



Republic of Uganda

MINISTRY OF TRADE, INDUSTRY & COOPERATIVES



Statement of the Hon. Minister of Trade Industry and Cooperatives on revival and formation of Cooperatives in Uganda

The Ministry is at the vanguard of reviving and promoting formation of new cooperatives across the country owing to the following merits:

Cooperatives are important means available where by the poor, have been enabled to achieve economic security and an acceptable standard of living and improved quality of life in society.

According to ICA president, Co-operatives have taken millions out of poverty with dignity, helping them to build and control their own businesses.

In the National Development Planning framework (NDP) cooperatives are recognized as central in mobilizing and organizing farm level production, value addition, marketing, savings and financial intermediation at the local level.

In addition the new ILO recommendation 193 states: 'The promotion of cooperatives should be considered as one of the pillars of national and international economic and social development'.

It has been observed that participation and inclusion are central to a new approach to poverty reduction. Cooperatives are an ideal instrument in such a strategy, and the ILO including UN has long drawn on the strength of the Cooperative movement.

Meeting the challenges of globalisation requires strong local communities, strong local leadership and strong local solutions. Cooperatives have proved to be a key organisational frame work in building new business models to combat social exclusion and poverty, for example through local development initiatives; Cooperative members learn from one another, innovate together and, by increasing control over livelihoods, build up the sense of dignity, self esteem and freedom from servitude which are core values of development yet, the experience of poverty destroys them.

However, it is important that the nation understands how cooperatives are formed and managed so as to form new ones or join the existing ones to be able to attain economic prosperity.

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HON. AMELIA KYAMBADDE

THE FOLLOWING ARE THE GUIDELINES FOR THE FORMATION AND MANAGEMENT OF COOPERATIVES

What a Cooperative is?

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically controlled enterprise i.e.

Co-operatives are member formed out need, member owned, member financed, member used, member controlled and member benefiting business enterprises.

- Members voluntarily come together for purposes of promoting their ***economic, cultural*** and ***social*** interests in accordance with the internationally prescribed co-operative values and principles.
- Values: Co-operatives are based on: *self-help, self-responsibility, democracy, equality, equity and solidarity.*

- They also believe in the ethical values of *honesty, openness, social responsibility, and caring for others*

Principles:

In addition they should function under the following principles:

- Open and voluntary membership
- Democratic member control i.e. one member one vote
- Member economic participation / patronage
- Autonomy and independence
- Education, training and information to promote member's education and awareness
- Cooperation among co-operatives
- Concern for community development –

Why Promote Cooperatives?

- Co-operatives are easy to form, flexible and can be used to address many issues that are facing many people in Uganda. Through co-operatives, the people can generate ideas, share concerns, offer support to one another, build on existing skills as well as learn new ones, create employment opportunities and empower themselves. By pooling their produce or production efforts through their co-operatives, members can access better prices, improve the quality of their produce, etc.
- To meet certain needs such as financial services and many others.
- To fight exploitation by the powerful individuals or institutions by pooling their own resources to meet their needs.
- To fight unemployment.
- Cooperatives provide organisational framework which enables community members to handle tasks that enhance production and productivity, collective marketing and value addition, employment creation hence tackling poverty and social needs.
- Cooperatives thrive on the collective efforts of large number of members whom they facilitate to enjoy economies of scale
- Co-operatives transcends all spheres of the economy hence in Uganda we have the following forms of cooperatives:

- **Production and Marketing,**

- Industrial and Agro-processing,
- Dairy,
- Housing,
- Health Care,
- Live Stock
- Fish Farming,
- Fruits and Wine production,
- Apiary,
- Energy cooperatives have pioneered the distribution of pre-paid electricity bills (Pader-Abim Energy cooperative, Bundibugyo Energy Coop. Society),
- Industrial cooperatives in Kamuli district are accessing power at whole sale and distributing it to their members at retail for their grinding mills and
- Financial cooperatives (SACCOs)

The basic criteria for successful Cooperative

Cooperatives ought to meet the following basic criteria:

- It has got to be Member owned
- It has got to be Member controlled
- It has got to be Member used
- It must benefit members.

The structure of Cooperatives in Uganda

Co-operatives have a four tier vertical structure consisting of:

- i. **Primary cooperative societies** – this is a cooperative society formed by at least 30 persons
- ii. **Secondary cooperative society (known as Union or ACE):** This is a cooperative society formed by a minimum of two primary cooperative societies. Examples in

Uganda include: Nyakatonzi cooperative Union Ltd, Lango cooperative Union, Middle north Cooperative union e.tc.

