



THE REPUBLIC OF UGANDA

NATIONAL CO-OPERATIVE DEVELOPMENT POLICY

MINISTRY OF TOURISM, TRADE AND INDUSTRY

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Foreword

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ABBREVIATIONS AND ACRONYMS

AGM:	Annual General Meeting
AIDS:	Acquired Immune Deficiency Syndrome
AMFIU:	Association of Micro Finance Institution of Uganda
CICS:	Competitiveness Investment Climate Strategy
CIS:	Community Information System
COMESA:	Common Market for Eastern and Southern Africa
GDP:	Gross Domestic Product
ICA:	International Co-operative Alliance
ICT:	Information Communication Technology
IMF:	International Monetary Fund
MGLSD:	Ministry of Gender, Labour and Social Development
MTTI:	Ministry of Tourism, Trade and Industry
NAADS:	National Agricultural Advisory Services
NGC:	New Generation Co-operatives
NGO:	Non-Governmental Organization
NRM:	National Resistance Movement
PEAP:	Poverty Eradication Action Plan
PMA:	Plan for Modernization of Agriculture
RDS:	Rural Development Strategy
SACCOs:	Savings and Credit Co-operatives
SAPs:	Structural Adjustment Programs
UCA:	Uganda Co-operative Alliance Ltd.
UCDP:	Uganda Co-operative Development Policy
UCSCU:	Uganda Co-operative Savings and Credit Union

1 INTRODUCTION

The co-operative movement in Uganda was started in 1913 to involve Ugandans in domestic and export marketing of agricultural commodities. The period 1946 to 1970 saw a significant growth of the co-operative movement especially in the coffee and cotton sectors; for instance by the end of 1956, co-operatives controlled two coffee curing works and ten ginneries and by 1960, the total tonnage of crops handled by the co-operative movement had risen to 89,308 tons from 14,300 tons in 1951. The co-operative turnover was nearly 9 million Pound Sterling per annum. By 1965 the total value of produce handled through co-operatives amounted to 325,311,500 shillings. Out of 437,923 bales of cotton, co-operatives handled 267,420 bales (61%) while they also handled 40% of the Robusta coffee; valued at 60 million shillings and 90% of Arabic coffee valued at 30 million shillings.

The cooperative movement in Uganda is composed of 9201 primary societies, 41 secondary societies, 4 tertiary societies and 1 apex, the Uganda Cooperative Alliance Ltd. Of these 83% are on permanent registration while 17% are registered on probationary terms. These Cooperatives are generally categorized as follows: agricultural marketing (55%); savings and credit (23%), multipurpose cooperatives(6%) and others (16%)¹.

1.1 Situation Analysis

The co-operative movement in Uganda is built in a four tier vertical structure of primary co-operative societies that consist of at least 30 persons with a minimum age of 18 years. A minimum of two primary co-operative societies form a secondary society while at least two secondary societies form a union (tertiary society). Unions and societies that provide banking, insurance as well as supplying goods and services form apex societies according to the enterprise in which they operate.

1.1.1 Strengths

User Responsiveness: The main strength of the co-operative movement lies in the fact that it is a grassroots organization, multi-sectoral and pervades every aspect of society;

¹ Consumer, housing, transport, health, handicraft and rural electrification cooperatives for instance

both rural and urban. In Uganda, the myriad of farmers engaged in small scale agricultural production lack organization at two levels: i) farm level to effectively exploit their land and labour resources, and ii) organizational level where they lack organization for collective marketing that would give them the needed bargaining power. Co-operatives have demonstrated capacity to facilitate primary producers' involvement in domestic and international trade and they provide a relatively permanent institutional framework through which problems of basic human needs can be addressed.

The Co-operative movement shall help to raise the levels of education and management skills of its members besides facilitating their integration into the development process as full partners. This shall be achieved through co-operative education; a key action in this policy.

