



COOPERATIVES' PETITION

SUBMITTED TO THE SPEAKER OF THE
PARLIAMENT OF THE REPUBLIC OF
UGANDA

28th June 2016.



Whereas the cooperative movement has had various challenges, in recent years there has been an increase in the formation and registration of cooperatives. To date over 16,000 cooperatives have been registered and some old societies that were in the verge of total collapse have weathered through and are in the process of full recovery. Some of these scores are due to deliberate government interventions like the promotion of Savings and Credit Cooperatives (SACCOs) as well as attempts to address the legal and regulatory hiccups in the sector. Albeit the cooperative movement continues to limp due to unresolved issues such as an unclear legal and regulatory framework, unaffordable financing for medium and long term investments, and a weak cooperative education system amongst others. This situation is an opportunity for government and cooperators to steer the cooperative movement as a main player in achieving Uganda's vision 2040 and the UN Sustainable Development Goals.

It is against this background that a team of cooperators and civil society actors initiated nation wide consultations with cooperatives to generate priority issues that must be expeditiously addressed over the coming 5 years to enable the cooperative movement flourish. The consultation teams facilitated participatory hearings with cooperators in Kabale, Mbarara, Masaka, Kasese, Bundibugyo, Fortportal, Kibale, Mityana, Mukono, Iganga, Tororo, Mbale, Soroti, Dokolo, Arua and Zombo. All these hearings were hosted in cooperative premises and the final national consultation held at Uganda Cooperative Alliance Conference room on the 23rd of June 2016.

Herein are the prayers of the cooperative movement to the Parliament of the Republic of Uganda:

1. A Fully-fledged and Well-funded Independent Ministry of Cooperatives

We acknowledge and commend government efforts towards the revival of the cooperative movement and the recognition of the cooperative agenda through an appointed Minister of State and a Department of Cooperatives in the Ministry of Trade, Industries and Cooperatives. We however want to bring to your notice that the Department is poorly staffed and grossly underfinanced resulting to its inefficiency in meeting the demands of the ever growing cooperative sector. Moreover, the business of cooperatives requires a customized appreciation and understanding of the cooperative way of working. Notable is the fact that each district has only one Commercial Officer often without technical training in cooperatives and therefore unable to perform the supervisory, monitoring and auditing functions that are prescribed for a cooperative officer under the cooperative Act Cap 112. A fully fledged Ministry of Cooperatives would deliver the much needed regulatory and oversight support at all levels leading to more organized entities cutting across various sectors such as transport, agriculture, housing, marketing, finance, value addition and processing etc. This would in turn steer faster economic organization, sustainable growth and development delivering Uganda to middle income status.

We cooperators of Uganda pray that the 10th Parliament causes the establishment a fully-fledged, well-funded independent Ministry of Cooperatives with cooperative professionals and functional structures right from the sub county to the national to level.

2. The Cooperative Development Fund

We salute the Government of Uganda for the several efforts made in promoting business growth in Uganda. Several facilities like Entandikwa, Bona Bagagawale, Youth Livelihood Fund and the Agricultural Credit Facility, etc. have been rolled out with very limited impact on the growth of the rural people's livelihoods and cooperative movement which if boosted would mobilize more Ugandans into higher production and productivity levels. The irony of the cooperative movement's growth in size is in its incoherence with the required financial boosting that should support the increasing numbers and innovations. Unlike the first cooperatives that were largely linked to the agricultural sector, cooperatives in Uganda today have evolved to engage in various business ventures like real estate, mining, passenger and goods transport, energy production and road construction. Such long-term investments necessitate huge capital that is required for large scale and often high risk investments which many of our cooperative cannot afford for now.

We cooperators of Uganda pray that the 10th Parliament causes the creation of a Cooperative Development Fund that would avail funds to be managed by the cooperatives for cooperatives through Uganda Central Cooperative Financial Services (UCCFS) and offered at subsidized interest rate.

3. Cooperative Regulatory Authority

The government of Uganda is highly applauded for its commitment to put in place some of the best policies and laws that guide operation of different sectors. The cooperative department for example operates under the Cooperative Societies Act Cap 112, the Cooperative Societies Regulations 1992 and the National Cooperative Policy 2011. The cooperative Act Cap 112 is under amendment and once finalized will be a better law. With the laws in place, the department of cooperatives is expected to continue with its implementation role yet there is astounding evidence that this arrangement may be futile as the cooperative movement has seen most of its legal and regulatory issues unresolved. This situation is not unique to Uganda, in fact our neighbours like Rwanda, Ethiopia and, Kenya have addressed those challenges by creating specialized institutions to supervise and regulate the operations of cooperatives.

