

Agricultural Cooperatives: Were They Vehicles of Political Patronage or Indispensable Assets of Agricultural Transformation? A Nuanced Explanation of the Success and Failure of Agricultural Cooperatives in Uganda

Ayub Kiranda^a

Abstract

This paper discusses the role played by cooperative unions in Uganda's agricultural sector. It problematises the two dominant narratives on cooperatives: the pessimistic views which see cooperatives as vehicles for elite exploitation of the poor and the optimistic views where cooperatives are seen as crucial assets for African development. Using the case of Bugisu Cooperative Union and Gondo Cotton Cooperative Society, the paper argues that the contribution of cooperatives, as well as their success or failure, depended on organisational dynamics which, on their part, was underpinned by the level of shared organisational values and accountable leadership, social capital and social rootedness, and participation in high-value chains. Findings from this study suggest that recent efforts to revive cooperatives should focus on building organically formed and owned, democratically run organisations partaking in high-value chains.

Keywords: Cooperatives, state intervention, liberal reforms, organisational dynamics, Uganda

1. Introduction

As developing countries struggle with the pressure to overcome the challenge of agrarian stagnation, increasing attention has been paid to reviving agricultural cooperatives. Cooperatives, it has been argued, are important engines for facilitating farmer coordination, fostering access to agricultural financing, increasing productivity, promoting collective

^a*London School of Economics Alumnus*

bargaining and market access, and raising incomes, thus engendering poverty eradication (ICA, 1978; Helmen, 1990; Kwakyewah, 2016). With 80 per cent of its households engaged in agriculture,¹ Uganda has recently started to pay strong attention to the need to revive agricultural cooperatives as engines of poverty reduction and economic growth. The major national development frameworks – the National Development Plans (NDPs) and Vision 2040 – clearly outline this aspiration. However, recent policies on reviving agricultural cooperatives are largely informed by one-dimensional explanations regarding why cooperatives, which at one point were core engines of agricultural productivity, mostly failed whilst a few survived. This paper attempts to offer a nuanced explanation of the success and failure of agricultural cooperatives in Uganda by critically examining two dominant narratives on the subject: the destructive state intervention argument (Haring *et al.*, 1969; Bates, 1981; Brett, 1970) and the catastrophic liberal reforms explanation (Akiyama *et al.*, 2003).

The literature on the cooperative movement and its contribution to Africa's development (or rather underdevelopment) has been dominated by two main views. A pessimistic strand of argument sees cooperatives as vehicles of elite exploitation of the peasant population (Brett, 1970; Bates, 1981; Haring *et al.*, 1969). Exponents of this argument assert that elites used cooperatives to 'tax the masses' (Brett, 1970:51) and, as a result, obstructed them from freely participating in economic processes, thereby controlling sources of wealth creation and, by extension, access to political power. This elite monopolisation of economic means of production, they assert, produced economic inefficiency, excessive spending and financial mismanagement, resulting in economic decline.

The above view is challenged by Afro-optimists who see cooperatives as mechanisms for Africa's economic liberation. The advocates of this view assert that in an economic environment that had subjected African capitalists to systematic exclusion and marginalisation, cooperatives were 'scions of hope' for Africa's capitalism, emerging mainly to challenge Asian and European domination of cash crop export markets (ActionAid, 2013; Helmen, 1990; Kwakyewah, 2016). From this perspective, cooperatives essentially gave Africans an 'exit option' to directly participate, compete and exercise control over the means of production. They were thus vehicles of liberating African smallholder farmers from the long life of 'white economic domination'.

While indeed there is evidence to validate both sides of the arguments in this debate, these rather strong views on the role of cooperatives in promoting Africa's development ignored the intricate relationships

between members of cooperative societies and their leadership as well as the relationship between the leadership of cooperative societies and state actors. Consequently, this has contributed to a tendentious representation of the facts on the role of cooperatives, offering little theoretical insight into why some cooperatives have endured – in spite of the state intervention policies, on one hand, and liberal oriented policies, on the other – and others failed. This paper seeks to fill this gap.

The paper advances the argument that whether cooperatives survive and contribute to rural development or fail under both state interventionist and liberal reform policies depend on specific underlying conditions. These conditions relate mainly to organisational dynamics of the cooperative society, particularly between members of the cooperative society and its leadership, on one hand, and the leadership of the cooperative society and the state actors, on the other. It is our considered proposition that the delicate balance between these relationships will determine whether cooperative societies serve as ‘vehicles’ for coordination and subsequently collective development in underdeveloped societies, or degenerate into instruments of political patronage and clientelism.

The example of Bugisu Cooperative Union (BCU) powerfully presents a case of a cooperative society that emerged out of community activism for economic inclusion and enabled broad-based participation of diverse groups of people within the communities. In contrast, Gondo Cotton Cooperative Society (GCCS) presents a case of a cooperative society that was founded by a small, cohesive network of leader in the heyday of the cooperative movement primarily to organise and control the production of cotton in Teso region. In the end, BCU survived both state intrusion and liberal reforms while GCCS failed. The two cases, therefore, fundamentally challenge the moribund narratives on the role of cooperatives in Africa’s development and oblige us to pay greater attention to specific contexts, especially in the search for alternatives to unlock transformation in difficult places. A combination of orthodox and unorthodox measures, in Rodik’s words, still remains the most promising approach to development in the 21st century.

This paper adopted a comparative case study analysis and a theory-guided process tracing approach.² We systematically examine selected diagnostic evidence in light of the research question. The analysis starts with a set of theoretical propositions that explain potential causal factors discussed in the available literature, the legitimacy of which can then be explored through comparative analysis.