Income generation, distribution and redistribution: The diverse nature of co-operative business in form of agricultural, housing, transport, insurance, finance, health, environment and tourism cooperatives for instance offers a great potential to create employment, generate wealth and equitably distribute it. Hitherto, the over 3.9 million people in the co-operative movement underline its potential contribution to the economy while the unfolding drive to establish at least a savings and credit co-operative society (SACCOs) per sub county is even more elaborate of the future role of the co-operative movement.

A Wide network of Co-operatives: The current 9246² co-operative societies are spread throughout the country which makes the movement the most accessible institution in Uganda. Between 2003 and 2007 the number of new registrations has seen an increase from 317 to 869 societies. It is therefore possible to deliver the relevant services to a wider population segment through the co-operative movement more than any other institution in Uganda.

² Source: Registrar of Co-operative Societies, February 2008

1.1.2 Opportunities

Political will: Uganda's national strategy of poverty eradication through agricultural modernization, employment creation and industrialization is an opportunity for development of the co-operative movement. Uganda's economic reforms have achieved a lot in terms of economic growth averaging 6% of GDP and poverty reduction from 56% to 31% between 1992 and 2005 respectively. The co-operative movement has the potential to generate wealth, contribute to further poverty reduction and foster wealth redistribution especially in rural areas which is well aligned with Prosperity for All (Bonna Bagaggawale).

Implementation of the Structural Adjustment Programmes (SAPs) has not helped the rural folk as much as had been anticipated. Increasingly, it is being realized that a revitalized co-operative movement holds one of the most important keys to resolving problems related to sustainable, people-centered and equitable development.

Labour abundancy and flexibility: One of Uganda's major strengths is in the flexibility of its labour markets where the country is ranked 8th in the world and 1st in Sub-Saharan Africa on the 'Doing Business Database' in terms of the 'ease of employing workers'. While labour markets in Uganda are flexible this does not seem to flow through to productivity where the country is ranked just 109 out of 125 countries in terms of relationship between pay and productivity. Uganda also ranks relatively high on the private sector employment of women (8th in the world), indicating that businesses provide women with almost the same opportunities as men to rise to positions of leadership.

The country's labour force increased from 9.8 million in 2002/03 to 10.9 million persons in 2005/06 representing an annual growth rate of 3.6% and may be now well over 12 million. More than 65% of these people are employed in agriculture; 25% in the service sector; and 10% in the industrial sector. It's inevitable that more people will move from agriculture to the service and industrial sector, as the structural transformation of the economy takes root. It is therefore important that co-operative business be strategically

positioned to exploit the expected economic and labour market shifts in the country as well as other global trends.

Abundant natural resources: Uganda's rich diversity of natural resources was adjudged by the great British Prime Minister Winston Church Hill in 1906 in his historical statement the "*Pearl of Africa*". This is indeed upheld in the unmistakable country brand "*Gifted by Nature*". These include numerous water bodies that are habitat to several fish species, rare mountain gorillas, game parks forests, minerals including petroleum and fertile soils to mention but a few. These offer a lot flexibility for the future of co-operative business in the country.

1.1.3 Weaknesses

Leadership gaps: Although co-operatives are democratic in nature, the membership has not taken advantage of this democracy to elect good leaders. The Ugandan experience shows that election of leaders is not necessarily a reflection of the required competencies or commitment to the co-operative business. One of the consequences of this practice is the tendency to rely on a few members which undermines sustainability of the co-operative institution.

Inadequate co-operative knowledge: Most of the current co-operative membership especially at the primary level is not adequately trained especially in co-operative matters which negatively impacts on co-operative business. This is no surprise given Uganda's overall competitiveness ranking of 118³ out of 178 countries. This non competitive behaviour is compounded by scarcity of supportive infrastructure in form of internet access, computer hardware and software, and electric power write-ups.

Despite several strategies to address information needs through PMA, CICS, RDS and CIS there is inadequate information on how to start a co-operative, leadership and governance, markets, supply sources and cost analysis, capitalizing the co-operative, member investment, sources of debt capital, charter member meeting and this continues

³ Source: World Development Indicators database April 2007

to hamper proper planning for the benefit of co-operative movement and the development of cooperatives at large.