The cooperative movement in Uganda equally requires such specialist institutional arrangements that:

- a. registers and licenses cooperatives based on accepted principles, standards and laws
- b. supervises specialized cooperative based trainings in order to improve the quality of services provided to cooperatives
- c. apprehends those that have undermined the cooperative laws
- d. spearheads the audit and supervision of cooperative businesses
- e. ensures the implementation of the cooperative laws in line with other supporting laws
- f. causes the closure of cooperatives that do not comply with the cooperative laws
- g. contributes to the planning of the cooperative sector
- h. facilitates business to business networking amongst cooperatives in the world.

It is therefore our prayer that the 10th Parliament of the Republic Uganda legislates over putting in place the Cooperative Regulatory Authority with the roles prescribed above.

4. Revamping the Cooperative Education Sector

The growth of strong and self sustaining cooperatives will largely depend on well informed cooperators and the availability of competent human resources to manage, guide and steer cooperatives. Unfortunately, this is not the case in Uganda today, competent co-operatives managers are not readily available on the market and there is limited financial and professional capacity within the existing cooperative colleges in the country. No wonder many Ugandans have opted to use the services of Moshi Cooperative University in Tanzania to further their Cooperative skills. A new cooperative education policy framework would require the following:

- a. An increase in financing towards professionalizing cooperative education,
- b. The movement of the cooperative colleges currently under the Ministry of Education back to a reestablished Ministry of Cooperatives
- c. The facilitation of an emergency training of a core team of cooperative professionals who will spearhead curriculum development and the reestablishment of cooperative extension services in Uganda
- d. The organization of sustained grassroots cooperative training for primary societies.
- e. Revision of the current cooperative curriculum with a view of improving the quality of professional cooperative education in Uganda.
- f. Integration of cooperative education in Uganda's national education curriculums at all levels
- g. Establishment of a national center of excellence in cooperative management under a partnership of Uganda Cooperative Alliance (UCA), MTIC and the academia.

We therefore pray that the Parliament of the Republic of Uganda causes the revamping of cooperative education with the qualities prescribed above.

5. The Defunct Cooperative Bank

The Cooperative Bank Limited was started in 1964 to provide financial services to cooperatives. However, on 20th May 1999, it was seized and closed by Bank of Uganda. The closure of the bank dealt a very big blow to the cooperative movement and actually sent it to limbo for some time. Nevertheless, the cooperative movement has gradually recovered from its past, with hard work of its membership, determination of our leaders and some support from well wishers, including government. However, the financing arm of the cooperative movement is not as strong as it was in the past let alone being rather uncoordinated and disjointed. Recent dialogues between cooperatives has revealed our need for pulling our resources to establish a new cooperative bank in which various cooperatives buy shares to establish the necessary capitalization of the new member owned Cooperative Bank. To achieve this dream, we require that we draw lessons from the history of the defunct cooperative bank, and to enable us determine the best modalities for establishing the new cooperative bank. This means that we would benefit from a transparent information sharing with the view of putting behind us this important history of the defunct cooperative bank and we move on once and for all.

We cooperators pray that the 10th Parliament of the Republic of Uganda causes Bank of Uganda to present to the floor of Parliament the liquidation report of the defunct Cooperative Bank to help cooperatives ascertain the current financial position of the debtors, creditors, share holders and any other stakeholders to date.

6. Cooperative Societies' Amendment Bill 2015

We have taken note of the fact that the Cooperative Societies' Amendment Bill 2015 was listed among the bills that have to be debated in the 10th parliament. It is important to note that the process of amending the 1991 Cooperative Act started as early as 2004 and it is only last year 2015 that it was presented in parliament. In the meantime, the cooperators continue to suffer because of specific weaknesses in the current law for example financial cooperatives cannot take their loan default cases to courts of law because of the ruling of the high court by Justice Andrew Bashaija on the 30th May 2012; "matters concerning SACCOs should first go for arbitration before they are forwarded to court". This has frustrated many cooperators and undermined the potential recruitment of new cooperators seriously weakening the growth and development of the cooperative sector. It is our appeal that the amendment process is treated in an expeditious but careful manner.

