

GOVERNMENT'S MOVE TO REVIVE COOPERATIVES: A GLIMPSE OF HOPE OR THE SAME OLD POLITICAL GAMES?

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With the formation of the first farmers' association in Uganda in 1913, the co-operative movement in Uganda awoke to counter the exploitation of local farmers by European and Asian companies that monopolised the domestic and export markets for cotton and coffee. Being major cash cows, the crops later formed the backbone of co-operatives, attracting the interest of colonial and post-independence governments.

At the time, though, the colonial regime considered the emergence of co-operatives as premature and subversive. It, thus, denied them legal backing to access credit and other services from lending institutions.

For example, a bill introduced in Parliament in the late 1930s met strong resistance from powerful private interests and was withdrawn, forcing co-operatives to operate underground till the enactment of the 1946 Co-operative Societies Ordinance.

Growth of cooperatives

According to Moses Opobo, a lecturer in rural development at Makerere University, the co-operative movement expanded immensely and

by 1961, Uganda had 21 registered co-operative unions, including the Uganda Co-operative Alliance and 1,662 primary co-operative societies, with a membership of 252,378.

By 1960, cooperatives handled 89,308 tonnes of produce, a rise from 14,300 tonnes in 1951, with a turnover of over £9 million annually. Co-operative unions handled over 61% of the cotton in the country, 40% of the Robusta coffee and 90% of the arabica coffee. "By 1971, there were over 2,500 primary co-operative societies, with over 750,000 members and 36 unions owning 53 cotton ginneries and 31 coffee factories. The co-operative movement had assets valued at US\$ 500 million," Opobo says.

The collapse of cooperatives

Nana Afranaa Kwapong and Patrick Lubega Korugyendo, in their project paper entitled "Revival of Agricultural Cooperatives in Uganda", explain that the death of cooperatives started in 1971, when Idi Amin assumed the country's presidency through a coup, overthrowing Milton Obote. He declared 'the economic war', expelling Asians from Uganda in 1972.

"The departure of other expatriates that followed, coupled with the

fleeing into exile of capable leaders and managers, worsened the situation. Increasingly, pressures of economic and political self-interests, to which those in charge succumbed, invaded co-operatives, leading to mismanagement, corruption and embezzlement," reads part of the research paper.

According to Kwapong and Lubega, this marked the beginning of the collapse of the economy, as prices of controlled crops like cotton and coffee were very low, with farmers abandoning them in favour of maize, beans and groundnuts. Cotton production fell from 466,775 bales in 1970 to 32,160 bales in 1980.

"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 in 1979," the research paper says.

The last straw

Liberalisation of the economy in the early 1990s became the last straw that broke cooperatives' back. Economic liberalisation



and privatisation saw the closing of the Ministry of Cooperatives, the divesting of the Cooperative Bank and the privatisation of agricultural produce marketing.

The loss of their assets, including social assets, and the overnight loss of their historical monopoly over marketing and exportation, without a transition period to the new competitive environment, disabled them. It became nearly impossible for co-operatives to seize opportunities that the liberalisation policies potentially offered, losing to skilled multinationals and shrewd private business people.

Reviving cooperatives

According to Ms Amelia Kyambadde, the minister of Trade, Industries and Cooperatives, the government is prioritising the revival of cooperatives. "We are well aware of the role of co-operatives in socioeconomic development such as the creation of jobs, improvement of member income, enhancement of agricultural production and productivity and the promotion of value addition and social stability and, as such, the government is prioritising the revitalisation and development of co-operatives," says Kyambadde.

According to Kyambadde, currently more than 16,408 co-operative societies are registered in the country, with the majority of these being savings and credit cooperative societies and agricultural marketing cooperatives. Other cooperatives are in the energy, health and transport sectors, while over 105 cooperatives are market-based cooperatives.

Is the move sustainable?

Learning from the past successes and failures of cooperatives in Uganda and the experiences of



other cooperatives in Africa, the government has pursued a number of strategies to promote the development and ensure the sustainability of the cooperative sector. Among these is the continued creation of an enabling environment for cooperatives to thrive by strengthening the policy and legal environment.

According to Ms Khadija Nakakande, the Public Relations Officer, Ministry of Trade, Industries and Cooperatives, the government passed the first comprehensive National Cooperative Policy in 2011 and this has since informed its interventions in the

sector. "This policy seeks to strengthen the cooperative movement, create a conducive regulatory regime and promote compliance, ensure quality assurance standards and enhance competitiveness, and expand the scope of cooperative enterprises," Nakakande says.

In order to further improve the regulatory environment, cabinet passed the Cooperative Societies Act (Amendment Bill 2015). The amendments aim at strengthening the regulation and improving the management and operation of cooperatives in the country.

The Uganda Cooperative Alliance, the umbrella organisation for all cooperatives in Uganda, has also come up with a number of strategies. These include supporting cooperatives as independent business units; building autonomous democratic institutions; providing technical education to improve the productivity and profitability of member farmers and training members in best practices in the operations of agricultural cooperatives; and promoting clear policy guidelines for the operations of the cooperatives.

Mr Jovenal Kule, General Manager, Mt Rwenzori Coffee Farmers' Cooperative Union, is not yet excited about the government's move to revive cooperatives. "I hope it works," he remarks. "It is not clear as yet because while the government is encouraging people to join cooperatives, there is very limited practical support to that effect. Yes, cooperatives should make profits to help them run their business but it is important to note that cooperatives are more benefit-maximising to members than profit-maximising so cooperatives need to be supported to realise this cardinal

objective. It is hard, for example, to compete with one whose major drive is to maximise profits. You can't compete favourably when subjected to the same tax, for example."

Kule advises that government programmes such as Operation Wealth Creation should be channeled through cooperatives to support farmers better, something that will enhance the relevance of cooperatives to farmers.

Stephen Ssembogga, a development economist and lecturer in economics at Makerere University Business School, however, argues that the government's initiative to revive cooperatives is a good idea but more needs to be done to ensure effective competitiveness of cooperatives, for example by reviving the Cooperative Bank, which will offer credit to cooperatives at lower interest rates.

"The government has been talking about reviving the cooperative bank but nothing has come to fruition. Cooperatives need loans at low interest rates and the entry of a bank that gives low interest loans, especially to farmers, will be a game changer. It will force commercial banks to lower interest rates and also fund non-traditional sectors like agriculture," Ssembogga says.

Ssembogga advises cooperatives that, to compete favourably in the liberalised market, they should promote good governance by prioritising members' interests and deliberately linking production, processing and marketing.