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A HISTORICAL OUTLINE OF THE DEVELOPMENT  
OF THE COOPERATIVE MOVEMENT IN UGANDA.

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PREFACE: This paper is part of the result of the research the author is currently conducting on the Role of the Cooperative Movement in Uganda in the Economic Development of the Country. The purpose of this historical survey is firstly, to give a general view of the stages of development of the movement from its humble beginnings to the present time. No attempt is made here to discuss the various activities of the movement in any of its fields of operations.

Secondly, the paper attempts to illustrate that the development of the movement in Uganda had its roots from the spontaneous activities of the Ugandans themselves, rather than through Government initiative and inspiration as is usually imagined, although at the moment, through Government's increasing paternalistic attitude towards the movement, the latter appears to have lost its spontaneity. One can then see that the encouragement the Government gave, and is giving to cooperatives, stemmed partly from the fact that African aspirations to enter the industry and commerce of this country as individuals or through cooperatives were thwarted in the past by the earlier Administration and established interests, and partly from the Government's belief in the use of the movement as an instrument of economic and social policy.

INTRODUCTION: Cooperative participation in the commerce and industry of this country is seen for all intents and purposes, as an indigenous take-over of alien concerns, particularly, in the cotton industry. The history of the movement is, therefore, tied up with African desire for the control of the industry and commerce of the country, coupled with indigenous opposition to the restrictions placed on free entry into the processing industries. This desire is exemplified in these words: "We Ugandans want to be in control of our own affairs. That is why our Government favours and supports Cooperatives as the best way to develop the people ..... share in the growth of Uganda."<sup>1</sup>

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1. Uganda Cooperatives - People with a Purpose-Pamphlet issued by the Dept. of Cooperative Development, Kampala, page 2.

The redistribution of economic power which the formation of Cooperatives in the Country entailed, has not been brought about without some ugly scenes. Mounting agitations by the Ugandans against the disabilities placed on them had led to some rioting and pillaging of alien business concerns. Speaking to a Drum Reporter about the 1949 Buganda riot, for instance, an M.P. who actively backed the trade boycott by the Bataka Party and the Uganda African Farmers' Union (UAFU) commented thus: "Our aim was to paralyse the Asian-dominated trade which would result in an African share of the trade".<sup>1</sup>

The methods employed in this agitation might be reprehensible because, as it is usual with rioting mobs, some unscrupulous elements took the chance "to steal and damage their fellow countrymen's property for the mere fact of personal grudges."<sup>2</sup> Yet it is true that if firm action had not been taken by the Ugandans themselves to make their grievances known, they would still have been precluded from the ginnery trade on grounds of lack of managerial ability.

The Uganda Government now has it as its avowed policy to Africanise the economy through Cooperatives. The history of the Cooperative movement in the country can conveniently be divided into two parts, namely,

- (a) The period before 1945 and,
- (b) The period after 1945.

In considering both strands in the history of the movement it should be borne in mind that under both colonial and indigenous rule, the Government of Uganda adopted a paternalistic attitude towards the economic development of the country; i.e. Government's control and direction of economic activities. Consequently, the private sector was not sufficiently encouraged. In the first strand, Government's paternalistic attitude, in the main, took the form of protecting non-African business concerns from competition, by restricting the entry of Africans into the cotton ginning industry, cold attitude towards cooperative development, followed by indigenous agitation against such restrictive practices as thwarted their legitimate aspirations. In the second strand, paternalism has taken the form of encouraging and nurturing cooperative development as a means of fostering African enterprise, in other words, redressing the wrongs of the past. The alternative measure, however, would have been to liberalise cotton ginning and licensing regulations, which could have helped small businessmen to have an early foothold in the commerce of the country, rather than

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1. East African Drum, July Issue 1966.

2. Ibid.

direct encouragement of cooperative, a measure which now involves giving protection to another set of vested interests. This division is, however, not rigid, but is a convenient way of looking at the development of the movement in the country.

THE PERIOD BEFORE 1945.

Although this period, from the point of view of colonial administrators, is considered as a period of lukewarm attitude to cooperatives, official policy towards African aspirations and cooperative endeavours was, by no means, unanimous. Pressure groups and individuals had different views on the matter. Vested interests like European and Asian ginners always spoke against African enterprise, but in official circles, different colonial administrators, at different times, thought differently in respect of African enterprise and cooperative organisations. Hence the view expressed by Hancock that "What has so far been proved is simply the fact that colonial idealists do not think alike".<sup>1</sup> In the controversy raging in the 1910's between European coffee planters and some colonial administrators as regards the legitimacy, or otherwise, of encouraging alien coffee plantations in the country, to the detriment of African Coffee production, Francis Spire, the Provincial Commissioner, Eastern Province in 1915, looked on the advent of Busoga European coffee planters "with cautious approval", and urged that "every development must be carried out by the natives".<sup>2</sup> At its face value, this assertion was not clear whether 'development' was to be confined to crop raising. The view was more clearly stated later by the Chief Secretary to the Government of Uganda in October 1921, in the following words:

"As regards crops in Uganda,  
I consider the best policy is  
for the natives to grow these  
and for the Europeans to purchase  
and market them. This is,  
I believe the Director of Agriculture's  
view and it has proved to be the  
correct one."<sup>3</sup>

Such a policy rather buttress the "primitive economic systems"

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1. Hancock, S.W.K., Commonwealth Affairs, Lond. 1940, part 2, page 176.

2. Wrigley, C.C., Crops and Wealth in Uganda, East African Studies, No.12, page 31.

3. Ibid. page 40.

against the "impact of the market economy,"<sup>1</sup> and if it had been adopted wholly as an instrument of policy, it would have reduced the natives to the position of mere producers of agricultural commodities. That could not be defended either on the principle of division of labour and specialisation or on grounds of economic advantages to the people. Apparently, some Ugandans in the ruling hierarchy had been led to believe that that was an acceptable policy. For instance, the Head of the Kabaka's Government of Buganda<sup>2</sup> spoke of "the verbal contract" between Government and expatriate traders - Asians and Europeans - in which "These traders were not allowed to set up cotton and coffee farms". "It was the responsibility of the Government to see that the people cultivated and sold their cotton to the Asian and European ginners".<sup>3</sup>

In line with this mode of thinking, restrictions were placed on African Commercial activities in Uganda, almost since the beginning of British Administration in the country. In 1901, petty trading was prohibited, a measure to keep the towns clean, thus "displaying a passion for tidiness."<sup>4</sup> The 1902 law<sup>5</sup> stipulated that no person was to trade without a licence, (except planters and farmers disposing of their produce from their farms). Under the Cotton Rules of 1910<sup>6</sup> itinerant cotton buyers were forbidden from buying cotton from growers unless they were licensed. Cotton buying was limited to Government approved markets. By the 1918 Cotton Rules,<sup>7</sup> purchasing of raw cotton, keeping of any factory or store for purposes of processing cotton were all forbidden, unless by a licence issued by the District Commissioner of the District, who could, at his own discretion, refuse to issue such a licence, or revoke any such licence already issued. Licensing of ginners as distinct from cotton buyers was achieved by the introduction of the Cotton Rules of 1920. Under section (27) of the Rule, "No person shall gin or bale cotton at any place within the protectorate unless he is in possession of a licence in respect of such place issued to him by the Director of Agriculture".