It is our prayer therefore that the 10th Parliament gives the Cooperative Societies' Amendment Bill 2015 the priority it deserves and expeditiously debates and passes the necessary amendment with the primary objective of increasing the integrity of the cooperative movement, promoting the quality of services, security of cooperators' investments and the growth and development of the cooperative movement in Uganda.

7. East Africa Community Cooperative Societies Bill 2014

As part of the efforts to prepare the cooperative movement to take advantage of the opportunities in the regional integration process, the cooperators in Uganda under the leadership of Uganda Cooperative Alliance (UCA), Ministry of Trade Industry and Cooperatives (MTIC), Uganda National Farmers Federation (UNFFE) and the National Union of Coffee Agribusinesses and Farm Enterprises (NUCAFE) working closely with the Ministry of East Africa Community Affairs took an active part in the development of the above mentioned bill. The private members bill under the stewardship of our very own Hon. Mike Sebalu was passed by the EALA in 2014. To date, we have been informed that the bill was signed by the Heads of State of Kenya, Tanzania and Rwanda.

It is therefore our humble appeal through the office of the Hon. Speaker of the 10th Parliament as representatives of the people, that the President of the Republic of Uganda urgently assents to the bill.

8. Parliamentary Committee on Cooperatives

Honorable Speaker, in the recently concluded Presidential and Parliamentary Elections, the revival and revitalization of the cooperative movement in the country was very prominent. As cooperators we think that this is long overdue and we take this opportunity to thank all of you for have having put faith in an already tested and approved development model. At this point, we also find it necessary to have a standalone committee in Parliament to act as a home or/ and channel for all cooperative development related issues. In the past we have been moving from committee to committee depending on the kind of issues we had.

We therefore pray that the 10th Parliament of the Republic of Uganda urgently considers the establishment of a Parliamentary Committee on Cooperatives where all our concerns will be channeled.

9. Taxation of Cooperatives

Cooperatives continue to play a pivotal role in agricultural transformation through increasing production and productivity levels, enhancing value addition and providing affordable financing. SACCOs specifically provide agricultural finance to even those that may be relegated by commercial banks as unbankable. Despite this pertinent role of cooperatives in spurring development, the government of Uganda has continued to tax cooperatives under the Income Tax Act which treats cooperatives just like private companies. Cooperatives are subject to a number of taxes including corporation tax of 30%, 15% withholding taxes on dividends, 15% withholding tax on interest on members' deposits and stamp duty of UGX 5,000 on every loan agreement exceeding UGX 3 million. Because cooperatives majorly generate their incomes from their membership levying withholding taxes on members' dividends after corporation tax would be double taxation unlike companies which generate incomes from the general public. Lessons from countries like South Korea, Thailand highlight a need for a specific tax regime on the cooperative movement in order for it to play its instrumental role in promoting equitable development.

It is our prayer that the 10th parliament, cause the amendment of the income tax act such that a special tax regime for cooperatives is established to spur Uganda's growth to middle income status.

10. Compensation for War and Policy Change Losses

It is public knowledge that all cooperatives in Uganda lost dearly to political conflict and wars. And even more due to their unpreparedness to cope with the demands of privatization. To deal with this concern, some cooperators have opted for long drawn court processes against government. Whatever method has been adopted by various cooperatives the results have been scattered and disjointed with varying levels of success. Eventually some cooperatives have received partial or full payments, but most members do not even know the status of these compensations awarded to their cooperative unions. We are also aware that most; if not all cooperative unions have upon government request presented a claims lists of property, capital such as land, finance, stock and human resources losses for compensation. In our recent consultation meetings, it was agreed that we are better working together to harmonize the process and status of compensations based on the recent claims and the preparations by government to send verification teams to establish the correctness of these claims. Eventually, every genuine cooperative claim must be settled transparently, efficiently and in a timely manner.

We therefore pray the the 10th Parliament of the Republic of Uganda takes keen interest in the compensation processes, including negotiations, final agreement and settlement between every Cooperative Union and or Cooperative Society involved and Government of the Republic of Uganda, such keen interest may include demanding that the responsible Minister provides regular reports to parliament on the status of compensation until all cases are concluded to the satisfaction of all parties involved.



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