The rest of this paper is organised as follows: Section 2 critically examines

the two strands of literature on the failure of cooperatives and introduces a conceptual framework to demonstrate how organisational dynamics helped selected cooperative unions to succeed amidst an operating environment where many failed. Section 3 details the methodology employed in the study while section 4 and 5 present the case studies. Section 6 offers a critical discussion of the findings before the conclusion in Section 7.

2. Cooperatives as engines of agricultural and economic transformation

Cooperatives have been seen as essential instruments for confronting many of the challenges developing countries face. The International Labour Organisation (ILO), which estimates that cooperatives employ at least 250 million³ people globally, also recommends them for, among others, improving income generation, investment and human development.⁴ Participating in agricultural cooperatives enables smallholder farmers to bargain for higher output prices and participate in higher value chains (Kwapong *et al.*, 2010). During the era of state intervention in the 1960s, 70s and early 80s, cooperatives served as enablers of grass-roots coordination for collective development aimed at promoting agricultural transformation and industrial development (Young, 1971; Apthorpe, 1970). Within this context, they are critical in easing access to agricultural implements, providing markets for farmers' produce and setting quality standards for farmers involved in various production value chains (ActionAid, 2013; Kyazze, 1988).

However, what remains poorly explained is that if indeed cooperatives played such a central role in coordinating rural farmers with a view to integrating them in various markets such as credit, exports and so forth, why did so few cooperatives remain functional and the majority of them collapse? In fact, although advocates (such as Kyamulesire, 1988) of cooperatives cite the shift to the liberal reforms as the main reason for the collapse of cooperative societies, it is important to note that by the end of the 1970s and early 1980s – which effectively marks the peak of the collapse of cooperatives – many members of various cooperative societies had opted to sell their produce to Asian businessmen or smuggle their produce to middlemen from neighbouring countries. Brett (1970) cites several examples of coffee farmers in Uganda who smuggled their coffee to neighbouring Kenya.

3. The liberal reform explanation: Cooperatives as unsustainable enterprise

The liberal reform argument offers an alternative explanation, particularly

emphasising the unsustainability of a cooperative arrangement as a mechanism for organising production. Grounded in insights from New Institutional Economics, it argues that the incentive structures that underpinned that cooperative institutional arrangement encouraged perverse behaviour from the leadership of cooperative societies that ultimately sowed the seeds for their failure (Bates, 1981; World Bank, 1981; Young, 1971; Brett, 1970). The World Bank Berg report of 1981 observes that the agriculture sector crisis of the 1970s resulted from extreme state interventions and policy mistakes (Sender & Smith, 1984; Oya, 2010). The report argues, for example, that smallholder farmers were discriminated against by the exclusive policy regimes in sub-Saharan Africa and that there was much focus on export crops compared to food security in households. This view is supported by Brett (1970), who observes that:

..the worst cases of the cooperatives can serve as a means of taxing the masses for the benefit of the elite...the cooperative itself will stagnate and provide a very little direct impetus for change, the elite will benefit and the masses will be confirmed and maintained in their poverty. To the extent that the process continues, cleavage in the political sector will increase and various forms of violence will ultimately become possible. (Brett, 1950:51 cited in Nash *et al.*, 1976:94)

However, Brett's assertion, in some way, misrepresents several facts that indeed call his conclusion into question. First, there have been considerable variations in the performance and resilience of the cooperative movement not only in many African countries but, indeed, in other developing countries of the world. It is undeniably true that many cooperative societies collapsed with the end of state intervention policies which, many argue (and rightly so), had been propped up by state financing from several politically controlled state banks (Bates, 1981). But it is equally true that some cooperative organisations, such as Bugisu Coffee Cooperative Union (BCCU) in Uganda endured the financial crisis and subsequent austerity measures of the 1970s and 80s and today continue to even outperform some of the privately run enterprises.

Second, the level of poverty and inequality has been registered by many different sources as highest during this era of structural adjustment reforms rather than during that of state intervention and, by extension, the cooperative movement. Although cooperatives too often set prices that were lower than the market prices and thus ripped off rural farmers, the surplus was quite often directed towards industrialisation efforts that generated greater benefits for the greater population. Indeed, Bates (1981)

and Akiyama (2001) observe that African independence was followed by massive attempts to ignite economic growth within the newly independent African states.

Like those of other developing countries, African leaders undertook policies which were aimed at transferring resources from the 'traditional' agriculture sector to the 'modern' industrial sector (Bates, 1981). In doing this they over-taxed the agricultural exports in favour of an industrialisation strategy. Without a doubt, they pursued an import substitution strategy for development (Mkandawire, 2001:15). Therefore, within this context, attributing the failure of the bulk of cooperative societies to the exploitative pricing of the elite group offers us little help in understanding why those that survived did. This, in turn, undermines theoretical insights into designing effective policy measures for improving grass-root development initiatives

4. Towards an alternative theoretical framework

This framework begins by analysing the role of a cooperative society drawing insights from Ronald Coase's (1931) theory of the firm. It looks at the cooperative society and its contribution to the reduction in transaction costs for collective enterprise, particularly in environments with limited coordination goods (see De Mesquita & Downs, 2005). It is hypothesised that the transaction costs of extending agricultural services to a rural farmer in remote areas significantly reduces under cooperative arrangements. We ought to recall here that development is a collective enterprise (Brett, 2009), implying higher transaction costs, especially in underdeveloped precincts. The logic of cooperatives, therefore, was intended to overcome the transaction costs of coordinating farmers' participation in grass-roots collective initiatives such as agricultural production, thereby facilitating greater scale economies.

