



THE REPUBLIC OF UGANDA

**MINISTRY OF TRADE, INDUSTRY AND COOPERATIVES
P.O. BOX 7103, KAMPALA, UGANDA**

NATIONAL CO-OPERATIVE POLICY

Website: www.mtic.go.ug

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Foreword

Uganda has registered a steady growth in members of new cooperative societies since 1996. Currently there are over 10,746 registered cooperative societies with a membership of about 4 million. These cooperatives are mainly involved in agriculture marketing and production, and savings and credit. They play a major role in financial resources mobilization, agro-processing and marketing of agricultural produce and the provision of other services like transport and employment.

Co-operative societies provide an institutional framework through which problems of basic human needs can be met. They also contribute in significant ways to eradicating poverty, direct and indirect employment, mitigating the problem of financial leakages like repatriation of funds and other remittances abroad, ensuring environmental sustainability, tackling the HIV/AIDS and malaria pandemic, and mainstreaming gender. Cooperatives offer enormous potential for delivering growth by providing opportunities and empowering the vulnerable to participate in the development process. Indeed a sizeable population derives its livelihood directly or indirectly through co-operative based activities. Cooperatives are also important partners in the implementation of the government programmes aimed at economic and social transformation. It is for these reasons that the NRM government has sought to create an enabling environment for genuine cooperatives to develop and thrive.

However, the full potential of the cooperative enterprise in fostering development is yet to be harnessed due to internal problems related to governance and leadership, poor capitalization, inadequate knowledge, management information systems and expertise in managing cooperatives. The legal and regulatory framework is inadequate to ensure that the cooperatives function in the best interests of the members and the entire country.

Hence the National Cooperative Policy analyses and seeks to address the issues affecting the performance of the cooperatives with the view of enhancing their contribution to the wellbeing of the members and ultimately, the development of the national economy.

The theme of this policy: “**Strengthening the Cooperative sector for wealth creation, employment and prosperity**”, provides the policy framework for co-operative development in a dynamic economic environment.

Through this Policy, Government seeks to create a more conducive environment for the co-operatives to expand, and diversify their activities. More attention is given to improving governance, enhancing production, value addition and marketing capacities of the cooperatives. It shall facilitate cooperative development through effective regulation, continuous technical support and resource mobilization. In addition, it is the wish of the Government to consolidate the gains arising out of cooperatives and facilitate faster growth of the co-operative sub-sector play a leading role in poverty eradication, employment creation and socio-economic transformation of the country.

In developing this policy, due consideration has been made to the various Government programmes aimed at eradicating poverty through commercialization of agriculture, provision of rural finance, improved market access, employment creation and industrialization.

This policy is a result of the wide consultative process involving government officials, private sector executives, co-operators, academia, donor community and mass media. The process has been able to bring together both private and public sectors in a solid partnership for implementing and executing this policy document.

Finally, I am delighted to present to the nation the National Cooperative Policy; and I urge all the stakeholders to ensure its fast implementation to transform the Ugandan economy from a peasantry into a modern and prosperous one, through cooperatives.

For God and my country

Yoweri Kaguta Museveni
PRESIDENT OF THE REPUBLIC OF UGANDA

10th January, 2011

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ABBREVIATIONS AND ACRONYMS

AGM:	Annual General Meeting
AIDS:	Acquired Immune Deficiency Syndrome
AMFIU:	Association of Micro Finance Institutions of Uganda
CICS:	Competitiveness Investment Climate Strategy
CIS:	Community Information System
COMESA:	Common Market for Eastern and Southern Africa
COPE	Complementary Opportunity for Primary Education
CSOs	Civil Society Organizations
EAC	East African Community
FAL	Functional Adult Literacy
GDP:	Gross Domestic Product
HIV:	Human Immune Virus
ICA:	International Co-operative Alliance
ICT:	Information Communication Technology
IEC:	Information, Educational and Communication
IMF:	International Monetary Fund
MDAs:	Ministries, Departments and Agencies
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
PFA:	Prosperity for All
R&D:	Research and Development.
RDS:	Rural Development Strategy
ROSCAS	Rotational Savings and Credit Associations
SACCOS:	Savings and Credit Co-operative Societies
TDS:	Technology Development Sites
UCA:	Uganda Co-operative Alliance Ltd.
UCSCU:	Uganda Co-operative Savings and Credit Union
UDGS	Uganda Deposit Guarantee Scheme
UIRI:	Uganda Industrial Research Institute
UNFFE:	Uganda National Farmers Federation
UPE:	Universal Primary Education
USE:	Universal Secondary Education
WTO:	World Trade Organisation

INTRODUCTION

1.1 Background

The co-operative movement is a global institution, comprising of over 800 million people, that is found in almost every country in the world. A co-operative is defined as: “An association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically controlled enterprise”.¹ Co-operatives are based on the 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.

