DEVELOPMENT OF THE CO-OPERATIVE MOVEMENT IN UGANDA

1.1 Formative years 1913 – 1952
The co-operative movement in Uganda was born in 1913 to fight against the exploitation of the private European and Asian interests that sought to monopolize domestic and export marketing, especially of cotton and coffee. Being the two major income earners, coffee and cotton became the centre of co-operative activities in Uganda in which both the colonial and post-independence governments were keenly interested. The colonial government at the time considered the emergence of co-operatives as premature and subversive and denied them legal backing that would have enabled them, among other things, to access credit from lending institutions. For example, a bill introduced in Parliament in 1935 – 1937 met with strong opposition from the said powerful private interests and it was withdrawn. This forced co-operative groups to operate underground until the 1946 Co-operative Societies Ordinance was enacted to legalize their operations. A Registrar for co-operatives was appointed and a Department for Co-operative Development created. Many co-operative groups saw this as a means of increasing government control in their business and they refused to register under it.

1.2 Years of expansion 1953 – 1961
In 1952, Sir Andrew Cohen, the new Governor for Uganda, became interested in policies that would turn co-operatives into collaborative rather than protest organizations. Accordingly a Commission of Inquiry chaired by Mr. R. Dreschfield was appointed in April 1952 to look into the reasons as to why many co-operative groups had refused to register under the Ordinance. The general tenor of a large body of evidence during the inquiry was that government was interfering in co-operative societies. Following the recommendations of the inquiry, the Ordinance was amended to provide for: i) enough autonomy to make registration acceptable. The functions of the Registrar were given to the Administrator General with the Department for Co-operative Development headed by the Commissioner for Co-operatives, ii) compulsory acquisition of a number of ginneries for passing on to co-operative unions with government loans to facilitate the financing, iii) elimination of discriminatory pricing policies and iv) offering private African access to Buganda coffee processing. The positive impact of these policy measures was instantaneous. All the existing groups\(^1\) (273) had registered as co-operative societies by the end of 1959. At the end of 1961, there were 21 registered co-operative unions, including the Uganda Co-operative Alliance and 1,662 primary co-operative societies with a membership of 252,378.

The enactment of the Coffee Industry Ordinance in 1952 provided for the operation of six coffee curing works by co-operatives. Bugisu Co-operative Union was formed in 1954 to take over the collection and sale of the entire coffee crop in the area. By the end of 1956, co-operatives controlled two coffee curing works and ten ginneries. 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.

1.2 Further expansion 1962 – 1970
Following Uganda’s political independence in 1962, government favoured co-operatives as policy instruments for rural development. It put policies in place to ensure the achievement of that aim.

\(^1\) Figures presented in 1.2.2, 1.2.3, and 1.2.4. are from: Arain, Shafiq Et al. (1967). Commission of Inquiry into the Affairs of all Cooperative Unions in Uganda. Kampala. Government of Uganda. p16.
The 1952 Ordinance was repealed by the 1963 Co-operative Societies Act that restored the office of the Registrar, combining it with that of the Commissioner for Co-operative Development. Also restored were the powers of the Departmental staff that had complained that their advice was usually ignored, as they did not have powers to enforce it.

Given the importance of education for the realization of government policy measures, a Co-operative College was opened at Bukalasa in 1963 and later, a fully fledged one was built at Kigumba, in Masindi. The Bukalasa Co-operative Wing continued to be part of Kigumba until government allocated it to the Ministry of Agriculture Animal Industry and Fisheries. In 1964, a Co-operative Development Bank was formed to mobilize co-operative savings and generate funds for co-operative development. Co-operatives were granted 100% monopoly to gin cotton. By 1965, the total value of produce sold through co-operatives including coffee, cotton and other minor crops and animal products amounted to Shs. 325,311,500. Out of a total crop of 437,923 bales, co-operative unions handled 267,420 bales (61%), 40% of the robusta coffee (valued at Shs. 60 million) and 90% of the arabica coffee valued at Shs. 30 million. The co-operative movement expanded immensely in virtually every sector including fishing, dairy, cattle marketing, hides and skins, transport, building and housing, handicrafts savings and credit. This growth was fuelled by heavy government support through the direct assistance and subsidized services.