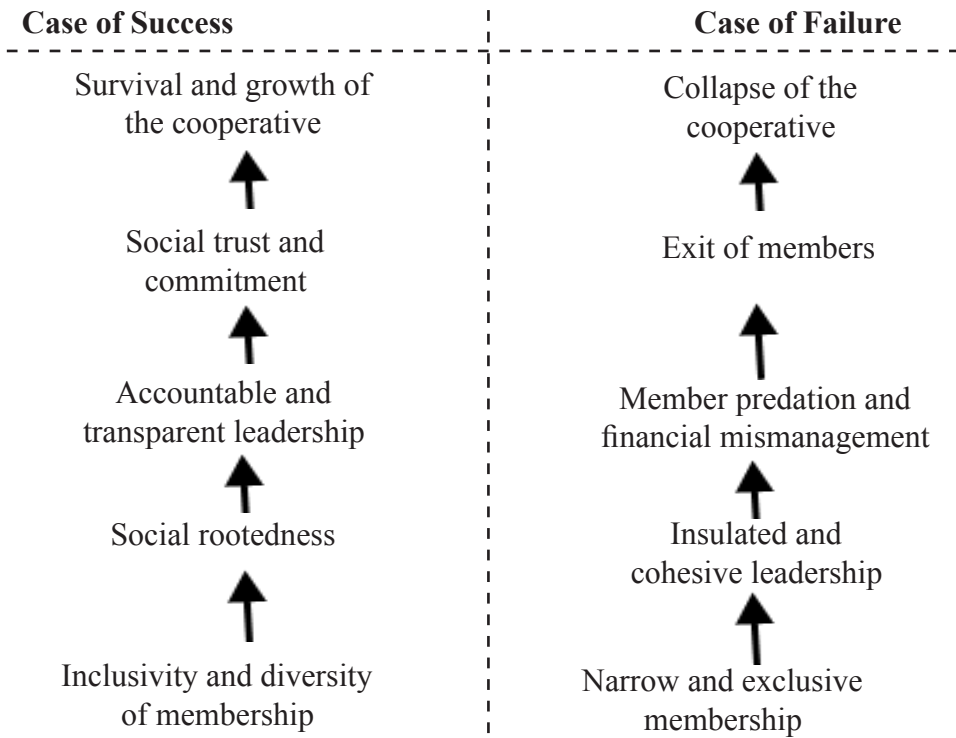
However, whether they succeeded in this process depends on the nature and form of the cooperative society, particularly its level of inclusivity and diversity as well as the relationship between the leadership of the cooperative and its constituent members, on one hand, and the relationship between the cooperative society and the state actors, on the other.⁵ This leads us to our second hypothesis. State actors are particularly interested in cooperative societies for two main reasons: one economic and the other political. Cooperatives can provide the revenues required in the state-building process; secondly, they create a basis for political mobilisation which can serve both as a threat and as a catapult to ascendance to political power. The latter hypothesis is well developed by Mushtaq Khan's (2010) work on governance and political settlements in developing societies. He

demonstrated that organisations in developing societies too often use their inherent informal power to cajole political elites to respond to their interests. This real threat inherent in grass-roots organisations such as cooperatives compels political elites either to co-opt them through the distribution of political patronage or through using coercive methods to suppress them.

Within this context, we argue that cooperative societies that endured both the co-optation and repressive forces of a highly intrusive African state of the 1960s, 70s and 80s did so because of robust internal institutional mechanisms that guaranteed transparency and accountability of the cooperative society leadership. This robustness of the internal institutional mechanisms was underpinned by the diversity and inclusivity of their membership. This prohibited the leadership from developing discretionary power which many that failed used to engage in exploitative behaviour that led to financial mismanagement. The consequent social trust that resulted from the accountable relationship between the cooperative society leadership and its members facilitated their recovery after the financial crisis of the 1980s and, certainly, to withstand the competitive forces of the liberal reform era, particularly from the middlemen. This vertical accountability also precluded the cooperative elites from colluding with the state actors, thus saving some cooperative societies from state capture.

In contrast, the cooperative societies that failed were too often characterised by a very cohesive and insulated minority elite from the pressures of accountability. They were 'socially rootless' (Mkandawire, 1988) and far removed from the membership they represented. Membership of the cooperative society and of the leadership of the cooperative was carefully selected, often sieving out 'outsiders'. The channel of accountability cascaded upwards to the state actors, too often members of a partisan dominant political party. This was important, drawing on Khan (2010), particularly to facilitate the flow of financial resources to the cooperative society. The insulation of this leadership from downward accountability gave the elites enormous discretionary powers, allowing them to set exploitative prices for members' produce. In the long run, this state of affairs fueled financial mismanagement and corruption, eventually driving the cooperative members to explore exit options such as smuggling and selling produce through middlemen.

Figure 1: Presentation of contrasting features and cases of success and failure of cooperative societies



Source: Author's conceptualisation

We shall analyse two contrasting case studies from Uganda (Bugisu Cooperative Union and Gondo Cotton Cooperative Society) to flesh out these analytical insights.

5. Explaining cases of success and failure of cooperatives

We present two case studies of cooperatives in Uganda. One case, Bugisu Cooperative Union, represents a successful case of those cooperatives which managed to survive both state intervention and the liberal reforms. The other case, Gondo Cotton Cooperative Society, represents a case which failed after the introduction of the liberal reforms.

5.1 Bugisu Cooperative Union – A case of success

Bugisu Cooperative Union (BSU) was founded in 1954 by local farmers in the Bugisu sub-region of eastern Uganda, which currently comprises

the districts of Mbale, Sironko, Manafwa and Bududa. Available literature (e.g. Kwapong *et al.*, 2013) confirms that the establishment of BSU was underpinned by clear indigenous interests: its founding farmers, led by Kitutu Samson, felt the need to eliminate exploitation by private traders and middlemen who were mainly of European and Asian origin. The Bagisu defined cooperatives as units in which they came together as Bamasaba (people from Bugisu-land) to share and solve their problems. The culture of cooperation was rooted deep in the public and built around coffee production, which was not only grown for monetary gain but also for their cultural rituals (Kwapong *et al.*, 2013).