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1. Ehrlich, C., Some Social and Economic Implications of Paternalism in Uganda, Journal of African History, IV, 2, 1963, page 279.
  2. Under the 1967 Constitution the Buganda Govt. has been dissolved.
  3. East African Drum, op.cit.
  4. Ehrlich, C. op.cit. p. 280
  5. Uganda Laws, 1902, No.3 of 1902.
  6. The Rule was originally for non-natives, but was amended in the same year to include natives who served as agents or employees of those required to be licensed under the previous Rule - Uganda Gazettee, 1910, p. 182. The Rule was made under the Cotton Act of 1908, No.5, 1908.
  7. Uganda Gazettee, 1918, No.594 of 1918, p.472.
  8. Uganda Gazettee, 1920, pp.491-497.

It was not easy for Africans to obtain such licences. The discouragement of middlemen's activities, including those of African middlemen in the cotton industry and elsewhere had begun to occur in the 1920's and that "dampened incipient native enterprise"<sup>1</sup>. The first African to apply for a ginning licence in 1926 was refused a licence on the grounds that no further licences were to be issued. The Cotton Zoning legislation and the Produce Marketing Ordinance, all "Consolidated a rigid framework into which it was virtually impossible for small-scale African entrepreneurs to penetrate."<sup>2</sup> The Africans were, however, becoming restive and opposed to these restrictive tendencies.

In the cotton industry processing was controlled by European and Asian businessmen who, in 1929, formed the Buganda Seed Cotton Buying Association,<sup>3</sup> in order to protect their interests and preclude any competition in their trade. The Association, by mutual agreement amongst their members, shared the cotton market in proportion to ginning capacity. The areas of the market became known as Zones. Ginners also formed the Ginning Pools - voluntary associations - which controlled the Cotton Industry up to 1952. The Buying Association and the Ginning Pools were opposed by African public opinion represented by African growers and middlemen. An important development occurred in Busoga, with the formation of the Young Busoga Association (Y.B.A) which was a political pressure group, as well as a trading concern, aimed at preventing the sale of Seed Cotton to the ginners association. Lack of efficient leadership, however, hampered the effectiveness of the Y.B.A. The literate elements in it, who could have been effective instruments in mobilising public opinion against the ginners were barred from participating in its activities; for instance, a Busoga Chief who was also the President of the Y.B.A. had to resign the membership of the group on Government's order. Government supported the Buying Association, although it was quite aware of the growing African demands to participate in cotton processing, but it opposed African demands on the grounds that the Africans had not yet acquired managerial skills to be able to take the risk of owning processing plants. Some of the Ugandans themselves had been led to understand that they were incompetent in entrepreneurship. Even up to the post-war period, when official attitude had begun to change in favour of African participation in industry, some Ugandans still believed they were incapable of owning processing factories. A leading figure in the former Buganda Government, for example, had this to say in

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1. Ehrlich, C., op.cit. p.280.

2. Ibid.

3. The Buying Association did not become effective until the 1930's.

connection with the 1949 Buganda riots.

"You may say I was the cause of the disturbances.

Why? Because I was the head of the Government who did not consent to the Bataka's demands.

They wanted to gin their own cotton.

I objected to this because there was nobody able to supervise the scheme of cotton processing; there was not a single chief who was capable of organising the ginneries."<sup>1</sup>

Yet the Chief did not know that entrepreneurial ability is not an endowment, but rather acquired by practical application, and that expertise could be imported to run the ginneries owned by Africans.

The incompetence of the African and his apparent lack of entrepreneurial talents in the pre-war years appeared to have been seen only in the short-run. The long-run view of the matter was not considered. Thus, the need to set up an educational infrastructure and have a period of tutorship for would-be African businessmen was not considered.

In spite of the conviction in official and business circles of the African's lack of managerial skill, African agitation to participate in the industry and commerce of the country was not relaxed. Ginners had, in effect, constituted themselves into a monopsony with Government's connivance, for Government had "decided that no action on its part was necessary" to prevent the monopsony, "provided fair and reasonable prices were offered by the Association"<sup>2</sup> Government's view on the Association and the growers was that both should unite under the guidance and assistance of Government "to place on a firm and secure foundation the cotton industry of Buganda"<sup>3</sup> How the two opposing interests could unite remained to be seen.

Mounting opposition to the Buying Association led to the appointment of a Commission of Enquiry into the Cotton Industry in 1929. The major recommendations of the Commission centred around counselling protection for the Buying Association and are briefly as follows:

1) That the price paid to the grower should be such as would bring some benefits to those who had staked their capital in the industry. The grower price in the 1920's, it said, was excessive, because of cut-throat competition amongst the buyers, and therefore, in the interest of the cotton industry and that of the country generally, it was inappropriate to revive "excessive competition."

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1. East African Drum, op.cit.

2. The Uganda Herald, March 16, 1928, p.6.

3. Ibid.

2) Although it agreed that there was the possibility of exploiting the growers by the Association, it suggested that Government "must take such steps as it reasonably can to prevent the possibility of such exploitation".<sup>1</sup> In paragraph 103 the Commission stated that it was "of the opinion, therefore, that ginners must combine for the purpose of self-preservation; and that it is in the interests of the growers that such combinations should take place, provided always that proper safeguards are devised and enforced to ensure that fair prices are paid to them for cotton." In no specific way, did the Commission <sup>show</sup> how the Buying Association was in the interest of the growers. In actual fact, while competition, which the Association sought to curb and kill, had the effect of raising the growers price, "the 'Syndicates were held responsible, not merely for low prices, but for increased customs duties and heavy taxes".<sup>2</sup> In Buganda for example, where the Association was operating mostly, the grower received Shs. 20 per 100 lbs of cotton, while in the Eastern Province and Jinja where there was competition, the price was Shs. 27 per 100 lbs of cotton. It was estimated in Buganda in 1928, that growers were paid, at least, £136,400 less on their cotton than they could get under competition.<sup>3</sup> It was reported in 1928 that "This combine handled the bulk of the crop and some dissatisfaction was expressed by growers at the prices and lack of competition"<sup>4</sup> Government was, therefore, urged by growers to abolish the Associations in the interest of those whom it protected.

3) Another recommendation was that protection of the growers could take the form of Government decreeing minimum prices to be paid to the producers and "Government should make it an offence to sell cotton below the prices arrived at under the formula recommended"<sup>5</sup> It is unrealistic, however to think that Government could protect the growers by decreeing minimum prices which, according to the formula, were to reflect processing costs; for these processing costs could conceivably be negotiated by the ginners to cover the higher-cost ginneries. The determination of processing costs, if it is to have any meaning in fixing prices, should be based upon efficiency, i.e., costs should be based on what ought to be the basic and reasonable costs efficient production units are likely to incur.

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1. Report of the Commission of Enquiry into the Cotton Industry in Uganda, 1929, p.19, parag. 111.
  2. Ehrlich, C., The Marketing of Cotton in Uganda pp.198/9. In African Circles the term syndicates was synonymous with the Buying Associations.
  3. Ibid page 191
  4. Uganda Dept. of Agric. Annual Report, 1928, p.8
  5. 1929 Cotton Commission Report, op.cit. parag. 113.



This is because, a firm may be operating inefficiently, and so, has a higher level of costs, which, when taken into account in fixing its profit margin and therefore, the grower price, will ultimately reduce the growers' returns. Associations too, could even deliberately lower prices paid to producers since the ginning pools were in the position of a monopsonist.