In Uganda, co-operatives are organized in a four tier vertical structure of primary societies that consist of at least 30 persons aged above 12 years. A minimum of two primary societies form a secondary while two or more secondary societies form a tertiary which provides specialized services². Secondary and tertiary societies form the apex.

Ugandans started organizing themselves into co-operatives in 1913 which operated informally until 1946 when the first co-operative ordinance was enacted. This also marked the birth of the Co-operative Department and the present co-operative movement. By the end of 1946 there were 75 organizations of a cooperative nature. Fifty (50) of these were agriculture marketing societies, 8 were shop keepers (supply) societies, 6 were consumer stores and the remainder were miscellaneous societies such as fishermen (mainly for supply of nets), cattle and dairy societies and one thrift society.³

The period 1946 to 1970 saw a significant growth of the co-operative movement especially in the cotton and coffee sectors. In 1951, co-operatives handled 14,300 tons of cotton and coffee. Following the acquisition of two coffee curing works and ten ginneries in 1956, the total tonnage rose to 89,308 tons by 1960. In 1965, out of 437,923 bales of cotton produced in the country, co-operatives handled 267,420 bales (61%) in addition to 40% of the Robusta coffee; valued at 60 million shillings and 90% of Arabic coffee valued at 30 million shillings.

Beginning with the 1970s, the co-operatives were greatly mismanaged, interfered with, and alienated from membership. The co-operative movement was misunderstood and its economic and social impact greatly underrated by both the membership and public. This marked the beginning of a steady decline in the performance of co-operatives.

The period 1992 through 2006 exhibited a continuous decline of co-operative commodity marketing, for instance, of the total coffee exports (130,068 tons) in 1992/93, co-operatives accounted for 22 % (28,585 tons). This dropped to only 2% (3,868 tons) out of the total of 180,164 tons in 2001/02 and further to a meager 1% (2,104 tons) out of 162,254 tons in 2006/07. While the performance of co-operatives declined, that of

¹ The International Co-operative Alliance (2008) Statement on Co-operative Identity.

² They include financial, insurance, transport, housing among others

³ Shafiq Arain (1967). The Report of the Committee of Inquiry into the Affairs of all Co-operative Unions in Uganda.

multinational companies increased from 14% (18,459 tons) to a massive 83% (134,589 tons) over the same period.

On the other hand, as co-operative commodity marketing declined other cooperatives enterprises emerged; for instance, 2,351 SACCOS were registered between 2004 and 2008 with savings of over 100 billion shillings, total shareholding of over 23 billion shillings and loans of 77 billion shillings.

1.2 Rationale and Justification

The co-operative movement's aspirations are in line with the Rural Development Strategy for poverty eradication through commercialization of agriculture, provision of rural finance, improved market access, employment creation and industrialization. These are in line with existing programs being implemented by NAADS, UIRI and PFA.

Co-operatives are grassroots organizations, multi- sectoral and pervade every aspect of human endeavour, be it in rural or urban areas. They have demonstrated the capacity to group together primary producers. This provides an opportunity for organizing small individual producers to solve the problems of financing, production, processing and marketing. Consequently, they are able to compete favourably in the national, regional and international markets.

In addition, co-operatives provide a relatively more permanent institutional framework through which problems of basic human needs can be met on a voluntary basis. Co-operatives empower people by enabling even the poorest segments of the population to participate in economic progress; they create job opportunities for those who have skills but little or no capital; and they provide protection by organizing mutual help in communities.⁴ They also generate and equitably distribute wealth, raise the level of awareness, education and management skills.

However, the effective realization of the co-operative advantage depends on the policy which guides the conduct of co-operatives and their integration in the development process. Moreover, the absence of the policy also undermines the current co-operative law and efforts towards the development of the co-operative movement. This policy is meant to set guidelines to facilitate the conduct and transformation of the co-operative movement into a more effective vehicle for poverty eradication and wealth creation.

1.3 Vision

A self driven, vibrant, prosperous and gender responsive co-operative movement.

1.4 Mission

To facilitate an organized, self reliant, democratically controlled and member centered co-operative movement for sustainable development through effective regulation, continuous technical support and resource mobilization.

⁴ Juan Somavia, ILO Director General, June 2002

1.5 Objectives

The general objective of the National Co-operative Policy is to develop and strengthen the co-operative movement in order to play a leading role in poverty eradication, employment creation and socio-economic transformation of the country.

