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# UPHOLDING COOPERATIVE IDENTITY AS A CRUCIAL DETERMINANT OF COOPERATIVE RESILIENCE: A CASE STUDY OF COOPERATIVES IN UGANDA

**A Framework to Predict, Identify, Measure and  
Communicate Cooperative Resilience**

Jane Amuge | James Kengah | Fred Muhumuza







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## Foreword

Historically, cooperatives have been at the forefront of delivery systems that accelerate community development by enabling the pooling and organising of resources, knowledge and skills for the common good.

Today, cooperatives operate in an environment more volatile, uncertain, complex, and ambiguous. There are: disparaging income inequalities; increasing demographic imbalance; positive and negative ICT (information, communications, technological) disruptions; adverse climatic change; and tensions related to scarce resources such as land and finances which are all affecting businesses, including cooperatives, in one way or the other.

In Uganda, minimal attention has been given to these cooperatives to make them sustainably resilient so they can continuously and effectively meet the needs of their members, and the communities within which they operate.

Specifically, little consideration has been put on nurturing the character and ethics of the owners, leaders and employees of the cooperatives, which are central to their vitality and resilience. Consequently, the cooperative movement in Uganda has continued to lament over risks and vulnerabilities, rather than look to its lauded self-regulating model for sustainable solutions and strategies to address these challenges.

This collaborative study makes a contribution towards ensuring that the cooperative movement lives up to its celebrated role as the engine of grassroots development, by consciously building their sustainable resilience benchmarks. In interrogating the resilience of agri-business cooperatives in Uganda, we are hopeful that the Cooperative Resilience Measurement Index (CRMI) we have developed for measuring resilience will be applied to nurture, inform, and sensitise cooperatives on the need to structure themselves for survival and continuity. This should make them more aware, responsive, economically viable, flexible, robust and agile, with increased ability to manage risks and holistically secure their existence and progression.



We believe that the efforts reflected in this report will contribute to promoting the agri-food systems' resilience, especially in this period when immense disruption has been registered in the production and distribution chains punctuated by the COVID-19 pandemic and other geo-political happenings. The report is also timely, given the Government of Uganda's emphasis on cooperatives as the vehicle for sustainable socio-economic development in the National Plan III, and the Parish Development Model blueprints. We are excited that, as and when these plans are implemented, there is a body of knowledge that adds value to these efforts and aspirations.

**Fred K. Muhumuza**  
*Development Economist*

*“Resilience is the strength and speed of our response to adversity — and we can build it. It isn’t about having a backbone. It’s about strengthening the muscles around our backbone.”*

**Sheryl Sandberg, Facebook COO**







## Acknowledgment

In pursuit of value-based cooperative-led sustainably resilient economies, this is yet another body of knowledge that stakeholders can use to transform the global cooperative movement.

We thank the board and management of The Uhuru Institute for Social Development, our research partners Busara Centre for Behavioural Economics and Open Society Foundation London for making this study possible.

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We further thank all the cooperators, policy analysts from the office of the president, academicians as well as practitioners and members of cooperatives in Uganda who dedicated their time to validate our research findings and add value to this report.

Our hope is that the Cooperative Resilience Measurement Index (CRMI) developed and launched will be adopted by cooperatives and supported by the government to boost the development of cooperatives in Uganda, and power Uganda's vision of a prosperous and transformed country within 30 years. We anticipate that cooperatives and stakeholders beyond Uganda will find value in the research and the CRMI.



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## Abbreviations & Acronyms

BCU	Bugisu Cooperative Union
CAO	Chief Administrative Officer
CBR	Centre for Basic Research
Coops	Cooperatives
CRMI	Cooperative Resilience Measurement Index
DCO	District Commercial Officer
DPO	District Production Officer
ECRTD	Economic Centre for Research Training & Development
EU	European Union
FGD	Focus Group Discussion
ICA	International Cooperative Alliance
ICT	Information, Communications and Technology
ILO	International Labour Organisation
KCCA	Kampala Capital City Authority
KII	Key Informant Interviews
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries
MCC	Mondragon Cooperative Corporation
MDAs	Ministries, Departments, Agencies
MTIC	Ministry of Trade Industry and Cooperatives
MoLG	Ministry of Local Government
NAADS	National Agriculture Advisory Services
OPM	Office of the Prime Minister
PLCs	Private Limited Companies
REC	Research and Ethics Committee
TUI	The Uhuru Institute for Social Development
UCA	Uganda Cooperative Alliance
UCSCU	Uganda Credit & Savings Cooperative Union
UNCST	Uganda National Council of Science and Technology
UNDP	United Nations Development Programme
USA	United States of America



## Key Concepts & Definitions

To facilitate an easier understanding of our conceptual framework, study findings and the Cooperative Resilience Measurement Index, we list key definitions of the statement on the cooperative identity and resilience concepts.

### ■ Unpacking the Statement on the Cooperative Identity and Resilience

ICA 2013 defines the statement on the cooperative identity as “**the shared understanding and identification of a cooperative’s core principles, values, and vision among its members, contributing to individual members’ productive degree of commitment and self-sacrifice to reach the cooperative’s business and social-cultural goals**”.

We define the statement on the cooperative identity as the distinct character of cooperatives enshrined in their universal definition, the seven internationally recognized cooperative principles, alongside the moral and ethical values that guide their formation, operation, governance, business, character, and spirit of engagement within their ecosystem.

Cooperatives are universally defined by ICA as “**autonomous associations of persons united voluntarily to meet their everyday economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise**”.

**“Organic”/ “Real” Cooperatives:** These are cooperatives that are constituted and run, based on the statement on the cooperative identity.

## ■ Cooperative Traditional Values

Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. These have been likened to the innate 'DNA' of cooperatives, the absence of which compromises the cooperative character, resulting in malfunctions in most or all its components. The application of these values is equally interdependent; thus, the application of one or a few traditional values diminishes the totality of the cooperative identity.

### • **Self-responsibility**

It is each member intuitively offering leadership and service for individual and collective good. This value calls every member to do their bit to make their cooperative a success by supporting its activities and using its products and services.

### • **Self-help**

This value is based on the belief that all people can and should strive to control their destiny. In coming together to form a business, individuals or persons pool their varying energies, intellect, influence and monetary assets to make a positive difference in their economic, social and cultural well-being.

Self-help is the heart of cooperative resilience, without which the very essence of cooperation is defeated. Self-help is a staunch acceptance of reality, a deep belief that life is meaningful, and the uncanny ability to improvise towards a social system of collaboration and participation that is able to respond to change.

It requires people to quickly and effectively respond to change while enduring minimal stress. Due to scarce resources, often at individual level, persons pool and invest their financial and non-financial resources to receive services and progress holistically. These resources include money, land, physical labour, human intellect and goodwill, among others. Whether the cooperatives in Uganda understand this, is partly the reason for this study.

### • **Democracy**

Democracy is an intrinsic value of cooperatives whose essence is a conscious decision based on freewill. A conscious decision means understanding the logic and rationale of taking decisions, and being aware of the possible consequences and their impact on each member and the cooperative. Freewill implies no undue influence through voter buying and bribery, or any other attempts to control management and governance decisions in one's favour.

- **Solidarity**

This is simply strength in the union of spirit, action and voice.

- **Equality**

All persons in a cooperative - irrespective of gender, talent, skill, etc. - have intrinsic value, meaning that each person is of equal value. Equality is especially significant in decision-making and governance, because it requires each member to have a reasonable opportunity to participate.

- **Equity**

Cooperatives represent fairness, yet achieving equity within these organisations is an unending challenge.

## ■ **Cooperative Ethical Values**

Cooperatives subscribe to the ethical values of honesty, openness, social responsibility, and caring for others.

There has been raging debate on the uniqueness of these values to cooperatives, considering that most of them are best practises for all types of business enterprises.

Our analysis contends that in cooperatives, the importance of ethics is elevated since members are owners, beneficiaries, and governors of the collective business entity. Unethical practises in the business are enough to kill the entire stream.

This study highlights how these values are uniquely applied in cooperatives, and how they contribute to organisational resilience.

- **Honesty**

This is an important prerequisite to both the quality of, and a means to, human fulfilment. Truth is a critical component of gratifying community and collective life, and an essential condition for members' positive experiences. Honesty at both individual and organisational levels is necessary right from formation of the cooperative, and throughout the enterprise's day-to-day running.

- **Openness**

This is simply transparent conduct at individual and organisational levels.



- ***Social responsibility***

Cooperatives operate in an ecosystem where, beyond serving their members, their business must consciously consider community benefits. This value is key to the public image of the cooperative in the community it serves, and beyond. Social responsibility holds cooperatives accountable for their actions and operations, to ensure improvement of the society and eradication of any oppressive conditions.

- ***Caring for Others***

This value tends to the “soft” needs of humanity, and includes love, empathy, and the ideals of *ubuntu* (humanism). It sets the standard for cooperatives and members to act without causing harm to others, and to proactively address all forms of oppression.

## ■ Cooperative Principles

These are guidelines cooperatives follow to put their values into practice. These principles were first written by the Rochdale Pioneers - who are considered the originators of the modern cooperative movement - following years of poverty and low wages during the industrial revolution.

They were keen to provide lasting guidelines that would distinguish cooperatives from other investor and privately owned firms. To harmonise personalities, and attain the needs of all cooperative shareholders, the International Cooperative Alliance and stakeholders revised and adopted the universal principles as follows:

**Principle 1:** Voluntary and Open Membership. Cooperatives are organizations open to all persons able to use their services and willing to accept the responsibility of membership without gender, social, racial, political, or religious discrimination whatsoever.

**Principle 2:** Democratic Member Control. Cooperatives are democratic organisations controlled by their members’ active participation in policy decision-making through general meetings, electing their leaders through one-member-one-vote, irrespective of their investment levels in the cooperative.

**Principle 3:** Member Economic Participation. Members participate through equitable contribution and democratic control of their capital in the cooperative. Part of the capital is usually allocated to the common good of the cooperative, while members receive limited compensation, if any, on capital subscribed as a condition of membership. They allocate surpluses to any or all of the following purposes: developing the cooperative, part of which would be indivisible; benefiting members in proportion to their transaction with the cooperative; and supporting other activities approved by the membership.

**Principle 4:** Autonomy and Independence. Cooperatives are autonomous self-help organisations controlled by their members. Any agreements signed with other organisations, or external capital raised to support their businesses, must not undermine democratic member control and the cooperative's autonomy.

**Principle 5:** Education, Training and Information. Cooperatives provide education and training for their members, elected representatives, leaders, managers and employees, and regularly inform the general public - especially the youth and opinion leaders - about the nature and benefit of the cooperative.

**Principle 6:** Cooperation among Cooperatives. Cooperative serves their members most effectively by cooperating with other cooperatives through local, national, and international structures, and solidarity actions to promote business and defend their members' rights.

**Principle 7:** Concern for Community. While focusing on their members, cooperatives work for sustainable development through policies approved by their members.

Fundamentally, cooperatives are member-owned, member-controlled, member-utilised and member benefitting value-based social enterprises.

## ■ Resilience and its Key Components

Resilience comes from the Latin word *resiliere*, translated as “jumping back” and the ability to recover, emerging in academic literature thanks to scholars in the field of ecology and ecosystems.

In the context of this study, we define cooperative resilience **as the magnitude of disturbance the cooperative can tolerate, and the desirability of the organisation's system state that enables it to anticipate, identify, prevent, adsorb and rebound from disturbance and adversity. This is achieved by exploiting innate capacities and capabilities, and deploying innovative approaches for stability, adaptability, and resilience.**

As we explain and assess resilience in cooperatives, this study refers to the following elements of resilience:

## ■ Risk and Uncertainty

Risk and Uncertainty are related, but not the same. Willett (1901) defines risk as the objectified uncertainty regarding the occurrence of an undesired event. Knight (1921) argues that in the case of risk, the distribution of the outcome in a group of instances is known based on statistics from experience. Yet, uncertainty can't form a group of instances because the situation dealt with is often unique (ibid).

## ■ Vulnerability

Vulnerability refers to exposure to contingencies, stress and the difficulty in coping with them, thus including concepts such as defenselessness and insecurity (Chambers, 2006). Chambers identifies two sides of vulnerability: an external side of risks, shocks and stress to which an individual, household or organisation is subject, and an internal side which is defenselessness, i.e., a lack of coping mechanisms without damaging loss (ibid).

Vulnerability is often linked to resilience, exploring their interconnections both in an ecosystem and social perspective; focusing on resource dependency; institutions and people as primary agents of the change (Westaway, 2011). It is argued that vulnerability is portrayed by the presence of risk experienced by people living in a particular place, while resilience captures their ability and that of their surrounding ecosystem to adapt to the changing risks and opportunities (Adger & Brown 2009).

The transition from just coping with risk to developing adaptive capacity can determine the extent to which people, organisations and communities are resilient. In addition, this transition can illustrate the potential to adapt, as and when needed, and not necessarily the act of adapting or its outcome (Levine et al., 2011).

## ■ Coping

Pulla, Shatte, and Warren (2013) link the resilience of an individual, group or organisational system to their ability to interact with and adapt to the current environment, along with the production of strengths to cope with the stress and adversity experienced within a crisis.

Coping strategies can be categorised as cognitive-focused, appraisal-focused and emotions-focused, and distinguished as effective and maladaptive coping strategies (ibid). Maladaptive coping strategies appear effective and successful in the short-term but fail as long-term coping techniques, and can hinder the development of resilience as they create a false sense of adaptability and success (ibid).

## ■ Stability

Stability is an individual's or organisation's ability to withstand stress and avoid a loss of function in the face of adversity and drastic changes in the ecosystem. Resilient organisations can withstand, recover from, and still survive after disruptions. **Stability involves standardisation, modularization, institutionalisation and systematic planning, and focuses on the efficiency of innovation in a low-changing, predictable context.**



Stability characteristics include a strong sense of purpose, core values and a genuine vision, practical habits and over-learned routines, forecasting capability and behavioural preparedness. Stability helps resilient organisations cope with disturbances through three steps: (1) buffering impacts, which is reducing the organisational vulnerabilities to risk environments; (2) absorbing shocks, which is coping with the unexpected difficulties or complexities; and (3) returning to a pre-shock situation, which is recovering from these situations.

## ■ **Adaptability and Adaptation**

Adaptability is a crucial component of resilience and refers to the ability of an organisation to adjust to environmental change, take advantage of opportunities, and create a fundamentally new system.

Adaptability embraces learning, experimenting, adopting novel solutions, and developing generalised responses to foreseen or unforeseen events. Thus, an adaptive system could create foresight and recognize, anticipate and defend against adverse consequences before uncertainties occur.

Adaptability is targeted at flexibility in high-variation and unpredictable environments that require organisations to conduct adaptable, innovative mechanisms, like exploration, experimentation, and improvisation.

More specifically, adaptation is defined as the process through which an actor can reflect upon and enact change in practises and underlying institutions. Adaptability facilitates organisations to keep pace with environmental change and even create new opportunities. Adaptability can be promoted through information and knowledge enterprise integration and architecture, deep social capital, and mindfulness.

Fankhauser (1998) has argued that adaptation is equal to sustainable development. However, some scholars have countered that resilience is not synonymous with adaptation and weakened its link with sustainability. Indeed, Walker et al. (2006) have demonstrated that adaptation can undermine resilience when adaptation in one location or sector undermines resilience elsewhere.

Adaptation in institutions tends to be a guided process whereby a plan (e.g., political, economic, leadership, etc.) is translated into action through anticipatory means. On this point, Smit et al. (2000) argue that adaptation may occur unintentionally as an incidental outcome of other actions without having a plan in place.

## ■ Capability

The potential to adapt is better understood in light of the capability approach developed by Amartya Sen (1999), who defines development as the expansion of people's freedom and capabilities as their freedom to "lead the kind of lives they value and have reason to value" (ibid: 18). Here, this potential to deal with uncertainty can be conceptualised as the capability to face risks and insecurity.

Capability depends in turn on the conversion of people's endowments (monetary, capital, physical, human and social ones) through their entitlements to call on these resources (Adger and Kelly, 1999) and social opportunities (i.e., participation in the market, public policy and civil society) (Lallau, 2008), as well as on the whole spectrum of human capabilities enjoyed by people, such as education and healthcare (Burchi and De Muro, 2012). Endowments, entitlements, opportunities and other human capabilities determine people's ability to implement ex-ante actions to face risks and ex-post reactions to cope with risks (Sen, 1985).

**Disruption:** The action of preventing something, especially a system, process, or event, from continuing as usual or as expected. Disruptions can be positive and/or negative.

**Adversity:** A difficult or unlucky situation or event.

**Sustainability:** The United Nations defines sustainability as development that meets the needs of the present generation without compromising the ability of future generations to meet their needs. (UN 2012). Sustainability relates to using resources without completely depleting or destroying; involving methods that do not completely use up or destroy natural resources and the ability to last or continue for a long time.



**Figure 1:** One of the refurbished trucks belonging to Uganda Cooperative Transport Union.

## Executive Summary

Although cooperatives are seen as inherently sustainable and resilient businesses, disruptions, turbulence and adversities have continued to prevail in their operations as well as their socio-economic, political and ecological environment. Cooperatives, like all businesses, have inherent risks, but the rational approach is to manage and mitigate the risks rather than abandon the opportunity to create value and benefit humanity.

As the world searches for long-term models of building sustainably resilient agri-business food systems, we look to the cooperative business model to see if the solution lies in exploiting their unique qualities. Thus the impetus for this study; to examine the culture, character, operational efficiency-together with other environmental factors-and how they have a bearing on their survival, stability, and sustainable resilience.

Cooperatives are a distinctive business model with resilient traits that have manifested with sustainable results over the years. More compelling is that The cooperative values and principles are closely related to almost all religious and societal norms; a phenomenon that situates them as natural vehicles for sustainable development.

English Economist Alfred Marshall, who was the President of the Cooperative Congress movement in 1889 noted: *“What distinguishes co-operation from every other movement is that it is at once a strong and calm and wise business, and a strong and fervent and proselytising faith”*.

This study builds on the cooperatives' value-based character, culture, and dual pursuit of socio-economic returns to provide a framework for predicting, identifying, and measuring risks and vulnerabilities as a way of increasing their sustainable resilience. It provides information that can help to devise coping and adaptive mechanisms in order to remain stable, progressive and effective in the face of adversity and disruption.

We examined the magnitude of resilience by looking at how cooperatives apply their values and principles, as determined by their unique and regular ways of operation. The findings of the study also provide insights into how the application of the statement of the cooperative identity responds to internal and external disruptive changes, and how best cooperatives can rebound and continue to grow and deliver benefits to their members.

Most conspicuous of the findings of this study is the centrality of the individual and collective personality, character and morals of the owners, elected leaders and managers of the cooperative. The study noted that the traditional cooperative values and their ethos are the most significant contributors to resilience because they represent the morality and ethics of the members, without which the principles would exist in a vacuum. Thus, for cooperatives to build sustainable resilience, its members and stakeholders must first understand and uphold the statement on the cooperative identity. This way the cooperative organisation's level and



magnitude of resilience is holistically realised within a functional and coordinated organisational system and network.

Using quantitative and qualitative information from various cooperative stakeholders, we designed the Cooperative Resilience Measurement Index (CRMI) that sequenced the values and principles of cooperatives in order of their perceived importance and contribution to various sustainable resilience indicators.

The CRMI was tested using data from Uganda and the results of the test showed that, if managed according to their values and principles, cooperatives are innately collaborative, agile, robust, sustainable, flexible, informative, and responsive to various changes in the internal and external environments. This is partly due to the capabilities and capacities embedded within their network of systems.

The study further takes note of the interlocking nature of all the values and principles of cooperatives; we advance that the consequence of their adherence to sustainable resilience can only be achieved as a whole, not in parts. This is why the CRMI presents all the elements of the statement on the cooperative identity in a complete matrix with weights that signify how critical each part is to the cause of sustainable resilience.

The “real” cooperatives thrive as long as the purpose of the cooperative is owned and understood by its members through: (1) sufficient information, as well as deliberate educational programs; (2) their governance structures, which ensure patronage remains inclusive and cohesive; and (3) their operating system which enables competitive advantages, harmonious, symbiotic and equitable relationship of its members.

We further advance that cooperatives are formed for pragmatic socio-economic self-development, unfettered by political, philanthropic, religious or socio-cultural influences from within and outside. Therefore, we conclude that pressures - natural or otherwise - imposed by external sources cannot break organic cooperatives if they adhere to their traditional and ethical values alongside their universal principles.

Nonetheless, the cooperative movement is faced with changes in development paradigms that will require adapting to new ways of creating operational efficiency, ensuring solidarity within the membership and cohesion between cooperators and the natural environment. Ignoring these may create long-term disincentives for investing in cooperatives. Cooperatives must recognize that many of the conditions that exist today are dynamic, hence the need for careful modifications without diluting their essence. They should equally be mindful - when planning and implementing their resilience strategies - to customise their solutions to the diversity and developments in the operational environment, pertaining to competition religion, culture, demography, technological advancement, climate change and the state of geopolitics.

This study also infers that resilience on its own is insufficient; rather cooperatives must seek to achieve sustainable resilience for which their very identity embodied in people centredness promotes.

We conclude that whether or not cooperatives observe the cooperative values and principles, they will still be exposed to risk because of their dynamic network of internal and external stakeholders. While the risk levels may vary depending on their degree of adherence to their value and principles, the distinction is that cooperatives that uphold the statement on the cooperative identity have been found to be better prepared, more responsive and adaptive to disruption and adversity.

Although this study approached resilience as a positive construct, our study infers that some elements of cooperative resilience can be desirable or undesirable depending on the cooperative systems state. Indeed, on testing the Cooperative Resilience Measurement Index, the study found out that most cooperatives were resilient, but 95% lacked on the aspects of sustainability notably security, healthy financial positioning, adaptability, science, technology & innovation, redundancy, risk management, flexibility and visibility, etc. For example, there were cooperatives that had conducted their AGMs every year and held elections at designated times, yet their members expressed dictatorial tendencies and mistreatment by the leaders. This research also interfaced with large and older cooperatives that have failed to satisfy the needs of the larger membership except for a few leaders who have taken over the cooperatives for themselves thus maintaining underperforming systems states for extended periods of time usually unquestioned. This confirmed the argument that resilience does not necessarily mean sustainability and that the ideal for cooperatives must be sustainable resilience.

