

Enabling Agricultural Cooperatives through public policy and the state: case of Uganda

Presentation at UNRISD conference:
Social and Solidarity Economy: Potential and Limits
6-8 May 2013. Geneva

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Structure of the Presentation

1. Introduction
2. Background to the Development of Agric. Coops.
3. The role of government and state in enabling of coops.
4. Challenges faced by government.
5. Conclusions and recommendations

Introduction

- Cooperatives offer enormous potential for delivering growth by providing opportunities and empowering the vulnerable to participate in development.
- Indeed a sizeable Ugandan population derives its livelihood through co-op. based activities.
- Over the last decade, the Ugandan govt. has been reviving the coop. sector, whose collapse started in 1971, when Idi Amin declared 'the economic war', and expelled Asians from the country.

Introduction..

- The government has sought to create an enabling environment for coops. to develop and thrive.
- It has strengthened surviving cooperatives and promoted the establishment of new marketing and financial cooperatives to reach farmers with services that contribute to improving rural livelihoods and reducing poverty.
- The Government realized that, 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 and inadequate knowledge.
- The legal and regulatory framework was inadequate to ensure proper coops. functioning.

Introduction...

- The devpt. of coops. is a key component of the Ministry of Agriculture, Animal Industry and Fisheries Development Strategy and Investment plan whose aim is to:
- Increase agricultural production and productivity;
- Increase access to markets and value addition;
- Create an enabling environment for the private sector in agriculture; and
- Strengthen agricultural institutions.

Introduction..

- Govt. is also implementing the '*Prosperity for All*' program which is the national devpt. objective, and is reviewing policies and approaches to development that need to be streamlined with coops. if the economy is to grow sustainably.
- The Uganda Cooperative Alliance (UCA), an independent umbrella organization of cooperatives, is spearheading reforms of the sector.
- The reformed coops. offer a complimentarity of services by combining access to financial services through SACCOs with bulk-marketing services for farmer produce through Area Cooperative Enterprises (ACEs) and Rural Producer Organizations (RPOs).
- While there is increasing participation of govts. in supporting effective devpt. of coops., there is scanty literature on the topic particularly on the African economies.

Study objectives

- The study analyses the role of public policy and the state in enabling the cooperatives in Uganda, focusing on *agriculture*.
- **Overall objective:** Increase understanding of how the growth of cooperatives can be enhanced.
- It provides some recommendations for policy makers on the way forward.
- **Specific objectives:**
 - How are the cooperatives structured? What are their activities and challenges are they facing?
 - Under what conditions are politicians and policy makers supporting the cooperatives?
 - What types of public policies, laws and government programs have facilitated cooperatives scaling-up? How effective are the policies and to what extent are the support approaches bottom-up (participatory)?

Introduction...

- What resources and institutional support is provided by the government to cooperatives and how effective and sustainable are they?
- What are the institutional challenges faced by government in fulfilling its policy commitments?
- What is the recommended way forward?
- The study reviewed the available literature and analyzed both primary and secondary data on the topic.

Background to the Development of Agric. Coops.

- The co-op. movement in Uganda started in 1913 driven by the urge to fight against exploitation of the private European and Asian interests that monopolized domestic and X marketing.
- It operated informally, until the 1946 when Co-op. Societies Ordinance was enacted to legalize their operations.
- They expanded through the period of independence 1962 – 1970 as the govt. favored them as policy instruments for rural development and provided direct govt. assistance and subsidized services.
- However the performance of coops. declined during Idi Amin and Obote II years, 1971 – 1985 , starting from 1972 when Idi Amin declared ‘the economic war’ that saw the expulsion of Asians from Uganda, and a fall in the prices of controlled crops like cotton and coffee where co-ops operated, thus a shift to other crops like maize and beans.

Background...

- Though Obote's govt. attempted to revive co-ops. during his regime 1980-85, his efforts were hampered by excessive govt. involvement that virtually turned coops. into govt. parastatals.
- Worse still, as the guerrilla war intensified, such efforts were destabilized as the war was largely fought in the co-op. movement's strongholds.
- *A further decline of cooperatives performance following Structural adjustment policies* in the late 1980s, which resulted in liberalization of agric. markets, privatization of public institutions, and cutting of Govt. services to many sectors.