The specific objectives are to:

- 1.5.1 Strengthen the co-operative movement to efficiently and effectively respond to member needs.
- 1.5.2 Improve the cooperative legal and regulatory framework.
- 1.5.3 Promote and enhance good governance in the co-operative movement.
- 1.5.4 Strengthen technical capacity of the Co-operative Development Department and the local governments⁵
- 1.5.5 Build an efficient and modern Co-operative Management Information System
- 1.5.6 Develop the capacity of co-operatives to compete in the domestic, regional and international markets.
- 1.5.7 Provide a framework for improving capitalization and diversification of financing tools appropriate for the co-operative movement.
- 1.5.8 Facilitate improved supply chain efficiencies and marketing infrastructure
- 1.5.9 Diversify the type and range of enterprises that co-operatives undertake
- 1.5.10 Address the crosscutting issues of gender mainstreaming and fair representation of marginalized groups, sustainable natural resource use and, HIV/AIDS and malaria.

⁵ Local governments include District, Municipal, Town council, Division and Sub county councils

2 SITUATION ANALYSIS

The co-operative movement in Uganda is composed of 10,746 co-operative societies with a membership of 3.9 million people. There are 10,621 primary societies, 121 secondary societies including 80 Area Cooperative Enterprises, 4 tertiary societies⁶ and 1 apex⁷, the Uganda Co-operative Alliance Ltd. Of the total registered cooperative societies, 83% are on permanent registration while 17% are registered on probation. The Co-operatives are generally categorized as follows: production and agricultural marketing (55%); savings and credit (23%), multipurpose (6%) and services (16%)⁸.

The co-operative movement is characterized by the following:

2.1 Strengths

2.1.1 User Responsiveness

In Uganda, the majority of farmers are engaged in small scale agricultural production. However, they lack organization at the farm and marketing levels to effectively exploit their land and labour resources, engage in collective marketing and enhance their bargaining power.

The main strength of the co-operative movement lies in the fact that it is grassroots based, multi-sectoral and pervades every aspect of society; both rural and urban. It is also user friendly, managed and is based on a strong spirit of voluntarism. Co-operatives have demonstrated the capacity to provide a versatile organizational framework to facilitate primary producers' involvement in domestic and international trade and provide a relatively permanent institutional framework through which problems of basic human needs can be addressed.

In addition the Co-operative movement responds to the members' needs for education and management skills and facilitates their integration into the development process.

2.1.2 Income Generation, Distribution and Redistribution

The diverse nature of the co-operative business offers a great potential to create employment, generate wealth and equitably distribute it.

2.1.3 A Wide Network of Co-operatives and their Infrastructure

The current 10,746 co-operative societies are spread throughout the country which makes the movement the most accessible institution in Uganda. These societies own stores, land and other assets. It is therefore possible to deliver relevant services to a wider population segment through the co-operative movement more than any other institution in the country.

⁶ Uganda Cooperative Transport Union Ltd, Uganda Crane Creameries Cooperative Union Ltd, Cooperative Insurance Services Ltd, Uganda Central Cooperative Finance Union Ltd.

⁷ The Registrar of Cooperative Societies, (April 2009) Register of Societies

⁸ Consumer, housing, transport, health and rural electrification co-operatives

2.1.4 Saving Culture within Co-operatives

Co-operatives emphasize savings in their operations thereby mobilizing the communities to save as individuals or groups to enhance production, investment and capital accumulation. The drive to establish at least a SACCOS per Sub County will consolidate the role of the co-operative movement in savings mobilization and increased household incomes.

2.2 Weaknesses

2.2.1 Governance and Leadership gaps

Most of the problems faced by cooperatives arise due to bad governance and poor leadership. Good corporate governance principles demand that leaders act in the best interest of the organizations they lead in order to achieve their objectives. Good corporate governance practices are built on five pillars namely, accountability, efficiency and effectiveness, probity, integrity and responsibility.

Although co-operatives are democratic in nature, most of the membership has not taken advantage of this democracy to elect able leaders and appoint competent managers to ensure that the cooperative ideals and aspirations are realized and conformity to the Cooperative laws. The Ugandan experience shows that cooperative leaders are not necessarily a reflection of the required leadership competencies, patronage and commitment to the co-operative business. Some of the consequences of this practice are the dominance of the cooperatives by a few members, the lack of the will to practice democracy and accountability which undermines sustainability of the co-operatives.