It is our hope therefore that the findings of this research and the CRMI will catalyze efforts towards ensuring sustainably resilient cooperatives that are better positioned to power Uganda and the world on the way to inclusive socio-economic transformation.

*“Founded on the principles of private initiative, entrepreneurship and self-employment, underpinned by the values of democracy, equality and solidarity, the co-operative movement can help pave the way to a more just and inclusive economic order.”*

**Koffi Annan**

## **This study makes the following recommendations**

### **A. Cooperatives**

Must take full responsibility for their businesses by recognizing and applying all the values and principles of cooperatives through attracting and retaining members and leaders with morals and ethics, building capital and growing their reserves through investments that help to secure significant market positions; undertaking continuous research, education, training, gathering, and processing information; embracing technology; nurturing and protecting their social and natural resources and adopting modern ways of business management. This will enable them to remain relevant and sustainably resilient in contemporary business environments that are very volatile.

Should plan and devote themselves to serving and developing their members, in order to enhance long-term investment value. As member-owned, member-controlled, member-used, and member-benefiting business organisations, cooperatives must always create membership value by designing solutions that respond to the members' economic, social and cultural needs and aspirations. In this way, cooperatives are able to meet their dual missions of creating both business and social impact.

Additionally, the cooperatives as social businesses must pay attention to all their triple bottoms, i.e. the business, social and environmental goals so that they are able to build internally and externally efficient disaster risk strategies for preparation, prevention and mitigation as well as response. These strategies must be multi-sectoral and extensive enough to take care of all business types, considering that cooperatives are involved in almost all sectors of the economy. This will require deliberate effort by cooperatives to collaborate amongst themselves as well as with the government and development partners.

### **B. Government and Development Partners**

Must appreciate that cooperatives are private businesses that should have the liberty to operate competitively, without avoidable constraints within its environment thus the need for legislation, policy and actions that enable cooperative growth and development

Should undertake capital intensive initiatives like irrigation schemes; energy, transport and telecommunications systems and infrastructure; security; standardisation; and extension services to promote a supportive environment, rather than being a seemingly controlling authority. Private-public partnerships between cooperatives, the government or/and development or increased deployment of matching grants by the government or/and development partners, are good options to preserve autonomy and independence.



### **C. Recommendations for future research**

Although we validated the study findings and pre-tested the Cooperative Resilience Measurement Index, we recommend a wider testing and adoption of the CRMI by the government of Uganda as a monitoring and supervisory tool, to provide evidence on how cooperatives can be championed as engines for agro-industrialization, and inclusive socio-economic development.

We further recommend that the International Cooperative Alliance undertakes a study on which values and norms can be adopted from the New Generation Cooperatives in response to some of the inherent limitations in the application of the universal cooperative principles in light of the changes in the world today and in the years to come. This could be in line with how the cooperative values and principles treat capital and surplus as these play a significant role in influencing long-term investment interest in cooperatives.

### **The report is organised as follows:**

#### **Section 1: Background**

In this section, we introduce our study questions, provide context to our research and explain the methodology of the study.

#### **Section 3: The cooperative resilience conceptual framework**

Within this section, we define the key concepts of the research, and explain our conceptual understanding of the nexus between the cooperative identity and resilience.

#### **Section 5: The findings to test the applicability of the framework**

In this section, we apply and test the Cooperative Resilience Measurement Index using a triangulation of the findings obtained from literature, key informant interviews and surveys.

#### **Section 7: The Cooperative Resilience Measurement Index**

#### **Section 2: Methodology of the study**

In this section, we briefly explain the methods for data collection, the sample and scope of the study.

#### **Section 4: The framework of analysis**

In this section, we unveil the cooperative resilience index, the framework we have developed to aid cooperatives in assessing the magnitude of resilience and strategizing towards strong organisational systems desirability.

#### **Section 6: Conclusions, recommendations, and future research directions**

This section contains the conclusions, recommendations that are drawn from the study, and points out areas for future research.



## SECTION 1

# | Background

## 1.1 Introduction

Do the members, elected leaders, appointed employees and partners of cooperatives in Uganda understand the notions of the statement on the cooperative identity and resilience? How does appreciating cooperatives, or not, for what they truly are, and adhering to the cooperative values and principles ensure that they prepare, cope, adapt and innovate in order to shield against adversities and disruptions that lead to their resilience or a lack of it? What is the influence of other factors other than the cooperative identity on the resilience of cooperatives? What tools are cooperatives using to predict, detect, measure and guide their efforts in building resilience?

This report is premised on the irony that many cooperatives in Uganda are not sustainably resilient due to a host of internal and external factors. Although cooperatives have increased in numbers, internally a majority are rocked by bad governance, free riding members, low productivity, human rights abuses and incommensurate reward for members' investment. In the external environment, cooperatives in Uganda are plagued by insecurity, disease, natural disasters, poorly planned and rushed economic liberalisation policies, harsh business conditions, alongside a currently confusing legal and supervisory framework, and deficient political will in promoting their recovery and development. This report therefore examines whether upholding the cooperative identity is the crucial determinant of their resilience. It also presents a framework for predicting, identifying, measuring and reporting of risks, vulnerabilities, capabilities, adaptability and innovative strategies and actions for the resilience of cooperatives.

## 1.2 Contextualising Cooperative Identity and Resilience

The historical and recent appreciation of cooperatives as the driver of Uganda's agro-based socio-economic development aspirations demands practical understanding and prioritising of their sustainable resilience. Resilience is required to respond and adapt to disruptive and challenging conditions, leveraging opportunities and delivering sustained performance improvement. Yet for most businesses including cooperatives, resilience is not a core component of operational and corporate strategy, but a residual left to explain unexpected survival or strife (Sutcliffe & Vogus, 2003).

For such an important role that cooperatives play as agri-business food systems, their members, elected leaders, employees and partners must do everything possible to adapt and change before the price of not doing so becomes too costly. ILO (2010) suggests that cooperatives, unlike other conventional business enterprises, are unique for their connection to the community. Moreover, the values, ethics, and universal principles embraced by cooperatives are designed to sturdily keep them tenacious enough to face internal and external stresses.



English economist Alfred Marshall, who was the President of the Co-operative Congress movement in 1889 noted, ***“What distinguishes co-operation from every other movement is that it is at once a strong and calm and wise business, and a strong and fervent and proselytising faith.”***

A well-functioning cooperative knows why it exists and what it wants to do. (Benghu 1996), makes a more compelling case that cooperative values and principles are compatible with Africa’s phenomenon of Ubuntu, so rather than learning anything new, communities in Africa are simply applying the values and principles they are already familiar with to their cooperative businesses.

Novkovic (2008) also connotes that the cooperative principles provide a foundation for building member commitment, beyond just economic self-interest.

***“We want to make a case that cooperative principles can play an economic, managerial, and social function if adhered to by cooperatives.”*** Novkovic, 2008

Even so, some scholars have argued that certain aspects of the cooperative values and principles harbour some of the risks and vulnerabilities. They argue that the root causes of cooperatives’ failure is in the rigidity in aspects of their values and principles prompting more attention to their culture, character, and operational efficiency.

Somerville (2007) for example asserts that member democratic control often adds layers of bureaucracies that complicate and slow business operations. Where systems and policies are not transparent, the management team gets torn apart, chasing the committees and members for decisions on issues like the volume of surplus to be retained and distributed in the form of shares. Attempts to resolve such tensions have often resulted in non-adherence to the values of cooperatives because management finds itself at loggerheads with the membership and their elected representatives.

Somerville further explains that in some cooperatives, accumulating and retaining reserves can weaken the internal democracy while simultaneously strengthening the influence of management relative to the membership. This power imbalance can, over time, transform a cooperative into more of a corporation. Yet the resilience of any organisation significantly depends on its internal structure, systems for decision-making, enabling it to either resist temporary changes or adopt new characteristics for permanent change. The assumption is that too much resistance to change in the face of permanent shifts in the business environment, or too much readiness to change when the emerging conditions are temporary are not good signs for resilience.

Additionally, cooperatives face complex challenges such as natural disasters, political instability and interference, cyber threats, and a competitive capitalist-driven market that bears on their survival, stability, sustainability, and resilience. Advancements in technologies - such as cryptocurrencies, social media, e-commerce, and the integration of artificial intelligence - present both opportunities and threats to cooperatives.

More-so cooperatives operate in a global market - where products and services can be sold in any part of the world - with unreliable supply chains that are largely void of quality and safety standards.

Given the volatile business ecosystem that cooperatives find themselves in, they must deliberately anticipate, prepare for, respond and adapt to incremental change, and sudden disruptions, to survive and prosper through the generations to come (Denyer, 2017).

As proponents of increased investment in building sustainable resilience among cooperatives, we are aware that the impact of disasters and disruptions on cooperatives is not uniform. Several cooperative businesses have collapsed, while a few have successfully ensured their survival. Thus, the need to regularly assess whether the changes in the business environment are temporary or permanent, and then design of appropriate responses (resist or adapt), that are directly dependent on their internal structure in terms of governance, oversight, information, and management systems. For example, a board often manages the relationship between members and management alongside other shareholders through policies and processes that ensure accountability and value to owners/shareholders of the cooperative.



**Figure 2:** Beekeeping equipment

A resilient cooperative must continuously offer value (defined as a set of benefits) to its members. These benefits relate to members' sustainable welfare and well-being, which are rooted in effective livelihood strategies for production, marketing, trade, financing, access to social services and reward mechanisms customised to the nature and condition of the cooperative's business.

Inflexibility and a lack of introspection can hinder a cooperative's ability to adapt and effectively respond to its context, which often proves to be the undoing of even the best cooperatives.

Moreover, while the discourse on cooperative resilience has generally been multi-disciplinary and multi-dimensional, there's been little effort to develop a uniform tool that cooperative sector players can apply to test the nexus between upholding the cooperative identity and cooperative resilience.

**To contribute to cooperative-centred development, we attempt to study the character and identity of cooperatives to understand how adherence to their traditional and ethical values - alongside their universal principles - have implications on the social enterprises' stability, prosperity and sustainable resilience.**

Through this formative research, the Uhuru Institute for Social Development, in partnership with Busara Centre for Behavioural Economics and Open Society Foundation London, has constructed and tested a tool that the global cooperative movement will possibly use.

Based on aspects of the work of Elena Alexandra Mamouni Limnios, Tim Mazzarol, Anas Ghadouani and Steven G. M Schilizzi, the originators of Resilience Architecture Framework (RAF), our Cooperative Resilience Measurement Index adopts a set of variables, namely resilience dimensions, to comprehend the contribution of cooperative values and principles to their resilience, or lack thereof.

*Inflexibility and a lack of introspection can hinder a cooperative's ability to adapt and effectively respond to its context, which often proves to be the undoing of even the best cooperatives.*

### 1.3 The Aim of the Study

#### **Purpose:**

To establish a framework that will guide the prediction, identification, measurement and reporting of risks, vulnerabilities, capabilities, adaptability and innovative strategies and actions for the resilience of cooperatives in Uganda.

#### **Objectives:**

- To identify how cooperatives in Uganda have optimised their unique character enshrined in their definition, values and principles to cope, remain stable, adapt to situations, innovate and remain resilient in the face of adversity.
- To establish how adherence or non-adherence to the definition, principles, and values of cooperatives in Uganda have increased their risks and vulnerabilities, and contributed to their instability, limited adaptation and innovation, and overall lack of resilience.
- To study the influence of other factors on cooperative resilience, or the lack of it, on cooperatives in Uganda.



Image: Alex Rath

**Figure 3: Fresh vegetables**



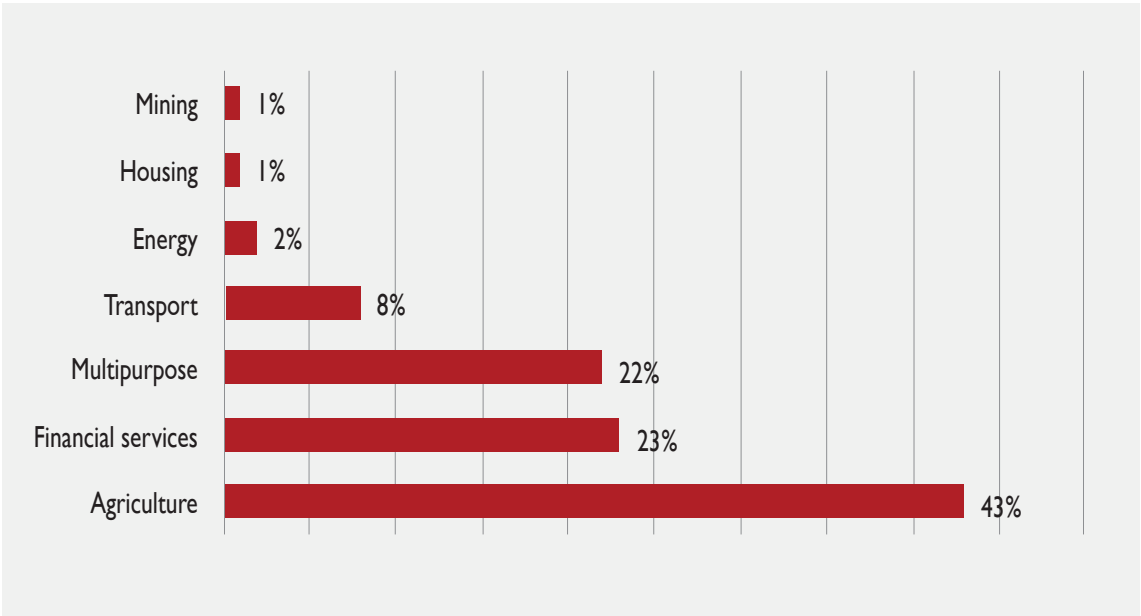
Image: Random Institute, Unsplash

## SECTION 2

# Methodology of the study

This study utilised a blend of data collection methods including desk reviews, questionnaires, focus group discussions, and key informant interviews. This enabled the study to obtain and analyse a wealth of quantitative and qualitative data.

- The questionnaires were administered to elected leaders and appointed managers representing 100 cooperatives across the agri-business, financial services, mining, energy, transport, and consumer goods sectors of the Ugandan economy.
- To establish any variations in the resilience levels across the cooperative classes, the survey was administered to 66 primary cooperatives (66%), 31 unions and area cooperative enterprises (31%), and three tertiary cooperatives (3%).



**Figure 4:** *Business types of the cooperatives that participated in the survey*

- Sixteen focus group discussions were conducted with 128 participants drawn from the membership, elected leadership and management of various types of cooperatives.
- The study engaged 34 key informants comprising cooperative practitioners alongside agricultural and disaster risk management stakeholders from key government ministries, local governments and cooperative colleges in Uganda.



The study covered 63 districts including Kampala, Kayunga, Mukono, Bukomansimbi, Gomba, Mityana, Luwero, Kalangala, Masaka, Bushenyi, Ntungamo, Mbarara, Kabale, Buhweju, Bundibugyo, Kasese, Kabarole, Kyenjojo, Kyegegwa, Kiryandongo, Hoima, Masindi, Kakumiro, Zombo, Arua, Moyo, Nebbi, Yumbe, Pakwach, Adjumani, Kitgum, Gulu, Amuru, Lamwo, Dokolo, Amolatar, Lira, Oyam, Otuke, Kole, Kapchorwa, Bukwo, Buyende, Mayuge, Kamuli, Jinja, Kumi, Soroti, Ngora, Serere, Amuria, Manafwa, Mbale, Sironko, Palisa, Kibuuku, Tororo, Budaka, Butaleja, Butebo, Busia, Napak, and Nakapiripirit representing the 15 ethno-demographic regions of Uganda including West Nile, Acholi, Lango, Teso, Karamoja, Sebei, Bugisu, Bukedi, Busoga, East Buganda, West Buganda, Bunyoro, Rwenzori, Ankole and Kigezi.

This study has benefitted from a geographical and socio-cultural diversity, which have shaped our findings.

Region	Count	Percentage
Eastern	21	33%
Western	13	20.6%
Central	9	14.3%
Northern	11	17.5%
West Nile	11	11.1%
Karamoja	2	3.2%

**Table 1: Percentage of cooperatives visited by geographical region**

#### ***Likely limitations of the methodology***

- The cooperative resilience index, and indicators used for the measurement of resilience were developed using subjective rankings informed by the realities of cooperatives in Uganda. Therefore, their application to cooperatives in other countries outside Uganda will have to be contextualised.
- Secondly, the cooperatives surveyed were not randomly selected, thus the findings may not be generalised to all cooperatives in Uganda.



Image: [www.britannica.com](http://www.britannica.com)

**Figure 5:** Cocoa tree with fruits



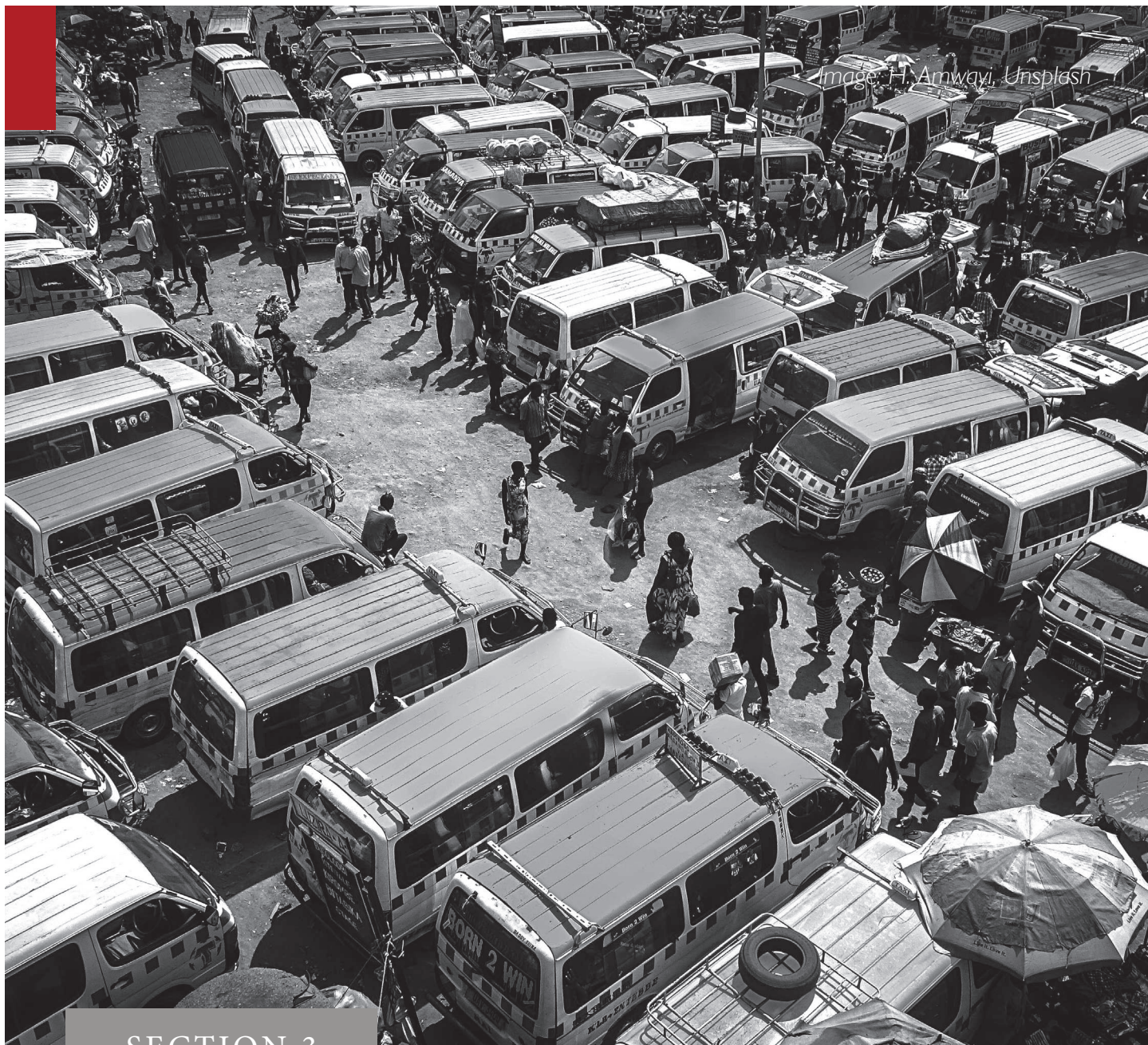


Image: H. Amwagi, Unsplash

## SECTION 3

# The cooperative resilience conceptual framework



In developing a cooperative resilience framework, we take the organisational systems resilience approach with the view that cooperatives by nature are organisations with a culture and identity that define their functionality, and how they relate with the broader political, environmental and socio-economic ecosystem.

We view resilience as an intrinsic attribute of the cooperative organisational system nurtured and fostered by understanding, and applying their universal definition, traditional and ethical values alongside the universal principles. This identity is exploited and deployed as a defence and adaptation mechanism to internal and external disturbances and disruptions to cooperatives' business.

The study presents cooperative resilience as having the duality of the system's capacity to adapt to internal and external disruptions and/or adversity by changing its structure, processes and functions, or resisting change and maintaining its current structure and processes, in which case the focus is on tolerating disturbance and absorbing shocks. It is evident that, like any other organisation, cooperatives cannot change their tactics with each slight change in their environment. They also can not remain static, and have to evolve through time, albeit they tend to adapt towards momentum (Miller & Friesen, 1980).

In the cooperative resilience conceptual framework presented below, we graphically advance that when cooperatives adhere to the traditional and ethical cooperative values along with their universal principles, they can resist and adapt to the internal and external stresses, shocks and pressures represented by internal and external risks and uncertainties.