1.3 The 1970 Co-operative Societies Act and loss of autonomy

The enormous expansion of the co-operative movement outstripped the capacity of the Co-operative Department to closely monitor the operations of the movement. The departure of the expatriate personnel due to the Ugandan policies, coupled with the defection of capable leaders and managers into the politics of independence worsened the situation. Increasingly, pressures of economic and political self-interests, to which those in charge succumbed, invaded co-operatives. This led to mismanagement, corruption and embezzlement. A Commission of Inquiry chaired by Hon. Shafiq Arain, Member of Parliament, was appointed in August 1966 to look into the working of co-operatives. The Commission made extensive recommendations some of which were legislated in the 1970 Co-operative Societies Act to curb these evils. The Act gave too much power to the Minister. For example, according to Section 80 of the 1970 Co-operative Societies Act, the Minister could exempt everything provided by that very Act. As such, the Minister could undo the provisions of the Act and alone if he so wished. The co-operative movement was thus robbed of its autonomy. Henceforth co-operative societies and unions were run like government parastatals.

By the time Amin came to power in 1971, there were over 2,500 primary co-operative societies with over 750,000 family members. There were 36 unions including 4 national unions and an Apex. Co-operatives owned 53 cotton ginneries with an average turnover of over 440,000 bales worth over Shs. 315 million. They also owned 31 coffee factories and 34 pulparies with an annual turnover of 147,000 metric tons of clean coffee worth over Shs. 455 million. Other crops handled through co-operatives fetched over Shs. 33 million per annum. The co-operative movement had assets valued at Shs 500 million.

1.4 The Amin years 1971 – 1979

* To date, this amount would be equivalent to Shs.57,742,791,250 because one Pound Sterling then was equivalent to Shs.20. Today it is equivalent to Shs.3,550. Uganda’s population then was 8 million people compare to 24 million today.
Amin came into power in 1971. In 1972, he declared ‘the economic war’ that saw the expulsion of Asians from Uganda. The economy virtually ground to a halt. For example, prices of controlled crops like cotton and coffee where co-operatives were dominant were so low that farmers resorted to growing other crops like maize, beans, groundnuts etc. Cotton production fell from 466,775 bales in 1970 to 32,160 bales in 1980. And although the production was declining, by 1974, government was busy securing big loans from the African Development Bank (ADB) to rehabilitate ginneries – loans that eventually forced unions into foreclosures. Due to smuggling and mushrooming of many coffee factories, the co-operative market share dropped from the near 100% to about 37% by the time Amin was deposed. That notwithstanding, co-operatives grew in number during Amin’s era. During Amin’s rule, a number of co-operative societies and unions were allocated businesses such as printing and stationery establishments, oil and flourmills, cooling plants etc. More importantly, it was during Amin’s rule that civil servants and wage earners came to realize that they could only overcome the credit squeeze through formation of co-operative savings and credit societies as the banks could not help. Also, government policy of distributing scarce commodities through co-operatives that provided the only viable network for reaching those in need led to many consumer co-operative societies being registered. Little wonder therefore that during Amin’s era, the number of primary co-operative societies rose from 2,500 in 1971 to 3,054 in 1978; the unions increased from 36 to 41 and members from 750,000 to 1,100,000 during the same period.

1.5 Co-operatives amidst instability 1980 – 1985
Milton Obote returned to Uganda from exile in May 1980. In December of the same year, he won an election under The Uganda People’s Congress (UPC). Defeated parties cried foul immediately. A National Resistance Movement/Army was formed and started a guerrilla war to topple his government. Obote’s government attempted to revive and use co-operatives as instruments for rural development. This was at a time of scarce commodities and services. In order to access some of them, people were encouraged to either join or form co-operatives. Lorry trucks sold by government at that time were purportedly for co-operative societies and unions since each and every one of them had to bear the words: ‘promote co-operative marketing’.