2.2.2 Inadequate knowledge on Co-operatives

Most of the current co-operative membership is not adequately educated and trained in co-operative matters. This leads to member exploitation, low patronage and poor accountability which negatively impacts on co-operative business. Generally there is inadequate knowledge on the formation of co-operatives, leadership and governance, markets, supply sources and cost analysis, capitalizing the co-operative, member investment, sources of debt capital, conduct of member meetings. This continues to hamper proper planning for the benefit members of the co-operative movement and the development of the co-operatives.

2.2.3 Inadequate Human Resource

Inadequate human resources, in terms of numerical strength, skills and experience, is one of the major weaknesses facing the cooperative movement. This is in part attributed to the restructuring of government departments which left co-operatives with very few staff especially at local government level. The remaining structures were not adequately facilitated and equipped to effectively service the entire co-operative movement.

Due to various constraints within co-operative societies and competition in the labour market, many co-operatives can not attract and retain highly qualified personnel which results into hiring less qualified ones or none at all.

2.2.4 Inadequate Formal Co-operative Education

Uganda's current education curriculum provides inadequate co-operative knowledge. The Uganda Co-operative College-Kigumba offers only certificates and diplomas which do not match the ever changing global business environment.

2.2.5 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 and price fluctuations, political instability, loss of assets and weak advocacy by the co-operative movement itself. Other internal weaknesses amongst particular societies and the failure of some have so seriously dented the public perception that it is often difficult to attract new and energetic members to the co-operative movement.

2.2.6 Low Capitalisation

Insufficient working capital is another problem facing the co-operative movement in Uganda. This is attributed to the limited sources of cooperative financing which include: entrance fees, share capital, annual subscription fees and retained earnings. The failure of the members to raise meaningful capital compels societies to take loans, at interest rates of as high as 29% per annum, to run co-operative business. Besides the lack of acceptable collateral most financial institutions are not willing to give loans for agricultural purposes. This problem is worsened by poor budgetary controls in many cooperatives.

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

2.2.7 Poor Storage Facilities and other infrastructure

Uganda is faced with an acute shortage of modern agricultural commodity warehouses, processing machinery, transport and other equipment. For instance, 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 standards for agricultural marketing while 8% require minor repairs. The majority of processing machinery is obsolete. This contributes to high post harvest losses, estimated between 40-50%, and compromises quality as well as commodity prices. This poses a great challenge to the Cooperatives participation in the commodity value chain thus limiting the competitiveness of their commodities.

2.2.8 Weak Management Information System

The existing Co-operative Management Information System is characterized by paper based files, low number of ICT equipment, high degree of ICT illiteracy and poor data management practices. This results into the scarcity of reliable and accurate data for co-operative planning, monitoring and decision making at all levels.

2.2.9 Inadequate Legal and Regulatory Frame work

The current co-operative law does not adequately address some of the emerging issues within the co-operative movement. The law is inadequate on such issues as governance, education fund, dispute settlement, offences and penalties, ethics and code of conduct.

2.3 Opportunities

2.3.1 Strong Political Will and Stability

The national strategy for poverty eradication through agricultural modernization, employment creation, deepening and widening of financial services outreach, industrialization and infrastructural development, is an opportunity for the 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% in 1992 to 31% in 2007. Government recognizes the potential of the co-operative movement to generate wealth, contribute to further poverty reduction and foster wealth redistribution especially in rural areas. The political leadership not only advocates for the formation of co-operatives but is also committed to the creation of a favorable environment for co-operative development.

Political stability and security in most parts of the country is conducive for cooperative development

2.3.2 Labour Abundance and Flexibility

One of Uganda's major strengths is in the flexibility of its labour market 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'⁹. 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 by now be 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 industrial and services sector as the structural transformation of the economy takes root. It is therefore important that co-operative businesses are strategically positioned to exploit the expected economic and labour market shifts in the country as well as other global trends.

⁹ World Bank (2006)

2.3.3 Abundant Natural Resources

Uganda has a rich diversity of natural resources such as the numerous water bodies for irrigation, electricity generation, transport and a habitat for several aquatic species. Others include favourable climatic conditions, wild life, and minerals including gold, zinc, diamond, vermiculite, silica, petroleum and fertile soils. These provide an opportunity for the diversification of co-operative enterprises.

2.3.4 Existence of Trained Co-operative Personnel within the Community

There is a pool of trained cooperative personnel within the community. These include all the unemployed graduates from various co-operative training institutions and the former co-operative extension staff. These have the requisite technical know how, qualifications and experience to manage the co-operatives. In addition, Uganda produces over 20,000 university graduates per year who can be retooled to serve the cooperative movement.