4) That facilities should be provided to enable the natives to get their own ginneries.<sup>1</sup> This recommendation was of some importance in African context. But the Commission inadvertently, nullified its own recommendation when it added that Government should control the number of ginneries so as to avoid excess capacity. A Board was to be formed "to decide on which ginneries are redundant." Limiting the number of ginneries with no provision for African acquisition of existing ginneries was in effect, another way of thwarting African demands to own ginneries. Fear had already been expressed as early as 1923 about excess capacity in the ginning industry. By 1925, Government's policy had centred around limiting the number of ginneries in any particular area according to the cotton output of that place. On economic grounds, it was argued that overcapitalisation would lead to excess capacity and, consequently, to high processing costs which would reduce the profit margins. But on the other hand, over the years of undisputed control of the industry, the ginners would have been making abnormal profits, and the entry of other ginners into the trade would just reduce these profits to normal profits. The argument about excess capacity ignores the fact that free entry into ginning, by increasing the number of ginneries, would stimulate cotton production, especially in new areas and provide sufficient cotton for the ginneries. Also, if the industry is over-capitalised, then, competition, by allowing free entry into the industry, would reduce the number of firms through the elimination of inefficient production units; factories that cannot pay their way would normally fizzle out of existence. Competition will therefore, lead to the closure of high-cost ginneries in areas of over capitalisation, while, at the same time, it will bring about the building of ginneries in new production areas, particularly, in the northern region, all leading to increased marketing efficiency. In this rationalisation process, resources released by the closure of inefficient ginneries could be put into other productive uses, thus helping with development in other sectors of the economy. The closure of inefficient ginneries will again result in a higher throughput for the remaining production units, lower variable costs and ultimately, to higher profit margins. In effect, ginners need not lose in the event of competition being allowed in the ginning industry.

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1. Ibid. paragraph 123.

Quite naturally, the Africans rejected the Commission's recommendations. The most articulate of African public opinion, in its opposition, was the Association of Uganda Farmers which urged that natives should be allowed to build new ginneries and that Government should buy off any ginners that could not pay its way and resell to Africans. Even the Kabaka of Buganda waded into the dispute and wrote to the Governor. "We do not approve the Commission's recommendations ....."<sup>1</sup>

The Native Produce Ordinance, 1932 and the Cotton Zone Ordinance, 1933.

In the early 1930's, the Uganda Administration committed the country to a policy of further restriction of competition, not only for the purchase of cotton, but for other crops as well. This policy was introduced under the "Native Produce Marketing Ordinance", 1932. Under the Ordinance, the Administration was to issue licences for the purchase of crops in certain areas to one, or to a very limited number of buyers only. The restrictions were justified generally by Government, for reasons of quality. Part of a report of the Department of Agriculture, in 1929 reads thus:

"..... Experience in Uganda with all native produce shows that where marketing is uncontrolled and where there is in consequence a scramble at the place of sale, any attempt by the buyer to insist on a higher standard of quality at the time of purchase from the grower is immediately nullified by the fact that competitive buyers are willing to purchase rejected produce."<sup>2</sup>

It should be realised however, that if a buyer buys a crop of inferior quality, he will eventually lose through lower returns when he sells it to the processors. The prospects of reduced returns which a primary buyer would get if he bought a crop of inferior quality should make him more selective in his buying; and even if he buys low grade crop, there is always the opportunity for the processor to whom he delivers it, to sort out the crop. This is especially true of coffee and cotton. Therefore crops of inferior quality at primary buying need not affect the final product, provided the processor too is selective. On the basis of this, Government's argument on restrictions is not justified.

In the cotton industry, competitive buying was abolished under the Cotton Zone Ordinance of 1933. The Ordinance divided the country into fourteen different zones,<sup>3</sup> namely, Mengo, Masaka, Mubende - Toro,

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1. Agric. Dept. Letter, N,37/1929, 9th Sept. 1929, quoted in Ehrlich op.cit. page 222.
  2. Uganda, Annual Report of the Dept. of Agriculture, 1933.
  3. Kuiper, F.E.S, A Comparative Economic Analysis of Government's Intervention in the Marketing and Ginning of Cotton in Uganda, the Belgian Congo and Ruanda Urundi. p. 80.

West Nile-Madi, West Acholi, East Acholi, Bunyoro, North Lango, South Lango, Busoga, North Central, Budama-South Central, South Teso and North Teso. Thus, the number of marketing areas for cotton was reduced. Movement of raw cotton across the borders of the Zones was prohibited "for the purpose of preventing the spread of diseases, of maintaining the purity of the seed supply, and of preventing the admixture of different kinds of cotton."<sup>1</sup> However, the impact of the ordinance was not confined to matters of quality of cotton or control of diseases. It brought about the revival of the ginning pools. Zoning also strengthened the ginning pools as it curtailed the activities of middlemen. But although Zoning would limit competition among the ginners, yet competition persisted among them to get sufficient cotton, owing to one of the rules of the pools which prescribed penalties for under-buying. By this time also the Administration had ceased to impose conditions on the pools as regards the rationalisation of the cotton industry, contrary to the recommendations of the 1929 Commission. It was felt that the elimination of excess capacity and the removal of redundant ginneries should be left to the ginners themselves. The effect of this change of attitude was that, instead of any improvement, the industry remained stagnant until 1952,<sup>2</sup> because there was no official pressure exerted on the ginners to rehabilitate their ginneries. Ginneries that were even in appalling state, continued to make profits, thereby increasing the market value of the factories. The unjustified high profits of the ginners had added momentum to African agitation against the pools.

In the Eastern Province, there had been formed, in 1934, the "Native Cultivators Association" of Budama. It was formed to press the demand for the abolition of the pools system. Native opposition to the Buying Associations and the Ginning Pools had begun to change its emphasis.<sup>3</sup> The main complaints, as from the 1930's, centred on lack of opportunities for African participation in cotton processing and marketing.

Meanwhile, a group of Africans had, in 1930, formed the Baganda Cotton Company (BCC) and entered into an agreement with the Uganda Company for the purpose of obtaining loans from the latter to purchase cotton to be ginned by the Uganda Company. Thereafter, the BCC would purchase the Uganda Company's ginneries. The BCC exhibited great incompetence, which was inevitable anyway, at the initial stages. It finally failed and its failure dampened for a while, African enthusiasm for participation in cotton ginning and produced really

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1. Ibid.

2. With the Government's proposal of 1951, followed by the 1952 Act, attention was focussed on the reorganisation of the cotton industry.

3. Before the 1930's, agitation was mainly for fair prices.

evidence for the ginning pools to disparage African businessmen for lack of entrepreneurship.<sup>1</sup> But the pools did not admit that by eliminating the middlemen, the available training ground for entrepreneurship had been closed to the Africans. Nor was the incompetence of the Africans as was evidenced in the failure of the BCC sufficient justification for disparaging African businessmen for lack of managerial ability. Taking a long-term view of the whole situation should have changed official view in favour of African participation. The early stages of African attempts to enter the business and commerce of the country could conceivably be taken as the period of trial and error.

The Cotton Commission, 1938.