Dented Image and Weak Advocacy: The co-operative movement has suffered a real and perceived negative image. This is attributed to various disadvantages suffered by the co-operative movement such as crop failure, market/price fluctuations, urbanization, political persecution in the 1970's, property/stock losses during the liberation war of the 1980's and weak advocacy by the co-operative movement itself. Other internal weaknesses amongst particular societies and the failure of some have seriously dented the public perception of cooperatives that it is often difficult to attract new and energetic members to the co-operative movement. This perception has not been helped by the weak advocacy.

Narrow scope of Co-operative Enterprises: Co-operatives in Uganda are predominantly engaged in the production, processing and marketing of traditional cash crops. There is limited involvement in other areas for example housing, transport, insurance, finance, health, environment and tourism. Instances such as crop failure arising out of natural conditions and diseases leave the cooperators with no alternative choices to bank on which limits wealth creation. There is therefore need to diversify co-operative enterprises.

Co-operative Education: Uganda's current formal education syllabus hardly provides co-operative knowledge other than mere categorization of co-operative societies as one form of business enterprises⁴. Uganda Co-operative college-Kigumba offers only certificates and diplomas which do not match the world's best competencies in co-operative management in a global economy. With over 3.9 million co-operative movement members and their high potential contribution towards the success of prosperity for all, co-operative education should be developed further to sufficiently cover co-operative needs. This should transcend formal education.

⁴ Ordinary level commerce

Inadequate Resources: The co-operative movement in Uganda is faced with a challenge of insufficient working capital. The main sources of finance for cooperatives are members' share capital, entrance fees (paid once in a lifetime of a member), annual subscription fees and retained earnings. Given the low financial position of the members, these can hardly raise meaningful capital to sustainably run co-operative business. Some societies have taken loans to bridge the funding gap though their servicing at an interest rate of 23-29% per annum has been costly resulting into even wider gaps.

Limited financial resources have other knock on effects on co-operative business such as constrained acquisition of modern equipment, tools as well as attracting and retaining qualified professionals. As a consequence cooperatives have not achieved the desired growth and effectiveness in service delivery to the members.

Inadequate Infrastructure: According to the World Competitiveness Report 2006, the second pillar of competitive disadvantage for Uganda is with infrastructure where the country ranks poorly on the quality of electricity supply, port and railroad development; with road quality adding to the disadvantages. The anticipated investment in the Bujagali hydropower (250 MW) and Karuma plant (180 MW) will add significantly to the current installed capacity (380 MW) though these may not be added into the system till 2011.

In the meantime, the country's power capacity will be expanded further through a combination of thermal, cogeneration (from sugar bagasse), smaller hydro-electricity plants and solar voltaic systems. The real challenge, however, is that economic growth is highly correlated with power consumption. The current power generation expansion plans will barely meet anticipated demand from current growth, let alone a surge from a revitalized and faster growing industrial sector. The challenge is to accommodate the extra demand from a faster growing industrial sector and this may require greater use of independent power plants and diverse sources of supply. This poses a serious threat to diversification of co-operatives as well as the efficiency in the running of the existing co-operative business.

Another infrastructural deficiency that is closely related though not entirely attributed to power inadequacy are the low internet and telephone connectivity as well as high tariffs. Given the global trends, the ensuing ineffective communication is bound to wreck development of the co-operative movement and as such, matching interventions are vital to uplift the country's over all competitiveness in the medium to long term.

Storage: Uganda is faced with an acute shortage of agricultural commodity warehouses. The national warehouse survey of 2007 by the Ministry of Tourism, Trade and Industry shows that there are 866 warehouses with a total storage capacity of 450,733 metric tonnes. Of these only 3% meet the standard requirements for agricultural marketing while 8% require minor repairs. This contributes to high post harvest losses; estimated between 40-0% and compromises quality as well as commodity prices. This poses a great challenge in the commodity value chain for the co-operative movement.