2.3.5 Existence of a Pool of Potential Cooperators within the Society

Uganda has a population of 29.6 million¹⁰ people of which 3.9 million are co-operative members. This leaves an untapped potential of approximately 9 million people from which the co-operative movement can recruit. Some of these are already organized into formal and informal non co-operative associations which include the NAADS farmer groups, UNFFE groups, ROSCAS, Burial groups, village savings and loan associations and employee associations which can be mobilized into formal cooperatives with relative ease.

2.3.6 Literate Community

The National Household Survey 2005-06, puts the nation's literacy rate at 69%. This is attributed to among others UPE, USE FAL and COPE programmes. These programmes are important for the facilitation of co-operative education and strengthening of the co-operative management. In addition, Uganda produces over 20,000 university graduates per year who can be retooled to serve the cooperative movement.

2.3.7 Wide Scope of Co-operative Enterprises

Co-operatives exist in virtually all sectors of the economy. However, in Uganda they are predominantly engaged in the production, processing and marketing of agricultural products like: - coffee, milk, tea, cotton, beans, maize and honey. There is limited involvement in other areas such as housing, transport, insurance, finance, health, environment and tourism. Unfortunate incidences of crop failure due pests and diseases, and other vagaries of nature, leave the cooperators with no alternative choices to rely on which, limits wealth creation. This narrow scope therefore, presents the opportunity for further diversification of the co-operative enterprises.

2.3.8 Market Expansion

Uganda's internal market has increased due to sustained population growth, increased school enrolment, urbanization, industrialization and improvement in the per capita income. In addition, Uganda's strategic location within the Great Lakes region presents a huge export market potential for co-operative products to Sudan, The Democratic Republic of Congo, Kenya, Burundi, Rwanda and Tanzania. Uganda being a member of

¹⁰ UBOS,2008, Statistical Abstract

regional and international trading blocks presents a good opportunity for market expansion. The development of cooperative business should, therefore, be strategically tailored to maximize the benefits from the expanded markets.

2.4 Threats

2.4.1 Inadequate Infrastructure

According to the World Competitiveness Report 2006, infrastructure is the second factor of Uganda's competitive disadvantage. The country ranks poorly on the quality of electricity supply, roads, port and railroad development. The investment in Bujagali hydropower (250 MW) and the anticipated 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 electricity generation capacity will be expanded further through a combination of thermal, mini 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 increased use of independent power plants and diverse sources of supply. This poses a serious threat to the diversification of co-operatives as well as the efficiency in the running of the existing co-operative business.

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

2.4.2 Entry of Multinational Corporations

The onset of economic liberalization triggered off greater participation of multinational corporations in the local businesses previously dominated by co-operatives and other local players. The entry of regional and global players with higher skills and organizational quality inevitably relegates co-operative societies to the lower business side. Moreover the participation of these players in the Ugandan economy is 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. Stiff competition extends throughout the value chain from innovation, R&D, design, production and processing to services and management. This presents a challenge to the locally focused firms.

There is also the proliferation of substandard and counterfeit goods; particularly agricultural and industrial inputs on the domestic economy. This has adverse effects on

the production and productivity of co-operatives which ultimately impedes access to foreign markets.

2.4.3 Unfair Business Practices

The operations of some individual business people and firms (middlemen) engaged in processing, marketing and service provision in the domestic market offer stiff competition to the co-operative business. These persons have a competitive edge over co-operatives because they offer instant and sometimes advance payments. This practice tends to be exploitative as it not only ties producers to the middlemen but often compromises quality standards, compliance to co-operative behavior and eventually the international market for the products.

2.4.4 HIV/AIDS and Malaria

The 2005 HIV/AIDS National Status Report indicates prevalence rates of 6.4% and 0.7% for persons aged 15-49 years and children less than 5 years respectively¹¹. Although the Health surveillance reports indicate very high levels of awareness, increased levels of knowledge about protection from HIV/AIDS and increased condom use in non-regular partnerships, the pandemic continues to affect the population in various ways. Like HIV/AIDS, malaria continues to claim lives of the productive members of society, reducing the working time and energy of the people. The effects of these diseases pervade nearly all aspects of society; the co-operative movement inclusive.

2.4.5 Environmental Degradation

From 1971 to 1997 Uganda lost 50%¹² of its forests including virtually all the natural ones. Between 1998 and 2005 the country lost a further 26% of the remaining forest cover and deforestation continues at a rate of 2.2% per annum; mostly due to subsistence farming, cutting wood for fuel and colonization by the burgeoning human population. Further more, water bodies and wetlands have been so degraded that the water level of Lake Victoria has dropped by more than a metre. The net effect of environmental degradation has been frequent and severe occurrences of drought, floods, landslides and hailstorms. These negatively affect co-operative activities hence the need for mainstreaming environmental concerns in cooperative business.