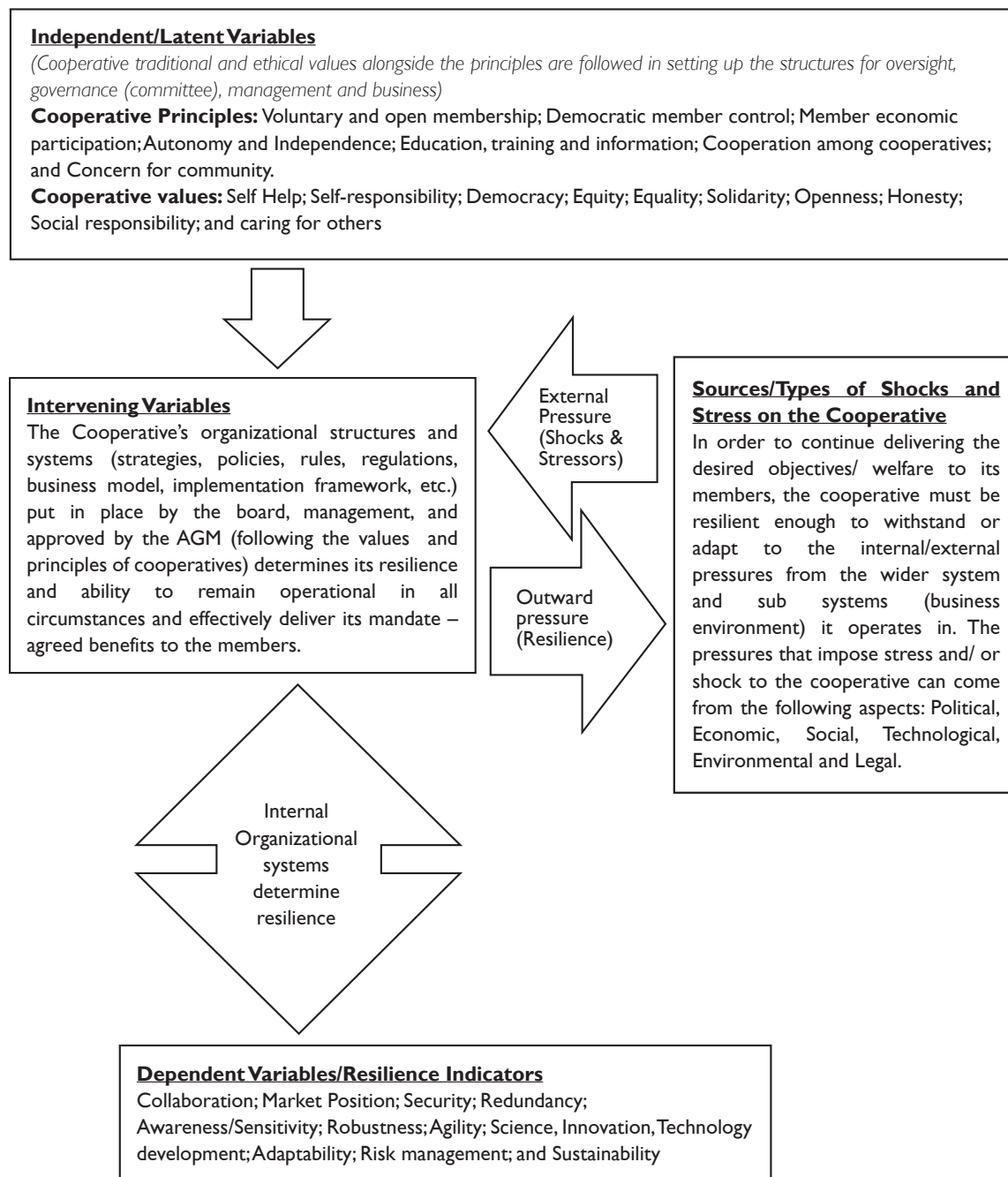
The arrow from the latent/independent variables pointed at the intervening variables represents how the former are applied in management and governance processes, practises and social business innovations.

The arrow pointing from the PESTEL (Political, Economic, Social, Technological, Environmental and Legal) factors to the intervening variables communicates the inherent capabilities and capacities of cooperatives to resist and adapt to external pressures and rebound and/or remain on course with their plans and activities.

Then the arrow from the intervening variables indicates how by fully or not adhering to values and principles, cooperatives are in a position to influence how the external environment interacts with them in a way that keeps them stable and resilient or vice versa.

Lastly, the double-edged spire-like arrow connotes that resilience indicators result from the interactions between adherence or not to the cooperative identity and the external plus internal shocks that cooperatives are faced with often.

**Figure 6: Cooperative Resilience Conceptual Framework**



### 3.1 Exploring the Cooperative Resilience Dimensions

Our study examines the interplay between the cooperative's **exploitative** (defensive) and **exploratory** (offensive) behaviour. In reviewing the cooperatives' exploitative character, we look at their attempts to improve efficiency in culture, norms and business processes. As for their exploratory conduct, we focus on cooperatives attempts at innovation that challenge and improve their internal and external intricacies.

We argue that cooperatives have to balance their defensive and offensive tendencies in order to identify opportunities for change when they arise, while still maintaining or evolving the critical organisational systems capacities and capabilities. We also observe how successes achieved through excessive exploitation tend to discourage exploration, resulting in rigidity and survival cycles.

Using the resilience dimensions approach of the Resilience Architectural Framework, our study agrees that resilience cannot be a target in itself, but rather a process of continuous exploitation and exploration. This is why we have considered two critical resilience dimensions: the **"magnitude dimension"**, which refers to the level of the resilience of the system (higher or lower levels of disturbance the cooperative system can tolerate and persist); and the **"desirability dimension"**, which refers to the level of desirability of the system state (more or less desirable cooperative system state at its current functional level).

#### | The magnitude dimension

We note that the magnitude of resilience will depend primarily on the **characteristics of the cooperative system**, and its ability to interact with its environment in either an **"offensive"** (adaptive) or **"defensive"** (reactive) way.

We mirror the **static elements** of cooperative resilience to the ability of the cooperative to deploy its identity elements for its defence, and the **dynamic elements** to the cooperative's ability to employ its character in adapting to disruption and adversity. We see that the cooperative static facets nurture robustness, while the dynamic ones facilitate flexibility and agility in crisis management. The latter, in particular, encourages new-age technology-driven communication and operational processes, research, innovation and improvised capabilities that impact strategic decision-making, organisational change, and effective human resources management.



### **| The systems desirability dimension**

The desirability dimension effectively introduces a stakeholder perspective in assessing cooperative resilience. Cooperatives are considered an open system that is internally and externally networked with its membership and the political, socio-ecological, and market environment. Therefore, it is a nested system in a broader network of stakeholders which includes members, partners, the communities within which cooperatives work, and natural systems (also referred to as silent stakeholders).

We advance that system desirability depends upon the perspectives of internal actors (such as members, employees, delegates and management), external actors that operate in the market, and the technological, economic and scientific sub-environments. The network of external cooperative stakeholders here includes customers, suppliers, competitors, financiers, government, development partners and community agents, all of who directly or indirectly influence the organisation.

### **| Agency theory and the systems desirability dimension**

**Principal-agent** relations in systems desirability is fundamental, given that owners of the cooperative, alongside elected committee members and the management team, have substantive authority to steer the cooperative's affairs.

Agency theory applies to situations where one or more persons (the principals) engage another person or persons (the agents) to perform duties on their behalf, which includes delegating some decision making authority to the agent. Agency theory elaborates how shareholders expect the agents to act, work, and make decisions in the principals' interests. However, the agents may not necessarily - or willingly - make decisions in the interests of the principals (Jensen and Meckling, 1976).

***“If both parties to the relationship are utility maximisers then there is good reason to believe the agent will not always act in the best interests of the principal”*** (Jensen and Meckling, 1976).

In the context of resilience, the agency theory provides insights on the levels of dependencies and the exposures that arise between the principals and the delegates, and equally challenges the level of control cooperatives have on their businesses.

Agency theory predicts that the agency conflict may be reduced when the owner is involved in management (Fama and Jensen, 1983; *ibid*). In cooperatives we have seen conflict between members and the committee members or/and managers especially when the agents develop a close relationship amongst themselves and isolate the members. Scholars claim that the agents may succumb to self-interest and opportunistic behaviour in the agency theory, therefore falling short in achieving the principals' goals and needs.

Such isolation may result in entrenchment. Entrenchment is, in turn, likely to have a negative impact on performance. Furthermore, isolation and entrenchment-induced inertia is likely to encourage a weak culture and weak leadership as well as a myopic strategy (Ghobadian and O'Regan, 2006).

Therefore the concept of **agency** is relevant in cooperative resilience because it brings out the centrality of people in risk management who—individually or in groups—mobilise their capabilities to face real and perceived risks.

Conceptually, our investigation of the contribution of adhering to the cooperative identity to the resilience of cooperatives in Uganda offers: (1) elements of the cooperative identity as our latent variables; (2) the internal systems and functions as intervening variables; (3) environmental factors as moderating variables; and (4) resilience indicators as dependent on the interplay between the intervening variables and the moderating variables. The facets of the cooperative identity are seen to characterise a static and dynamic organisational system interacting with the internal and external disruptions presented in the PESTEL, and the resultant resilience indicators.

### 3.2 The Cooperative Resilience Measurement Index (CRMI)

In developing the Cooperative Resilience Measurement Index (CRMI), we take a systems approach. Cooperatives by nature are organisations with a culture and identity that define their functionality, and how they relate with the broader political, environmental, economic and cultural ecosystem. We view resilience as an intrinsic attribute of the cooperative organisational system, which is nurtured and fostered by the understanding and application of their universal definition, traditional and ethical values, and principles. This identity is in turn exploited to build and deploy as a defence and adaptation mechanism to internal and external disturbances and disruptions to their business.

The study presents cooperative resilience as having the duality of the system's capacity to adapt to internal and external adversity by changing its structure, processes and functions. Alternatively, the cooperative can resist change and maintain its current structure and processes, and focus on tolerating disturbance and absorbing shocks.

It is obvious that like other organisations, cooperatives cannot change their tactics as a reaction to each slight change of the environment they operate in. It is also not able to remain static - evolution is necessary over time - but there is a tendency to adapt towards momentum (Miller & Friesen, 1980).

In this cooperative resilience conceptual framework, we advance that when cooperatives adhere to the traditional and ethical cooperative values - and their universal principles - they are able to resist and adapt to the internal and external stresses, shocks and pressures represented by internal and external risks. Cooperatives use their traditional values, ethics, and principles (independent/latent variables) to build internal structures (business models and strategies, governance and implementation frameworks, etc.) that enable them to respond to any external or internal shocks and stresses that would undermine their ability to continue in business.

The inbuilt internal management systems and business models enable the cooperative to resist or adapt to shocks and stressors creating results/outcomes (dependent variables) that characterise the resilience levels (indicators) of the organisation. These include collaborative arrangements/networks, market position, redundancy, sensitivity, adaptability, risk management abilities, and sustainability.

Tables 2-4 provide an illustration of the flow of influences between the independent/latent variables, to the internal systems/ intervening variables and their interaction with the shocks and stressors on cooperatives as organisations. The result of that interaction is captured as the outcome of characteristics of a resilient institution in the last box. These particular variables, as the focus of the study, are further explained below.

In the complete CRMI (in section 7 of this report), the observable variables have also been weighted to indicate how critical each is to the resilience of cooperatives. The rankings range from 3 to 1, with 3 indicating - very critical, 2 - critical, and 1 - moderately critical.

*It is obvious that like other organisations, cooperatives cannot change their tactics as a reaction to each slight change of the environment they operate in.*



### | **The Cooperative Sustainable Resilience Indicators**

- **Collaboration** means that the cooperative's operations are jointly planned and executed by its members and business partners. It implies that every unit of the cooperative is willing and capable of being autonomously deployed for the realisation of common aspirations of the business. In situations of abrupt change or disaster, collaboration enhances togetherness and the ability to tap into and draw extra support from networks. Commonality in needs, equality, equitable resource deployment, and decision-making are the critical elements for collaborative efficiency.
- **Market position** represents financial capabilities - e.g., volume of owners' shares, and business turnover - that can be tapped to respond to any shocks or stressors that may disrupt business flows. We argue that a cooperative with a strong market position often has sizable equity and reserves to allow functional relationships with members, customers, and the community following disruptive events. Having a solid market position further builds the cooperative's capacity to recuperate from internal and external disturbances.
- **Awareness / Sensitivity** is the ability to identify and comprehend vulnerability in many forms, and in its initial stages. This requires the capacity to perceive a disturbance through early warning systems, and consensus building among stakeholders on anticipated changes in policy, regulatory, or business environment. It can be based on information sharing, learning from past mistakes, coordination, and not ignoring minor mistakes which could signal bigger risk.
- **Security** considers physical and non-physical guards placed ahead of time to protect against threats of theft, cyber-attacks, counterfeits, fire/arson, financial misappropriations and manipulations, bodily harm, among others.
- **Robustness** is the capacity of the cooperative to withstand or resist change, and involves a proactive engagement of adverse events before they happen. This comes with having apt bylaws, and member-driven and market-sensitive strategies and business plans. Robust cooperatives should work in spite of unsettling influences, as they withstand and adapt to shocks and any changes when they happen.
- **Agility** denotes the capacity and increased velocity with which cooperatives react and adapt to unforeseen or erratic changes in the internal and external business environment. Agile agri-business cooperatives can have large volumes of supplies and warehousing mechanisms that they can quickly engage to shore up market mishaps.

- **Flexibility** implies that a resilient cooperative should have the capacity to adjust according to the required necessities of its members, partners, and environmental conditions in the shortest amount of time. Flexibility can be realised along all the functions of any cooperative business.
- **Adaptability** is defined as the cooperative's capacity to tolerate disruption by making a deliberate plan of how to adjust to the conditions, and even be able to perform better than the pre-disruption period. Adaptation looks beyond rebounding to the original position by registering additional progression. It is very much hinged on the ability to spontaneously reconfigure existing resources to build new operational capabilities that address urgent, unpredictable, and novel environmental situations. These depend on the quality of leadership and their ability to adjust existing policies and strategies.
- **Redundancy** includes availability of extra resources or stock that can be utilised at short notice as an emergency response to disruption. It may include duplication of processes, or having buffer stocks, with the specific goal to continue with operations amid an unplanned change. The aspects of redundancy in cooperatives may include existence of various committees (i.e., board/executive, supervisory and vetting committees), sub-committees, human resource succession plans, maintaining reserves, and diversification of business units and partners.
- **Information, Science, Innovation and Technology development** requires sizable investment in data collection and mining; timely and accurate generation and sharing of information; research and advertent development; and creation of solutions that respond to business problems using modern and sustainable technology.
- **Risk management** requires cooperatives to implement strategies across all their functions in order to contend with challenges that arise from complex and dynamic processes in a global village. The management of cooperatives must adopt professional business operations that are comparable with global practices.
- **Sustainability** requires a cooperative to use resources in a manner that does not put future generations at a disadvantage. It involves making quality choices that reduce wastage and minimise danger to the membership and communities.

- **Visibility** is the ability of the cooperative members, management, and committees to see the business environment broadly, and to respond rapidly to interruptions or bad influences. The managers of cooperative businesses should be able to monitor and evaluate the different parameters, and design strategies that ensure business continuity.

For cooperatives to register visibility, members and leaders must prioritise education, training, and information to enhance their capacity to actualize changes in a successful way. Structures and procedures must also be straightforward enough for the business to recognize requirements and interruptions in a timely manner.



**Figure 7:** *Flowers in a greenhouse*



Image: Nina R., Flickr



## SECTION 4

# Analytical framework for resilience measurement and testing



The analytical framework starts with the independent/latent variables (traditional, and ethical values, and principles of the cooperatives) that determine the internal design and functioning of the cooperative through established policies, laws and regulations, business models, management style, and implementation frameworks (intervening variables). The intervening variables are the hypothetical internal states seen to determine the outcomes (resilience indicators) of the interactions and relationships between the observable variables (independent and dependent).

**Table 2: Establishing the nexus between adhering to the traditional cooperative values and the organisation's resilience**

Latent Variables	Intervening Variables	Resilience Indicators
<b>Self-responsibility</b>	Cooperative has a strategic plan aligned to the members' joint vision, mission	Robustness, Sustainability
	Cooperative has a business plan aligned to the aspirations of the members	Robustness, Sustainability
	Cooperative observed quorum in the last AGM	Awareness, Collaboration, Security
	Cooperative is financed 75% by members	Sustainability, Market Position, Redundancy
	Cooperative is patronised by members only	Agility, Sensitivity, Security, Collaboration
	Cooperative has had AGMs every year since formation	Agility, Sensitivity, Security, Sustainability
	Cooperative has a disaster management plan	Security, Adaptability, Awareness
	Cooperative has insurance policies internally, or from recognized insurance firms	Security, Adaptability, Redundancy
	Cooperative trains its members before and after registration	Awareness, Agility, Robustness, Innovation
	Cooperative markets itself to partners and clients	Awareness, Agility, Robustness, Innovation
	Cooperative has an environmental management plan	Collaboration, Sustainability, Security
	Cooperative has a safety & health policy	Collaboration, Sustainability, Security
	Cooperative has a known office facility	Security, Visibility, Market Position
	Cooperative employs people who have been trained in cooperative management	Awareness, Adaptability, Innovation, Agility
	Cooperative is investing in research & development	Sustainability, Adaptability, Robustness
	Conducts truthful and certified social and financial audits	Security, Collaboration, Market Position
	Cooperative standardise its products and services internally or based on industry standards by UNBS, MTIC, Bank of Uganda, Export Promotion Board, etc.	Security, Visibility, Market Position
	Cooperative has at least five internal control policies	Agility, Collaboration, Security, Sustainability
	Cooperative has records of all its operations in soft and hard copies	Awareness, Agility, Robustness, Innovation
	Cooperative has a diversity and inclusion policy to ensure women, youth and people with disabilities (PWDs) are involved in the affairs of the cooperative	Collaboration, Sustainability, Market Position

Latent Variables	Intervening Variables	Resilience Indicators
<b>Self-help</b>	All cooperative members are fully paid up	Robustness, Sustainability, Agility, Market Position
	Grants do not exceed 33% of funds used	Flexibility, Sustainability, Market Position
	Cooperative owns equipment for production/business	Collaboration, Security, Innovation, Flexibility
	Cooperative provides inputs/ subsidised services to members	Sustainability, Market Position, Redundancy
	Cooperative participates in formulating bylaws concerning their business success and wellbeing at local government level	Visibility, Sensitivity, Security, Collaboration

Latent Variables	Intervening Variables	Resilience Indicators
<b>Solidarity</b>	Cooperative has no unresolved conflict within its membership	Collaboration, Agility, Robustness, Sustainability, Flexibility
	Cooperative engaged in joint policy and advocacy engagements	Collaboration, Security, Awareness, Visibility
	Cooperative has a membership service dedicated personnel or function	Collaboration, Sensitivity, Security, Market Position
	Cooperative has its brand images and materials	Collaboration, Security, Innovation, Flexibility
	Cooperative has signed collaborative agreements with partners	Sustainability, Market Position, Redundancy
	Cooperative has a code of conduct for members	Collaboration, Security, sensitivity, Risk Management
	Cooperative has a code of conduct for committee members	Collaboration, Security, Sensitivity, Risk Management
	Cooperative has no unresolved conflict within its leadership	Collaboration, Security, Robustness, Agility
	Cooperative is engaged in social activities like sports and arts	Collaboration, Innovation, Security, Visibility
	Cooperative has programs for supporting members in distress	Collaboration, Security, Visibility



Latent Variables	Intervening Variables	Resilience Indicators
<b>Democratic member control as a value &amp; principle</b>	Cooperative observes quorum during its AGM	Collaboration, Sensitivity, Risk Management, Robustness
	Cooperative observes quorum during its committee meetings	Collaboration, Security, Awareness, Risk Management
	Cooperative holds legally recognized AGMs	Collaboration, Sensitivity, Security, Market Position
	Cooperative only votes fully paid-up members to its board	Collaboration, Security, Flexibility, Market Position
	Finance, Human Resource, Procurement, Product Development, Credit, Welfare, Governance sub-committees in place	Sustainability, Market Position, Security, Robustness
	Cooperative has all the statutory committees in place	Collaboration, Security, Sensitivity, Risk Management
	Cooperative involves members in strategy and business planning	Collaboration, Security, Sensitivity, Market Position
	Cooperative changes its elected leaders through elections by members in legally recognized AGMs	Collaboration, Security, Risk Management, Sustainability

Latent Variables	Intervening Variables	Resilience Indicators
<b>Equity</b>	Cooperative distributes dividends based on the share value of each member when surplus is made. In the case of Uganda, the cooperative distributes dividends of not more than 10% of total members' equity	Collaboration, Market Position
	Cooperative acknowledges its committee members for their time through sitting allowances, or reimbursement of direct meeting costs incurred	Collaboration, Sensitivity, Security, Market Position
	When there is a premium, cooperative provides second or third payments to members	Collaboration, Security, Market Position, Adaptation
	Cooperative acknowledges exceptional performance of members through reward systems	Collaboration, Security, Sensitivity, Risk Management, Market Position
	Cooperative conducts performance appraisals on its committee and leadership, and rewards excellence	Collaboration, Security, Sensitivity, Market Position

Latent Variables	Intervening Variables	Resilience Indicators
Equality	Cooperative has female membership of at least 34%	Collaboration, Flexibility, Security, Innovation
	Cooperative has a youthful membership of at least 20%	Collaboration, Sustainability, Agility, Innovation
	Cooperative advertises vacant positions of their committee members	Collaboration, Sensitivity, Security, Risk Management
	Cooperative advertises vacant positions of the management team	Collaboration, Sensitivity, Security, Risk Management
	Cooperative gives priority to tenders from members to participate in all requests for quotations for the provision of services and goods to the cooperative	Sustainability, Market Position, Security, Collaboration
	Cooperative practises One Member-One vote in its AGMs	Collaboration

*“From the equality of rights springs identity of our highest interests; you cannot subvert your neighbor’s rights without striking a dangerous blow at your own.”*

**Carl Shurz**

**Table 3:** Establishing the nexus between adhering to the cooperative ethical values and the organisation's resilience.