The Cotton Commission of 1938, among other things, considered the case of the middlemen and confirmed that "no useful purpose would be served by their re-entry into the cotton trade." It recommended that African growers who wished to gin and bale their cotton so that they could market it on their own account should be given facilities to do so. But it observed that growers were unlikely to produce sufficient cotton to make a commercial consignment, hence combination between a number of growers would be necessary. It condemned the activities of the "so-called cooperative societies" which it dismissed as inefficient, for they lacked "knowledge of the elementary principles of business!"<sup>2</sup>

Such cooperative societies had been formed in Buganda for the marketing of cotton. In effect, the Commission was against Cooperative marketing of cotton by the natives. It described them as "irregular middlemen" and warned that if the movement were allowed to develop, the existing marketing system would be seriously jeopardised. It was, therefore, more concerned with the maintenance of the "Status quo" than with finding any realistic way of redressing the grievances of the people. "On purely economic grounds" the report went on,

"there is nothing to be said in favour of the encouragement of the cooperative cotton societies; on the other hand, we appreciate that on political and educational grounds the time may arrive when it may be expedient to foster and encourage cooperative undertakings!"<sup>3</sup>

The African, the commission argued could own a ginnery within the existing business framework, rather than setting up another form of organisation "incompatible with the existing structure of the industry."<sup>4</sup> But evidence showed that it would be impossible for the

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1. Uganda Herald, May 23rd, 1930.
  2. Uganda, Report of the Commission of Enquiry into the Cotton Industry, 1938, pp. 77-78.
  3. Ibid. p.79.
  4. Ibid.

African to acquire ginneries under the existing structure, in view of the already heavily entrenched vested interests with which they could not compete. Lack of managerial skill had brought about the demise of early attempts at African enterprise. To overcome this deficiency, the commission recommended that facilities should be provided so that Africans could train as apprentices "with the object of qualifying suitably selected individuals for ultimate entry into business in a controlling capacity"<sup>1</sup> Good as that suggestion might sound to the Commission, it was, perhaps, forgotten by the Commission that it had considered the middlemen's functions and African Cooperation inimical to the existing marketing structure and discouraged them, yet it was through such activities that the Africans could have acquired some practical business knowledge and methods.

In the midst of these restrictive tendencies, some opposite views were being noticed in official circles, and some official support for cooperative development and African entry into the ginning industry was forthcoming. A government official had once, observed in respect of the Baganda, that failure to allow for development on cooperative lines in the cotton industry would not only limit the scope of such people but would exclude almost the only means by which the Baganda could acquire economic education and enter the marketing branch of the cotton industry in the country with any chance of success. Also, noticing the danger of the racial division in the cotton industry, the Provincial Commission of Buganda, in 1938, urged that Africans should be allowed to own ginneries and that if the venture failed, it would serve as an object lesson to the African "as to the difficulties connected with the industry and the genuineness or otherwise of Government's intentions".<sup>2</sup> This advice was ignored by the Administration.

Were the Ugandans as unenterprising<sup>3</sup> as they were portrayed to be, such consistent and sustained agitation against the restrictive market system could not have emanated from them. Because of the injustice seen in their being discriminated against in favour of non-Africans said to possess more managerial skill than they, agitations by the Ugandans were coloured with a tinge of politics.

In spite of these restrictions imposed on African enterprise and the thwarting of cooperative efforts in the name of saving the cotton industry from ruin, some cooperative activities were, nevertheless going on. The first attempt at cooperative activity

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1. Ibid. p.80

2. Uganda Dept. of Agric. Entebbe, File 23, P.C. Buganda, 17th August, 1938, quoted in Ehrlich, op.cit. page 269

3. Lucy P. Mair, An African People in the 20th Century, London, 1934, page 152.

went as far back as 1913, when four African farmers in Singo County of Buganda formed the "Kinskulya Growers' Society"<sup>1</sup> for the purpose of marketing their crops cooperatively. The next stage came with the formation of "the Buganda Growers' Association" in 1923 by five Baganda farmers. It was the first cooperative society with a continuous history. The object of the society was to provide an effective instrument to present the views of African growers to the Government in the face of powerful vested interests springing up in the cotton industry, especially, the "Combine". It would appear from their objective that the Buganda Growers' Association was, in the early stages, more of a political organisation than a commercial concern. Ten years afterwards, the Buganda Growers' Association levied a fee of Shs.2/- on its members to raise funds. Cooperative marketing of cotton was attempted in 1931, but with disastrous results, and so, no crop marketing was attempted in the following year. The Association was reconstructed in 1933 under the name of the "Uganda Growers' Cooperative Society" at the instance of one Mr. Mikairi Wamala, M.B.E. (1879-1963). Its membership was drawn from the various counties of Buganda and it formed the nucleus of what later came to become separate primary societies which together formed the Uganda Growers' Cooperative Union registered in 1948. By 1936, the Uganda Growers' Cooperative Society had got a membership of 239 people, and nineteen other growers' societies had been formed. These early societies had no legal backing, neither were they registered, nor supported by Government. They were operating under the Business Names Ordinance, "a most unsatisfactory situation", since their activities could neither be supported nor controlled by law.

As far back as 1934, cooperative development had engaged the attention of the Uganda Administration. A draft Bill on cooperative societies had been drawn up in 1935 and revised in 1937, but was strongly opposed on the grounds that cooperative legislation was yet inopportune in the country, and so, was dropped, pending an investigation of the whole situation. The immigrant community argued that the formation of a cooperative movement would be attended by "grave risks"; that the proposed societies would involve the Government in indirect participation in commerce; that the societies might grow in size and become politically powerful and hence a source of embarrassment to the Administration; that the societies might indulge in unfair competition with established business.<sup>2</sup> Further

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1. The most articulate parts of Uganda in all these struggles have been Buganda and the Eastern Provinces.
  2. Engholm, G.F., The Decline of Immigrant Influence on the Uganda Administration, 1945-1953, Uganda Journal, pt.I, 1967. Mr. Engholm was describing, in his article, the pre-war situation also.

grounds for dropping the Bill were that the Africans lacked entrepreneurial ability and that cooperative activities would bring too much money into African hands and that would cause inflation in the country. In the years that followed, a more favourable attitude towards cooperatives developed as a result of official reports and recommendations of experts who enquired into the question. In 1938, Mr. J.W. Steil carried out an investigation on the introduction and regulation of the cooperative movement in the country. His investigation showed that there had been a number of societies of a semi-cooperative nature in existence, but that their operation left much to be desired and he stressed that cooperative development must be preceded by cooperative education. The second world war prevented any action on the report.

Further investigation in 1941 into the food crop industry showed evidence of local demand and possibilities of establishing agricultural marketing societies and the need for cooperative legislation to regulate their activities. This fact was confirmed by Mr. W.K.H. Campbell, who, in 1944, conducted a further investigation into the opportunities for cooperative development in the country. He showed that there was plenty of scope for cooperatives to operate and he declared "that the demand here is so insistent and the present position in many cases so dangerous and so legally unsound, that I venture to suggest that a very high priority ought to be given to the need for passing an ordinance and selecting and training a registrar to administer it"<sup>1</sup>

The Legislative Council debated and passed the Cooperative Bill in December 1945. Opposition to the Bill came mainly from the Indian Community represented by Honourable H.K. Jaffer, who feared that the passage of the Bill was an attempt "to eliminate the Indian trader from his legitimate and rightful pursuits in trade".<sup>2</sup> Here was demonstrated once more, a dichotomy of interests. Government's sponsorship of cooperatives was seen by non-African vested interests as inimical to them.