These efforts at reviving and using co-operatives as policy instruments were hampered by excessive government involvement that virtually turned them into government parastatals. Further more, as the guerrilla war intensified, such efforts were destabilized. The war was largely fought in the co-operative movement’s strongholds like the Luwero triangle in which the three giant unions of West Mengo, Wamala and East Mengo operated. Banyankole Kweterana and Masaka Co-operative unions were similarly affected. Co-operatives incurred a lot of war losses in the form of people and property like vehicles, clean coffee and animals. Obote’s regime was toppled by that of Okello which was in turn toppled by Yoweri Museveni’s National Resistance Army in 1986.

1.6 Co-operatives in a liberalized environment 1986 to-date
From 1986 to the early 1990s there were heightened expectations as the National Resistance Movement government was supportive in amending the 1970 Co-operative Societies Act to restore considerable autonomy to the co-operative movement through the 1991 Co-operative Societies Statute. However, the adoption and rigorous implementation of Structural Adjustment Programmes (SAP) policies caught co-operatives on a wrong foot. As earlier stated, co-operatives had been, for all intents and purposes, like government parastatals. For much of their existence, they had
depended on the government marketing boards for crop and marketing finance. They therefore had no experience in negotiating loans with commercial banks. Worse still, they were heavily indebted, lacked entrepreneurial and visionary managers as well as committed leadership. These handicaps made it impossible for co-operatives to seize opportunities that the liberalization policies offered. Skilled multinationals and shrewd private business people eroded the co-operative market share in virtually every area where both operate. Unfortunately, implementation of SAPs has not helped the rural folk as much as had been expected. Increasingly, it is being realized that a revitalized co-operative movement could hold the key to problems related to sustainable, people-centered and equitable development.

The state of the co-operative movement

2.1 The co-operative movement in Uganda is made up of primary co-operative societies, district and national co-operative unions and an apex. Today, except for one district co-operative union, the rest of the 45 co-operative district unions\(^2\) have been brought to their knees. Five (5) of the 45 have already been de-registered. The continued existence of some of them has depended on rental or lease incomes from the assets they still possess. Although they may be doing business, they are not serving their members. The core businesses for which the unions were established were long abandoned and other activities into which they had diversified, neither benefited nor endeared the primary co-operative societies to their unions. In essence, they have lost all the characteristics that would qualify them as co-operatives as they do not measure up to the definition of a ‘co-operative’ as postulated by the ICA. The one district union that still exists has survived the onslaught essentially because of the lingering ties it still has with the primary societies. Recently, three Dairy and one Savings and Credit Co-operative Unions were registered bringing the number of somewhat active district co-operative unions to five (5).

2.2 The health of a significant number of primary co-operative societies leaves a lot to be desired. However, many still exist even if in either semi-active or dormant states. Those whose formation had targeted government subsidies and donor funds have since died following the drying up of donations and subsidies. Of the 6,929 registered primary co-operative societies, 1066 have been de-registered leaving 5,863 on the register. That notwithstanding, the number of primary co-operative societies continues to increase especially with the registration of new SACCOs. For example, since July 2002, 408 primary co-operative societies have been registered. Although these are largely SACCOs, they also include multi-purpose, dairy, livestock, marketing, building, housing and consumer co-operatives.

2.3 As for the national unions, only two (2) out of the original six (6) still operate. The collapse of the four others was a foregone conclusion especially with the weakening and eventual demise of district co-operative unions. The apex functions because it read the signs of change much earlier and restructured itself to work ‘with’ and ‘for’ its primary customers (the members) through a flat structure that allows it to network with primary societies. The co-operative unions never heeded the advice ‘to restructure or perish’ with severe consequences.

