperatives have relied on donors and international agencies. Therefore, government, UCA and UCSCU should endeavour to invite donors and international agencies to support development of an autonomous movement. May be with their input, assistance and efforts the cooperative bank may also be resurrected.

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Cooperatives: The sleeping economic and social giants in Uganda

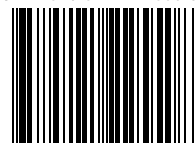
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The paper provides a historical synopsis of cooperatives in Uganda and outlines the current state of cooperative development. This status includes a synthesis of the performance of the cooperative movement, discussion of the support needed from the cooperative structures and outlines the justification for this investment in Ugandan society through highlighting the contribution they can make to social protection and economic empowerment. In the early days, cooperatives assisted the marginalized and less privileged people to improve their standards of living and contributed to the social and economic development of the country. While liberalization and decentralization saw cooperatives decline, the movement is now regaining its past glory and reclaiming its role as an instrument for empowerment. The paper concludes by stressing that cooperatives need to develop their enterprises by starting from within and attending to the ever changing needs of their members.

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