Revival of cooperatives

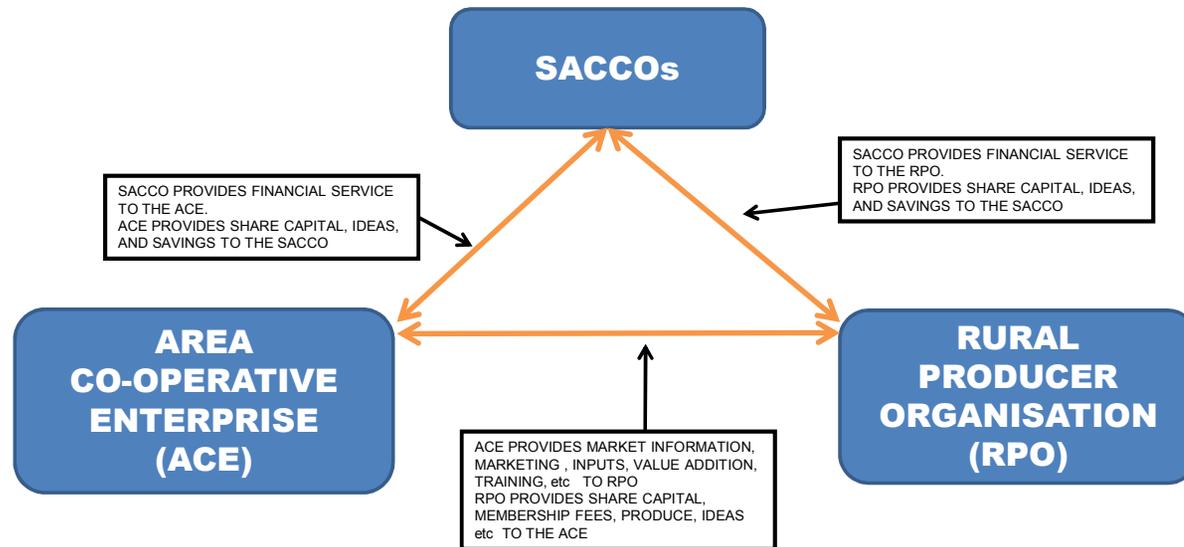
- Beginning the late 1990s revival of the coop. movement was started by UCA in collaboration with other stakeholders.
- The UCA has focused on organizing and strengthening grassroots farmer organizations to maximize membership and build their commitment.
- Grassroots community based organizations, parish farmers associations and other smaller farmer groups were all organized under Rural Producer Organizations (RPOs), that act as coops. where produce supplied by members is bulked and marketed collectively.
- At the sub-county level, the Area Cooperative Enterprises (ACEs) created to act as smaller coop. unions for the RPOs.
- ACEs market produce for their members and bargain for better prices, collect & disseminate market information, add value to members' produce e.g. through processing.

Revival of cooperatives

- They also link producers and input dealers, support agricultural extension services, production planning etc.
- In the new approach to coop. activities, there is a linkage between RPOs, ACEs and SACCOs, which is termed: “**triangular model.**” Fig 1:
- The RPOs, (the producers), supply produce to the ACE.
- An ACE may market produce to individual traders or export traders.
- The RPOs and ACEs may register as members of the union and trade directly with it.
- SACCOs provide financial assistance to the RPOs (farmers), who are registered members of the SACCO, and to the ACE.
- Members can access loans from the SACCO using the produce that they supply to the ACE as security.
- The previous old structure of coops. had been vertical in a hierarchy, with farmers at the lowest level sending their produce to the primary societies and the primary societies sending it to the unions, who sent the produce to the marketing boards for export.

Linkage between RPOs, ACEs and SACCOs

TRIANGULAR MODEL BEING PROMOTED BY UCA



Revival of cooperatives

- The reformed coops. are meant to be managed as profitable business units competing with other private traders in agric. output markets.
- Coop. marketing has been greatly expanded and enriched to include non-traditional crops and other products such as honey and fish, to ensure an all-year business pattern, reduce the risks of crop failure and low prices during the peak production season.
- Currently the co-operative movement is composed of 13,202 co-operative societies (90 % are involved in agric. marketing and production, and savings and credit), with a membership of about 4 mill. people.

Introduction...

- There are 13,064 primary societies/RPOs, 129 secondary societies of which 70 are ACEs, 8 tertiary societies and 1 apex, UCA Ltd.
- The activities of agricultural coops. can be categorized in five: (i) Production and marketing (ii) Agro processing and value addition (iii) Savings and Credit (iv) diary; and (v) Consumer.

Govt. Interventions

- *Clear policy guidelines for cooperatives: to guide the operations of the coops.*
- Coop. devpt. policy, (2011) outlines strategies to develop & strengthen the co-operative movement.
- This shall be realized through:
- Instituting the necessary legal reforms to promote good governance that will facilitate rebuilding and revitalizing the co-operative movement;
- Diversification of co-operative enterprises;
- Enhancing productivity & competitiveness;

Govt. Interventions

- Co-op. training and education;
- Promoting gender balance, fair representation of marginalized groups and good environmental practices within co-operatives;
- Improving coordination within Ministries, Departments and Agencies, and private-public partnerships.
- A public–private partnership arrangement for the implementation of the policy.

Govt. Interventions

- The policy is a result of wide consultative process involving govt. officials, private sector, co-operators, academia, donor community and mass media.
- The Consultative process has helped to identify the priority areas for co-op. devpt. and relate it to national devpt. policies.
- A National Co-op. Devpt. Plan has been developed to guide implementation of this policy.
- Monitoring and impact assessment of Policy implementation shall be carried out on a regular basis and with full participation of the key stakeholders.