BCU remains one of the well managed cooperative unions in Uganda. The governance structure has at the apex a Board of Directors who are elected to office for a specific period of time. During elections, all primary cooperatives are represented (Kwapong, 2012; Kwapong *et al.*, 2013). This board is democratically elected on a one-man-one-vote basis. The board is the top decision-making body of BCU. Below the board is a management team responsible for the day-to-day running of the cooperative and implementing decisions made by the board (Kwapong *et al.*, 2013). BCU is a member-based organisation for coffee farmers. It has a membership of 270 primary societies spread within the Bugisu sub-region. The primary cooperatives have been grouped into four zones to enable decentralised coordination of the activities in the different primary cooperatives (Kwapong *et al.*, 2013).

The rise of Bugisu Cooperative Union

The union started after the 1946 Cooperatives Ordinance was enacted by the government and so it was registered with no challenges. It benefited from the government policies that favoured cooperatives and gave them a monopoly in buying agricultural produce. Like other cooperatives, BCU used these opportunities to consolidate its loyalty among the population, creating strong roots within the community (Okello & Ahikire, 2013).

Before the introduction of the Coffee Marketing Board (CMB) in 1967, BCU was exporting coffee to neighbouring Kenya, which was then auctioned on the Kenyan market. By participating in higher value chains, the cooperative was able to obtain more profits since it was dealing in Arabica coffee which fetched higher prices. In 1967 the government set up CMB, which was given the monopoly of exporting coffee in Uganda and all the cooperative unions were supposed to sell their coffee to the board. This changed the marketing chain as the cooperative unions were no longer allowed to export coffee. This arrangement limited the profits of the union by cutting it off the higher value chains and, moreover, the foreign currency

received was controlled by the government (Kwapong *et al.*, 2013).

However, BCU engaged in social investments which, in turn, increased the support it received from the public. The union, for example, gave bursaries and scholarships to children of members who could not afford to pay school fees. It contributed greatly to community development projects within the Bugisu region, and a number of schools were built by the union, including Bubulo Girls High School and Masaba Senior Secondary School (Kwapong *et al.*, 2013; Okello & Ahikire, 2013). Such social investments enabled the union to get socially rooted into the community so that its members saw value in it beyond the agriculture market. The union provided a property financing scheme for the members, which enabled them to acquire property such as bicycles through credit acquisition.

The cooperative union was impressively organised in terms of business. It had a marketing chain where farmers took their coffee to their primary societies in their respective areas; the primary societies then transported the coffee to the union, which saved the farmers the cost of transporting their produce to the union. The money for the farmers was readily available upon the sale of their coffee to the union (Kwapong *et al.*, 2013). The cooperative was keen on issues of quality, which resonated well with the members. Coffee was always weighed and graded at the primary cooperatives and the moisture content checked to ensure its quality before it was sent to the union. The union only bought good quality coffee, i.e. premium grade coffee (PG) and Grade 1 (G1) coffee that fetched high prices (Kwapong, 2012).

The hard times and the shake-up of BCU

The economic meltdown during Amin's regime did not spare BCU. It suffered as a result of the decline in coffee prices and the challenges of accessing the market. Production declined and general business went down (Kwapong, 2012). From this time onwards business was never as good as it had been before, considering that the latter ten years were characterised by civil wars. The first was that which ousted Amin, followed by the 1986 NRM liberation war during which many of the cooperative properties were looted (Kwapong *et al.*, 2013).

In the years after 1985, the liberalisation of the agriculture market sapped the strength of BCU. Indeed, it split the strong cooperative union of the region into two factions, one comprised of the old generation and the other of the young. The old generation, after experiencing the benefits of the cooperatives, remained loyal even despite the tempting instant cash which was being offered by the private traders (Okello & Ahikire, 2013).

The young generation preferred the private buyers since these were offering cash and did not care much about the quality of coffee like the cooperatives did. The private buyers bought coffee regardless of the quality, a practice which bothered the old generation who had tried very hard to maintain the quality of Bugisu coffee on both the local and the international markets.

The old generation had a collective responsibility to maintain the quality of their coffee which had earned the union premium export status. The first form of market imperfection to be realised in the sector was the concerns about quality as the traders were more interested in quantity than quality. Some farmers, especially from among the young generation and those who needed quick money, found the shift in practice attractive. The unhealthy and unregulated competition presented a challenge to the cooperative union, which found it increasingly difficult to compete with such traders (Okello & Ahikire, 2013). There was no mechanism whatsoever to regulate the market, not even to license the traders, especially at the grass roots. The argument in support of liberalisation was a free market guided by the forces of demand and supply. What happened in the produce market was quite different: the ground was never quite level for all the players. Cooperatives were concerned about the future of the coffee industry yet the private traders were only looking for quick money.

Cooperatives had just lost their properties during the political upheavals that characterised the post-colonial government, especially the 1986 NRM liberation war. Before they could recover from the losses, they were subjected to competition against well-financed companies, both local and international. However, much as these companies were considered to be better than the cooperatives, most of them closed up shop after they had already spoilt the Ugandan international coffee market by exporting poor quality coffee (Okello & Ahikire, 2013). The other effect of the liberal reforms was the reduction in government expenditure that resulted in cooperatives losing out on government funding. This made it hard for the cooperatives to finance their businesses. The easy option was to get the farmers to supply goods on credit and get paid afterwards. However, since an alternative existed in the form of the private buyers who were paying cash, that option was hard to realise. It was thus incumbent on individual cooperatives to devise ways of financing their business.

The resurrection of BCU

The 1990s agricultural liberal reforms have been blamed for annihilating cooperative societies in Uganda. BSU was one of the few cooperatives

that survived the state intervention and liberalisation catastrophe. While most of the cooperatives did not make it beyond the liberal reforms, BCU continues to survive today. However, this was not without challenges. The cooperative simply relied on a strong and focused leadership to see it through the turbulent times.