2.4.6 Lack of Gender Awareness among the Population.

The lack of gender awareness among the population causes people to ignore different situations and needs of women and men throughout the process of decision making, planning, implementation, monitoring and evaluation. This disadvantages women and other vulnerable groups in issues of access to and control of resources and benefits as well as equal participation in the cooperative movement.

¹¹ Source: <http://www.aidsuganda.org>. Viewed at 13hrs, 16th April, 2009

¹² Source: www.rainforests.mongabay.com/2ouganda, www.wetlands.go.ug, www.nationsencyclopedia.uganda-climate

3. 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-operative Policy is therefore guided by the following principles:

a. Statement on Co-operative Identity

The policy shall conform to the 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.

Cooperatives are also based on the values of self-help, self responsibility, democracy, equality, equity, solidarity, honesty, openness, social responsibility and caring for others.¹³

b. Public- Private Partnership

The Government shall partner with the private sector in the implementation of the National Co-operative 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 Government shall also promote synergies between the cooperative movement and the other private sector in the implementation of this Policy.

c. Gender Responsiveness and Equal Opportunities for All

Creating equal opportunities for participation in co-operatives through entrepreneurship development, promoting involvement of disadvantaged groups¹⁴, gender mainstreaming and sensitivity to gender specific concerns in the conduct of co-operative business is a key consideration for this policy

d. Environmental Sustainability

Co-operative business shall be conducted in a manner that harnesses environmental sustainability.

e. Recommendation 193 on the Promotion of Co-operatives

This policy is cognizant of the ILO Recommendation 193 which emphasizes promotion and strengthening of the identity of cooperatives.

f. Quality Assurance, Standards and Competitiveness.

The National Cooperative Policy provides mechanisms and systems for the standardisation of the operations and service delivery geared towards promoting competitiveness and quality assurance.

¹³ ICA (2008) Statement on Cooperative Identity

¹⁴ The disadvantaged groups include youth, elderly and people with disabilities

g. Integrated Cooperative business

The National Cooperative Policy seeks to strengthen the linkage between finance, production and marketing as outlined in the Essential Triangle of Cooperative Production

4 POLICY ACTIONS

4.1 Strengthening the Cooperative Movement

Government is committed to strengthening and revitalizing co-operatives as key business players in the economy

The government shall:

- i. Review the status and operations of the existing co-operative societies countrywide to make them more responsive to member needs and implement the necessary revitalization interventions.
- ii. Mobilize people to form co-operative societies that suit their common interests.
- iii. Facilitate the establishment of tertiary co-operatives to provide specialized services such as cooperative insurance and commercial banking.
- iv. Rebuild the co-operative-image through improved governance, better service delivery and publicity campaigns among other measures
- v. Support the development of all types of cooperative societies¹⁵ into strong and sustainable institutions.
- vi. Promote close collaboration between regional and international co-operative movements and other agencies

4.2 Legal and Regulatory Reforms

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

The government shall:

- i. Review, amend and where appropriate establish relevant laws¹⁶ and regulations.
- ii. Review the structure and operations of the Co-operative Development Department both at the central and local government levels to make it more effective in regulating the co-operative movement
- iii. Review the structure of the cooperative movement.

4.3 Compliance with relevant Laws

Government shall ensure compliance to laws, regulations, standards and other tenets of good governance in the co-operative movement

The government shall:

¹⁵ SACCOS, Agricultural marketing, housing, fishing, transport, consumer

¹⁶ These include but are not limited to the Co-operative Societies Act, Cap.112, Co-operative Societies Regulations, 1992 and the Income Tax Act, Cap 340

- i. Develop, disseminate and enforce compliance to the co-operatives code of best practice.
- ii. Deregister and liquidate non-compliant co-operatives.
- iii. Supervise, monitor and evaluate co-operative societies' activities

4.4 Quality Assurance, Standards and Competitiveness

Government shall institute, promote and enforce quality assurance measures that conform to standards in the management of co-operative business

The government shall:

- i. Facilitate, disseminate and promote application of standards to co-operative products and services
- ii. Support Warehouse Receipt System, Commodity Exchange and collective marketing through unions and primary societies
- iii. Work with public and private training institutions to provide business and entrepreneurial skills that promote the competitiveness of the co-operative movement

4.5 Diversification of Co-operative Enterprises

Government shall promote the diversification of co-operative enterprises beyond the current scope dominated by commodity marketing.