\(^2\) Source: Figures relating to the number of co-operative societies and unions were obtained from the Commissioner for Cooperative Development, Ministry of Tourism, Trade and Industry (4\(^{th}\) December 2003).
2.4 Members of the co-operative movement blame government for the woes of their co-operative movement. They contend that government replaced the owners from the driver’s seat of their movement and merely turned them into passengers. It was government that appointed managers, determined prices of farmers’ produce as well as co-operative policy directions. Over the years the co-operative principles of member-owner, member-user, member-control and member-benefit were ignored. Much as co-operatives were accused of mismanagement, corruption, embezzlement and all those evils that gave co-operatives a bad name, it was the government-appointed officials that were in charge. The enactment of the 1991 Co-operative Societies Act that returned considerable autonomy to the co-operative movement found the damage already done. The liberalization policies found a co-operative movement that was incapable of exploiting the opportunities in the liberalized environment. Instead, the demise of co-operatives continues to be blamed on those policies.

2.5 It is noticeable that most co-operative casualties have occurred in secondary and tertiary co-operative organizations especially those related to agriculture. Since these dominated the scene in virtually every corner of the country for a long time, their quiescence has given an impression that the co-operative movement has totally collapsed. Also, because of the inefficiency, mismanagement, embezzlement and lack of interest in members’ needs and problems with which the co-operative movement was labelled, there still exists a tendency to completely omit co-operatives as players on the national economic arena. Indeed, World Bank, IMF, some donor agencies and private sector/capitalist bias seem to have underlined the negative image. Absence of co-operatives in major government policy documents like PEAP, PMA and NAADS attest to this.

2.6 Today, co-operatives are cash strapped. Co-operators contend that the cash crisis they now face was contributed to by government. Anxious to promote cotton and coffee as the country’s foreign exchange earners, government incurred loans to finance the rehabilitation of cotton ginneries and coffee factories. The projects were planned and executed over the heads of co-operators. The projects for the rehabilitation of ginneries were supposed to be turn key. Many of them have never been completed although interest continued to be charged. The unions could not repay an amount that included the foreign exchange risk resulting from massive devaluations of various governments since the loans were given. Some existing and functioning ginneries were dismantled and replaced by those that were never completed thus making it even more difficult for unions to generate money to service the loans. Furthermore, government had been regulating prices for farmers, ginners and exporters and did not adequately include margins for the unions to take care of the foreign exchange risk on loans. While this is true, it is also important to point out that co-operatives have for a long time lacked dynamic leadership and empowered membership to challenge government over hijacking their movement to that extent.

2.7 The co-operators further attribute their cash crisis to government’s reluctance to compensate unions for the war losses that government had agreed to settle. Most of these unions lost assets in the form of vehicles, clean coffee, animals etc. valued in billions of shillings. Many of these assets had been obtained using loans from the Co-operative Bank. The closure and subsequent liquidation of the Co-operative Bank was on account of insolvency caused by indebted unions. The liquidation of the Bank was double-edged as the assets of the unions were sold to repay the debts. Stripping the co-operative unions of their assets made them too un-creditworthy to access funds from other banks to carry out their business and hence the crisis. War losses aside, the co-operative unions are heavily indebted to other creditors virtually making their recovery impossible.
2.8 To this day, the problem of leadership continues to haunt the co-operative movement. Co-operatives have the problem of laymen continuing to elect laymen to serve as board (committee) members of co-operative societies. The lay boards, appoint managers (technocrats) and other employees to run their co-operative business. While this arrangement works well where mutual confidence exists between the board and management, in many cases the balance tended to tip towards management with the board members becoming mere rubber-stamps for decisions already taken on their behalf. Where lay boards tried to exert themselves in technical matters, consequences were usually not pleasant. The former Co-operative Bank may be cited as a case in point. The state of co-operative leadership and management has to be seriously upgraded if the co-operative movement is to successfully steer through the challenges of the new economic order.