BCU has maintained a democratic and accountable leadership all through its existence. First, the strong board was democratically elected by representatives from all the primary cooperative societies. This created a sense of accountability to the electorate (Kwapong, 2012). The union continued serving the farmers diligently, to the extent that the farmers became loyal to the union. This level of loyalty and trust kept the membership strong even when they came under pressure from the liberal reforms (Okello & Ahikire, 2013). The leadership of BCU was dynamic in the way it handled the developments in the operational environment. The decisions to invest in assets during the good times which later bailed out the union in times of crisis, especially in the era of liberal reforms, was an indication of a dynamic leadership.

As mentioned earlier, at the same time, the union invested in the community, a practice which created a strong bond between the union and the community. There was an arrangement in which members benefited from the cooperatives beyond the sale of their produce. There was property financing, such as the purchase of bicycles for the members, the provision of bursaries to children of members who could not afford to pay fees for their children, the construction of schools, thereby contributing to development, and the provision of services to the people (Okello & Ahikire, 2013; Kwapong *et al.*, 2013). Against the backdrop of such community investments, it was easy for the union to retain loyalty from the members.

During the challenging period of the liberal reforms, with the withdrawal of government support to the cooperatives, the leadership of BCU sought partnerships with private investors and companies. Indeed, they were able to raise funds to enable the cooperatives to pay for the produce from the farmers (Kwapong *et al.*, 2013). Besides, the management of the cooperatives entered into negotiations with the government for a bailout, which they were able to get. This was used to clear some of the debts the union had with the Cooperative Development Bank (CDB). When business was not good the cooperative union laid off some of its staff to reduce its operational costs and liquidated or leased out idle assets to raise funds for running its business (Kwapong, 2012).

During the good days when the cooperative was exporting coffee, it made a lot of profits. The union invested in assets, including a factory that

was built in 1958. Other assets included land and commercial buildings, staff housing and primary societies. Some of these buildings now house two banks in Mbale town, namely Barclays and DFCU banks (Kwapong *et al.*, 2013). Some of these properties were mortgaged during the crisis that followed the liberalisation as a way of mobilising operational capital for the cooperative union. Similarly, some of the assets were sold off to clear part of the debt the cooperative union had accumulated with the banks (Kwapong, 2012; Okello & Ahikire, 2013).

5.2 Gondo Cotton Cooperative Society – An example of failure

Gondo Cotton Cooperative Society (henceforth GCCS) was located on the eastern shores of Lake Kyoga in the Teso sub-region of the eastern part of Uganda. It was founded in 1955 by mainly four men – Isaya Obiero, Eledu, Musa Obirai and Odico – all previously local leaders at Gondo township (Nash *et al.*, 1976). Like many other cooperatives in Uganda, GCCS's emergence was motivated by the desire to challenge the 'unfair' trading practices of the Asian and European populations that had monopolised trade in cotton and coffee (*ibid.*). GCCS owned a produce store, extended financial credit to its members and purchased farmers' cotton, thereby serving as a market to many farmers in Gondo township. However, GCCS operated alongside an Asian-owned ginnery that provided an 'exit' option to circumvent the exploitative behaviour of GCCS.

Although their mechanisms for accountability, such as the Executive Committee of GCCS whose members were appointed and were held accountable by the Annual Members General Meeting (AMGM), they remained largely a province of the elders and the founders of GCCS, perpetuating a 'Big Men' a culture (*ibid.*). This generated a serious problem in the later years, particularly as state politics in Uganda became increasingly intertwined with the leadership of the cooperatives.

The rise of GCCS

As earlier mentioned, GCCS was founded in 1955. Its establishment was inspired by Ignatius Musazi that sparked the enthusiasm to form indigenous organisations intended to challenge white and Asian domination of local economies. In Uganda, the cooperative movement generally, and the formation of GCCS in particular, was 'sparked by organisers from the Federation of Uganda African Farmers' (Nash *et al.*, 1976:82). Several ordinances were passed by the colonial administration to try and bring the cooperative movement into its orbit of control (ActionAid, 2013;

Kyamulesire, 1988). However, 'rural discontent expressed largely by small shopkeepers, traders and the more ambitious farmers was provided with a vehicle of protest' (Nash *et al.*, 1976:83) through the cooperative movement. This sustained pressure from the indigenous cooperative movement eventually forced the colonial government to yield and begin relaxing policy on the formation of cooperatives. A more enabling policy environment between 1956 and 1963 contributed to the growth of cooperative societies across the entire country. The rise of GCCS also derives its impetus from this period. Initially representing three parishes of the Teso region, i.e. Ogera, Ogelak and Gondo parishes.

Members of GCCS were solely responsible for carrying their own crop to the cooperative store. The crop would be weighed and a receipt issued as evidence of how much the cooperative owed the farmer or, for that matter, the member. After the purchase by the officials, cotton was kept in the store until it could be taken to the Asian ginnery that operated alongside GCCS. In the earlier years after its formation, GCCS promoted transparency in the management of the cooperatives (Nash *et al.*, 1976). The committee members, including the chairman, vice-chairman, cooperative manager and the treasurer, regularly accounted to the members and adhered to the cooperative's lending and purchase rules. This encouraged many Africans to sell their cotton to the cooperative, since they were distrustful of the Asians' duplicitous trade behaviour such as tampering with the weighing scales and deliberate underpricing of farmers' produce. This promoted the growth of the cooperative's revenue, allowing it to diversify into several income-generating streams, such as the purchase of cattle as well as land (*ibid.*). However, over time, particularly from 1966 onwards, the members and many other farmers started to opt to sell their cotton directly to the Asian ginnery instead of GCCS.