Government shall;

- i. Facilitate feasibility studies to establish other viable co-operative enterprises
- ii. Generate and disseminate information on viable co-operatives through magazines, publications, seminars and workshops.
- iii. Mobilize and sensitize communities about the different types of cooperatives
- iv. Promote knowledge and skills transfer through study visits to facilitate learning from co-operatives' best successes.
- v. Promote new cooperatives enterprises based on existing industrial and agricultural zones among other considerations.
- vi. Promote, undertake and facilitate research and development in the cooperative movement.

4.6 Human Resource Development

Government is committed to supporting co-operative education and training that meets the ever changing co-operative movement needs.

The government shall:

- i. Undertake a comprehensive co-operative training needs assessment

- ii. Conduct a comprehensive member education and training program
- iii. Develop training materials to facilitate the delivery of effective member education.
- iv. Monitor and evaluate education and training programs.
- v. Translate and disseminate co-operative education materials and information into Swahili and local languages.
- vi. Strengthen the Cooperatives Development Department through recruitment of staff and provision of continuous staff training
- vii. Facilitate cooperatives to participate in the national, regional and international cooperatives trade fairs.

4.7 Management Information Systems (MIS)

Government shall support the upgrading and modernization of Management Information Systems for the Ministry and the co-operative movement to enhance sound and consistent management practices across the sector.

Government shall:

- i. Upgrade and automate the existing Management Information Systems of the co-operative movement
- ii. Network with relevant private and government agencies to provide timely and relevant market information to cooperators and other key players in the sector.
- iii. Disseminate relevant information for advancing the objectives of the co-operative movement
- iv. Establish and manage a Cooperative Satellite Account
- v. Carry out cooperative societies mapping to ease interventions by the various stakeholders.

4.8 Promoting Cooperative Activities at the Regional Level.

Government shall promote harmonisation of the cooperative policy and those of the region so as to deepen EAC regional integration process

Government shall:

- Ensure that the cooperative policy and movement does not introduce barriers that may be a hindrance to the EAC regional integration.
- Monitor and evaluate the implementation of EAC council decisions on cooperatives.
- Establish collaborations between the regional and international cooperative movement and other agencies

4.9 Crosscutting Issues

4.9.1 Gender mainstreaming and Fair Representation of Marginalized Groups

The Cooperative movement shall promote gender mainstreaming, and empower disadvantaged groups and people with disabilities with a view to enabling them participate equally in the co-operative movement. In this regard cognisance shall be made of the Gender Policy.

Specifically it shall promote:

- Gender equality
- Awareness and transformation through sensitization on gender issues

4.9.2 Co-operatives and Sustainable Natural Resource Use

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

The Cooperative movement shall;

- i. Conduct awareness campaigns on environmentally friendly practices in co-operative enterprises
- ii. Mainstream environmental concerns in the conduct of co-operative business
- iii. Develop and promote adherence to environmental standards through eco-labels

4.9.3 HIV/AIDS and Malaria

The Co-operative movement, through its wide network, shall mitigate the spread and effects of HIV/AIDS and Malaria

The Cooperative movement shall;

- i. Conduct cooperative members' awareness of HIV/AIDS and malaria.
- ii. Mainstream HIV/AIDS issues in the conduct of co-operative business

5. IMPLEMENTATION, INSTITUTIONAL FRAMEWORK AND MONITORING

In order to successfully implement the National Co-operative Policy, a public- private partnership approach shall be adopted. The Ministry of Tourism, Trade and Industry shall provide policy guidance, set standards and lead the implementation of the policy in collaboration with the Office of the Prime Minister and other relevant Government Ministries. These include Ministries of:

- Finance, Planning and Economic Development
- Local Government
- Agriculture, Animal Industry and Fisheries
- Gender, Labour and Social Development
- Education and Sports
- Justice and Constitutional Affairs
- Lands ,Housing and Urban Development
- Information and Communication Technology
- Works and Transport
- Energy and Mineral Development
- Water and Environment
- Health.
- Public service
- East African affairs
- Defense

In addition, the Ministry of Tourism, Trade and Industry shall collaborate with the relevant Government Departments and Agencies, the private sector organizations including the Cooperative Movement and the CSOs.

The Ministry shall work closely with the Ministries of Finance Planning and Economic Development, Local Government, Information and Communication Technology, the Department of Ethics and Integrity and the National Planning Authority to ensure the integration of co-operatives and other co-operatives related issues in the national development framework and Development Plans.

The Ministry will also regularly interact with the academia and relevant civil society organizations. A National Co-operative Development Forum shall be established to facilitate regular interaction and information sharing.

A National Co-operative Development Plan will be developed to guide implementation of this policy.