Latent Variables	Intervening Variables	Resilience Indicators
<b>Honesty</b>	Cooperative performs member education at least quarterly	Collaboration, Awareness, Visibility, Innovation
	Cooperative's portfolio of loans at risk is less than 5%	Robustness, Risk Management, Security, Market Position, Sustainability
	Cooperative keeps accurate and updated records of all cases of theft by members of the cooperative	Collaboration, Security, Market Position, Awareness
	Cooperative keeps an accurate and updated record of all cases of theft by leaders of the cooperative	Collaboration, Security, Risk Management
	All cooperative bank accounts have never had any cases of abuse by the cooperative leaders	Visibility, Security, sensitivity, Risk Management, Market Position
	Cooperative has an accessible and recognizable physical office	Collaboration, Security, Sensitivity, Market Position
	Cooperative has official email addresses that enable communication	Visibility, Awareness, Risk Management, Security, Collaboration
	Cooperative performs truthful certified audits	Security, Collaboration, Market Position
	Cooperative has held legally recognized AGMs since inception	Agility, Sensitivity, Security, Sustainability
	Cooperative is fully patronised by its members only	Agility, Sensitivity, Security, Collaboration
	Cooperative standardised its goods and services internally, or based on industry requirements by Uganda National Bureau of Standards (UNBS) etc.	Security, Visibility, Market Position



Latent Variables	Intervening Variables	Resilience Indicators
Openness	Cooperative shares minutes of the latest members' meetings with their members within three weeks of the meeting	Collaboration, Sensitivity, Risk Management, Security, Market Position, Sustainability
	Cooperative shares budgets with their members two weeks before the AGM	Collaboration, Sensitivity, Risk Management, Security, Market Position, Sustainability
	Cooperative conducts thorough background checks on aspiring committee members before shortlisting and elections	Visibility, Security, Sensitivity, Risk Management, Market Position
	Cooperative registers all its resolutions with the cooperative registrar's office	Collaboration, Security, Sensitivity, Market Position, Risk Management
	Cooperative has at least three signatories to their bank account	Visibility, Awareness, Risk Management, Security, Collaboration
	Cooperative conducts thorough background checks on aspiring employees before they are recruited	Security, Collaboration, Market Position
	Cooperative has at least five operational policies that guide its business	Agility, Sensitivity, Security, Sustainability
	Cooperative has fully paid for its operational licences and fees	Agility, Sensitivity, Security, Collaboration
	Cooperative advertises vacant board positions	Security, Visibility, Market Position, Risk Management,
	Cooperative advertises vacant staff positions	Security, Visibility, Market Position, Risk Management, Robustness
	Cooperative committees share quarterly performance reports with members	Robustness, Flexibility, Security, Risk Management, Flexibility, Sensitivity
	Cooperative shares audit reports with the members at least 21 days before the members' meeting	Security, Collaboration, Market Position, Awareness
	Cooperative gives first priority to tenders from members to participate in their request for quotations for the provision of services and goods to the cooperative	Security, Collaboration, Market Position, Visibility, Sustainability
	Cooperative has a feedback mechanism through which members can make suggestions or convey their feelings	Security, Collaboration, Market Position, Visibility, Sustainability, Risk Management

Latent Variables	Intervening Variables	Resilience Indicators
<b>Social responsibility</b>	Cooperative undertakes business in a manner that protects and conserves cultural and natural resources of the community	Sensitivity, Risk Management, Robustness, Visibility, sustainability, market position
	Cooperative provides employment to over 50 households through the effect of its activities in the community	Collaboration, Security, Sustainability, Market Position
	Cooperative supports community disaster planning, coordination & response	Collaboration, Sensitivity, Security, Market Position, Visibility
	Cooperative invests at least 1% of its net surplus in community infrastructure and conservation projects	Collaboration, Security, Market Position, Visibility, Sustainability

Latent Variables	Intervening Variables	Resilience Indicators
<b>Caring for others</b>	Cooperative has a plan and budget for scholarships and bursaries for selected children of members	Collaboration, Market Position, Visibility, Security, Innovation, Awareness, Robustness
	Cooperative has a plan and budget for contributing to members' celebratory events, like weddings	Collaboration, Market Position, Visibility, Security, Innovation, Awareness, Flexibility
	Cooperative has a plan and budget for community mobilisation initiatives like cleaning public markets or organising a dialogue on public health	Collaboration, Security, Market Position, Awareness, Robustness, Visibility
	Cooperative has a plan and budget for distressed members with challenges like critical illness and death	Collaboration, Security, Visibility, Sustainability
	Cooperative has a health and safety policy for members and employees	Collaboration, Security, Visibility, Sustainability, Sensitivity

**Table 4:** Establishing the nexus between adhering to the cooperative principles and the organisation’s resilience.

Latent Variables	Intervening Variables	Resilience Indicators
Voluntary & Open Membership	Cooperative was formed by members and not donors or government	Sensitivity, Risk Management, Robustness, Visibility, Sustainability, Market Position
	Cooperative has at least 80% of its members actively doing business with the cooperative	Collaboration, Security, Sustainability, Market Position, Agility, Robustness, Redundancy, Flexibility
	Less than a third of the cooperative members are dormant, i.e., have not patronised the cooperative in the last six months	Collaboration, Sensitivity, Security, Market Position, Visibility, Agility, Robustness, Redundancy
	Minimum of 75% of delegates attend the cooperative AGM	Collaboration, Security, Market Position, Visibility, Sustainability, Redundancy, Awareness
	Minimum of 75% of members attend cooperative trainings	Collaboration, Security, Market Position, Visibility, Sustainability, Redundancy, Awareness

“Everybody can be great. Because anybody can serve. You don’t have to have a college degree to serve. You don’t have to make your subject and your verb agree to serve. You don’t have to know the second theory of thermodynamics in physics to serve. You only need a heart full of grace. A soul generated by love.”

**Martin Luther King, Jr.**



Latent Variables	Intervening Variables	Resilience Indicators
<b>Member Economic Participation</b>	All cooperative members are fully paid-up	Collaboration, Market Position, Visibility, Security, Innovation Awareness, Flexibility
	Cooperative has an approved business plan	Collaboration, Market Position, Visibility, Security, Innovation, Awareness, Robustness, Flexibility
	Cooperative allocates all the statutory reserves, i.e., education fund, reserve fund, supervisory fund, audit fund and any other that may be introduced by future legislation	Collaboration, Security, Market Position, Innovation, Robustness, Visibility, Redundancy, Awareness
	Cooperative has a managerial team	Security, Visibility, Sustainability, Redundancy, Risk Management
	Cooperative files annual returns to MTIC within four months of the end of the financial year	Security, Visibility, Sustainability, Sensitivity, Market Position
	Cooperative files annual returns to Uganda Revenue Authority within six months of the end of the financial year	Collaboration, Market Position, Visibility, Security, Awareness, Flexibility
	Cooperative resolves on maximum liability every genuinely constituted general meeting of members	Collaboration, Market Position, Visibility, Security, Innovation, Awareness, Robustness, Flexibility
	Cooperative resolves on dividend payment at every AGM	Collaboration, Security, Market Position, Innovation, Robustness, Visibility, Redundancy, Awareness
	Cooperative standardised its services and products based on industry standards like UNBS, Bank of Uganda, MTIC, Export Promotion Board, etc.	Security, Visibility, Sustainability, Risk Management, Robustness
	Cooperative is operating above break-even point	Collaboration, Security, Market Position, Innovation, Robustness, Visibility, Redundancy, Agility

Latent Variables	Intervening Variables	Resilience Indicators
<b>Autonomy and Independence</b>	Cooperative involved in at least one policy discussion at parish-, district- and national-level a year	Collaboration, Market Position, Visibility, Security, Risk Management
	Cooperative accesses direct markets and does not rely on middlemen to trade	Collaboration, Market Position, Visibility, Security, Innovation, Awareness, Robustness, Flexibility
	Grants do not exceed 33% of funds used	Collaboration, Security, Market Position, Innovation, Robustness, Visibility, Redundancy, Awareness
	Cooperative was initiated by members	Security, Visibility, Sustainability, Redundancy, Risk Management
	AGM decisions are not regressively/ negatively influenced by external parties, e.g., politicians, donors	Security, Visibility, Sustainability, Sensitivity, Market Position

Latent Variables	Intervening Variables	Resilience Indicators
<b>Education, Training and Information</b>	Cooperative conducts training for the members	Collaboration, Sensitivity, Risk Management, Security, Market Position, Sustainability, Visibility
	Cooperative trains its board members	Collaboration, Sensitivity, Risk Management, Security, Market Position, Sustainability, Visibility
	Cooperative keeps records in soft and hard copy	Security, Sensitivity, Risk Management, Market Position, Robustness, Innovation, Sustainability, Visibility
	Cooperative uses online platforms to reach out to members and clients	Collaboration, Security, Sensitivity, Market Position, Risk Management, Flexibility, Sustainability
	Cooperative has virtual addresses, e.g., email, telephone contact	Visibility, Awareness, Risk Management, Security, Collaboration, Sensitivity,
	Cooperative invests at least 5% of its budget in research and development	Security, Collaboration, Market Position, Innovation, Risk Management, Visibility
	Cooperative invests at least 5% of its budget in communications and marketing	Visibility, Agility, Sensitivity, Security, Sustainability, Flexibility
	At least 80% of the members have copies of—and read—the laws, regulations and policies of the cooperative	Collaboration, Market Position, Visibility, Security, Risk Management, Awareness, Flexibility, Robustness, Agility

Latent Variables	Intervening Variables	Resilience Indicators
<b>Cooperation amongst Cooperatives</b>	Cooperative is affiliated to secondary or tertiary cooperatives	Risk Management, Robustness, Visibility, Sustainability, Market Position
	Cooperative engages in relevant conferences and meetings	Collaboration, Market Position, Visibility, Security, Risk Management,
	Cooperative is involved in joint policy and advocacy initiatives with fellow cooperatives and industry stakeholders	Collaboration, Market Position, Visibility, Security, Risk Management,
	Cooperative enjoys shared services with other cooperatives	Collaboration, Security, Market Position, Visibility, Sustainability, Redundancy, Awareness, Robustness, Flexibility
	Cooperative engages in exchange learning or benchmarking visits with other cooperatives	Collaboration, Security, Market Position, Visibility, Sustainability, Redundancy, Awareness, Innovation

Latent Variables	Intervening Variables	Resilience Indicators
<b>Concern for Community</b>	Average lending rate to members is between 3-12% per annum	Collaboration, Market Position, Visibility, Security, Innovation, Awareness, Flexibility
	Cooperative rewards members for contributing innovative ideas that have been adopted by the cooperative	Collaboration, Market Position, Visibility, Security, Innovation, Awareness, Robustness, Flexibility
	Cooperatives invests at least 1% of its net surplus in community development initiatives	Collaboration, Market Position, Visibility, Security, Innovation, Awareness, Robustness, Flexibility
	Cooperative has safety and health policies	Collaboration, Security, Market Position, Innovation, Robustness, Visibility, Redundancy, Awareness
	Cooperative has a social welfare program for funeral management, marriage ceremonies	Security, Visibility, Sustainability, Redundancy, Risk Management



## 4.1 Computing Cooperative Resilience

This section presents a methodology for computing the resilience level and magnitude based on the contribution of different elements of the cooperative identity. The identity is considered to be a product of three broad categories: (1) traditional values (T); (2) ethical values (E); and (3) principles (P). The first step is to assign a weight to each of these categories depending on the perception of their contribution towards resilience of the cooperative. The assignment of weight by percentages was informed by a composite process involving information derived from literature on governance and administration, interviews with the communities, and experience from key stakeholders with knowledge on the operations of cooperatives. Therefore, the first stage was based on the opinions of the experts in Uganda, the data and information reflecting the voices of members of the cooperative movement, and the history of the application of the cooperative identity in Uganda based on records.

The category T of cooperative traditional values was assigned a weight of 50% (0.5), while ethical values, and the principles were assigned weights of 20% (0.2) and 30% (0.3) respectively. This was based on the understanding that the personality, attitude, behaviours, and actions of the members heavily influence the internal policies and processes that underlie the individual and joint system of the cooperative(s). It highlights the critical role of adhering to all the values by members, administrators, and committees of cooperatives, because the application of principles alone cannot ensure resistance and adaptation to shocks and disruptions.

The second stage involved assigning weights to each of the components within the broader categories of T, E and P. Traditional values have six facets namely: self-responsibility; self-help; solidarity; democracy; equity; and equality. Ethical values have four elements: social responsibility; honesty; openness; and caring for others. Finally, the seven principles of cooperatives are: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; training, education and information; cooperation among cooperatives; and concern for community. These 17 independent or latent variables influence internal governance, management and operational frameworks, which in turn directly affect the resilience of the cooperative organisation, and its entire ecosystem.



*“Do not give your attention to what others do or fail to do; give it to what you do or fail to do.”*

**Buddha**

To establish the relative importance or contribution of each of these variables to the resilience of the cooperative system, we adopted a triangulation approach based on: (1) the opinions of key stakeholders in the operations of cooperatives; (2) literature on the cooperative identity and resilience; and (3) quantitative field survey data collected from 100 cooperatives in Uganda.

The process of assigning weights was further informed by the principal-agent theory. The shareholders or members of the cooperatives (principals) often delegate the day-to-day management, operations and decision-making to committees and management teams (agents). Thus, a lot of power is handed down to the agents with the hope that they will act in a manner that builds a strong and resilient cooperative system. Focus inevitably shifts to the values of the agents, who take regular decisions that either offer benefits or nothing to the members. For example, agents with fraudulent characters might limit training, education and information intended to empower members to exercise democratic control, or achieve effective cooperation with other cooperatives. Hiring professionals as agents does not guarantee good behaviour required to operationalize the cooperative values and principles. Ethical conduct and individual values are critical for anchoring the cooperative on the right foundation.

In view of the above, the team delved into the complex task of assigning weights to each of the 17 variables within their categories of: T, E and P. To ease the allocation criteria, the individual contribution of each of the three categories was ranked at 100%, which was then distributed among the individual components of that category. Thereafter, the actual contribution or importance of each variable was computed as a product of the weight/percentage assigned to the category (T, E, P) and the individual attribute/variable within that category. This is reflected in the following equation.

$$\sum_{i=1}^6 Ti + \sum_{j=1}^4 Ej + \sum_{k=1}^7 Pk = 1$$

Where T (traditional values) has six variables (i); E (ethical values) has four variables (j) and P (principles of cooperatives) has seven variables (k). The tabular version is below. The weights for the broad categories can be summed up across the first row – T (50%), E (20%) and P (30%). The weights for each variable under these categories are indicated in the respective columns with a total of 100% for each category.

**Table 5:** Significance ranking of the latent variables at cluster and individual level.

Traditional Values (50%)		Ethical Values (20%)		Principles (30%)	
Self-help	20%	Openness	20%	Voluntary and Open membership	14%
Self responsibility	20%	Honesty	35%	Democratic member control	18%
Equity	14%	Social Responsibility	30%	Member economic participation	14%
Equality	14%	Caring for others	15%	Independence and autonomy	12%
Solidarity	18%			Education, Training and Information	18%
Democracy	14%			Cooperation among Cooperatives	12%
				Concern for Community	12%
Total	100%		100%		100%



**Figure 8:** Flowers in a greenhouse



The actual weight or contribution of each variable to the overall resilience index for the cooperative is derived as a composite or product of the percentage/weight for the broad category, and the percentage/weight of the individual respective variable. These are computed from Table 5, and indicated in Table 6. For example, category T (traditional values) is weighted by 50 percent (0.5) while the variable/attribute of self-responsibility has percentage/weight of 20 percent (0.2). The composite weight for this variable is the product of the two ( $0.5 \times 0.2$ ), which is 0.1 (10%). Similarly, the variable on member democratic control in the broad category of principles is derived by getting the product of the weights of the two - the category P and the variable of member democratic control ( $0.3 \times 0.18$ ) - which gives a composite of 0.054 (5.4%). The respective weights for each variable are indicated in Table 6.

**Table 6: The cooperative resilience measurement indices.**

Traditional Values 0.5 (50%)			Ethical Values 0.2 (20%)			Principles 0.3 (30%)		
Self responsibility	0.1	10%	Openness	0.04	4%	Open and Voluntary membership	0.042	4.2%
Self help	0.1	10%	Honesty	0.07	7%	Democratic Member Control	0.054	5.4%
Equity	0.07	7%	Social Responsibility	0.06	6%	Member Economic Participation	0.042	4.2%
Equality	0.07	7%	Caring for others	0.03	3%	Autonomy and Independence	0.036	3.6%
Solidarity	0.09	9%				Training, Education and Information	0.054	5.4%
Democracy	0.7	7%				Cooperation among Cooperatives	0.036	3.6%
						Concern for Community	0.036	3.6%

The table and ranking of the variables provide an insight into the process of prioritisation towards building resilient cooperative organisation systems, and the movement at large. Variables with higher weights and influence on the system's desirability state, and the magnitude of resilience, should be prioritised. For example, aspects such as self-responsibility (10%), self-help (10%) and solidarity (9%) are critical to the membership (the principals), yet may not be prioritised by management (the agents), unless the AGM and the Board puts in place policies and practises to give them due attention.

## Section 5: Cooperative Resilience Measurement Index

COOPERATIVE PRINCIPLES (Latent variable)	CONTRIBUTION TO COOPERATIVE RESILIENCE (%)	OBSERVABLE VARIABLES	MEASUREMENT QUESTION	MEASUREMENT OUTCOME (YES/NO) <i>To be filled by the cooperative</i>
Voluntary and Open Membership	4.2	<ul style="list-style-type: none"> <li>The formation of the cooperative was influenced by a development partner e.g an NGO</li> <li>The formation of the cooperative was influenced by the government</li> <li>Cooperative had at least 80% of its members actively doing business with it in the last 12 months</li> <li>Minimum of 3/4 of the fully paid up delegates attended the cooperative AGM</li> <li>Minimum of 3/4 of the fully paid up members attended the cooperative planned trainings</li> </ul>	Do you meet this parameter?  Do you meet this parameter? Do you meet this parameter?  Do you meet this parameter? Do you meet this parameter?	Yes  No No  Yes Yes
Democratic Member Control	5.4	<ul style="list-style-type: none"> <li>The cooperative is registered with the Ministry of Trade, Industry and Cooperatives and has a valid temporary or permanent certificate</li> <li>The cooperative observed quorum in all AGM &amp; Special General Meetings</li> <li>The cooperative observed quorum in all its committees' meetings</li> <li>The cooperative's annual social audits were conducted by a certified auditor</li> <li>The cooperative's annual audit report was shared with all members two weeks before AGM</li> <li>The Executive Committee, Supervisory Committee &amp; Vetting Committee were all in office in the last year</li> <li>Cooperative held its AGM for the year</li> <li>Cooperative called for Special General Meetings whenever necessary</li> <li>Cooperative had a minimum of 5 of any of these subcommittees of the board functional-Finance, Human Resource, Procurement, Business Development, Credit, Welfare, Governance etc</li> <li>All members participated in the cooperative's strategic planning and approval process</li> <li>The cooperative developed and conducted its activities based on an approved annual workplan pegged on its strategic objectives</li> <li>The cooperative had a minimum of 5 of any of these policies-Finance, Human Resource, Procurement, Business Development, Credit, Welfare</li> <li>Cooperative shared its budget with all members three weeks before the AGM</li> </ul>	Do you meet this parameter?  Do you meet this parameter? Do you meet this parameter? Do you meet this parameter?  Do you meet this parameter?  Do you meet this parameter?  Do you meet this parameter? Do you meet this parameter? Do you meet this parameter?  Do you meet this parameter? Do you meet this parameter?  Do you meet this parameter?	Yes  Yes No Yes  Yes  No  No Yes No  No No  No
Member Economic Participation	4.2	<ul style="list-style-type: none"> <li>All cooperative members were fully paid-up</li> <li>Cooperative had an approved business plan</li> <li>Cooperative kept all the statutory reserves i.e Education Fund, Reserve Fund, Audit Fund, Supervisory Fund and any others that may be introduced by future legislation</li> <li>Cooperative had employees</li> <li>Cooperative filed annual returns to MTIC within 4 months after the end of the financial year</li> <li>Cooperative filed returns to URA within the mandatory periods defined under the various tax laws</li> <li>Cooperative filed returns to the local government where it operates within the mandatory periods defined under the various tax laws</li> <li>Cooperative resolved on maximum liability at a genuinely constituted general meeting of members</li> <li>Return on equity <math>\geq 20\%</math></li> <li>Debt to equity ratio is <math>\leq 300\%</math></li> </ul>	Do you meet this parameter? Do you meet this parameter? Do you meet this parameter?  Do you meet this parameter? Do you meet this parameter?  Do you meet this parameter?  Do you meet this parameter?  Do you meet this parameter?  Do you meet this parameter? Do you meet this parameter?	Yes Yes Yes  Yes No  Yes  Yes  No  Yes Yes
Autonomy and Independence	3.6	<ul style="list-style-type: none"> <li>Cooperative resolved on dividend payment at the last AGM</li> <li>Cooperative standardised its services and products based on industry standard bodies like UNBS, Bank of Uganda, MTIC, Export Promotions Board etc</li> <li>Cooperative involved in at least one policy discussion at parish, district and/or national levels a year</li> <li>Cooperative conducted honest certified annual financial audits</li> <li>Cooperative conducted honest certified annual social audits</li> <li>Cooperative accessed direct markets and did not rely on middle men in the last financial year</li> <li>The cooperative conducted its activities based on an approved annual workplan pegged on its strategic objectives</li> <li>Grants did not exceed 33% of funds used</li> <li>The decision to form the cooperative was influenced by members</li> <li>AGM decisions were not regressively influenced by external parties, e.g. politicians, donors</li> </ul>	Do you meet this parameter? Do you meet this parameter?  Do you meet this parameter?  Do you meet this parameter? Do you meet this parameter? Do you meet this parameter?  Do you meet this parameter?  Do you meet this parameter? Do you meet this parameter? Do you meet this parameter?	Yes Yes  No  No No Yes  Yes  No No
Education, Training & Information	5.4	<ul style="list-style-type: none"> <li>Cooperative conducted training for all the members at least once every year</li> <li>Cooperative trained its board members at least once every year</li> <li>Cooperative kept records in soft and hard copy</li> <li>Cooperative used online platforms to communicate to clients and members</li> <li>Cooperative invested at least 5% of its budget in research and development</li> <li>Cooperative invested at least 5% of its budget in communications &amp; marketing</li> <li>At least 80 percent of the members had copies of the laws, regulations and policies of the cooperative</li> <li>Cooperative had virtual addresses e.g email, telephone contact</li> </ul>	Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter?	Yes Yes No Yes No No No Yes
Cooperation amongst Cooperatives	3.6	<ul style="list-style-type: none"> <li>Cooperative was affiliated to another cooperative e.g union</li> <li>Cooperative was involved in joint policy and advocacy initiatives with fellow cooperatives and industry stakeholders</li> <li>Cooperative enjoyed shared services with other cooperatives</li> <li>Cooperative engaged in exchange learning or benchmarking visits with other cooperatives and partners</li> <li>Cooperative engaged in relevant conferences, meetings that promote their business and socio-cultural development</li> </ul>	Do you meet this parameter? Do you meet this parameter?  Do you meet this parameter? Do you meet this parameter?  Do you meet this parameter?	No Yes  Yes No  No
Concern for Community	3.6	<ul style="list-style-type: none"> <li>The cooperative's average lending rate to members was between 3-12% pa</li> <li>Cooperative acknowledged members for contributing innovative ideas that have been adopted by the cooperative</li> <li>Cooperative had a safety and health policy</li> <li>Cooperative had a social welfare program for funeral management, marriage ceremonies etc.</li> <li>Cooperative invested at least 1% of its net surplus in community development initiatives</li> </ul>	Do you meet this parameter? Do you meet this parameter?  Do you meet this parameter? Do you meet this parameter?  Do you meet this parameter?	Yes Yes  Yes Yes  Yes
Score	30			