This turn of events, however, begs the question: Why did the farmers who initially were motivated by the desire to support 'African capitalism' suddenly revert to selling their cotton to the Asian ginnery? The answer to this question, I believe, lies in examining the shift in the politics during the cooperative era and the specific implications it generated for the relationship between members of the cooperative societies and their leadership. How changes in this relationship redirected the farmers' incentives to sell produce to the very group (the Asians) the cooperative movement had emerged primarily to displace would uncover interesting explanations as to why some cooperative societies succeeded in both the state intervention and liberal reform eras while others failed. We shall turn to that section now.

The fall of GCCS and the reasons behind it

The post-independence leadership in Uganda had been part of the cooperative movement and had benefitted enormously in their ascendance to power from the cooperative movement, and thus sought to control and manipulate the cooperative movement (Kyazze, 2010). This was perhaps motivated more by fear of the cooperative movement's influence on the sustainability of political power and less by the importance of cooperatives for rural development. In Uganda, in 1968, the Uganda People's Congress (UPC) enacted a Cooperative Societies Act that gave more power and control over cooperatives to the Minister of Cooperatives (ActionAid Report, 2013). The creation of the Cooperative Development Bank gave the Obote government the 'right' carrot to exercise control over all cooperative societies. Nash et al., (1976) and Brett (1970) observe that under UPC government, the relationship between cooperative movement and the ruling party become increasingly inseparable. Several former cooperative officials had previously occupied positions in the Obote government (Brett, 1970:3).

The loss of autonomy by cooperatives to the state that was immersed in polarised party politics of the immediate post-independence Africa meant that the democratic accountability with which cooperatives had emerged was effectively lost. This was so because the leadership of various cooperatives became de facto representatives of the UPC party with enormous untrammelled power to exercise discretion in the decisions of the cooperative administration. For example, unlike BCU, the entire leadership of GCCS had previously served either as government 'sub-county chief, county chief or even district councillor; or they had been ward headman, village or parish chief, road headman, sub-county clerk, members of the parents and elders' association and so on' (Nash *et al.*, 1976: 86).

In the end, the cooperative leadership took advantage of their connection with an incumbent political party to undertake activities that were in direct contravention of the bylaws of the cooperative society. Nash and others (1976:88) observe that sometimes loans were made to the members in excess of the regulation value of two-thirds of the crop average or ten times the member's share, whichever was less (Soroti Cooperatives Records n.d. cited in Nash *et al.*, 1976:88). This absence of democratic accountability engendered several malpractices. For example, it was reported that in October 1963, 50 shillings was given to a farmer who should have received one and six; a general review of the figures reported in Young and Brett's inquiry and validated by Nash *et al.* (1976) showed general behaviour that entailed giving out round sums of between 50 and 500 shillings to be paid out irrespective of the size of the crop (*ibid.*).

In some cases, the profits did accrue from such record-keeping and were widely distributed, though large sums were often loaned out only to influential men. Many of them obviously were among the producers of the largest cotton crops, as one would expect of the politics of rural oligarchy (Vincent, 1971:187-208 cited in Nash *et al.*, 1976). In fact, sometimes loans were disproportionately distributed and ‘ordinary members with crops not much smaller received far less; [at times] fictitious names were used in the loan register’. Nash and others report results from the random selection of loan applications in May 1964 that revealed that one Y.Otim had been given 200 shillings even though no such person was listed in the produce ledger as having sold his crop to the society (ibid.). In end, this gross mismanagement and corruption by the leadership of GCCS affected the performance of the society, driving many members out of the society.

However, the gross mismanagement of the cooperative societies by their leadership is a well-argued fact by scholars such as Brett (1973), Apthorpe (1970) and others. But one would ask: Why did this gross mismanagement happen in Gondo and not in BCU? Three possible explanations possibly address this question. First, in Gondo, GCCS existed as the only cooperative available to farmers, limiting competition and the possibility of ‘exit’. Hirschman (1981) and Samuel (1992) have effectively argued that exit is important in creating the right incentive structures for accountability. However, the absence of other cooperatives was not a sufficient condition to impede accountability. A second possible explanation, in addition to the first, is that the founders of GCCS maintained excessive control over the cooperative society, carefully screening inclusion of members with a keen interest in maintaining control (Nash *et al.*, 1976). This excessive control eventually drove the *emorimor* (the cultural chief of the Iteso) to relinquish his membership of GCCS which had served well in coordinating the work of all the ward headmen. In the end, GCCS turned out to be, in the words of Young (1971), ‘a political institution rather than an economic institution for promoting rural development’.

6. Why some cooperatives succeeded where others failed – Critical discussions

Current literature mainly explains the failure of cooperatives in Uganda. Very little attention has been paid to why some cooperatives survived. This paper focuses on organisational dynamics to explain the failure and survival of cooperatives in Uganda. The organisational dynamics considered here include: organisational values and leadership: social capital and social rootedness, and participation in the higher value chain.

6.1 Organisational values and leadership

Key to the formation of any organisation is a clear purpose which must be shared by all the stakeholders. Using the stakeholder theory (Freeman *et al.*, 2004) we note that values are necessary and explicitly part of doing business. The theory also espouses two main questions, i.e. the purpose of the firm and the responsibility managers have to the stakeholders. Therefore, the purpose of the firm enables the managers to explain the shared values and what brings the core stakeholders together. The other is the responsibility managers have to the stakeholders in the line of business (Freeman *et al.*, 2004). In view of this, we note that cooperatives in Uganda were all formed to benefit the farmers by guarding them against exploitation by the traders. Some cooperatives are, however, said to have been formed to benefit from the subsidies that were being offered by the state. Both our cases – BCU and GCCU – were formed to challenge the ‘unfair’ trading practices of the Asian and the European (Nash *et al.*, 1976; Kwapong *et al.*, 2013). Members of both unions shared the same purpose for starting the unions and joining them.