#### THE PERIOD AFTER 1945.

With the enactment of the Cooperative Societies Act, 1946<sup>3</sup>, and its being brought into effect by Legal Notice, No.157 of 1946, as from 1st September 1946, there came to an end the era of illegitimate cooperative societies. The Department of Cooperative

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1. Par. Proceedings, Uganda, 4th Dec. 1945, pp.37-38.

2. Ibid, page 39.

3. Uganda Laws, 1946, Ordinances and Subsidiary Legislation, Cooperative Societies Ordinance, No.5 of 1946, pp.13-27.

Development was, accordingly, created in the same year, to advise on policies and programmes, and Mr. A.J. Kerr was appointed Registrar, with effect from 1st January 1946. Under the Ordinance, a Society which has for its objects the promotion of the economic interests of its members in accordance with cooperative principles may be registered with or without limited liability. When registered, such a society becomes a body corporate with all the rights of a corporate body. Registered Societies were to be granted tax remission<sup>1</sup> on their transactions involving duty or tax, stamp duty or any fee payable under the law of registration for the time being in force. Dividend payable to members was not to exceed 10% per annum in any case. Societies which made profits were to maintain a reserve fund into which should be paid such portion of the net-profit in each year as may be prescribed. The net balance of any society after payment of dividends and payment into the reserve fund was to be distributed in accordance with the rules prescribed by the Ordinance or in accordance with the by-laws of the society. In no case should dividends and bonuses be paid until the Balance Sheet of the Society had been certified by the Registrar and the amounts payable approved by the Registrar. Section 41 (1) of the Act stipulated that "The Registrar may, with the approval of the Governor, appoint a person to supervise the affairs of any registered society who shall be called a Supervising manager". Such a supervising manager was to be a member of the committee and his vote at meetings, though subject to appeal to the Registrar, was to be deemed a majority vote. Officers or members of a registered society were barred from receipt of any remuneration, salary, commission, or other payment from any person other than the society in respect of any business or transaction entered into by the society. Under section 62 of the ordinance, "The provision of the companies ordinance and of the Registration of Business Names Ordinance shall not apply to a registered society."

The first cooperative society to be registered under the new law was the Namutamba Growers' Cooperative Society, "thus ending the era of uncertainty and insecure standing for farmers' organisations". By the end of 1946, about 75 organisations of a cooperative nature were in operation and were mainly agricultural marketing societies, the majority of which were located in Buganda, but most of them were still unregistered. Outside Buganda, the first cooperative attempt at coffee (Arabica) marketing in the country was in Bugisu, where there was established in 1931, under the aegis of the Government, an organisation known as the Bugisu Scheme<sup>2</sup>, for the proper cultivation,

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1. Since 1966, Cooperative Societies have been subjected to payment of income tax.
  2. The History of the Bugisu Coffee Scheme (typed copy).  
Its parallel organisation outside Uganda was the Kilimanjaro Native Cooperative Union, Tanzania.



processing and marketing of the crop in Bugisu. Although the Scheme was not launched as a cooperative venture then, there was a proviso that it should be converted into a cooperative organisation "at the earliest opportunity". With the enactment of the cooperative ordinance, two primary societies of coffee growers sprang up in Bugisu for the purpose of collecting parchment coffee prepared by members for sale in a bulk to the Bugisu Coffee Scheme, and for that, they received a commission of one cent per pound over and above the controlled price. Payment for the coffee so delivered was made according to grade, so as to provide an incentive for the production of good quality coffee. In addition to the commission, premiums were paid to the societies for quality, the premiums being based upon the Nairobi Liquorer's reports on samples taken and tested. Between 1951 and 1955 Government took steps to develop the Bugisu Coffee industry on a cooperative basis. Certain assets belonging to the Scheme were transferred to the Bugisu Cooperative Societies which, <sup>later</sup> formed the Bugisu Cooperative Union, registered in 1954. The Bugisu Cooperative Union is basically now in control of the marketing of the Bugisu Arabica Coffee.

These early cooperative societies had weak leadership as was to be expected; they were often suspect and inept and their aspirations were illdefined. An official report in 1952 stressed the lack of leadership amongst them, for there was nobody "to teach these companies and associations the true meaning of cooperation . . . ."<sup>1</sup> In respect of the Bugisu Cooperative Union, a commission of Enquiry in 1958 noted that great reliance by the Union upon Government was partly responsible for its inefficiency. The report said inter alia,

"It needs to be remembered that the Bugisu Societies and the Union came into existence fairly rapidly, less under the impulse of self-defence against exploitation, but more because Government preached the gospel of cooperation. This partly explains why there is so much readiness to lay all dissatisfaction at the door of Government, and to wait for further help when really it is 'self-help' that would be better at this stage".<sup>2</sup>

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1. Uganda Protectorate, Commission of Enquiry into the Progress of Coop. Movement in Mengo, Masaka & Busoga Districts, Entebbe, 1952.
  2. Uganda Protect. Rpt. of the Commission of Enquiry into the Affairs of the Bugisu Coop. Union Ltd. (1958) paragraph 26, quoted in Ehrlich (paternalism) op.cit. p.283.

The real problem of the movement at that time was that no systematic education had been given to the society members. One M.P., Mr. M.E. Kawalya-Kagwa had lamented on this lack of education during his speech in Parliament in 1945.

"Sir, I should like to draw attention to the fact that the introduction of a cash economy has disturbed the African Society and shaken to its very foundation our Social Customs. Unless the African is trained in the new economy and the art of earning money and spending it wisely he will be ruined and his progress will be impossible".<sup>1</sup>

Another M.P. reiterated this lack of business education among the Africans and commented thus: "This is not their fault for I do not think they have had a chance in commerce during the last twenty years".<sup>2</sup>

It is significant to note that ten years after the 1938 Cotton Report had opposed African participation in the ginning industry through cooperatives, by 1948, cooperation had acquired a new meaning in Government's scheme of things. Significant is the fact that post-war colonial policy was now directed to African Cooperative endeavours, and it was realised that "one of the most hopeful lines of advance for improvement of Commercial and trading activities by colonial peoples themselves lies in the expansion of cooperative practice."<sup>3</sup> In one of his dispatches in 1946, the Secretary of State for the Colonies, the Rt. Honourable G.H. Hall had made an important statement on cooperatives.

"The value of Cooperative Societies is no longer a matter of any dispute. Both in the U.K. and other European Countries in which the movement grew up, and in the countries to which it has later been transplanted, the benefits to be derived from a flourishing cooperative movement have proved themselves."<sup>4</sup>

Thus, the Uganda Government's paternal policy towards the cooperative movement in the country was part of the British Colonial policy in the post-war years, of fostering economic development in Britain's dependencies through cooperatives. The Labour Party's Socialist ideals largely influenced the British Administration of the 1940's, which had an abiding faith in cooperation as a means of economic development.