COMMENTS FROM THE COOPERATIVE <i>To be filled by the cooperative</i>	WEIGHTINGS RANKING VERY CRITICAL - 3 CRITICAL - 2 MODERATELY CRITICAL - 1	WEIGHTS MET	SUM OF WEIGHTS MET	MAX SUM OF WEIGHTS	RESILIENCE SCORE (%)
	3 3 3 2 3	3 0 0 2 3	8	14	2.4
	3 3 3 3 3 3 3 3 2 2 3 3	3 3 0 3 3 0 0 3 0 0 0 0	12	31	2.09
	3 2 3  2 3  3  3  3  2 3 3	3 2 3  2 0  3  3  0  2 3 3	21	27	3.27
	3 2  1  3 3 1  3  2 3 3	3 2  0  0 3 1  3  2 0 0	14	24	3.60
	3 3 2 2 2 2 2 2	3 3 0 2 0 0 0 2	10	18	3.00
	1 1  1 1  2	0 1  1 0  0	2	6	1.20
	1 2  3 2  1	1 2  3 2  1	9	9	3.60
					19.16



TRADITIONAL VALUES (Latent variable)	CONTRIBUTION TO COOPERATIVE RESILIENCE (%)	OBSERVABLE VARIABLES	MEASUREMENT QUESTION	MEASUREMENT OUTCOME (YES/NO) <i>To be filled by the cooperative</i>
Self Responsibility	10	<ul style="list-style-type: none"> <li>Cooperative had a strategic plan aligned to the members joint vision, mission</li> <li>Cooperative had a business plan aligned to the aspirations of the members</li> <li>Cooperative observed quorum in the last AGM</li> <li>Cooperative was financed at least at 66.7% by members</li> <li>Cooperative was patronised by members only</li> <li>Cooperative held its Annual General Meeting for the year</li> <li>Cooperative had a risk management plan</li> <li>Cooperative had insurance policies internally or from recognised insurance service providers in place</li> <li>Cooperative provided relevant cooperative information to its prospective members before they joined the cooperative</li> <li>Cooperative marketed itself out to partners and clients using virtual and physical avenues</li> <li>Cooperative had at least 5 internal control policies</li> <li>Cooperative had records of all its operations in soft and hard copies</li> <li>Cooperative had a diversity and inclusion policy to ensure that the woman, youth, PWDs members are given equal opportunities within the cooperative</li> <li>Cooperative had an environmental management plan</li> <li>Cooperative had a safety &amp; health policy for its staff, members and visitors</li> <li>Cooperative had known office facilities whether rented or owned</li> <li>Cooperative employed people who have been trained in cooperative business management</li> </ul>	Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter?	No No Yes Yes Yes No Yes Yes No Yes No Yes Yes Yes Yes Yes Yes No
Self Help	10	<ul style="list-style-type: none"> <li>Cooperative invested in research &amp; development</li> <li>Cooperative conducted both social and certified financial audits</li> <li>Cooperative standardised its products and services internally or based on the industry requirements by UNBS etc</li> <li>Cooperative members all fully paid up</li> <li>Grants did not exceed 33% of the cooperative budget</li> <li>Cooperative gave first priority to members to tender in their bids for the provision of goods and services to the cooperative</li> <li>Cooperative owned equipment for production/business</li> <li>The cooperative's ratio of active members to total membership was 4:5</li> <li>Grant to turnover ratio was 1:3</li> </ul>	Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter?	Yes Yes Yes No No Yes Yes No No
Solidarity	9	<ul style="list-style-type: none"> <li>Cooperative had no unresolved conflict within its membership</li> <li>Cooperative engaged in joint policy and advocacy engagements</li> <li>Cooperative had a membership services dedicated personnel or function to ensure membership satisfaction</li> <li>Cooperative had its brand images and materials</li> <li>Cooperative signed collaborative agreements with partners</li> <li>Cooperative had a code of conduct for members</li> <li>Cooperative had a code of conduct for leaders</li> <li>Cooperative engaged in social activities like sports and performance arts</li> <li>Cooperative had a well laid out dispute resolution procedure in line with the provisions of the laws of Uganda</li> <li>Cooperative had programmes for supporting members in distress</li> <li>Cooperative had no unresolved conflict within its leadership</li> </ul>	Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter?	No No Yes Yes Yes Yes Yes Yes Yes No No
Democracy	7	<ul style="list-style-type: none"> <li>Cooperative had and used the by-law registered and certified by the office of the Registrar of Cooperatives to govern its affairs</li> <li>Cooperative observed quorum during its AGM</li> <li>Cooperative observed quorum during its committee meetings</li> <li>Cooperative held its AGMs for the last year</li> <li>Cooperative held Special General Meetings whenever necessary</li> <li>Cooperative only voted for fully paid up members to its committees</li> <li>Cooperative conducted annual certified audits</li> <li>Cooperative involved members in strategy planning</li> <li>Cooperative involved members in business planning</li> <li>Cooperative held elections when changing its leaders</li> <li>Cooperative conducted annual reviews of its by-laws to take care of any changes in the local and international laws</li> <li>Cooperative had all the statutory committees in place</li> </ul>	Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter?	Yes Yes Yes Yes Yes Yes No No No No No No
Equity	7	<ul style="list-style-type: none"> <li>Cooperative provided subsidised services like extension and training etc to members</li> <li>Cooperative distributed dividends based on the share value of each members when surplus was made</li> <li>Cooperative acknowledged their committee members for their time through sitting allowance or reimbursing direct meeting costs incurred by them</li> <li>Cooperative acknowledged exceptional performance of members through reward systems</li> <li>Cooperative conducted performance appraisals on its committee and leadership</li> <li>Cooperative rewarded excellent performance amongst its committee members</li> <li>When there was a premium, the cooperative paid bonuses to its members</li> </ul>	Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter?	Yes Yes No No No Yes Yes
Equality	7	<ul style="list-style-type: none"> <li>Cooperative had a female membership of at least 33 percent</li> <li>Cooperative had a youthful membership of at least 20 percent</li> <li>Cooperative advertised the vacant positions of its committee members</li> <li>Cooperative advertised the vacant positions of its employees</li> <li>Cooperative practised One Member One Vote at AGMs</li> <li>Cooperative gave first priority to members to tender in their bids for the provision of goods and services to the cooperative</li> </ul>	Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter? Do you meet this parameter?	No No No No Yes No
Score	50			

COMMENTS FROM THE COOPERATIVE <i>To be filled by the cooperative</i>	WEIGHTINGS RANKING VERY CRITICAL - 3 CRITICAL - 2 MODERATELY CRITICAL - 1	WEIGHTS MET	SUM OF WEIGHTS MET	MAX SUM OF WEIGHTS	RESILIENCE SCORE (%)
	3 3 3 2 3 3 3 2  3  2  2 3 2  3 3 3 2	0 0 3 2 3 0 3 2  0  2  0 3 2  3 3 3 0	29	45	6.44
	3 3 3  3 2 3  1 3 2	3 3 3  0 0 0  1 0 0	10	23	4.35
	1 1 3  3 1 3 3 1 3  2 2	0 0 3  3 1 3 3 1 0  0 0	14	23	5.48
	3  3 3 3 3 3  3 3 3  3	3  3 3 3 3 3  0 0 0  0	18	33	3.82
	3 3  3  2  3 3 2	3 3  0  0  0 3 2	11	19	4.05
	2 2 3 3 3 3	0 0 0 0 3 0	3	16	1.31
					25.45

## Cooperative Identity and Resilience

[illegible]

COOPERATIVE IDENTITY COMPONENT	CONTRIBUTION TO COOPERATIVE RESILIENCE (%)	TOTAL SCORE OF THE COOPERATIVE
PRINCIPLES	30	19.16
TRADITIONAL VALUES	50	25.45
ETHICAL VALUES	20	11.00
SCORE	100	55.61
OUTCOME		MODERATELY RESILIENT

### RESILIENCE RANKING SCALE

< 20	Very Low Resilience
21-40	Low Resilience
41-60	Moderately Resilient
61-80	Resilient
81-100	Very Resilient

### WEIGHTING SCALE FOR OBSERVABLE VARIABLES

Very Critical	3
Critical	2
Moderately Critical	1

## Notes

The index tracks the last year performance of the cooperative to ensure standardisation and measurability across the different variables.

The index tracks the last year performance of the cooperative to ensure standardisation and measurability across the different variables. Variables like permanent registration that occurred once in the life of the cooperative are treated as a constant and so their responses are only expected to vary across the different cooperatives.



COMMENTS FROM THE COOPERATIVE <i>To be filled by the cooperative</i>	WEIGHTINGS RANKING VERY CRITICAL - 3 CRITICAL - 2 MODERATELY CRITICAL - 1	WEIGHTS MET	SUM OF WEIGHTS MET	MAX SUM OF WEIGHTS	RESILIENCE SCORE (%)
	3 3 3  3  3 3 3 3 3	3 3 0  3  3 0 0 3 0	15	27	3.89
	3 2  3  3 3  3  3 3 2  3 3 3 3 3 3  3	3 2  3  3 0  0  0 0 0  0 3 0 3 0  3	20	43	1.86
	3  2  1  2	0  2  1  2	5	8	3.75
	2  2  2  1  3	2  2  0  1  0	5	10	1.5
					11.00

Image: Ninno Jack Jr., Unsplash



## SECTION 6

Testing & applying the Cooperative Resilience Measurement Index in determining systems desirability and the magnitude of resilience



Cooperative resilience is not easily quantifiable, and given this constraint, we have examined it using proxy measurables. Using the triangulated data sets, this subsection examines the contribution of each of the 17 weighted latent variables to systems desirability, and the magnitude of resilience evidenced through the identified resilience indicators. We advance that cooperative resilience is an interactive attribute, applied at the individual and/or collective behavioural level, commonly adopting an agency rather than structural approach. Accordingly, our arguments project the evidence that cooperative resilience builds on the resilience of members of the jointly owned enterprises.

Our examination will follow the sequence defined within the cooperative resilience index. For example, we have established that “member training”, “education and information”, and “member democratic practice” rank as the most significant principles, contributing up to 5.4% each to the influential totality of the 17 cooperative identity variables. We will therefore mirror this significance against the practice of the cooperatives.

We provide evidence of how the resilience measurement index can be applied to predict and identify risks and vulnerabilities that the cooperatives may be exposed to, and in hindsight to understand fault modes mirrored through the resilience cycle.

Results show a triple relationship of cooperative characteristics, environmental factors, and their resilience. At the same time, our analysis postures environmental factors as positively and negatively interacting with these systems characteristics in determining cooperative resilience.

## **6.1 Upholding the Statement on the Cooperative Identity for Sustainable Cooperative Resilience**

At the heart of cooperatives are people united around common needs and aspirations, but not always by the same values.

Consequently, a set of values and principles were coined to align members’ essences to the core purpose of running cooperative businesses. Using the cooperative resilience measurement variables, indicators and findings from this research, we examine how cooperatives in Uganda have applied and advanced the cooperative identity in pursuit of their resilience.

As a prelude, we share below some interpretations of these latent variables from participants of the focus group discussions (FGDs) held across the country, as well as the voices of some key informants. We acknowledge that it’s not practical for anyone to try to adhere to something they do not know or understand.



■ **What do members define cooperatives as?**

*“It’s a group where you come together with the same mission, common problem and interest using the method of business to change your life.”*

**FGD participant, Bukomansimbi.**

*“The way I can explain a cooperative, it’s a body where you can go and they fund you.”*

**FGD participant, Kampala.**

*“If they bring in their money, they begin to own it and of course they manage it. So, it is like a member-owned and member-managed organisation. It is always based on members coming together, putting in their money, and diverting it through lending out so that they can generate income. The main thing is bringing together savings and possibly lending it out to members.”*

**FGD participant, Kitgum.**

*“A cooperative is an organisation governed and owned by members.”*

**FGD participant, Kyegegwa.**

*“I think a cooperative is a group of people who have come together in a society to do agriculture together to make a generous income.”*

**FGD participant, Serere.**



**Figure 9: Ankole cattle**

### ■ Cooperative members' understanding of the principles of cooperatives

*"A cooperative should agree to be guided by the government."*

*FGD participant, Kyegegwa.*

*"There should be concern for members whereby members should be like a family."*

*FGD participant, Napak.*

*"These principles seem to have been designed in socialist setting rather than in the current economic situation of capitalism. I am concerned that in today's capitalist world cooperatives cannot flourish."*

*FGD participant, Kiryandongo.*

### ■ Cooperative members' comprehension of cooperative values

*"One of the values of cooperatives is policies where we have the bylaws, the Memorandum of Understanding, Article of Association and once we have that, we shall be guided on the mission, objectives and the goal of cooperatives."*

*FGD participant, Busia.*

*"Some of the values of cooperatives are respect and honesty."*

*FGD participant, Buyende.*



■ **Stakeholders' views on whether members, government and development partners understand the Cooperative Identity**

*"They form them to get money from the government since the government tells them to form cooperatives to get money. They are not following the principles or values. It's a different thing now, it's just politics; as a result of getting money that's why they collapse."*

**KII, Kamuli.**

*"I don't think people who have become cooperators in the 21st century understand the notion of the cooperative identity. They have come in at a time when cooperatives have been distorted. The way people understand cooperatives is that people come together and form a cooperative and then someone like the government or any other person comes in to give them grants or credit in order to move on. They are always looking at what they can gain from them immediately."*

**KII, Masaka.**

It is imperative to note that for the most part, the majority of the 128 cooperative members who attended the 16 FGDs across the country had a very scanty and mixed-up understanding of what a cooperative is, their values and principles. This perhaps is the reason why pursuing cooperative resilience without examining their identity is untenable.

■ **6.1.1 Self Responsibility**

Self-responsibility can be equated to the nervous system of the entire cooperative ecosystem's resilience. It is the anchor for commitment, drive, ambition and accountability of members in all they do within the cooperative and the community. It is action and responsiveness without being beckoned by others. This value demands strategic awareness, and a linked operational management of internal and external shocks.

Applying this value means that cooperatives experience both static and dynamic elements of resilience - particularly preparedness and preventive measures that minimise threats - and effective risk management that shortens unfavourable aftermaths and hastens recovery.

Unlike other investor-owned firms, the shareholders of cooperatives do not only own, but control, utilise and benefit from the services and products of their jointly owned enterprise. Cooperatives apply the agency theory when the general assembly delegates its powers to the committees, and by extension the management team.



While the members of the committees and management are expected to take individual and collective responsibility as clearly indicated in the governance charters, employment contracts and the cooperative bylaws, members cannot take a back seat.

As a confirmation of their dedication, commitment and sincerity of purpose, members must assume responsibility for the establishment and sustained vitality of their cooperative. This may be achieved by promoting the cooperative model among family, friends, and acquaintances. Members must also ensure that their cooperative remains independent from any interference.

Fundamentally, this study argues that self-responsibility is the most critical value in shaping member attitudes, and their levels of interest and engagement in the affairs of the cooperatives. Without this, all the other values and principles cannot sustainably find their place in the sustainable resilience of cooperatives.

In line with our argument, the top five internal risks identified by this study are all centred on the level of responsibility of the shareholders of the cooperative. These are: limited member patronage; low member literacy; weak governance committees; limited finances; and low technology adoption.

*Applying this value means that cooperatives experience both static and dynamic elements of resilience - particularly preparedness and preventive measures that minimise threats - and effective risk management that shortens unfavourable aftermaths and hastens recovery.*



### ■ **Living a cooperative lifestyle**

From Kabale to Kitgum, Sebei to Masaka, the elderly members of cooperatives reminisce about how they were initiated into cooperatives by their parents. They share that their life lessons on education, adulthood, employment and wealth management were all anchored on the values, principles and benefits of cooperatives. As children they participated in producing and delivering goods to the cooperatives. They also received school fees vouchers after their parents had presented their invoices at the cooperative. This, they said, was how we learned to be honest business people and work together with community members. Today, people learn about cooperatives as a by-the-way, either because it is a strategy being used by the government or a development partner to exit a project “sustainably”. Thus, the impatience and the lack of commitment we see today is because members have not been taught early enough what it truly means to be a cooperator. Once there is a delay in the outcome of what someone is expecting from the cooperative, they give up and leave everything for the leaders to handle.

*“Let’s call a spade a spade; when I hear the government talking about SACCOs as though they are a new thing, I laugh. It’s trying to have old wine in new bottles. Our family members all knew cooperatives because our cooperatives owned ranches, paid our school fees. And even when Amin’s government was blocked by the Bazungu, our cooperatives catered for us. Those were real cooperatives, the ones where you knew your members and where people were committed. Those are the cooperatives that have the identity we are talking about today.”*

**FGD participant, Bushenyi.**

### ■ **Ensuring a shared vision and value system**

With self-responsibility, members are able to make choices on who they bond with, agree on their common mission and vision, and chart out a plan to achieve them, even when faced with adversity or disruptions. The foundation for a collaborative, robust and agile cooperative with a strong market position lies in a strong identity. When two individuals or cooperatives consider working together, they should each have a strong identity of their own, and enough similarities in the value base and mission in order to build a strong cooperation.

Uganda has witnessed the proliferation of several organisations which call themselves cooperatives, yet they significantly lack the cooperative “DNA”. This can be attributed largely to the limited understanding of the notion of cooperatives by rural folk—a majority of whom belong to cooperatives—the heterogeneous nature of their demography, and multiple membership to cooperatives with similar objectives aided by incentives from government and NGOs.



**Figure 10:** Kenya Police SACCO Plaza

For example, a number of the Emyooga SACCOs (financial cooperatives) have been abandoned because members realised that other than the money they had hoped to get, there wasn't much else bonding them to the cooperative.

*"Government told people to put themselves together so that they can be helped by the government" Emyooga" now they have even told them to form cooperatives to assist them, so it's not now the people thinking to form the cooperatives, it's now the government telling them."*  
**FGD participant, Kabale.**

### ■ **Staking sizeable equity capital**

In cooperatives whose owners are driving their individual and collective destiny, there is considerable investment towards sustainability of the business. In Bukomansimbi, we interviewed members of Kibinge Coffee Cooperative, a business that has so far earned its success largely because of having membership and leadership that is responsible. To keep their business running, the cooperative has enforced a sense of responsibility in their bylaws and other policies.

*“We now have a coffee processing factory, and in order to become a member you have to buy 10 shares worth Shs. 100,000 and additional joining fees of Shs. 10,000. For membership to the SACCO side of our business, we don’t give loans to those who are not full members.”*  
**FGD participant, Bukomansimbi.**

This sort of resolute stance - entrenched by the cooperative’s bylaws and policies - aligns the leaders and the members alike in ensuring that the cooperative is agile, robust, and visible through having redundant and dependable financial and human resources. Self-responsibility nudges the desire for cooperative members to invest in long-term assets like buildings, which they can use for securing the confidence from the public and partners on their levels of traceability.



Image: [www.bwindiugandagorillatrekking.com](http://www.bwindiugandagorillatrekking.com)

**Figure 11: Cooperative electricity distributors**

Of the cooperatives we interviewed, 51% had their own office premises; 39% rented; while 7% and 3% relied on members and development partners for office space, respectively. Majority (4) of the cooperatives with their own premises are based in Kabale, while majority of renters are based in Kampala. Cooperatives using a member's property for office space are distributed across Fort Portal, Gulu, Kileleshwa, Mbale (one in each location).

Members have the responsibility of providing the factors of production like land, ox ploughs, tractors, seeds, fertilisers, and other inputs. Whereas access to productive assets is a driver of resilience among better-off cooperatives, the lack of access to the same productive assets limits economic progress among some cooperatives. When members pool their resources together for the cooperative, they are able to use the assets as collateral for agricultural financing. Debt remains particularly challenging for agricultural cooperatives to secure, credit largely because of the perceived risk, and lack of creditworthiness. Yet, without an adequate supply of money, expansion and working capital needs go unmet, leaving cooperatives unable to reach their full potential. A lack of appropriate debt financing undermines the capacity of agricultural cooperatives to invest in essential productive assets, such as equipment and farm implements. The need to diversify financial resources is significant for cooperatives struggling to raise capital from member contributions.

*“There is a special sack that farmers are using to store grains which is made up of thick layers to prevent attacks by weevils, but the problem is that it is scarce. The bags can help farmers hold stock for a long time as they wait for a better market at a better price, but they are so costly that not everyone can afford them; each pack is selling at UGX 1.3 million. They are so expensive that even if the cooperative can afford to buy, they may not be enough for every cooperative member. We need to get like 20 packs, which the cooperative will not afford, especially the growers’ cooperatives.”*

**FGD participant, SERERE.**



It is not only a question of funding, but the right kind; capital must correspond to cooperatives' financial needs, business cycle (production and sales cycle), and maturity. Frequent and severe cash shortages are urgent issues that affect all cooperatives. Chronic under-investing further prevents cooperatives from stabilising, expanding, diversifying their activities, and growing into strong and resilient institutions. It also creates insecurities, increases vulnerability to interference, and the cooperative is often unable to undertake research or broaden its impact.

*"In my view there is a lot that has to be done; cooperatives are struggling with the issue of financing, and there are no financial facilities that understand cooperatives like it used to happen in the past when there was a cooperative bank. You find the cooperative and their activities are not appreciated or understood by existing financial institutions. If the government could reinstate cooperative banks, it would be a very big milestone in having these cooperatives access funds because they are well understood to them."*

**KII, Oyam**

### ■ **Member-centred Enterprise Choice**

When members of cooperatives have self-responsibility, they will always be looking to develop the business through innovation and diversification of products and services. Beyond income, cooperatives work towards enabling their members access to decent social services including healthcare, education, entertainment, networking events, food, etc. For this level of creative thinking to happen, members need to be fully vested in their cooperative's mission, rather than compete with it.