The second area of focus of the stakeholder theory looks at the responsiveness of management to the stakeholders. Whereas the two cooperative unions shared the same purpose, how management was responsible to the stakeholders varied. The management of BCU was democratically elected by the members from among the members themselves. It had clear accountability mechanisms in which leaders had to account to the stakeholders in the Annual General Meetings (AGMs). Much as the union had a founding father, leadership was never attached to seniority; rather it derived from the abilities of an individual. In contrast, GCCS, though it had accountability mechanisms such as the Executive Committee of GCCS that were appointed and were held accountable by the Annual Members General Meeting, they were always a reserve of the elders and the founders of GCCS perpetuated a ‘Big Men’ culture (*ibid.*). This created grave problems in the later years, particularly as state politics in Uganda became increasing intertwined with the leadership of the cooperatives.

Looking at the management and the changing business environment, we note that cooperatives operated in a rather dynamic environment – there was state intervention, civil wars and, later, liberal reforms. As observed, ‘change management is a continuous process of renewing the direction, structure and capabilities of an organisation to serve the constantly changing needs of the internal and external customers’.⁶ Organisations which fail to adjust to the changing environment cut short their survival. In this respect, BCU was able to manoeuvre through the changing environment. When

there was a window to export coffee, they utilised it and were able to export their coffee to Kenya and earned good profits. During the hard times of the liberal reforms, the management decided to source for capital from the private traders and companies and even created partnerships with private companies. They were also able to negotiate with the government for financial assistance. All these measures were in response to the changing business environment in the country.

Social capital and social rootedness

As defined by Putnam (2001), social capital is those features of social organisation such as networks, norms and social trust that facilitate coordination and cooperation for mutual benefit. These networks create mutual support, reciprocity and trust among the communities.⁷ The Bagisu, even before the advent of the cooperative, were held together by their culture and even the crop on which the cooperative was developed was used in cultural rituals. Therefore, the cooperative found a community that already had social cohesion which grew stronger with participation in the cooperative. As a result, there was mutual trust and sharing of values that enabled the survival of the cooperative. The lack of social capital on the part of GCCS made the farmers easily resort to selling their cotton to the private traders. This can be attributed to lack of social cohesion and the absence of shared values.

In terms of social rootedness, BCU made significant investments in the community, which created a strong bond between the cooperative and the community. The construction of schools, provision of bursaries and property financing all instilled loyalty and a sense of belonging to the cooperative. Even in the period when everyone would have run to the private traders who offered cash, the value attachment to the cooperative left it with a number of loyal members who kept supplying it with coffee. Such community investments and rootedness were not present with GCCS and, as a result, there was no strong sense of belonging to the cooperatives. Thus it was easy for the members to sell to the private traders who offered cash.

Trade value chains

Here we adopt a definition of cooperatives – which also measures their relevance to the farmers – ‘as formal forms of farmer collective action for the marketing and processing of farm products and/or for the purchase and production of farm inputs’.⁸ In other words, cooperatives are formed to enable farmers to maximise benefits from their produce through accessing the best markets. Until CMB was given the monopoly of exporting coffee,

BCU was participating in international market, enabling its members to get better prices. Moreover, it maintained the quality of coffee exported, which earned it the status of a premium coffee exporter. The union, through the primary cooperatives, monitored the quality of coffee and even graded it. Through this, it was able to serve all the markets with their quality specifications. There was coordination of the entire process from the farm to the market.

7. Conclusion

The current literature on the role of cooperatives in African development pits pessimist propositions of cooperatives as vehicles for elite exploitation of poor farmers (Brett, 1970; Bates 1981; Haring *et al.*, 1969) against Afro-optimists who see cooperatives as ‘scions of hope’ for Africa’s capitalism (ActionAid, 2013; Helmen, 1990; Kwakyewah, 2016). As this paper has demonstrated, these one-dimensional perspectives do not explain the variegated cases where diverse cooperatives contributed to farmer development or exploitation, which also explained their success or failure in the face of changing operating conditions.

The evidence presented in this paper has demonstrated that the organisational dynamics determined the relationships cooperatives built with farmers and communities and hence their ability to survive or succumb to state intervention and the liberal reforms. The contrasting experiences and life destinations of Bugisu Cooperative Union as a success case and Gondo Cotton Cooperative Society as a failed case clearly demonstrate that the survival or failure of cooperatives depended on organisational values and leadership, social capital and social rootedness and participation in trade value chains. These cases also challenge the moribund narratives on the role of cooperatives in Africa’s development and oblige us to pay greater attention to specific contexts.

Therefore, as practitioners seek to revive cooperatives in Uganda, the focus should be put on building socially rooted democratic organisations with a shared purpose as well as a responsible and accountable leadership. The availability of social capital that creates social cohesion and mutual trust, as well as participation in higher value chains are key drivers of the survival or failure of cooperatives. As noted by Saarelainen and Sievers (2011), for organisations like cooperatives, the most important actors are the members, and their engagement and sense of ownership are key.⁹ Therefore, developing cooperatives ought not to be incentivised by the government or donor handouts but rather by the deep-rooted interests of members to increase productivity and participate in high-value chains.