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1. Proceedings in Parliament *op.cit.* p.13

2. Ibid. Feb. 19, 1946, page 26

3. Ehrlich (Marketing of Cotton in Uganda) *op.cit.* p.316

4. Cooperative Movement in the Colonies, H.M.S.O., Col. No.190.

By the second half of the 1940's, the whole question of African participation in the ginning industry had taken a political tone and was now seen entirely in terms of African Cooperative enterprises, rather than individual entry by African businessmen into the trades of the country. Henceforth, Government's attention was directed towards fostering these cooperative endeavours. It recognised this fact, when, in its comment on the 1948 Cotton Report, the Government maintained that

"At the same time, the desire of the African Community to participate in the ginning industry is recognised and as a first step, it is proposed to arrange for ginneries, in areas to be selected, to process cotton belonging to growers from member societies"<sup>1</sup>

Government also, in 1948, made an important announcement to the effect that

"His Excellency the Governor has given approval in principle to the proposal that a portion of £180,000 grant from the Cotton and Hard Coffee Control Funds be given to the Buganda Government to be used to finance the acquisition of a ginnery to be operated by an approved group of Associations of Africans as<sup>a</sup> Cooperative Society."<sup>2</sup>

This proposal was a step in the right direction and marked the beginning of cooperative processing activities. Thus, far from challenging the cotton industry as was feared by the Immigrant Community, when the Cotton Commission of 1948 published its report, it was found that the cooperative movement would have to be supported specially with money drawn from funds withheld from peasant cotton and coffee growers; and far from being politically powerful as to be a source of embarrassment to the Government, the movement is<sup>now</sup> largely dependent upon Government patronage. But the fear that the societies would involve Government in indirect participation in commerce appears to have been justified, because Government is now increasingly getting involved in schemes with which the cooperatives are associated.

In September 1951, Government issued another proposal to reorganise the Cotton ginning industry<sup>3</sup> with the following objectives:

- (a) To provide for participation by African Cooperatives in the ginning industry as far as possible.
- (b) To maintain and improve ginning standards and ensure that the industry is conducted efficiently and economically.

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1. Uganda Protectorate: Note on the Report of the Cotton Industry Commission, 1948, parag. 4.

2. Ehrlich, C. (Marketing of Cotton in Uganda) op.cit. p.321

3. Uganda Gazette, Sept. 27, 1951.

In pursuance of the first objective, it was proposed that approximately twenty ginneries would be compulsorily purchased from the private sector within the next five years for handing over to African cooperatives. Since Government assistance was to be given only to registered cooperatives, it is easy to understand the enthusiasm with which people formed cooperative societies, in order to reap the benefits of such Government assistance.

The 1951 proposals came into effect with the passage of two bills in 1952: The Cotton Ordinance and the Acquisition of Ginneries Ordinance 1952.

The most important provision of the first bill was the conversion of the ginning pools from voluntary into statutory organisations. The implication of this statutory recognition of the ginning pools was that ginners were now legally entitled to the shares they had been holding in the former pools. Buying in excess of these shares was an offence against the law. The Acquisition of Ginneries Ordinance provided for compulsory purchase by Government, of private ginneries for handing over to Africans. Section 16 (1) of the Act reads:

"Soon after the specified date as is convenient, the Governor shall transfer, subject to such terms and conditions as he thinks fit to impose, to an African cooperative enterprise any undertaking in respect of which notice has been given under the provisions of sub-section 2 of section 3 of this Ordinance or which has been acquired by the Governor for the purpose of transfer to an African cooperative enterprise"

Official assistance was, therefore, limited to cooperative societies; private Africans could not even qualify for aid under the clauses of the ordinance. Although the transfer was originally subject to a cooperative society raising  $\frac{1}{3}$  of the capital cost of a ginnery, this condition was later modified, so that loans for the ginneries were granted by the Uganda Credit and Savings Bank (now Uganda Commercial Bank) which advanced 90% of the capital cost, repayable in 20 years at  $5\frac{1}{2}$ % interest per annum, the other 10% coming from the unions. Most cooperative unions found this 10% by capitalising the commission payable to their member societies, for cooperative societies were very eager to take over the ginneries. In the five-year period ending in 1957, upto twenty ginneries could be acquired for cooperative unions, provided their member societies were in a position to provide seed cotton equivalent to 2,400 bales of lint a year. Since the post-Independence period, the number of cooperative ginneries, as well as cooperative share of the cotton crop has been on the increase (Tables I and II)

Table I: Statistics showing the rising percentages of Cooperative Cotton Quota, 1962/63 - 1967/68.  
(GROWTH CHART OF COOPERATIVE COTTON SHARE, 1962/63 - 1967/68).

ZONES	1962 '63	1963 '64	1964 '65	1965 '66	1966 '67	1967 '68
1 WEST NILE	100	100	100	100	100	100
2 WEST ACHOLI	NIL	65	70	80	100	100
3 EAST ACHOLI	NIL	60	100	100	100	100
4 LANGO	20	60	75	90	90	100
5 TESO	NIL	35	60	65	65	100
6 SOUTH TESO (SEGREGATED)	NIL	NIL	NIL	NIL	NIL	NIL
7 USUKU	NIL	NIL	NIL	NIL	NIL	100
8 MBALE	41	55	60	70	70	100
9 BUSOGA	35	50	55	60	60	100
10 MENG0/ENTEBBE	15	25	28	40	40	80
*11 MENG0/BURULI	-	-	-	-	-	100
12 MUBENDE	15	35	46	60	60	-
13 MASAKA	NIL	65	70	100	100	100
14 BUNYORO	50	78	85	100	100	100
**15 SINGO/MUBENDE/MWENGE/ KYAKA	-	-	-	-	-	-

- Notes: 1. \* For the 1967/68 crop year, Mengo/Buruli was carved out of Mengo/Entebbe zone.
- 2.\*\* Other areas were added to Mubende zone in the 1967/68 year to form the Singo/Mubende/Mwenge/Kyaka Zone.
- 3: .... All the ginning pools in areas where the cooperatives have acquired 100% take-over, have consequently, been wound up.

Sources:

- 1962/63: Cotton Amendment Act, No.2, 1962, 30th Nov. 1962, Supplement to Uganda Gazette, p. 15
- 1963/64: Legal Notice, No.299 of 1963, Laws of Uganda, 1963, Supplement to Gazette, page 545.
- 1964/65: Statutory Instrument 1964, No.256, Nov. 6, 1964, Laws of Uganda 1964, page 399.
- 1965/66: Cotton Commission Report, Uganda, 1966, p.25.
- 1966/67: S.I. 1966, No.128, The specified percentage (Variation) Order, 1966, 26/8/66, Uganda Laws, 1966, p.283.
- 1967/68: S.I. 1967, No.95, The Specified Percentage (Variation) Order, 1967 of Sept. 27, 1967.

Table II: Statistics of Cooperative Ginneries: 1962/63 - 1967/68.

CROP YEARS	Total No. of private Ginneries in operation in the country	No. of Cooperative Ginneries in operation	Total No. Ginneries Operating in the Country	Proportion of Country's Ginneries Operated by Cooperatives
1962/63	118	16	134	11.9
1963/64	107	28	135	20.7
1964/65	88	40	128	31.2
1965/66	69	47	116	40.5
1966/67	60	45	105	42.8
1967/68	27	43	70	61.4

Source: L.M.B. Ginneries Records.

In the coffee industry great impetus was given to cooperative participation by Government Notice of Proposals for the Reorganisation of the Uganda Coffee Industry<sup>1</sup>. Under these proposals, 25% quota of clean coffee calculated from the output of coffee from the existing curing and hulling works was allocated to African enterprise. These proposals came into effect under the Coffee Industry Act 1953<sup>2</sup>.