Kibinge Coffee and Masaka Cooperative Union in Bukomansimbi and Masaka respectively, as well as Nyakera and Nyamahasa ACEs in Ntungamo and Masindi, for example, have put up shops to sell inputs from reputable firms like Bukola and Anzu, to ensure standardisation and reduced risk of crop failure. This is a form of diversification of services, because then the members have increased interest in the cooperative. Typically, any cooperative with forward-looking membership would see that prioritising the needs of members promotes collaboration, high levels of information, innovation, science, and the utilisation of local technology and sustainability.

In Lira, the Anyalonino Earthworms Cooperative is training their members on intensive home gardening of high-value and quick maturing agricultural products like spinach and tomatoes, which ensures peer-to-peer learning, and provides markets for the various products their members produce. Members are raising rabbits, pigs, local chicken (from whose urine and droppings they make pesticides), and earthworms which are used as feed for local chicken, fish and pigs. With the training and additional farm activities, the more than 470 members were able to cope well during the COVID-19 pandemic period.



**Figure 12: Orange tree**

Limited diversification and innovation in many cooperatives poses a risk to members when disruptions such as falling prices, low liquidity, theft, and adverse climatic conditions occur. For example, the maize producing cooperatives in Buyende were crying foul over low earnings per unit of land, especially considering a majority of their members are commercial growers.

*“During this COVID-19 period most of the schools that buy our maize were locked down, and the Kenya government banned the importation of maize here and there. Our farmers were left with almost no income and rotting food in the stores.”*

**KII, Buyende.**

### ■ **Member patronage**

The majority of cooperatives in Uganda are more focused on the number of members than their commitment to the cooperative. Cooperatives, for the most part, have a significant portion of dormant members. The few committed members running the show sometimes give the false impression that everything is going well.

Majority of members in all the 16 focus group discussions admitted that their core business was not in, or with the cooperative, and that their divided time was costing the cooperative. This cavalier attitude results in low productivity, the risk of theft, poor liquidity positions, and disjointed plans attributed to: poor work attitude, laziness, selfishness, low investment and utility of the cooperative's services, and limited interaction within the membership.

*“My personal challenge with giving the cooperative my effort is the fact that I am a teacher. We teachers spend a lot of time in school, and have school work after school. I am also a wife and a mother, so you find that sometimes I am needed in all the three places at the same time, and because my leadership role in the cooperative is voluntary, it ends up suffering.”*  
**FGD participant, Kabale.**

Perhaps the reason many cooperatives succeeded in the past is because their members' livelihoods were similar to the core business of the cooperatives, or they fed into each other in one way or the other. Members looked to their cooperatives for employment as well as socio-cultural needs. Today, however, people are looking for quick money, status and convenience, consequently most of them are doing business with and through different avenues. With rural-based agri-business cooperatives, where members' livelihood is fairly aligned to the business of the cooperatives, there is a higher tendency for collaboration, sensitivity, security, flexibility and affinity to wilfully receive training. The challenge of conflicting responsibilities was largely witnessed in Kampala, and among members of employee-owned savings and credit cooperatives.

*“We started as a staff savings scheme, and later changed into a cooperative when we realised that our funds were growing, yet the scheme did not have a legal and regulatory framework that governed its operations. Members just come for money and that's it. You can even fail to have people to train because members don't see the need to.”*  
**FGD participant, Kampala.**

Limited patronage by members is hindering the capacity and ability of cooperative unions - and the apex in Uganda - to represent their members, in turn diminishing their visibility, and ability to collaborate with others. The study notes that cooperatives with low share capital and no reserves, have weak market positions and no resource redundancy to enable them to care for their communities through projects.

This study reveals that only about 32% of the cooperatives participate in policy formulation and advocacy, leading to mostly donor-driven efforts. In recent times, partners like the International Fund for Agricultural Development (IFAD), the European Union (EU), the United States Agency for International Development (USAID), We Effect, Agricultural Business Initiative (aBi) Trust, and Rikolto, etc have financed meetings that have increased levels of participation in policy and advocacy. Infact, this study found out that cooperative federations like UCA and UCUSCU have performed dismally in using their own resources to influence policy and regulation, oftentimes because their members are not regularly or substantially financing them to be able to undertake their advocacy and policy influencing roles.

Comparatively, the National Cooperative Business Association-Cooperative League of USA (NCBA-CLUSA) is the voice of cooperatives in the USA, and out of self-responsibility, is partly using its own funds to expand to other parts of the world, to finance and implement initiatives targeted at improving agri-business. It is notable that government and development partners often get incentives to work with cooperatives, whose members have a respected voice. Cooperatives in Uganda must ask themselves what level of influence they wield in their communities that earns them recognition and attention from partners?

*Perhaps the reason many cooperatives succeeded in the past is because their members' livelihoods were similar to the core business of the cooperatives, or they fed into each other in one way or the other.*



### ■ **Responsibly delegating authority**

Annual General Meetings (AGMs), Special General Meetings (SGMs), and pre-AGM meetings are spaces where members make decisions and confirm suggestions made by the committees and management. Owing to the supremacy of the general assembly in determining the affairs of the cooperative, self-responsibility becomes a key pillar in nudging effective participation and involvement of members in decision-making for the cooperative within and outside the assembly.

This study indicates varying levels of self-responsibility among members when it comes to vetting and confirming those who they delegate authority to. In cooperatives where members have taken their obligation and right to elect leaders seriously, they have managed to get rid of corrupt committee members and rogue management teams. A classic example is in Bugisu Cooperative Union (BCU), where a combination of self-responsibility, solidarity, and Bugisu nationalism enabled them to kick out a government inaugurated manager accused of losing the union's assets in 2014. On close examination though, such instances where the members have taken action against insubordinate boards and managers are rare.

According to this research, the success of the BCU case is attributed to the fact that the then leader - Hon. Nandala Mafabi - was an elected member of parliament, a lawyer, and an accountant with the political and business clout to mobilise members. Simply put, without informed and exposed membership, it may be a hurdle to effectively exercise self-responsibility. This case evidenced the members' capacity to manage risk, collaborate, and remain visible and aware of what is happening within their cooperative. Therefore, in scenarios where a cooperative's autonomy and independence are under threat, responsible members can provide the security and stability required.

Undeniably, the lack of self-responsibility among members has misled them to appoint managers who have a thinly concealed contempt for cooperative values. A look across the failures and internal risks challenges the perception that it is "outsiders" who bring cooperatives down. Many of the managers have risen through the ranks but remain oblivious to cooperative thinking, whereas some "outsiders" grasped the need for distinctive cooperative solutions.

*“Undeniably, the lack of self-responsibility among members has misled them to appoint managers who have a thinly concealed contempt for cooperative values”.*

In other words, the recruitment of managers must be situated within the realms of the cooperative identity. When the character of the manager resonates with the ideals of cooperative business, they are able to protect the cooperative from their own ego, and compromising members of the committee and other external influences. From the FGDs, there was a common argument that when the manager is a fully paid up member of the cooperative, they are more likely to remain sensitive to the internal and external threats facing the cooperative.

Although the managers don't have direct responsibility for determining who is elected to the board, they are key in exposing any malicious behaviour to the supervisory and vetting committees, and ultimately to other board members. In a few cases, the senior management have collaborated in streamlining the behaviour of their board committee members. In these scenarios, the managers recognize that their allegiance is to the members, not the elected committee member. In Kabale and Bushenyi, it was reported that on separate occasions, managers faced off with the chairmen who had turned their cooperatives into their personal money bags.

*“Every day the chairman was in the cooperative, he sat in the accounts office and demanded transport allowances for his trips to the cooperative. One day the manager got fed up, and fired the chairman and warned him against setting foot in the cooperative.”*

**FGD participant, Kabale.**



Image: [www.gorillatrekafrica.com](http://www.gorillatrekafrica.com)

**Figure 13: Drilling**

■ **Individual awareness is a function of cooperative sensitivity and visibility**

Every business demands that its owners search for knowledge and information to ably support their decision-making function. In the case of cooperatives, reading and understanding the laws, market intelligence, and public relations are functions that all members must take up to guard the cooperative from threats of competition and unfriendly regulations, while increasing its visibility so as to attract more members and partners. This entails each member reading and adhering to the bylaws, policies, and market information sources, whether in vernacular or English.

However, the attitude of most members of cooperatives in Uganda is “hands and eyes off as long as the leaders make us happy”, a disposition that comes at a hefty cost. It is disturbing to note that 90% of the cooperatives interviewed mentioned that their members neither read, nor understand, the regulations governing cooperatives. This is probably why financial cooperatives (SACCOs) are in a regulatory and supervisory mix in which - by end of the financial year 2020/21 - these cooperatives were under the Tier 4 Microfinance and Money Lenders Act 2016, the Microfinance Deposit Taking Act 2003, and the Cooperative Societies Act 1991 as amended in 2020.

How can this membership put their leadership to account or engage in policy? With little or no knowledge among members, cooperatives' levels of vulnerability to internal and external risks are enormous. It is time for cooperatives to understand that ignorance can never be considered a valid excuse for making mistakes, and certainly not for a subject matter so important.

*“Where a few members know the law, they may want to use the weakness of the law to cheat the cooperative. For example, taking someone to court for a case which is not provided for by the law, or the law recommends arbitration, one can use a good lawyer and win.”*

**FGD participant, Mbale.**





Image: treehugger.com

**Figure 14: cashew nut**



### ■ **Proactive risk management**

This study positions cooperative resilience as a river flowing through a series of pathways, as the organisation seeks to adapt to the complexity, change, and uncertainty that confronts its membership and leadership within competitive market environments. Fortunes can be made, but cooperatives need to figure out where threats to progression emanate from, and prevent or prepare for them.

There is a tendency among cooperatives to look externally for solutions to risks, or dwell on existing vulnerabilities, rather than paying attention to the risks members pose by not adhering to the values and principles of cooperative business, and their insensitivity to environmental disruptions. Having risk management plans within the strategy and business blueprints is, therefore, critical. Whatever the disruption, cooperatives must have a plan of how to cope and adapt before the change overburdens their plans.

In Kabale, for example, members of Maziba Pineapple Wine Producers cooperative have taken to bulk production during the harvest season, so that the cooperative is able to sell all year round.

Others, however, have implemented measures that turned out to be destructive. To minimise the impacts of long droughts, cooperative members in Kasese dug trenches to divert water from the river to their gardens, without guided environmental impact assessments. The outcome of this has been annual floods that have cost the communities lives and property.

*“We have been informing them not to cultivate along the river banks, for example along river Nyamwamba in Kasese. When they cut trenches to direct water to their gardens, the water comes with massive soils and causes untold destruction.”*

**KII Disaster Department - OPM.**

In Buyende, the cooperators reported rampant death of members with unpaid loans, a situation which would have been helped if their cooperatives had credit life insurance policies. In a few cases, cooperatives have displayed their self-responsibility is through purchasing and designing their own insurance. In addition to insuring against disruptions like death, disability, critical illness, theft, fires, accidents and natural disasters, agricultural cooperatives have a subsidised package under the Agro Consortium, a partnership between the Government of Uganda and insurance companies. This should presumably provide impetus for most cooperatives to acquire insurance policies so that they are well prepared and protected against adverse disruptions.

However, results from our research paint a grim picture, with only 36% of the cooperatives interviewed reporting possession of at least one insurance policy. Of these, 77% are financial cooperatives, and the rest agricultural cooperatives. The possession of insurance policies by financial cooperatives indicates a strong market position enabled by redundancy in resources. On the contrary, agricultural producer cooperatives have little concern for insurance, likely because of a weak market position. It is notable though that the mentality of prevention and preparedness is limited, as evidenced by the low uptake of insurance.

In the face of uncertainties and disasters, self-responsibility enables the cooperative to put in place early warning mechanisms. This entails information-gathering from various sources, and timely feedback to the cooperative and other stakeholders. Early warning mechanisms are most effective when every stakeholder keeps themselves aware of any new innovations, forecasts, and other relevant information. The varying businesses cooperatives are involved in require them to deploy diverse strategies and tactics to identify risk. All members of cooperatives should take the initiative to inspect their cooperative business premises without being prompted by the committee or management. With such impromptu visits, members undertake inspection and discover important things without being influenced by anyone. This way the employees and elected leaders are reminded of the authority of the general assembly, and the members increase their awareness of the business of the cooperative.



Image: Youge.in

**Figure 15: Milk and dairy products**



Image: www.eatthis.com

**Figure 16: Grains**

However findings from this study indicate that a paltry 2% of cooperatives have early warning systems. Agri-business cooperatives, which form a majority of the 98% without early warning mechanisms, indicated that they thought that early warning systems are the duty of the government. We also noted that their understanding of disasters is limited to the natural ones like floods, drought and pests. Yet the disaster management arrangement in Uganda places the burden of early warning on the communities. This study noted that some had invested in CCTV cameras and fire extinguishers for their business premises.

Appreciating the informalities among the membership, and the absence of a credit reference bureau for cooperatives, many SACCOs and agri-business cooperatives have adopted group lending to reduce the risk of defaulters. In most cases, each member guarantees a portion of the others' loans, and if one member defaults all members are asked to pay the amount outstanding. In this way cooperatives ensure that members are each other's keeper. Other than reducing risk, the group lending model also ensures redundancy in resources, as well as collaboration among the members.

Nonetheless, this group lending adaptive strategy has been costly to some cooperatives that have had to deal with cliques that sometimes prevent collaboration and equality. Members reported that when it comes to elections, these cliques mobilise their members to vote in certain people, while groups with less numbers/influence miss out.

### ■ 6.1.2 Self-Help

Cooperators believe that full individual development can take place only in association with others. This reinforces commitment and transparency in their individual and collective actions, displayed in the morality of their behaviour and involvement with and within the cooperative. Self-help entrenches dignified living aspirations by individuals who choose to define their pathway to transformation through interdependence within the cooperative organisation. Efforts here are aimed at maximising self-reliance by using available local resources in a sustainable way. For this to happen, members must have the will to collectively pull through the challenges that they are confronted with without running to donors.

*“Agri-business cooperatives, which form a majority of the 98% without early warning mechanisms, indicated that they thought that early warning systems are the duty of the government”.*

### ■ Are members resourcing their cooperatives?

Members of a cooperative have a duty to continuously buy shares to capitalise their joint venture, keep up with annual subscriptions, and pay the collectively agreed on service fees for the day-to-day operation of the business. This study however, indicates that only 40% of cooperatives have fully paid-up members. This trend negates self-help and weakens the cooperative's market position, such that it is unable to cope or remain stable during shocks. Low investment by members has driven cooperatives to obtain loans at very high rates, yet risk capital requires that the return-on-investment matches financing costs. When members have a laid-back attitude about cooperative resources, wastage by managers and committee members is likely to go unnoticed until cooperative assets are taken over by the lender.

*“When BUFA took out loans from the bank, the funds were poorly managed internally, leading to the decline of a once vibrant cooperative. In Kisita I can say their demise was caused by external credit because had it not been for that money, members would have survived solely with their contributions. Management of the SACCO almost disappeared with its assets, including a commercial building, store, and plots.”*

**KII, Kakumiro.**

The inability, or unwillingness, of members to invest in the cooperative results in low productivity, yet with optimal resources the cooperative has the capacity to lease or own factors of production. This study observes that most cooperators are not productive, despite owning small parcels of land. Customary land tenure systems are a constraint on agricultural productivity and the commercial investment because land holdings are usually very small, and mostly on soils with insufficient enrichment.

*“For example, you would want every cooperative to own land, but the land is customary. When members are working individually instead of collectively, people may not be willing to sell their land to cooperatives. Cultural norms are holding things from moving much faster.”*

**DCO, Oyam.**

*“This study however, indicates that only 40% of cooperatives have fully paid-up members. This trend negates self-help and weakens the cooperative's market position, such that it is unable to cope or remain stable during shocks.”*



In better performing cooperatives, there is a considerable level of improved agricultural techniques for production. Here, farmers are using improved crop varieties, inputs such as tractors, fertilisers, and herbicides, and are effectively responding to early warning surveillance. Additional investment in post-harvest handling equipment ensures that they fetch better prices for their produce. Okile Rice Growers and Kibinge Coffee cooperatives are some of the joint enterprises that have invested in post-harvest handling to ensure that their products meet the required market standards. At Olweny Irrigation Scheme in Dokolo District, members of Okile Rice Growers Cooperative are helping themselves out of food insecurity and poverty by deploying modern farming techniques. Although the government has been supportive, especially with the water for production, Okile Rice Growers Cooperative members were efficiently utilising the irrigation scheme and other public investments aimed at commercialising agriculture in Uganda.

*“In our cooperative, we are doing rice farming mainly in lowland areas. We have food security, and our cooperative is helping farmers in so many ways; for example, we are buying agro-chemicals from Bukola and re-selling them to farmers at affordable prices. We also have a tractor, and as other people are leasing to farmers at UGX1 000 000 per acre, for us, we are leasing at UGX800 000, so our farmers are enjoying it.”*

**FGD participant, Lira.**

Most cooperative businesses in the West Nile, Northern and Eastern parts of the country that were ravaged by insurgencies have reengineered their business models by working with private sector players. Cooperatives like East and West Acholi Cooperative Unions, headquartered in Kitgum and Gulu, and the Okoro Coffee Union based in Zombo, are working with private sector players like Gulu Agricultural Development Company Limited by leasing their large-scale industrial production equipment instead of leaving them to lie idle. By the time some of them get their war reparations, their self-engineered solutions would have kept the cooperative afloat enough to utilise the compensation funds.

Nonetheless some cooperatives, like Sebei Elgon Cooperative Union which also sought to lease land to boost their income, have come under pressure from squatters and blatant thieves who have made attempts to steal cooperatives' land. Fortunately, the leadership of the cooperative has managed to block several of these attempts through the court. It may be worth noting that possession of land titles that clearly define the ownership of the property has reinforced the cooperative's capacity to defend itself against saboteurs.

### ■ 6.1.3 Solidarity

Solidarity is the philosophy that distinguishes cooperatives from other economic organisations, and is the very cause and consequence of self-help and social responsibility—two fundamental values of cooperative culture. For solidarity to hold, the members must be united by economic, social and cultural needs and aspirations. Sometimes these people find themselves bonded by common ethnicity, religion, age group, profession, locality, shared history, problem, or purpose. Unified economic purpose, followed by social and cultural ones, preserve and grow the cooperative. This duality of economic mission and social impact makes a cooperative a social consequence, rather than a social purpose enterprise because they deliver social benefits to members while running a sustainable and profitable business.

### ■ **Striking the balance between the Social Market Culture and the Capitalist Union**

The cooperatives of colonial times, until the introduction of liberalisation, were aligned more to solidarity compared to the pursuit of purely economic gains. Most cooperatives today have had a distinctive shift in priorities, leading many to ask if what we have are actually cooperatives; perhaps, because members have failed to adequately measure or cultivate social capital. More inclination towards solidarity is a good virtue, because it ensures commonality in problems, and delivers proportionate solutions that address market failures.

*“Most of the members are united, we are like a family. Secondly, being a member of the SACCO, even if you don’t have money, you are rich. If you have any problem you can get an emergency loan to help you solve your problem. That is the reason why I am interested in the SACCO as a member.”*

**FGD participant, Lotome.**

The problem with being bonded for purely economic reasons is that income inequalities widen the gap in people’s interest, and create imbalances in expectations. This explains why most cooperatives today have taken to doing business with non-members. For example, over 80% of cooperatives reported that the dormancy of current members, and the prospect of mobilising new members, pushes and pulls the leaders to do business with non-members. Although this adaptive strategy increases the visibility of cooperatives, it undermines sensitivity, and weakens security and market positioning of these joint enterprises.

*This duality of economic mission and social impact makes a cooperative a social consequence, rather than a social purpose enterprise because they deliver social benefits to members while running a sustainable and profitable business.*

SACCOs, like agri-business cooperatives, are doing business with non-members, and are more concerned with clients' ability to pay for the service, than establishing any social bonds. Ultimately, they are having to face stiff competition from the regulated microfinance institutions and money lenders with more capital and robust systems that reduce their risk. This study found that when a pandemic like COVID-19 disrupts the operations of cooperatives, members driven by economic gain rather than solidarity are likely to jump ship without a second thought for the cooperative's survival.

With the exception of trading or marketing cooperatives whose final products may sometimes be consumed by non-members, cooperatives should only do business with their members. This way, they balance between patronage and harnessing investment value for their members to manage risks, enhance sensitivity and a strong market position, as well as ensure sustainability.

*SACCOs, like agri-business cooperatives, are doing business with non-members, and are more concerned with clients' ability to pay for the service, than establishing any social bonds.*

### **Ethnicity is not enough to keep a cooperative collaborative and strong**

The study reveals that in many parts of the country, agricultural cooperatives were formed by people who come from the same ethnicity and locations. This factor creates a bond and an identity that is important, yet feeble if not aligned with the values and principles of cooperatives. It is also notable that ethnicity and tribal congruence is threatened by many more small fractures in the form of family and clan divisions, which have been reported to cause segregation or division. Many cooperators reported that people have often carried their personal and family fights into the cooperative. Moreover, cooperatives bonded by ethnicity have prioritised their cultural values and relationships even when confronted with problems that could ruin their business.

*"Since I am in a location where people know me, they understand when I make a mistake, and they will say this is our own son."*

**FGD participant, Kiryandongo.**

Problems in cooperatives are not only caused by changes in the external environment - such as natural disasters, and political interference - but also in the way the cooperative identity is being upheld. Therefore, on top of existing tribal or ethnic lineages, members must be initiated to the culture of cooperation as the standard practice.

For example, notwithstanding the ethnic glue, a number of bulking cooperatives are doing business with non-members, in contravention of the ideals of cooperatives. This poses significant vulnerabilities because non-members have no obligation to the cooperative, and are easily lured by competitors who offer better cash incentives.

Moreover, these non-members may never buy shares or pay membership fees to finance the daily and investment needs of the cooperative because their relationship remains transactional. Low institutional capital (member equity and reserves) increases a cooperative's vulnerability to risks and uncertainties - such as those occasioned by the COVID-19 pandemic - which the cooperative lacks the redundant resources to deploy to cushion against huge withdrawals and general business disruption.