Cooperatives Structure: Cooperatives are organized in a four tier vertical system i.e. primary, secondary, tertiary societies and the apex. Primary cooperatives consist of at least 30 persons who have attained the age of 18 and are resident within society's area of operation. Secondary societies consist of at least 2 registered primary societies among its registered members. Tertiary societies consist of at least two registered secondary societies while the Apex society consists of two or more secondary societies and includes a society established to serve the movement by providing facilities for insurance, banking and the supply of goods and services.

In practice a number of primary co-operative societies are direct members of UCA which has led UCA to compete for business with its member societies such as Uganda Cooperatives Savings and Credit Union Ltd (UCSCU). In addition both the co-operative bank and the co-operative insurance services are inactive which undermines the legal position and functionality of the Apex body. It's therefore imperative to review the structure and operation of the co-operative movement to make it more responsive to member needs.

1.1.4 Threats

Globalization: The onset of economic liberalization triggered off greater participation of multinational companies in the local businesses previously dominated by cooperatives and other local players. This has been compounded by Uganda's accession to the East African Community and COMESA membership; all of which imply participation of global players with higher skills and organizational quality that inevitably relegates inefficient co-operative societies to the lower business side. Current evidence shows that participation of these global giants in the Ugandan economy is indeed likely to intensify hence the possibility of more sustained competition and increased marginalization of co-operative societies particularly at the primary level.

The faster regional markets grow the more the likelihood to attract the interest of low-cost global competitors. Global business models transcend regional boundaries and have more impact in diverting trade than creating it. Globalization now extends throughout the value chain from innovation, R&D, design, production and processing to services; including management. Even multi-national enterprises are feeling the pressure of globalization and vacating regional positions to those with global strategies. This presents a challenge to the traditional locally focused firms, but also an opportunity to join global networks and to exploit the benefits of low cost supply in areas like retailing and banking where local competition is often limited.

The operations of individual business people and firms (middlemen) other than cooperatives engaged in processing, marketing and service provision in the domestic market offers stiff competition to the co-operative business. These middlemen have a competitive edge over co-operatives because they offer instant and sometimes upstream payments to producers which then ties them to the middlemen. This practice often compromises quality standards, compliance to co-operative behaviour and eventually the international market for the products.

HIV/AIDS. The cumulative number of reported AIDS cases in Uganda as of 31/12/2002, was 60,974 for both children and adults. Of these, 56,451 (92.6%) were adults while 4,523 (7.4%) were children aged less than 12 years. Although Ministry of Health surveillance reports indicate very high levels of awareness, increased levels of knowledge of protection from HIV/AIDS and increased Condom use in non-regular partnerships, the pandemic continues to affect the population in various ways. It has/and continues to claim lives of the productive members of society, reducing the working time and energy of the victims as well as depriving children of parental care. These effects pervade nearly all aspects of society; the cooperative movement inclusive.

VISION AND OBJECTIVES

1.2 Vision

The policy vision is a strong, vibrant and prosperous co-operative movement that effectively responds to the needs of the members.

1.3 Objectives

The objectives of the National Co-operative Development Policy are to:

- 2.2.1 Build capacity of the co-operative societies to efficiently and effectively respond to member needs
- 2.2.2 Diversify the range of co-operative enterprises to include industrial and value addition activities among others.
- 2.2.3 Promote and enhance good governance in the co-operative movement.
- 2.2.4 Build capacity of cooperatives to compete in the domestic, regional and international markets.
- 2.2.5 Improve and develop capitalization and financing tools appropriate for the co-operative movement.

2 GUIDING PRINCIPLES

The success of the co-operative movement will depend on the way it adapts to the environment created by the Government's macro-economic variables, other public policies as well as international trends. The National Co-operatives Development Policy is therefore guided by the following principles:

- a. Universally accepted co-operative principles of voluntary and open membership, democratic member control, member economic participation, autonomy and independence, education, training and information, co-operation among co-operatives and concern for the community.

These principles are well provided for in the constitution of the Republic of Uganda 1995 *inter alia*, Part II (vi) of the Constitution that guarantees autonomy of civic organizations in pursuit of their declared objectives, Part III (v) that commits the State to providing a peaceful, secure and stable political environment necessary for economic development and Part ix that encourages private initiative and self-reliance.