Govt. Interventions...

- The Cooperative Societies Act and Regulations 1992 are being amended to support the implementation of the National Coop. Policy.
- *Support to agro-processing and value addition*
- Through an Agricultural Credit Facility that would facilitate procuring of agro-processing machinery and equipment.
- *Support to marketing institutions* :establishment of a Warehouse Receipt System and commodity financing to increase access to commodity trade finance, improve stock quality, access to better markets, and maximization of returns.

Govt. Interventions...

- This system minimizes the need for crop finance, yields bargaining power, thus leading to reduced exploitation of farmers by middlemen.
- It also encourages linkage among coops. where the savings and credit societies provide funding for the producer and marketing cooperatives.
- However, participation by farmers in collective marketing and utilizing the ware house receipt system to enhance their incomes is still low.

Govt. Interventions...

- *Strengthening cooperative capacities*
- In collaboration with private partners, capacity building is being carried out by the MTIC, focusing on leadership and management.
- *Popularization of coops. to revive them*
- Extensive community mobilization and sensitization and general education to raise the communities' awareness about co-ops., improving their financial literacy and banking culture, gender awareness, climatic change and health management.
- More RPOs are joining cooperatives as a result.
- Communities are encouraged to participate in promotion activities where they exhibit what they do and share knowledge.

Govt. Interventions...

- A national coop. devpt. Forum established to facilitate interaction and information sharing in the sector.
- However, more efforts are needed towards cooperative sensitization.
- *Support to Management Information Systems:* Implementation and popularization of CODAS to support information linkages between the Department and the movement .

Govt. Interventions...

- *Cooperatives and Gender*
- In execution of cooperative support work, government & its stakeholders ensure that both women and men participate in economic activities and leadership and management of their coops. e.g through: training on Gender.
- The training + sensitization has led to an increase in the number of women participating in cooperative activities and accessing services.
- Involvement of the youth in coops. is being promoted through youth clubs in secondary schools.
- *Concern for the environment:* training is done on environmental issues to ensure sustainability of the farmer coop. livelihood from land.

Challenges faced by government

- Govty. is faced by a number of institutional challenges in areas:
- human and financial resources
- Resistance from the cooperative movement.
- Inadequate skilled human resources for supervision and technical services.
- Partly attributed to restructuring govt. departments after decentralization which left cooperatives with few staff especially at the local government level.

Challenges faced by government...

- Currently, commercial officers handle all the commercial services at the district level (trade, tourism, industry and coops). Not enough attention.
- After decentralization, the district commercial servs depart. was merged with the production depart. dominated by agric. leaning officers e.g agric., vet. and fisheries who supervise coops.
- A ban on recruitment of new staff for the MTIC following its creation from the former Ministry of Tourism, Trade and Industry in July 2011.

Challenges faced by government...

- This has denied the Ministry critical staff to perform its functions.
- A need for scaling up human resources for supporting coops. at local and central Govt. levels.

Challenges faced by government...

- Insufficient resources: a major constraint to the coops. of the MTIC.
- MTIC 2012, notes that several activities towards revitalization and devpt. of coops including extension services, public awareness and infrastructure are limited by insufficient funding.

Challenges faced by government...

- *Conflict of interest or misunderstanding of roles of MTIC by the cooperative movement .*
- Could signify weaknesses in linkages between the govt. and coop. movement.
- Proliferation of externally dependent SACCOs in rural areas; a result of some Govt. officials mobilizing the people to form SACCOs in order for them to access Govt. support from PFA.
- Some incidences of political interference in the management and operations of SACCOs particularly during the election of leaders and recovery of overdue loans from the defaulters
- A feeling among Unions that creation of ACEs has led to marginalisation of Unions as support resources would now be focused on developing ACEs.
- An implication is that the coop. reform process may have been misperceived by or not well justified to the Coop. movt.

Conclusions and recommendations

- The paper analyzed the role of public policy and the state in enabling Agric coops. in Uganda.
- The paper notes that Ugandan govt. has since early 2000s facilitated the scaling up, conduct and integration of cooperatives in the devpt. process **through:**
- Incorporation of coops' relevance into relevant plans, strategies and programs.
- Consultative formulation of a Coop. Devpt. policy, amendment of Coop. laws and regulations;

Conclusions and recommendations

- Promotion of ACEs. to improve services to Coops..
- Institutional support to increase efficiency of agricultural produce marketing and returns.
- support to financial services coops. to increase capital.
- Agricultural extension services and value addition support;
- sensitization and promotional activities to popularize cooperatives;
- capacity building of cooperatives.
- Integration of gender and environment concerns in coop. devpt.

Conclusions and recommendations

- Some **institutional challenges** to be addressed:
- Inadequate skilled human and financial resources.
- Weak linkage between the govt. and coop. movement.
- **END THANK YOU**