Notes

1. UBOS (2016). National Population and Housing Census, Main Report.
2. Falleti, T. G. (2006). Theory-guided process-tracing in comparative politics: Something old, something new. *Newsletter of the Organized Section in Comparative Politics of the American Political Science Association*, 17(1), 9-14.
3. ILO (n.d.) <http://www.ilo.org/empent/units/cooperatives/lang--en/index.htm>. Accessed 09.08.2016.
4. ILO (2002). Promotion of Cooperatives Recommendation.
5. This proposition draws upon insights from Robert Putnam's (2001) work on social capital, particularly looking at the distinction between southern and northern Italian societies and its ultimate consequences for economic development.
6. Moran, J. W. & Brightman, B. K. (2001). Leading organizational change. *Career Development International*, 6(2), pp. 111–118.
7. Melece, L. (2013). Agricultural cooperatives for social capital development in Latvia. *Organizacijų Vadyba: Sisteminių Tyrimai* (66), 53-67.
8. Bijman, J., Muradian, R., & Cechin, A. (2011). Agricultural cooperatives and value chain coordination. *Value Chains, Social Inclusion and Economic Development: Contrasting Theories and Realities*, 82-101.
9. Saarelainen, E. & Sievers, M. (2011). The role of cooperatives and business associations in value chain development. *ILO Value Chain Development Briefing Paper*.

References

- ActionAid (2013). *The Cooperative Movement and the Challenge of Development: A Search for Alternative Wealth Creation and Citizen Vitality Approaches in Uganda*. Publication of Centre for Basic Research, ActionAid and the Uhuru Institute for Social Development.
- Akiyama, T. (2001). Coffee market liberalization since 1990. In: Akiyama, T., Baffes, J., Larson, D., & Varangis, P. (Eds.), *Commodity Market Reforms: Lessons of Two Decades*. World Bank, Washington.
- Akiyama, T., Baffes, J., Larson, D. F., & Varangis, P. (2003). Commodity market reform in Africa: Some recent experience. *Economic Systems*, 27(1), 83-115.
- Apthorpe, R. J. (1970). *People Planning and Development Studies: Some Reflections on Social Planning*. Psychology Press.
- Baffes, J. (2006). Restructuring Uganda's coffee industry: Why going back to basics matters. *Development Policy Review*, 24(4), 413-436.
- Bates, R. H. (2005). *Markets and States in Tropical Africa: The Political Basis of Agricultural Policies: With a New Preface*. University of California Press.
- Brett, E. A. (1970). Problems of co-operative development in Uganda. Rural co-operatives and planned change in Africa

- Brett, E. A. (1993). Voluntary agencies as development organizations: Theorizing the problem of efficiency and accountability. *Development and Change*, 24(2), 269-304.
- Freeman, R. E., Wicks, A. C., & Parmar, B. (2004). Stakeholder theory and “the corporate objective revisited”. *Organization Science*, 15(3), 364-369.
- Hirschman, A. O. (1981). Exit, voice, and the state. In: *Hirschman, A.O., Essays in Trespassing. Economics to Politics and Beyond*. Cambridge University Press, Cambridge.
- Khan, M. (2010). *Political Settlements and the Governance of Growth-Enhancing Institutions*. SOAS, London.
- Kwakyewah, C. (2016). Rethinking the role of cooperatives in African development. *Inquiries Journal*, 8(06). Retrieved from <http://www.inquiriesjournal.com/a?id=1419>
- Kwapong, M. S. N. A. (2012). Making Rural Services Work for the Poor: The role of Uganda’s Service Reforms in Marketing and Agricultural Extension. Doctoral dissertation, Humboldt-Universität zu Berlin.
- Kwapong, N. A. (2013). Restructured agricultural cooperative marketing system in Uganda: A study of the ‘tripartite cooperative model’. *Euricse Working Paper n. 57 | 13*.
- Kwapong, N. A., & Korugyendo, P. L. (2010). Revival of agricultural cooperatives in Uganda. *International Food Policy Research Institute Policy Note* (10).
- Kwapong, N. A., & Korugyendo, P. L. (2010). Why a few agricultural cooperatives survived the crisis in the cooperative movement in Uganda while many others collapsed. *International Food Policy Research Institute Policy Note* (11).
- Kyamulesire, A. R. (1988). *A History of the Uganda Cooperative Movement, 1913-1988*. Uganda Cooperative Alliance, Kampala.
- Kyazze, L. M. (2010). *Cooperatives: The Sleeping Economic and Social Giants in Uganda*. International Labor Organization (ILO), Dar-es-Salaam.
- Mkandawire, T. (2001). Thinking about developmental states in Africa. *Cambridge Journal of Economics*, 25(3), 289-314.
- Nash, J., Dandler, J., & Hopkins, N. S. (Eds.). (1976). *Popular Participation in Social Change: Cooperatives, Collectives, and Nationalized Industry*. Walter de Gruyter.
- Okello, L., & Ahikire, J. (2013). *The Cooperative Movement and the Challenge of Development: A Search for Alternative Wealth Creation and Citizen Vitality Approaches in Uganda*. TUI, CBR & ActionAid.

- Oya, C. (2010). Agro-pessimism, capitalism and agrarian change. *The Political Economy of Africa*, 85.
- Oya, C. (2005) Sticks and carrots for farmers in developing countries: Agrarian neoliberalism in theory and practice. In: Saad-Filho, A. & Johnston, D. (Eds.), *Neoliberalism: A Critical Reader*. Pluto Press, UK, pp. 127-134.
- Wanyama, F. O. (2013). Some positive aspects of neo-liberalism for African development: The revival of solidarity in co-operatives. *International Journal of Arts and Commerce*, 2(1), 126-148.
- Wanyama, F.O., Develtere, P., & Pollet, I. (2008). Encountering the evidence: Cooperatives and poverty reduction in Africa. *Working Papers on Social and Co-operative Entrepreneurship WP-SCE*, 08-02.
- Wanyama, F.O., Develtere, P., & Pollet, I. (2009). Reinventing the wheel? African cooperatives in a liberalized economic environment. *Annals of Public and Cooperative Economics*, 80(3), 361-392.
- World Bank (1981). *Accelerated Development in sub-Saharan Africa (the "Berg Report")*. World Bank, Washington, DC.
- World Bank (2008). *World Development Report 2008. Agriculture for Development*. World Bank, Washington, DC.