2.9 While primary co-operatives can be revived because of their nearness to ‘real members’, secondary and tertiary ones would have to redefine their visions, missions, structures and their methods of work as dictated by their affiliated members. Other than that, they are doomed to extinction. Their current problems are rooted in the way most of them abandoned their core activities and diversified into activities irrelevant to the needs of their members. Without members’ support, no co-operative will succeed.

2.10 The future of Uganda’s socio-economic development will, to a considerable extent, depend on functioning co-operatives. Co-operatives play a crucial role of mobilizing people and resources for socio-economic development and furthering the much needed culture of self-help and self reliance. They lessen the problem of rural/urban migration by creating employment opportunities in rural areas in farming and artisan activities. Co-operative ginneries, factories and other small industries were, and continue to be, the best vehicles for channeling resources to the rural areas besides employing salaried staff, wage earners and casual labourers. Their role in the mobilization of savings for lending to individual members for specific development projects remains unequalled. This is in addition to their countrywide network, built at no government expense that is vital for the dissemination of technology and distribution of farm inputs. These, and other attributes like being the best schools for democracy, make co-operatives indispensable partners in development.

2.11 UCA role in shaping the future of co-operatives
The efforts of the Uganda Co-operative Alliance in repositioning co-operatives as a critical ingredient in the development process is noteworthy. The restructuring of the co-operative movement so that it is member sensitive and beneficial to them, the innovations in the marketing of all types of farmers’ produce, the innovations in the savings mobilization through village banks, the recruitment of the youth into the co-operative movement and the winning of government support to give a second look at the efficacy of the co-operative movement, among others, augur well for the future of the co-operative movement. Be that as it may, the space created by the withdrawal of government technical support services to co-operatives has created enormous challenges beyond the present resource capability of UCA to cope adequately. Considering that co-operatives carry out tasks and provide services that have the character of a public good nature, its efforts in this regard ought to be augmented by government.

Lessons learned
3.1 The initial success and vibrancy of the co-operative movement in Uganda was due to the adherence to cardinal co-operative principles of ‘member-owner, member-user and member-control’ as well as to the values of honesty, transparency, accountability etc. Besides, people knew and trusted one another. The co-operative societies that were formed indeed met members’ felt needs.

3.2 For the peasants involved in agricultural marketing co-operatives, their interest was in using co-operatives to bulk their produce for them to get a bargaining advantage. They were paid by their co-operative after the produce had been sold. In this way, they financed the stocks thus saving their co-operatives from being mortgaged in banks.

3.3 The Co-operative Movement became synonymous with cotton and coffee and did not do much to promote the marketing of ‘minor crops’ or other activities whose incomes would have supplemented those from coffee and cotton to give members sustainable sources of income throughout the year. The concept of ‘minor crops’ undermined the viability of the co-operative movement. In fact, the so-called ‘minor crops’ should have been the major crops because they guaranteed food security and would have also provided a basis for co-operatives as key players in domestic trade.

3.4. When the co-operative principles and values were replaced by greed, corruption, embezzlement and mismanagement, the co-operative image was badly dented and member loyalty severely eroded. The quality of management left a lot to be desired. The committee members abandoned the value of volunteerism and worked only because they had to be paid as much as possible. Many of them became permanent chairmen and committee members depriving the Co-operative Movement of new and preferably young blood.

3.5 On their own, co-operative unions took on many debts to meet the crop and marketing finance needs. Many times they never considered the cost of that money and worse still some of it was sometimes invested in assets with zero returns. Indebtedness therefore continues to cripple most of them while their competitors who access cheap money from abroad continue to beat them at the game.

3.6 The advent of globalization and Structural Adjustment Programmes (SAPs) in the early 1990s did away with the financial support the government used to extend to co-operatives in the form of crop and marketing finance as well as subsidies. Without such support, co-operative unions became empty shells.