### **Infusing art, music and edutainment a soothing bond for members of cooperatives**

The Naguru Acholi Community Cooperative Society Ltd., which started as a rotating savings and credit association, has its members involved in a number of creative and performing arts activities. Due to a largely youthful and low-income member base, the cooperative's unifying problems are urban unemployment, and low literacy levels. In order to create decent work for their membership, the cooperative has organised training in craft-making, and performing arts, from which members can earn a living.

This combination of business and entertainment enables the members to meet often for savings and planning. More so, music and performing arts often break tribal, language, education and age barriers, thus uniting members of all backgrounds and aspirations. This fusion also enables members to learn and apply skills quickly, therefore creating value for the youth who are more attracted to ventures that bring quick returns with minimal effort.

*"Music has to be recognized as an agent of social development in the highest sense, because it transmits the highest values- solidarity, harmony, mutual compassion. And it has the ability to unite an entire community and to express sublime feelings."*

**Jose Antonio Abrev**



## The essence of similarity in business type and location of members

This research found that when members are in the same business, they have a stronger bond because they share challenges and benefits of the business. Our findings show that 77% of cooperatives have members in similar businesses, the majority of which (33) are in the crop farming category. The remaining 23% of cooperatives have members doing varying businesses, the majority (11) being in financial services. By location, the majority of cooperatives with members in similar businesses hail from Kampala (8), and Kabale (5), while the majority of cooperatives with members in varying businesses are from Mbale (5), and Masindi (2). Across cooperative levels: 49 cooperatives at the primary level have their members in similar business, and 14 do not; two cooperatives at the tertiary level have their members in similar businesses, while four do not; and 21 cooperatives at the union level have their members in similar businesses, while four do not. The study identifies excessive business diversification by members of cooperatives as one of the key reasons for a weak bond among themselves, and within the cooperative. Operating businesses that are not aligned to that of the cooperative diminishes its market position, and affects its chances of remaining robust and adaptable in the face of disruption.

*“The bond is there because for us when coffee is collected at the central store, there are delays in paying farmers but farmers in Bulambuli call their colleagues to ask whether they have been paid so that they are able to understand. Assuming you were in more than three groups, you would ask yourself if the money was diverted.”*

**FGD participant, Mbale.**

Similarity in location also reduces the cost of doing business and enhances practical learning. It also makes it easier for members to patronise and inspect their cooperative for any early signs of risks and vulnerabilities. Additionally, when zoning and providing extension services, members of a cooperative in the same location can easily collaborate in shared services provided by the cooperative or a public development organisation. The majority of cooperatives (59%) have members from the same location, most of them being in the crop farming category (20), compared to 41% with members from different locations. The majority of cooperatives whose members come from the same location are based in Kamuli (4), and Kabale (4), while the majority of cooperatives with members coming from different locations are based in Mbale (6) and Kapchorwa (5). Within the cooperative levels, primary cooperatives had the most members coming from the same location, followed by Area Cooperative Enterprises (ACEs), and tertiary cooperatives.

## In solidarity there is security and autonomy

Unity is an asset for survival during hardships, especially with the breakdown of societal values and morals which have left very limited chances for ethical business practice. Some middlemen have taken to shrewd business tactics that take advantage of rural producers who—without the solid backing of a cooperative organisation—will always get a poor deal. By coming together as cooperatives, exploitative forces are checked and neutralised. When members are united, they remain aware of what is going on and are forward in advocating for enabling policies and regulations.

*“Through the experience we went through, this year was our first main export of coffee as a cooperative and we signed the contract, but when coffee reached the destination, the buyer wanted to cheat us. We used an umbrella association and the contact person in that country helped the association to follow up. The buyer tried to take advantage of us, but the umbrella association used its influence to help us. The association is made up of the National Union of Coffee Agri-business, the National Agricultural Environmental Organization, and Africa Agri-business Academy. They also helped us with technical support because we did not know how to interpret the international contract, they helped with a lawyer who we were paying. They also provide linkages to markets, funding, ICT and working documents like procurement documents. The primary cooperative must be able to have the business plan or the human resource manual or the procurement manual.”*

**FGD participant, Mbale.**

The study reveals that acts of solidarity, like wearing uniforms, promote visibility, and enhance self-esteem, collaboration, and security within the cooperative business. In the rural areas where SACCOs are competing with money lenders, whose businesses are purely profit driven, it's important for the employees of cooperatives to continuously distinguish themselves.

*Upon the conduct of each depends the fate of all.”*

**Alexander The Great**

## Multiple membership antagonising cooperatives

Cooperatives across Uganda are overwhelmed by multiple membership, that is, most of their members belong to more than one cooperative with similar objectives, and within the same location. This affects commitment and loyalty, and fractures the cooperative.

*“You find someone is here and there causing disharmony within the membership and leadership, and at the same time inhibiting the capacity of the cooperative to make reliable projections on income and services. There is total confusion here.”*

**FGD participant, Kabale.**

Members, mainly from Ankole and Kigezi, called for regulation on the proliferation of SACCOs within a short radius. They suggested the model used by the National Drug Authority such that at registration, the department of cooperatives would ensure that the prospective cooperative is located where its services are most needed. However, this suggestion may be contested by parties who believe that a liberalised economy is regulated by the forces of demand and supply, and reinforced by the ability of the cooperative to be competitive. Moreover, multiple membership may not need the intervention of the ministry, as cooperatives can ensure that they have clear bylaws that safeguard the quality and commitment of their membership.

### ■ 6.1.4 Democracy as a Cooperative Value and Principle

The core of cooperative governance is full member participation in all the decisions that matter to the joint enterprise. Cooperative democracy is about involving members in making resolutions, confirming and adopting minutes of previous meetings, as well as reading, understanding and discussing budgets and audit reports in a manner that protects the integrity and soundness of the business. It also encompasses designing and approving strategies, plans, and policies that ensure the coordinated and prudent running of the cooperative's business.

*“The body will never move unless the head instructs it to move.”*

**FGD participant, Kiryandongo.**

*“Moreover, multiple membership may not need the intervention of the ministry, as cooperatives can ensure that they have clear bylaws that safeguard the quality and commitment of their membership.”*

## Democratic equality at cross roads?

At the heart of cooperative democracy is equality, that is, one member-one vote; the most distinctive element that has stirred up enormous debate on cooperative resilience. Belonging to cooperatives is voluntary and often informed by the belief in the philosophy and culture that defines cooperatives.

It is cemented in traditional cooperative values that ownership rights are not traded, to enable members to hold equal voting rights regardless of their patronage. However, from this study, a section of active cooperative members are questioning why free-riding members must have the same voting power as them?

*“I think this democracy should be scrapped because you can put up something developmental as a board but you know as a cooperative you have different categories of people and they say the majority wins; so you find that your good idea or the good idea of the board is challenged by many.”*

**FGD participant, Lira.**

A few cooperatives in Uganda are borrowing from the New Generation Cooperative's model, in which patronage and the volume of shares held by a member are determinants of leadership and voting rights. Conceivably, these new generation cooperatives understand that survival and progression require adaptation of workable solutions to stay relevant, rather than waiting to be changed by market forces.

*“Sometimes they segregate the members based on the number of shares one has, if you have bought only one share you are already a member; but in meetings the number of shares determines the number of times a member should contribute in the Annual General Meetings.”*

**FGD participant, Mbale.**

## Member owners - member controllers?

Cooperatives are built on the skills inherent within its membership, and dependent on their participation, to achieve goals that are economic and socio-cultural in nature. As it is in the universal definition of cooperatives, members unite due to shared needs and aspirations; but as it may be in the rural setting these persons might all be illiterate, less exposed and lacking the skills of contemporary businesses which require strategic management. Yet it is from this very membership that the cooperative selects its executive committee and management. This study's findings highlight the complexity of balancing corporate governance of the joint enterprise, and member commitment amidst diversity in member-patrons, each with an experience of their own business, but less strategic expertise in the management of a larger entity.



Where boards and members acknowledge their weak skills, capacities and capabilities, they hire management for better corporate governance. As a result, most board/executive committees have become overly management driven and reliant. From the findings, the cost of this has been insubordination by the managers/employees, and the tendency to sneak in uncooperative corporate governance and business practice. Conflict and apathy arise when the members earn little or no dividends, yet salaries of the managers/ employees are increased annually.

*“We are suffering locally, there is a total change in the way business is operating in the SACCO since the current manager came with her microfinance ways of doing things. She treats us as though we are not the owners of the money, you go to the cooperative when you are hard pressed for school fees, and someone tells you to first go to the school and get confirmation that the money you are getting is intended for the school fees.”*

**FGD participant, Kampala.**

In remaining owners and controllers, cooperative business is conducted within the trust system, which is best where members are educated, informed and possess the required business skills. However, the study reveals that in agri-business cooperatives, the professional skills of the board members will have to be developed in order to improve these intricacies that limit collaboration, sensitivity, flexibility, robustness and sustainability. This research indicates that SACCOs have more diverse skills compared to agricultural cooperatives. We also found that of the 32% of cooperatives without strategic plans, 27% and 73% of them were SACCOs and agri-business cooperatives respectively. Primary cooperatives also topped the category of cooperatives without business plans, perhaps due to over reliance on personalities rather than institutional structures found in unions.



Image: [globalsocialimpact.es/acpcu/](https://www.globalsocialimpact.es/acpcu/)

**Figure 17: Coffee sorters at Ankole Coffee Producers Union**

## Governance in cooperatives

The supreme decision-making organ of the cooperative is the general assembly, which also has the authority to elect all committees, and influence the choice of the Chief Executive Officer and key management staff by approving the governance and human resource policies and manuals proposed by the board.

According to this research, the majority of the cooperatives (59%) have all four statutory committees (Board/Executive committee, Vetting committee, Supervisory committee, and board sub-committees) in place, while 41% only have the board. Of interest to this study is whether the power centres work well enough for the cooperatives to meet both their business and social missions.

This study points to deep cracks, imbalances and inefficiencies in this power structure. First, the executive committees in many cooperatives also play the managerial role without clearly defined terms of reference or job descriptions, a situation that undermines segregation of duties. It wasn't uncommon to note complaints of overbearing chairpersons who want to be everything in the cooperative; the AGM, manager, accountant, etc. This, coupled with the low involvement of members, means that many things are often overlooked. This is when the early warning mechanisms provided for in regular communication, separation of duties is compromised, the cost of which is free-riding and a low market position.

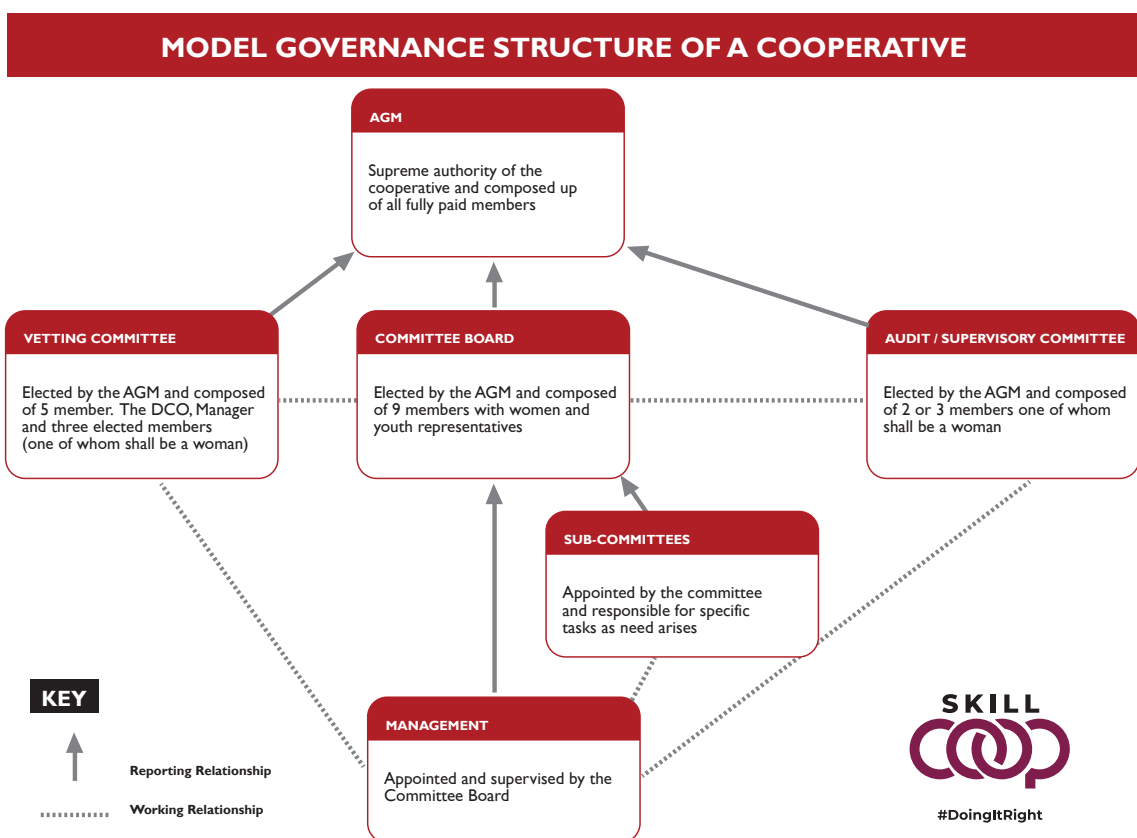


Figure 18: Governance structure of cooperatives in Uganda.

The cooperative governance system in Uganda was also discovered to have too much red tape, occasioned by the singular mandatory AGM and the occasional meetings held by the board, supervisory, and vetting committees.

### Quorum vs full participation

The AGM is mandated to meet once in a year, but if members have any consequential reason, they have the liberty to petition the board committee to arrange for Special General Meetings. Should the committee not respond to the petition within 14 days, Sub regulation 21(3) gives members authority to call for and organise Special General Meetings, stating reasons for the meeting.

The legality of the AGM is authenticated by quorum and the eligibility of the members who make resolutions. Entitlement to voting in the AGM requires fully paid-up membership, and being an adult of sane mind; here is where our research found the most gaps. Many cooperatives in Uganda are observing quorum but not paying attention to the eligibility and the effective participation of members in the meetings.

This study found that 76% of the cooperatives observed quorum in the last AGM, yet they complained about the meetings generally being devoid of their participation. Several cooperative members and participants of the FGDs particularly pointed out that AGMs last for a short time and happen only once a year, to the detriment of the cooperative. Some have likened the AGM to a ceremonial event, in which members come to “catch up” with long lost friends and share a meal; not one where important business is handled.

*“In most cases members do not know what is happening because they don’t hold their statutory meetings. Even when they do, it’s within a short time and over a rushed agenda. When something is asked at the meeting and you find the board responding that the issue is already resolved and they just buy it for endorsement. One time in the AGM, the budget, audit and financial reports came at a time when people were too tired and hungry to follow. When the debate grows stronger, they feel it is a waste of time because some boards don’t recognize AGM as important.”*

**KII, Masaka.**

*Many cooperatives in Uganda are observing quorum but not paying attention to the eligibility and the effective participation of members in the meetings.*

Then there is the issue of delegates who represent members of unions, tertiaries or the apex cooperatives and, recently, members of primary cooperatives where the membership is too large to congregate at one go. The number of cooperatives with thousands of members are increasing across the country, and many primary cooperatives are employing the delegate system where the principal-agent relationship is worth paying more attention to. However, many members of cooperatives think the system keeps them off from the function and operation of the cooperative while a few think otherwise.

*“It is effective, if it is done the way it should be done, like holding pre-AGM meetings so that the delegates come when they know what they are going to present on behalf of their members.”*  
**KII, Gulu.**

In Lyamujungu Financial Services Cooperative, where the system of delegates is being used, AGM delegates are tasked to find ways of delivering resolutions using their own means because there is no clear-cut budget, or a system that enables the delivery of information. Meanwhile in Kibinge Coffee Cooperative, there are smaller groups that have been created from which a representative shares with the committee issues affecting them. The committee members then share feedback with these representatives to ensure collaboration and the healthy flow of information. Delegation is also effective only when the character and value systems of the representatives are aligned to that of cooperatives, devoid of which the system has the potential to cause information asymmetry.

These findings suggest that cooperatives from Nebbi district are the most democratic (average democracy index=1.4), while cooperatives from Tororo are the least democratic. Similarly, across ethnic groups, cooperatives based within the Karamoja ethnic group are the most democratic, while the Bukedi ethnic group recorded the lowest democracy levels. Across agricultural cooperatives, those within the agricultural inputs and supply sector are the most democratic (average index=0.8), followed by dairy farming cooperatives (average index=0.3). The least democratic cooperatives within the agricultural sector are the crop and livestock farming cooperatives.

From the cooperatives sampled, those that observe the principle of democracy more, on average, have faced fewer risks compared to less democratic cooperatives. Nonetheless, members have argued for guided democracy; for example the preference is that when elections take place not all leaders have to be changed at once, because this exposes the cooperative to loss of institutional memory. Instead, the cooperative can look into having elections at each AGM so as to stagger changes in the leadership.



### ■ 6.1.5 Equality

This is a distinctive pillar of cooperative governance practice which delivers inclusive democracy. Based on this value, members acknowledge and value heterogeneity in sex, economic status, religion, caste, color, gender, etc. Thus, every cooperator has the right to participate in all meetings of the society, to elect and be elected. Notwithstanding the variation in shareholding status, all members have an equal vote, and that voting power does not depend on the social and economic status of the members.

In 2002, the International Labour Organisation made recommendation 193 to guide the global cooperative fraternity on the importance of decent work conditions in cooperatives. This was in recognition of the complex working environment that exists across different sectors, and the exposure of workers in cooperatives to similar undignifying work conditions like with any other business. The International Cooperative Alliance - in acknowledgment of recommendation 193 - continues to advocate for the promotion of human rights and dignity in informal and formal working spaces, within cooperatives and for cooperatives to ensure that their partners uphold the same.

#### **Marking the difference between the person and the position they occupy**

Equality is synonymous with the subject of human rights. There are fundamental rights that all human beings are entitled to, of which the right to dignified treatment is key in the business of cooperatives. However, this research has noted that many elected leaders or managers often forget that their position is so that they can serve the cooperative and its members. There is a tendency for leaders to personalise the cooperative and forget others such that with time, only the chairman and sometimes the secretary and the treasurer have more unapproved privileges. In so doing they also cheat the farmers, who eventually lose morale.

According to this research many cooperative leaders have been portrayed as egoistic and not open to correction or reprimands for their ill actions. In some cases, some cooperative members have accused them of harassment and mistreatment. This is not what the leadership was meant to be like. What could have caused this, considering cooperatives have their roots in working against injustice? Some members have pointed to the free-rider attitude and dishonesty among members as a constraint to demanding fair treatment and respect from the leaders.

*“Mine is harassment at work by my bosses. Sometimes it is very difficult because I also fear losing my little bread, because I can use that money to feed my children. Like today, I almost didn’t come for this session because I was abruptly called to work. We have a problem of communication in that someone will inform you of things last minute when you have other programs going on.”*

**FGD participant, Lira.**

## Overconfidence and hubris

As cooperatives hire new management teams and elect committee members, some of them get excited when they turn around the business for the better, and start to not listen to the owners of the business. Some of the leaders find their way to the top management and overrun all the policies and start conducting business in the cooperative like a sole proprietorship. This kind of scenario is harboured in the personality and bad conduct of the people being hired. Sometimes these character traits are matched with psychological deficiencies bordering on narcissistic personalities and behaviour. In such scenarios these leaders make decisions that only satisfy their ego.

Then there is overconfidence, commonly noted within the financial cooperatives, where there is a craze for leaders to open new branches without considering the long-term costs of running them. They seem not to be appreciative that the world is moving more towards branchless networks by investing in digital banking platforms. Although the branches increase their visibility and have the potential to increase their flexibility, the human resource, technological and physical infrastructure demands might outweigh these benefits. And now that the mobile money networks have joined the financial services sector under the regulation of the Bank of Uganda, time will judge some of these decisions.

Moreover, rural SACCOs with low liquidity and little capital - which ideally would be providing micro-loans to smallholder farmers - are also providing asset financing without examining if their liquidity positions can support capital investments. Some cooperatives have tamed this overconfidence by establishing functional investment and finance sub-committees that advise the board after undertaking detailed research, for collaborative decision-making and sound investment choices.

*Sometimes these character traits are matched with psychological deficiencies bordering on narcissistic personalities and behaviour.*

## Founder member syndrome

According to this research, the one big puzzle that cooperative members are failing to fix is the question of the inaugural owners of cooperatives having a strong hold on their business, and not being open to handing over the governance and management to those that come after them.

Our findings indicate that people always attach value to what has made a mark in their lives. This means that in occupying their offices for long, and knowing the far that the cooperatives have come, they become nostalgic. The leaders who attended the FDGs expressed fear of handing over the cooperative to people who have no experience, and with potentially hideous plans; this they say would wash away all the efforts they have put in, so they stay around to ensure their cooperative remains committed to the cause.

Perhaps this is why the Cooperative Societies Amendment Act 2020 has opened up term limits, and allowed leaders to be re-elected as many times as their members wish.. In some cooperatives, however, the founder members are co-opted on sub-committees to keep active, while others have a council of advisors or an advisory board which meets with the committees to give guidance.

While it is understandable the depth of connection the founder members have with their cooperatives, sticking around for too long undermines equality and the prospect of new energies, skills and knowledge. Adapting also becomes problematic because, oftentimes when the founder members age, they get stuck in their old ways, and the cooperative's sustainability, flexibility, robustness and agility come under threat. Indeed, many cooperatives reported that some of the visionary leaders who did not allow young people to learn have died, and gone with most of the institutional memory and goodwill.