The Ordinance provided for the allocation of the first six curing works to Africans. In section 2 of the 1953 Act "association of growers" was defined as any registered cooperative society all of whose members are Africans or any other group of African growers of coffee which the Coffee Industry Board is satisfied collectively markets coffee in accordance with cooperative principles. In spite of this definition, in actual fact, associations of growers are not legally regarded as cooperative societies. Thus, unlike the "Acquisition of Ginneries Ordinance" which limited the transfer of ginneries to cooperative societies, the Coffee Industry Ordinance provided for the allocation of coffee factories to both cooperative societies and individual Africans. It would appear, therefore, that right from the beginning Government was prepared to allow a choice between cooperatives and other businesses, and therefore, competition in the coffee industry. In this connection, the coffee industry provides an opportunity for the people to choose between alternatives.

#### 1952 Cooperative Amendment Law<sup>3</sup>

Six years after the cooperative movement had been given statutory recognition, it became necessary to get the cooperative members more closely associated with the administration and direction

1. The Uganda Gazettee, Vol. XLV, No.42 of 18th July, 1952, General Notice, No.719 of 1952.

2. Laws of Uganda 1953, No.21 of 1953, Coffee Industry Ordinance.

3. Laws of Uganda, No.28 of 1952, pp. 317-330.

of the movement. Following recommendations by the Commission of Enquiry into the progress of the movement in Mengo, Masaka and Busoga Districts, the Amendment Act was passed in 1952. The Act provided for:

a) The creation of the Uganda Cooperative Development Council responsible for the general administration and direction of the movement. Registered cooperative marketing unions, consumer, thrift, and farming societies were, each to be represented on the council in a prescribed manner for a year. Other members of the council were the Commissioner for Cooperative Development, the Registrar, the Senior Cooperative officer performing the duties of Accountant, and two other members appointed by the Governor.

b) The splitting of the Administration of the Cooperative Department into two, between (i) The head of the Cooperative Department designated Commissioner for Cooperative Development and (ii) The Administrator - General made responsible for the registration of societies, and vested with the power to liquidate cooperative societies considered due for liquidation. The cancellation of the registration of a society could be done by the Registrar or by the Courts, upon application. The effect of this Act, in the main, was that the powers of the Registrar were, as it were, limited, and the Cooperative Development Council retained great responsibility over the movement.

Government increased Interest in Cooperatives:

The Cooperative Societies Act, 1963.<sup>1</sup>

By 1963, cooperatives had become finally incorporated into the national policy as an ostensibly democratic way of positively promoting the development of the people, the resources and prosperity of the country. After seventeen years of Government's promotion of cooperatives, experience had shown that the Amendment Act was necessary for the following reasons:-

- (1) To ensure and protect cooperative principles and prevent non-cooperative practices creeping into the movement.
- (2) To protect cooperatives and encourage economic development among the people and,
- (3) To enable the Government to take active part in the development of the cooperative movement. Three years after the country had got its Independence, the indigenous government threw its weight on the side of the cooperative movement as an instrument of economic and social policy. Among its many provisions, the Act abolished the Uganda Cooperative Development Council and shared its responsibilities between the cooperative apex organisations (The Uganda Cooperative Alliance and the Uganda Cooperative Central Union) and the Government.

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1. Uganda Laws, Cooperative Societies Act 1963,

No.34 of 1963, pp.244 - 274.

Under the Act, the Registrar was empowered to determine the qualifications of cooperative societies' employees in order that only the "right" people could serve the movement. In part II, Section 3 (1) of the Act, "The Commissioner for Cooperative Development and The Deputy Commissioner for Cooperative Development shall be, respectively, the Registrar of Cooperative Societies and Deputy Registrar of Cooperative Societies for the purposes of the Act." Thus, the offices of Commissioner and Registrar were combined in one and the same person. While the Act has sought to make the Government more concerned with the affairs of the movement, it has also made the movement "more democratic". The Committee that enquired into Busoga Growers' Union's affairs made this observation in respect of the Act.

"Practically all powers of control have been vested in the committees, a number of which have lacked competence or honesty; often both; and through the very limitations of the law the department has been as powerless as the members to institute any preventive measures against incompetence and malpractices.

Sections 47 to 51 of the Act seemingly provide the effective machinery of redress, but in practice this is only postmortal and not preventive or remedial".<sup>1</sup>

In fact, the Act invested the Registrar with wide powers over the movement, but in practice, the committees are allowed a large measure of control, with the result that only when matters have gone really badly could the Registrar intervene. Since the passage of this Act, several landmarks have been seen in the development of the movement. The Cooperative Credit Scheme started in 1962 has been intensified since 1964, while the Cooperative Group Farm Scheme, inaugurated in 1964 has been expanded. These Schemes are instances of the Central Government's efforts in stimulating rural development programmes through capital injection into agricultural projects as part of the economic development of the country. Government has invested vast sums of money directly in the movement through loans for capital expenditure, working capital and crop finance. For the years 1962/63 to 1965/66, considerable amounts of money have been given to the district unions to acquire processing factories and for relending to their member societies (Table III) and to societies, under the credit and group farming schemes. In the 1966/71 Second

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1. The Rpt. of the Committee of Enquiry into the Affairs of the Busoga Growers' Cooperative Union, 1965, p.8. The Committee was making a general observation in respect of the whole movement.



five-year plan, a sum of £4.4<sup>1</sup> million has been earmarked for cooperative group farming schemes out of a total of £47.8 million, of the proposed Government expenditure on projects and programmes in the agricultural sector, thus representing 9.3% of the overall estimated expenditure. The year 1964 saw the appointment of the first Ugandan as the Registrar of Cooperative Societies and Commissioner for Cooperative Development. Another landmark in the progress and growth of the movement was the registration in 1965, of other types of cooperative societies in the country, such as the Taxi Drivers' cooperative society in Kampala, the Building and Handicrafts Societies and the Forest Societies. In the same year 1965, there had occurred a coverage by the movement, of all the Districts in the country, through the formation and registration of three growers' cooperative societies in Karamoja District.

TABLE III: STATISTICS OF LOANS TO COOPERATIVES, 1962/63 TO 1965/66.

TABLE III(a) CREDIT SCHEME LOANS (FIGS. IN SHILLINGS)

	1963	1964	1965	1966
Total Loans from the Uganda Credit & S. Bank* from 1st Nov. of the previous year to 31st October of current year.	814,955	1,689,357	5,186,503	6,024,986
Recoveries during the period up to October 31st of current year.	811,607	1,665,010	807,971	5,389,969
Outstanding Amounts	3,348	24,347	4,378,532	635,017
Percentage Rate of Default	0.4	1.4	17	10.5

\* The Bank is now known as the Uganda Commercial Bank.

TABLE III(b) GROUP FARM LOANS (FIGS. IN SHILLINGS)

	1963	1964	1965	1966
Loans from the U.C.S.B. from 1st Nov. of the previous year to 31st October of current year.		69,411	916,440	922,385
Recoveries for the same period		39,829	2,779	709,754
Outstanding Amounts		29,582	913,661	212,631
Percentage Rate of Default.		42.6	99.5	23

1. D.G.R. Belshaw: Proposals for Agric. Sectors in the current East African Development Plans: A Comparative Analysis, Table III, RDR No.26.