- iii. **Tertiary Cooperative:** These are cooperative societies formed by purely unions/ Area Cooperative enterprises (ACEs) .The tertiary cooperative societies are meant to offer specialized services e.g. Uganda Cooperative Transport Union(UCTU) Ltd, Uganda Crane Creameries Cooperative Union Ltd (UCCCU)
- iv. **The Apex cooperative society** ;this refers to a society whose membership is restricted to cooperative unions and also includes a society established to serve the cooperative movement by providing facilities for banking, insurance and the supply of goods or services . Example is Uganda Cooperative Alliance Ltd

How is a cooperative formed?

Though there are many and varied ways of forming a co-operative, the following steps are the most commonly followed.

Steps in the formation of a Co-operative society

- i) Developing the idea
- ii) Conducting a feasibility/ viability /sustainability study of the proposed co-operative -:
 - a) Establish what would be required to start and cover the operating costs of the proposed co-operative before it starts earning its own income.
 - b) Determine how the running and operating costs of the co-operative will be met
- iii) Recruiting members and setting up leadership structures for the co-operative
- iv) Registering the co-operative
- v) Managing the co-operative
- vi) Evaluating the co-operative.

Registration of a co-operative

- Under the cooperative societies Act Cap 112, in order to operate a cooperative that is recognised it must be registered by the Registrar of co-operative societies. The Registrar of cooperative societies is based in the Ministry of Trade, Industry and Cooperatives(MTIC) i.e. ***Farmers House, Parliament Avenue, Floor 6 Room 608***

Procedures for registration of the co-operatives include:

- Mobilizing of at least a minimum of 30 members (aged 12 years and above) with a common bond/ interest/need. At least all the 30 members must have paid up membership fees and share capital before registration. **Note:** membership fees and share capital are determined by the members of the society intending to register.
- Recruiting members and setting up interim leadership structures for the co-operative as follows:
The committee of at least 5 members composed of Chairperson, Treasurer and Secretary and two other committee members
- Completing application form for registration (sample registration application forms are contained in the model bylaws for co-operatives or Cooperative Societies Regulations 1992) and these forms are obtainable from MTIC **Room 608** and from all offices of **DCOs** across the country.
- Obtaining 1 set of bylaws (**four booklets in number**) from MTIC and DCOs offices, participatorily filling and forwarding them together with Schedule of paid up membership fees, shares and savings if any, through the DCOs.
- Approaching area District Commercial Officer (DCO) to prepare interim Financial Statements of the proposed cooperative and writing a recommendation letter to the Registrar (based on the co-operative's interim operating report).
- Payment of 50,000/= for registration
- It is advised that during the process of registration, the interim committee should open up a joint collection account with any bank or SACCO for safe custody the funds collected during the formation process.
- Submitting of Passport Photographs of the 3 interim committee members who are signatories to the cooperative group's account.

NB: The following documents required for registration are available at MTIC ROOM 608 and area DCO and Uganda Cooperative Alliance Ltd. These are:

- i. Model bylaws for SACCOs and other forms of Cooperatives are obtainable upon payment of **Ug Shs 15000/=** in case of SACCOs Or **Ugshs 10000/=** in case of any other form of cooperative
- ii. Application for registration of cooperative societies form (schedule form 1). These are free of charge.

Cooperatives and Gender concerns

- Deliberate Gender -sensitive policies have been developed in all forms of cooperatives e.g. there has to be a woman and a youth on the committees
- Cooperatives have enabled women to access products and services, and also improve on their businesses and entrepreneurial skills and knowledge.
- The integration of gender in cooperative development is essential and has benefits like growing membership both in numbers and inclusiveness.
- In Uganda the co-operative movement, over the last 15 years, has recruited many women, youths and people with disabilities. They are fully involved and some have assumed management and leadership positions.
- This has also provided a platform for advocacy, leadership training and, management and skills development of all cooperative members.

Capacity Building and sustainability of Cooperatives

For the members to achieve intended benefits from cooperatives, leaders and managers must ensure that they collaborate with the various stakeholders in building capacity of cooperatives societies in general and members in particular in accordance with their goals and objectives.

However, cooperatives must work towards:

- 1) Sustainability of Cooperatives and the enterprises both in the short and long run. This requires adequate planning by the members.
- 2) Building confidence, trust and respect for policies, byelaws and sustainable shared goals
- 3) Adaptability to changing environment at local, regional and global level.
- 4) Diversification of activities /enterprises to maximize attainment of institutional and individual interests.
- 5) Attention to Efficiency and Effectiveness in running cooperative enterprises. This should be backed by ability to *identify and minimize risks*
- 6) Member empowerment through continuous cooperative education.

Failure to adhere to the above actions, leads to delayed realisation of benefits to the members

Management

For cooperatives to succeed and generate wealth for their members they must deploy the following approaches:

- Professional and entrepreneurial approach to management of the cooperative
- Regular and effective training and skills development for leaders and management staff.
- Human Resource Development institutions which train people in cooperatives should also include ICT skills development in their programmes.

For further enquiries contact:

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