- b. **Public private partnership:** Use a Public-Private Partnership approach in the implementation and monitoring of the National co-operative Development Policy. Government shall put in place the necessary supportive infrastructure, regulate and provide technical support for co-operatives' activities while the core co-operatives' businesses shall remain in the domain of the co-operative movement. The two shall together develop the necessary human resource for cooperatives development.
- c. **Gender responsiveness:** Creating opportunities for equal participation in cooperatives through entrepreneur development, promoting gender balance and sensitivity to gender specific concerns in the conduct of co-operatives business.
- d. **Environmental sustainability:** Co-operative business shall be conducted in a manner that harnesses environmental sustainability.

3 POLICY ACTIONS

3.1 Re-building the Co-operative Movement

Government is committed to rebuilding and revitalizing co-operatives as key business units in the economy

- i. Mobilize people to form new co-operative societies that suit their common interests.
- ii. Review the status of the existing co-operative societies countrywide with a view to benchmark the necessary revitalization interventions.
- iii. Review the structure and operation of the co-operative movement to make it more responsive to member needs.
- iv. Revive the Co-operative Bank Ltd, Co-operative Insurance Ltd and Uganda Co-operative Central Union Ltd
- v. Build the capacity of the Co-operative Movement to handle the various co-operative development programs.
- vi. Rebuild the co-operative-image through publicity campaigns
- vii. Undertake a funds mobilization drive for the revitalization process.
- viii. Regulate the co-operative movement to promote compliance to principles, norms, laws and standards.

3.2 Legal Reforms

Government shall effect the necessary legal reforms to facilitate the co-operative movement to operate and develop.

1. Review and amend the Co-operative societies Act Cap 112
2. Amending the Income Tax Act Cap 340 (in relation to SACCOs) to provide for tax exemption

3.3 Regulation

Government shall promote good governance, compliance to laws, regulations and standards

- i. Disseminate the co-operatives code of best practice document.
- ii. Register new co-operatives.
- iii. Monitor and evaluate co-operative societies' activities
- iv. Deregister non-compliant co-operatives.

3.4 Quality Assurance and Competitiveness

Undertake quality assurance measures that conform to international standards

- i. Support bulk marketing and advance handling and processing practices that conform to international quality requirements through Co-operative Enterprises.
- ii. Implement a national sanitary and phyto-sanitary measures policy
- iii. Work with training institutions both public and private to provide business and entrepreneur skills that promote private sector development and competitiveness.
- iv. Support through a public- private partnership acquisition of marketing infrastructure such as warehouses, cold storage facilities and transport facilities.

3.5 Diversification of Co-operative Enterprises

Government shall promote diversification of co-operative enterprises beyond commodity marketing.

Government shall;

- i. Conduct feasibility studies to establish viable co-operatives
- ii. Generate and disseminate literature on viable cooperatives through seminars and workshops, among others.
- iii. Carry out study visits to facilitate learning from co-operatives' best successes.
- iv. Promote collaboration among co-operative societies to harness synergies.

3.6 Human Resource Development

Government is committed to supporting co-operative education, training as well as developing and implementing information systems that service the co-operatives' regular information needs.

Government shall;

- i. Carry out a comprehensive co-operative training needs assessment

- ii. Review the status of Kigumba Co-operative College with a view to improving its role in co-operative education.
- iii. Design, finance and implement a comprehensive member education and training programme.
- iv. Restructure the cooperatives syllabus.
- v. Develop a suitable cooperatives curriculum in collaboration with Ministry of Education and Sports.
- vi. Develop teaching/learning materials to facilitate delivery of member education.
- vii. Establish a framework for impact assessment, monitor and evaluate education and training programs.
- viii. Hold public lectures and panel discussions on co-operative issues
- ix. Translate and disseminate co-operative education materials and information in English and local languages.
- x. Carry out study visits to areas of high co-operative success.
- xi. Strengthen District Commercial/Co-operatives Offices through provision of technical, human and financial resources

3.7 Development of SACCOs

Government shall support development of SACCOs into strong financial institutions.