\*THE III(c) LOANS DISTRICT UNIONS INCUR FOR CAPITAL ASSETS AND  
CROP FINANCE (CENTRAL FINANCE)

YEAR	CAPITAL FINANCE SHS.	CROP FINANCE SHS.	TOTAL SHS.
1963	18,156,215	65,002,567	83,158,782
1964	39,347,386	98,893,000	138,240,386
1965	43,063,269	122,050,000	165,113,269
1966	48,194,340	126,050,000	175,140,440

SOURCE: Annual Reports of the Department of Cooperative Development.

Apart from crop marketing and crop production, the movement also engages in activities ancillary to marketing, such as thrift and loan and credit activities, as well as distributive services. The major activities of the movement are, however, on the marketing of the country's two major cash crops - coffee and cotton. Interest is also shown on the marketing of minor crops as a means of diversifying members' incomes and reducing the risks incidental to reliance on the major cash crops whose world price levels are usually unstable and are determined by world market situations.

As the movement grows bigger in membership and coverage (Table IV), it had become necessary to establish apex organisations to perform certain functions at a central level. Three such apex organisations have been formed. They are:

(a) The Uganda Cooperative Central Union formed in 1961 for purposes of centralised trading on behalf of the member-unions and for distributive and supply services of the movement.

(b) The Uganda Cooperative Alliance, set up in 1962 to promote cooperative education and act as the spokesman and representative of the entire movement on national and international issues affecting the organisation. The whole idea behind the formation of the Alliance is to provide a basis for the eventual control of the movement by the movement itself when it is able to do so and divest the Government of its present responsibility over the cooperatives. How and when one can decide that the movement has reached the age of maturity is another matter.

(c) The Cooperative Bank of Uganda formed in 1964 to handle Cooperative Banking, especially, crop financing in the country.

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\* These are maximum liabilities District unions are authorised to incur and represent loans from banks, guaranteed by the Uganda Government.

TABLE IV:

GROWTH OF THE COOPERATIVE MOVEMENT: 1963 TO 1967.

YEAR	CROP MARKETING		OTHER SOCIETIES											Total No. of Societies	Members-ship	Live-Stock Unions	Total No. of Unions	NATIONAL ORGS.	
	x Societies	Unions	Farm-ing	Thrift & Loan	Cons-umers	Trad-ers	Fish-ing	Dairy	Cattle & Live-stock	Hides & Skins	Trans-port	Hous-ing	Handi-crafts					Nat. Unions	Central Bank
1963	1652	22	2	28	3	1	4	1	7	4	-	-	-	1712	xx 350,009	-	22	2	-
1964	1663	27	2	32	3	1	4	7	5	5	-	1	-	1723	398,900	-	27	2	1
1965	1754	30	-	32	3	1	6	6	12	5	3	2	4	1828	450,590	1	31	2	1
1966	1800	29	-	33	5	-	6	7	15	9	4	2	4	1835	n.a.	2	31	2	1
1967	1865	29	12	35	8	1	8	9	15	9	4	2	4	1970	n.a.	2	31	2	1

SOURCES: Registration and Cancellation File No.29/6, Registrar's Office, Kampala; Department of Cooperative Development, Annual Reports.

## NOTES:

1. n.a. = not available.
2. These statistics are calculated on the basis of calendar years.
3. x= Credit and Group Farm Societies are included in the figures for marketing societies. It is from the latter that the former are chosen.
4. xx= These figures should be treated with caution as the statistics dealing with the membership of individuals are not very reliable, but they give a general picture of the size of membership.

So far, the hopes placed on two of the apex organisations have not materialised. The Alliance has not been able to "project a favourable image of itself" to the movement. The affairs of the Alliance were found to be in a mess and a Commission of Enquiry set up in 1966 into its working, resulted in the appointment of a Supervising Manager in July 1966, to reorganise the Alliance. Similarly, the Cooperative Bank which ran into difficulties right from its inception, for lack of funds and mismanagement, is virtually dormant now. After a Commission of Enquiry into its affairs in December, 1965, a Supervising Manager was, again, appointed to administer it. Enquiries were also set into the affairs of the Bugisu Cooperative Union, the Uganda Growers' Cooperative Union, and the Busoga Growers' Cooperative Union, the result of which was the appointment of Supervising Managers to manage the affairs of these unions. The reports of the Commissions of Enquiry into the first two unions have not yet been made public. From the report of the Busoga Committee of Enquiry, one has the impression that the movement is beset with a number of problems which hamper its efficiency. A Commission was, in 1967 set up to investigate the affairs of the whole movement and report thereupon. Until the Commission publishes its report, one is not in a position to comment on it. That the movement has had some disappointments, is however not in doubt. An editorial comment in this connection, in the Uganda Argus, on a seminar held in Makerere in 1966 is worth noting.

"Uganda is not the only country where there have been disappointments in the development of the cooperative industry, but it is important that the expensive lessons of the past are put to good use. In terms of size the cooperatives in Uganda have undoubtedly succeeded..... But the fact that it has recently been necessary to appoint a Commission of Enquiry into cooperative unions is a sign that not everything is well in them. It is certainly no commendation if a ginny which has made good profits in private hands makes much smaller profits or even a loss, when it is taken over by a cooperative".<sup>1</sup>

CONCLUSION:

In terms of numbers, the movement has grown tremendously. From about seventy-five primary societies registered in 1946, it has, by 1967, grown to an astronomical figure of 1970 primaries, with a large number of individual members, mostly farmers; thirty-one district unions, and three apex organisations. In the field of crop

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1. Uganda Argus, Sept. 29, 1966.

marketing, the movement has the largest membership, especially in cotton marketing, where it has acquired virtual monopoly.

It is an irony of history that African peasant farmers who, before the advent of cooperatives, were bitterly opposed to the monopsony of non-Africans in the cotton industry are now in favour of the very situation they attacked many decades ago, because cooperatives are now in a sheltered position in the cotton industry with virtual absence of competition. In September 1967, cooperatives were granted, by law, 100% take-over of cotton buying in all the cotton Zones (except in Mengo/Entebbe Zone where the private sector is left with only 20% share of the crop). In the coffee industry (except Bugisu arabica coffee), where the private sector dominates, the movement is even clamouring for the limitation of competition in areas where cooperative societies and unions compete with private traders. Quite recently, new monopolies have been granted the movement in milk-processing. The main achievement of the movement lies in the redistribution of economic power, while its main problem, in the development effort, is efficiency.

By encouraging the growth of the movement in the country the Government is, <sup>however,</sup> merely giving an administrative fiat to an organisation that had sprung up spontaneously, though in a small way, but was denied normal entry into the business and trade of the country. The evidence presented in this paper therefore supports the view that the growth of the movement in Uganda was spontaneous, although Government's continued paternalistic policy and supervisory role have all added momentum to its growth. In this encouragement, Government is not only giving the movement a great deal of financial support and technical aid, but is also controlling it and using it as an instrument of social and economic development of the country. Although it is the intention of the Government to hand over the control of the movement to the movement itself as soon as the latter is ready for it, cooperatives are increasingly becoming dependent upon Government for direction, especially, because of the schemes with which the movement is associated in rural development programmes. How soon the movement can become an autonomous organisation like the Danish Cooperatives is anybody's guess.

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