Monitoring and impact assessment of Policy implementation shall be carried out on a regular basis using appropriate sets of indicators and shall involve full participation of the key stakeholders. The Policy Analysis Unit of the Ministry shall coordinate the overall monitoring, evaluation and review of the policy.

5.1 Roles of Key Players

The roles of each of the key players are defined below:

5.1.1 Ministry of Tourism Trade and Industry

- i. Disseminating the policy
- ii. Mobilizing resources for policy implementation;
- iii. Coordinating all MDAs involved in implementation of the Policy;
- iv. De-registering and liquidating non compliant co-operative societies;
- v. Supporting functionality of District Commercial/Co-operative Offices in the implementation of the policy
- vi. Developing and adopting measures to facilitate co-operatives to access investment finance and credit
- vii. Mainstreaming and strengthening gender equality in co-operatives
- viii. Promoting best practice on corporate governance in co-operatives
- ix. Supervising operations of co-operative training institutions;
- x. Promoting the important role of co-operatives in transforming informal economy into legally protected work, fully integrated into mainstream economic life.¹⁷

5.1.2 District/Municipal Commercial/Co-operative Offices

- i. Implementing the National Co-operative Policy in their areas of jurisdiction;
- ii. Integrating the National Co-operative Policy issues in district development plans;
- iii. Providing technical support services to co-operative societies;
- iv. Supervising and monitoring co-operative activities;
- v. Collecting and disseminating co-operative management and market information.
- vi. Settling of disputes in co-operatives within areas of jurisdiction

5.1.3 Apex Body

- i. Lobbying and advocacy for the co-operative movement
- ii. Promoting relationships and alliances between national and international bodies and institutions involved in the development of co-operatives
- iii. Image building of the co-operative movement;
- iv. Providing Capacity building and advisory services to the co-operative movement
- v. Mobilizing resources for the co-operative movement;
- vi. Producing and disseminating IEC materials
- vii. Carrying out research on co-operatives
- viii. Investing in human resource development

5.1.4 Tertiary Co-operative Societies

- i. Providing specialized services to co-operatives
- ii. Advocating for the members
- iii. Providing capacity building to the members
- iv. Representing the members at the Apex Body
- v. Providing linkages to national, regional and international markets and networks

¹⁷ ILO (2002) Recommendation 193

- vi. Investing on behalf of the members to generate wealth;
- vii. Investing in human resource development

5.1.5 Secondary Co-operative Societies

- i. Bulking, processing and marketing members' commodities
- ii. Procuring inputs in bulk for the members
- iii. Negotiating for better prices on behalf of the members
- iv. Establishing TDS
- v. Securing funding for co-operative business.
- vi. Trading through the Warehouse Receipt System and the Uganda Commodity Exchange.
- vii. Investing in human resource development
- viii. Investing on behalf of the members to generate wealth;

5.1.6 Primary Co-operative Societies

- i. Marketing of agricultural products;
- ii. Disseminating information on standards and enforcing compliance.
- iii. Providing the needed services to the members
- iv. Mobilizing savings;
- v. Providing financial services;
- vi. Investing on behalf of the members to generate wealth;
- vii. Processing and adding value to primary commodities.
- viii.** Educating and training members.
- ix.** Investing in human resource development

5.1.7 Development Partners

- i. Providing technical support for policy implementation;
- ii. Mobilizing resources.
- iii. Facilitating access to regional and international data
- iv. Facilitating human resource development of the co-operative movement
- v. Promoting programmes for co-operatives aimed at enhancing productivity

6 CONCLUSION

In order to build a strong, vibrant and prosperous co-operative movement, this policy shall promote a saving culture, high productivity, value addition and collective marketing that contribute to increased household incomes, economic transformation and development of the country.

This shall be realized through:

- Instituting the necessary legal reforms to promote good governance that will facilitate rebuilding and revitalizing the co-operative movement;
- Strengthening the Ministry of Tourism, Trade and Industry and local Government co-operative offices for effective service delivery;
- Diversification of co-operative enterprises;
- Enhancing productivity & competitiveness;
- Co-operative training and education;
- Promoting gender balance, fair representation of marginalized groups and good environmental practices within co-operatives;
- Mitigating the spread and effects of HIV/AIDS and malaria using the co-operatives network;
- Improving coordination within Ministries, Departments and Agencies, and private- public partnerships.

The Consultative process that has been followed in developing this policy has helped to identify the priority areas for co-operative development and relate it to national development policies. Strategic actions to help achieve these priorities have also been arrived at through a consultative process mechanism.

An effective and efficient public-private partnership arrangement is envisaged for the implementation of the policy.