Government shall;

- i. Promote establishment of at least one SACCO per sub county
- ii. Strengthen the existing SACCOs through targeted capacity building

3.8 Information Management

Government shall establish an ICT management framework for both the Ministry and the Movement in order to ensure sound and consistent ICT management practices across the sector.

Government shall;

- i. Support Co-operative societies acquire modern ICT hardware and software to enable them improve their management and networking.

- ii. In collaboration with the Apex body develop and provide standards and guidelines for the acquisition, development, management, support and use of ICT hardware and software in co-operative processes and service delivery.
- iii. Establish an Agriculture Market Information System to provide timely and relevant market information to farmers and other key players in the sector.
- iv. Establish a Co-operative Management Information System for planning, monitoring and regulation purposes

3.9 Crosscutting Issues

3.9.1 Gender Mainstreaming

Empower disadvantaged groups of women, youths and people with disabilities with a view to enabling them participate more in cooperatives

3.9.2 Co-operatives and Sustainable Natural Resource Use

The Co-operative Movement shall actively engage in environmental awareness creation, protection and sustainable use of available natural resources.

Government shall;

- i. Promote afforestation through co-operatives.
- ii. Partner with co-operatives so as to garner collective effort for environmental protection.
- iii. Mobilize and sensitize members on the values and means to environmental sustainability.

3.9.3 HIV/AIDS

Through the Co-operatives network, Government shall mitigate the spread as well as the effects of HIV/AIDS.

Government shall;

- i. Hold mass campaigns at grassroots on behavioural change.
- ii. Promote community awareness, management of HIV/AIDS, care & support of the sick.
- iii. Engage co-operators in joint planning of interventions against HIV/AIDS.

4 INSTITUTIONAL FRAMEWORK

In order to successfully implement the National Cooperatives Development Policy, a multi-sectoral as well as a private public partnership approach shall be adopted. In implementation of the Policy, MTTI will collaborate with other relevant Government Ministries and Agencies. The roles of each of the key players are defined below:

5.1 Government

5.1.1 MTTI

Through MTTI, Government shall be responsible for:

- i. Registering co-operative societies;
- ii. Regulating co-operative and quality assurance activities;
- iii. Mobilizing resources for policy implementation;
- iv. Coordinating all agencies involved in implementation of the Policy
- v. Monitoring policy implementation;
- vi. De-registering non compliant co-operative societies;
- vii.** Policy Review;
- viii.** Support capacity building for members of the co-operative movement;
- ix. Supporting District Commercial/Co-operative Offices in the implementation of the policy;
- x. Coordinating co-operative activities;
- xi. Building and improving supportive infrastructure;
- xii. Supervising operations of co-operative training institutions, such as Co-operative College, Kigumba, in collaboration with the Ministry of Education of Sports;
- xiii. Preparing co-operative development strategy.

5.1.2 District Commercial/Co-operative Offices

District Commercial/Co-operative Offices shall be responsible for;

- i. Implementing the National Co-operative Development Policy in their areas of jurisdiction
- ii. Integrating co-operative development policy issues in district development plans

- iii. Providing technical support in the formation and diversification of co-operative societies
- iv. Collecting and disseminating co-operative management as well as market information

5.2 Apex Bodies

Apex bodies shall be responsible for, among others:

- i. Advocacy and image building;
- ii. Capacity building;
- iii. Advisory services to member societies;
- iv. Mobilizing resources for member societies.

5.3 Other Co-operative Societies

Cooperative societies shall be responsible for, among others:

- i. Marketing of agricultural produce;
- ii. Disseminating information on, and encouraging members to comply with, standards;
- iii. Mobilizing savings;
- iv. Providing financial services;
- v. Investing on behalf of the members to generate wealth;
- vi. Agro-processing and value addition;
- vii. Providing specialized support services⁵ to the co-operative movement.

5.4 Development Partners

- i. Providing technical support for policy implementation;
- ii. Mobilizing resources.

⁵ These include Insurance, Banking, Transport, Advisory, bulking and marketing information for example