*“The founder members in our cooperative insist that they must be represented on the board, so when there is a board meeting you find more people other than the elected members attending.”*

**FGD participant, Kabale.**

*The leaders who attended the FDGs expressed fear of handing over the cooperative to people who have no experience, and with potentially hideous plans; this they say would wash away all the efforts they have put in, so they stay around to ensure their cooperative remains committed to the cause.*

## Age

There is a disproportionate number of youth in cooperatives, considering that persons under the age of 30 comprise about 78% of Uganda's population. Where young people are, there is often energy, agility, flexibility and innovation. However, our research shows that the majority of the cooperatives (78) have less youthful members (18-35 years) compared to older members (36+ years). Across all cooperative sectors, the dominant age group is the older members. This is also true across locations of the cooperatives, with youthful cooperatives only being found in Arua, Bundibugyo, Bukwo, Kabale, Kakumiro, Kapchorwa, Kiryandongo, Kole, Mayuge, Mukono, Napak, Oyam, and Pakwach. The few young cooperative members also feel less involved, mainly due to religious and cultural beliefs about the place of young people among the older population. The value of having a combination of the different age categories is that succession planning becomes easier.

*“Most times, when I try to correct my elders in the cooperative they say ‘what do you know? You were just born yesterday and now you are telling me what to do.’ Culture is influencing the decision-making in cooperatives.”*

**FGD participant, Kiryandongo.**

The existing disparity in youth representation has resulted in the formation of youth cooperatives, which has its own complications. Youth cooperatives are exclusive, and lose out on learning from the experience of the older members of the community. Such cooperatives are also threatened by always being in transience as they want quick fixes to all situations.

This study also notes that the formation of some of the youth cooperatives has been influenced by donors and governments. Therefore, when this support comes it either bolsters the cooperative or collapses it, as the money is shared and no one stays to give direction to the business of the cooperative.

## Religion

Although cooperatives encourage open and free entry plus exit, this study has established that some cooperatives discriminate by religion at joining and in their daily operations. For example, we learned that in some cooperatives the “faithful” are preferred when it comes to loan approvals.

*“Unfortunately, the yardstick for measuring faithfulness is simply based on whether one eats Eucharist with the chairman.”*

**FGD participant, Kabale.**



Among some members of the Muslim community, we learned that the effective involvement of women in cooperatives is regulated by the provisions of the Sharia law, which effectively directs the woman to stay home to look after the husband, the children and the home.

Therefore, cooperatives cannot ignore these structural qualities in their attempt to be contemporary, but rather find adaptive strategies of ensuring that Muslim women, for example, are empowered to be part of the cooperatives. Doing so would go a long way in ensuring inclusion.

### **Patriarchy vs equality in cooperatives**

Away from religion, this study highlights the plight of women who are members of cooperatives alongside their husbands. Several female cooperators reported that their husbands take over what has been provided to them under government or donor programs. Reference was made to a time when the government, together with the private sector, gave bulls and ox ploughs to beneficiaries who didn't know what to do with them. When the households finally decided to sell off the bulls, most of the proceeds went to the men, who did not share with their wives.

The study found out that 66.2% of the cooperatives are male dominated, and 33.8% were female dominated, giving a sense of male domination within cooperatives. The female dominated cooperatives were mainly primary cooperatives in the districts of Mbale and Kabale. Either position is not appropriate because a balance of gender reduces conflict, and enhances the market position and sustainability of the cooperative.

Relatively, our findings indicate that 63% of the cooperatives that participated in this research did not have a diversity and inclusion policy, of which the agricultural producing and bulking cooperatives topped the list. SACCOs were reported to lead the proportion of those with these policies. Geographically, cooperatives in Kampala led in the number of cooperatives with diversity and inclusion policies, while Kabale trailed since no cooperative was reported to have any. This is explained by Kampala's heterogeneous population with more affluent cooperative members who are exposed to the subject of diversity and inclusion, compared to Kabale which is significantly patriarchal.

Notwithstanding, we found that there are ongoing shifts and paradigms which are influencing diversity in cooperatives for more sustainable results. Most development partners and governments have encouraged the involvement of more youth and women in cooperatives. The existence of diversity policies in cooperatives would ensure that barriers that can be removed are done away with to enable equal rights before and after joining cooperatives.

### ■ 6.1.6 Equity

Fair treatment of members is the prime factor that differentiates cooperatives from other forms of business enterprises. Fairness in the sharing of returns from investment of monetary and non-monetary resources is based on the amount of transactions performed during the fiscal year. Members must be treated equitably in how they are rewarded for their participation in a cooperative, normally through patronage dividends, allocation of capital reserves in their name, or award of bonuses from bonus earnings. Less endowed members should be targeted with a deliberate strategy from the cooperative to uplift them to a better level enjoyed by the more advantaged members.

However, this study reveals that Uganda's cooperatives are struggling to balance between maximising the members' value proposition, and harnessing their investment returns. Membership is open and equity can be quickly diluted as additional shares are issued at a standard price. Alongside this, is the fact that members' residual claims over the assets of the cooperative are shorter than the life of the asset.

*“We have never paid a dividend since the cooperative started. What we do is pay the members who bulk the value of their produce, and the difference is the commission that goes to the day to day running of the cooperative. Now we have started to talk about how members can buy shares, then we may consider the issue of dividends.”*

**FGD participant, Kiryandongo.**

It is even more glaring for cooperatives which have over time grown their reserves beyond the equity capital of members. At this stage, the management team who attribute the success of the cooperative to themselves, may have little or no allegiance to the original investors who provided a base for the cooperative to grow. This situation is worsened when the management team does not come from the membership.

The study has found scenarios where management at this stage focuses more on increasing their bonus, and not investment in further research and innovation. The result of which has been reduced liquidity, flexibility and agility because managements' self-enriching interests start competing with that of the cooperative. Over time, members lose the incentive to invest in the cooperative, as they cannot realise the full future value of their share capital. In the long-run, cooperative sustainability and market positioning weaken as members start forming companies or becoming sole proprietors so as to handover their investments to family.

This study further takes note of the lack of sufficient or no facilitation for committee members. Committee members need to be facilitated for their time, especially if they are also undertaking managerial roles. Most of them go unpaid on the premise of volunteered services, yet they have to take time off from their productive ventures to ensure the cooperative business is progressing.

*“We are used to voluntarism, but I have noticed that the cooperatives that are doing well are those that have attached a price to people’s effort.”*

**KII, Masaka.**

### ■ 6.1.7 Honesty

Are the members true to themselves about their needs and aspirations, before they invite others with commonalities? Do they truly care about wanting to address the joint goals, or could they be using the cooperative as an avenue for self-satisfaction only? The cooperative business model is founded on the act of being accountable to oneself, and to others. In the days when cooperatives thrived in Uganda, their identity was distinguished majorly because they insisted on honest measurement, high quality, and fair prices.

Cooperatives carry a joint brand, which demands greater responsibility in representation. Honesty becomes even more important because the level of delegated authority is on the rise, as is the need to hire management teams with the skills and knowledge sets that the cooperative requires. Honesty requires members to work with the cooperative at all times, not only when things are looking good.

However, general societal moral decay is posing a great threat to honesty in cooperative business, as the people that come to cooperatives come from corrupt societies. Coupled with diminishing natural resources, people have become desperate about surviving with short-term mindsets that undermine honesty.

*“For example, recently there was a man who came and organised people that if they each pay Ushs. 15000, they will get any loan they want. Many people joined, but after three days the man packed his things at night and ran away with all the money, so such things have discouraged many people.”*

**FGD participant, Mbale.**

This research reveals that cooperative members have flouted this value numerous times on account of a number of challenges. For example, there is widespread sell-off of farm produce immediately after the harvest outside the cooperative due to liquidity constraints, which present cooperative members with a stark choice to sell immediately or wait to benefit from seasonal price increases.

*“I can also talk about honesty in the leadership and in the members, if you borrow money and never take it back, you are also someone making the cooperative collapse. Members should also be loyal to the society. Do members have patronage? Once patronage is not there, a society cannot survive.”*

**KII, Mukono.**

Just like the members, it was reported that a number of cooperative leaders are persons of a corrupt character; some don't invite the real members of their cooperative to the AGM but hire delegates or employ relatives to ensure decisions are in their personal favour. It is even more complex because some committee members and managers collide to defraud the cooperative. In the rural cooperatives, especially those in the North and Eastern parts of Uganda, there were several stories of leaders conspiring with thieves to steal money from savings boxes.

*“The major one was the Luwero war, during the liberation war; most of the resources of the cooperatives were at times given wilfully to the fighters because some of those cooperatives were in bad terms with the government of the time. At times people within the cooperatives would embezzle the funds of the cooperatives and would say it is the thieves who have come and taken, but at times it would be the insiders themselves. Then people's minds changed because some cooperatives would get money but they wouldn't pay cash to the members, this demoralised the members and they abandoned it.”*

**KII, Kakumiro.**

The impact of dishonesty is seen to not only set in when the incidents happen within the cooperative business, rather stakeholders view each member as a holistic unit. For the residents of Busia, the community around them generally do not trust them due to the ease with which they cross into Kenya. Members informed this study that Microfinance Support Centre, a government financing facility has shied away from them because they have been labelled untrustworthy.

*For the residents of Busia, the community around them generally do not trust them due to the ease with which they cross into Kenya.*



Dishonesty has also been displayed in the loan acquisition and repayment behaviour of cooperative members. The farmers have equally been put in the spotlight as dishonest because some of them do not apply fertiliser in the right proportion as expected. In Karamoja, for example, the cost of dishonesty has been the loss of lives. Some of the borrowers have targeted the managers and staff of the SACCOs from which they have failed to pay the loans. Due to the insecurity in Karamoja partly caused by dishonest acts, there is a high turnover of staff who have abandoned their duty stations for fear of losing their lives.

So, when it comes to admitting members to the cooperatives, hiring or electing, more focus should be on assessing the character attributes rather than the education level of the aspirants. This requires the vetting committee to undertake background checks on aspiring leaders, and for members to use a referral system to attract new members. The group guarantorship strategy is one way in which agri-business cooperatives have ensured that members introduce new members whose integrity they can vouch for because, ultimately, when the person defaults all the group members have to pay.

### ■ 6.1.8 Openness

This is simply transparency in one's dealings with themselves and the public. It entails sharing of all components and forms of information with all relevant stakeholders in a regular, timely, and purposeful manner. When one chooses to join the cooperative, they should provide all relevant information that can assist their membership, as well as the function of the cooperative.

Openness is central to good governance practises like writing minutes of meetings, negotiating business deals on behalf of the cooperative, and involving members in good and bad times. However, there is a tendency for the committees and/or management to shut out the shareholders in moments of crisis, to the surprise and dismay of the members. Oftentimes hiding of information is triggered by the dishonesty of the duty bearers.

*So, when it comes to admitting members to the cooperatives, hiring or electing, more focus should be on assessing the character attributes rather than the education level of the aspirants.*

## Identifying and preparing for risks

Openness promotes the capacity and capability of the cooperative to have early warning mechanisms for risks and vulnerabilities that affect the stability and prosperity of the business. For example, by cooperatives having and implementing their strategic and business plans, they were found to better manage risks.

Some of the key internal risks reported by the cooperatives include low staff capacity, fraud, limited finances, lack of capital assets, overdependence on donors, among others. The research indicates primary cooperatives as having the most internal and external risks. Across the cooperative business sectors, those in crop farming have the highest share of internal and external risks, followed by cooperatives in bulking and marketing, then the financial services category. Across districts, Kapchorwa has the highest percentage of internal risks faced by cooperatives (7.4%), followed by Kampala (6.2%), then Mbale (5.7%).

Cooperatives reported land grabbing, flooding, disease and pests, theft, and unfriendly government policies as their top five external risks/threats. From our findings, the majority of internal risks (467) were reported within cooperatives with a managerial team, compared to 89 risks by those without managerial teams. Similarly, the majority of external risks (331) were reported within cooperatives with a managerial team, compared to 40 external risks reported by cooperatives without a managerial team.

From the research findings, it is imperative for all cooperatives to have operational processes guided by internal control policies. It is clear that the agency-principal relationship comes with a much greater risk than when the owners of the business are fully in charge.

## Internal controls

This study identifies self-regulation as a key factor of openness; however, most cooperatives are weak on this. For example, only 45% of the cooperatives reported to be standardising their products. When buyers trust agricultural products, they will have loyalty to the business. Some members, however, sell their produce while still in the farm to meet urgent basic needs, therefore compromising the determination of exact yields, standards and bargaining power.

Standardisation must also be done at the governance level to ensure that members have the measures against which to appraise their leaders. Of the cooperatives that participated in this research, 60% had at least one internal control policy; financial cooperatives led in this category, trailed by cooperatives in crop farming. Primary cooperatives were also reported to have the most cooperatives without at least one internal control policy.

## Record keeping

Keeping all forms of records and following competitive business practises enables the cooperative members to understand their business better, and search for new markets for their products. Cooperatives must keep records of who their members are by maintaining updated members' registers, issuing invoices and receipts, and sharing certificates, etc. This research revealed an absurd story from Kabale, where a founding member took the cooperative register to his home and came up with a parallel list of people who were not paid-up members. When it was time to invite members to the AGM, he only considered those in his self-made list. The case was reported to police by the original cooperative members and was eventually heard in court. However, when the real paid-up members were asked to prove their membership, they had no receipts or share certificates. The case is still in court, as the cooperative degenerates. Specifically, this study notes that record keeping at farm level is very poor thus inhibiting traceability, forecasting, and risk management.

*“For example, you go to a farmer and he tells you last year he harvested 10 litres of honey, and based on that, say maybe this year we will get 10 litres; but you find the data is not recorded. If you have these farmers well trained and able to record the yield of coffee and the yield of honey, you would say if we have 700 farmers and each one is harvesting 100 kg, we will be able to commit to this contract.”*

**FGD participant, Mbale.**

In order to manage the challenge of poor records, the study found out that the government and some development partners are training cooperatives on records management, and providing them with computers. However, this support is not available to all those who are in need, therefore cooperatives must aim to improve on their record keeping.

## Statutory compliance

As already discussed in previous sections, democratic practice comes with ensuring adequate attendance and participation in cooperative meetings, in which members are updated on the undertakings of the cooperative in a given reporting period. While 97% of the cooperatives were organising AGMs, many cooperators complained about their inability to comprehend the discussions around the budget and audit reports, due to the complex way in which the leaders presented them. For this reason, a number of cooperatives in the rural areas reported that they made presentations in the local language. Although the language barrier is dealt with by most rural cooperatives, the interpretation of the accounting measurements has remained a challenge.

Even the regulators and supervisors are not sufficiently furnished with the information required for them to undertake their duty. Only 70% of cooperatives file annual returns to MTIC. The issue is that those who don't file deny a chance for the regulator to identify areas of vulnerability and future support.

### **Performance measurement**

For transparency, cooperatives must have clear performance indicators and early warnings of when these benchmarks are not followed. In the case of the human resource function, there must be policies, terms of reference, contracts, performance appraisal guides and performance improvement plans; while finance must come up with ratios for liquidity, equity, asset and debt measurement to enhance collaboration, sensitivity, awareness and robustness in the cooperative.

According to this study, some cooperatives are being deliberate about performance measurement. For example, in Karamoja, a SACCO reported that they use a score card which enables them to seek feedback from the community and members on whether the cooperative is creating any impact. Additionally, 63% of the cooperatives were reported to advertise employee positions that fall vacant in their cooperatives. SACCOs lead in advertising vacant positions, while the agricultural producer cooperatives trail.

#### **■ 6.1.9 Social Responsibility**

Getting recognition and acceptance from the community can grow cooperative membership and enhance their security and sustainability. Infact, there is a school of thought that social responsibility is only possible when cooperatives have made surplus, but our study reveals that community-centred actions like not dumping trash in waterways or polluting the atmosphere, and bringing social services closer to the community, do not have to wait for surplus.

The study further established that a few cooperatives have strategically infused social responsibility in their business planning and operations. In Lira city, Anyalonino Earthworms Cooperative is popularising vermiculture as a strategy for soil conservation, organic farming, and food security. The cooperative is working with schools in practically getting teachers and learners to engage in vermiculture. The cooperative uses waste from the city to produce the earthworms, so the city leadership is happy to have a cooperative that is a solution to the garbage problem. To control swine fever, the cooperative members cook sweet potatoes mixed with molasses, ferment the mixture for one week then feed it to the pigs; the results have been remarkable so far.



*“Everything that we are doing is organic and we keep moving with the chairperson to see if there is a problem so that our members don’t cry.”*

**FGD participant, Lira.**

In this way the cooperative is building strong relationships, creating awareness, and increasing its visibility. With this, the cooperative’s potential for business is improved thanks to transforming the community through smart agribusinesses.

Several rural-based cooperatives have partnerships that are enabling energy saving stores through the recycling of plastic and residue from banana, coffee, in order to save the environment. A cooperative in Busia is operating a carbon credit fund for members who have adopted smart cooking, giving them an additional income. A few cooperatives in the disaster-prone areas have partnered with development partners to plant trees, and undertake soil conservation and wetland management initiatives. For example, Lyamujungu Financial Cooperative in Kabale has partnered with Heifer International to extend access to Biogas and Solar companies to extend lighting to their members; this is to discourage cutting down of trees for charcoal.

This study has established that the burden of disaster response has been placed on communities. In the Mt. Elgon areas where disasters have flattened gardens and homes, cooperative members have taken up leadership in the disaster management committees. Bugisu Cooperative Union, for example, is running a community radio program through which weather forecasts are read to the community. Additionally, the radio is used to alert communities of the likely occurrence of perils like landslides, floods, pests and diseases. During this pandemic period, the radio station has partnered with the government to provide disaster prevention and management tips to the communities.

Nonetheless, our findings point out the conspicuous absence of most cooperatives in collective disaster risk management. The known disaster risk management teams reported that they had not come across cooperatives with organised units joining them in undertaking early warnings, or responding when a natural disaster occurs. It was just recently when the COVID-19 task force was put up by the government that a few large cooperatives came out to provide food and financial support to communities. Kibinge Coffee Cooperative provided masks and sanitizers to hospitals and members of their community, while Lyamujungu Financial Services, Ankole Coffee Cooperative, Sebei Elgon Cooperative, among others, provided in-kind and cash relief to the COVID-19 response taskforce. This gesture earned most of these cooperatives visibility, good will, new members and partners.

### ■ 6.1.10 Caring for Others and Concern for Community

This is a value and principle that speaks to aspects of personal and organisational behaviour within which emotional intelligence and relationship management are deeply rooted. It also concerns itself with protecting members and the cooperative from harm through ensuring that the standards of goods and services are safe. The strategy for any cooperative must include ways in which relations will be nurtured and built for the long-term sustainability of the cooperative. Caring for others should not be a one-off event, but a series of activities that keep the member valued and connected to the cooperative. Human relationship is the essence of cooperation, and all stakeholders should learn, experience, and exercise this value to materialise ethical governance in cooperatives.

In caring for others, cooperatives are required to provide for reward systems because they are not only concerned with their members' economic well-being, but their socio-cultural needs and aspirations as well. For example, a number of SACCOs have taken to rewarding excellent performance of members using parameters like 'the most frequent saver', 'the most involved member in meetings', and 'early loan payment', among others. Rido SACCO in Kakumiro was reported to be gifting members with mattresses, mobile telephones, and other items. This kind of approach rewards patronage and promotes collaboration, and visibility. Reward systems are also being practised at management and committee levels. The practice is more pronounced among SACCOs than in agri-business. Across the country, cooperatives are recognized for supporting funerals (in the event of death of members or their families) through providing free tents and chairs. These actions enable cooperatives to increase their visibility, market position, sensitivity and awareness.

According to our research, the observance of the principle of concern for community is highest in the tertiary union cooperatives, followed by secondary union cooperatives, while the area enterprise cooperatives have the lowest observance of the same principle. Across business categories, the principle of concern for community is observed the most by cooperatives within the carpentry sector. Cooperatives within the supply and consumer goods category have the least observance of the principle of concern for community. Cooperatives within the agricultural sector recorded better observance of this principle compared to some of the other sectors.

*For example, a number of SACCOs have taken to rewarding excellent performance of members using parameters like 'the most frequent saver', 'the most involved member in meetings', and 'early loan payment', among others*

Cooperatives in the 12 districts of Yumbe, Napak, Moyo, Mayuge, Masindi, Luwero, Kasese, Jinja, Fort Portal, Bundibugyo, Bukomansimbi, and Adjumani recorded the most observance of the principle of concern for community, unlike the districts of Wakiso, Tororo, Butaleja, and Lira which recorded the least observance of the same. Our analysis by ethnic groups shows that cooperatives from the Karamoja ethnic group have the highest observance of the concern for community principle, followed by Rwenzori and Busoga. The least observance of this principle is found within cooperatives from the Teso ethnic group.



**Figure 18:** Women from the Self Help Group Alita Kole in a celebratory mood.

### ■ 6.1.11 Voluntary and Open Membership

Voluntarism hinges on the extent to which members apply and advance the values of self-responsibility and self-help. The test of true membership is the willingness to accept the responsibilities that come with it. While members in some cooperatives come together to meet collective goals, more frequently, others join a cooperative to obtain services and goods rather than contribute equitably to, and democratically control their cooperative. Where members are driven by a profit motive rather than an interest to address the communities' needs, they are demotivated when their membership does not result in the desired result. Many respondents cited how challenging it is to work with such members.

*“A clear example; right now, all private teachers were given a grant of 20 billion, now private teachers SACCOS have been formed across the country, not because they want to form these cooperatives for the future, but the target is the 20 billion. If they don't get a single coin from that fund, then it means that the cooperative is dead. They will be cursing-seeing the cooperative department as a money extorter from the members.”*

**KII, Kamuli.**

There was a clear tendency for people to join cooperatives only for the prospect or presence of material incentives; free, subsidised, or facilitated. The prospect of receiving government and donor funds arouse excessive expectations, even unintentionally. To secure commitment and a shared purpose, some cooperatives have introduced a probationary period, and mandatory contracts to fulfil before final admission into membership.

This research found out that the majority of the cooperatives (91) were formed due to members' decisions, against seven that were not formed due to members' decisions. Of the seven, three were formed through a development partner (Kwefako Housing Cooperative Society Ltd., Baker Cooperative 2020, and Mbale Epicentre Community SACCO); two through the government (Doho Irrigation Scheme Farmers Cooperative Society Ltd., Adjumani Town Council Saving and Credit Co-operative Society Ltd.); and the remaining two cooperatives were formed by individuals (Elegu Cross Border Traders SACCOs, and Atiak Sugar Plantation Outgrowers Cooperative Limited). Across business sectors, the majority of the cooperatives formed voluntarily are crop farming (35), followed by financial services cooperatives, and bulking and marketing. The majority (2) of the cooperatives formed involuntarily are for financial services type. The seven cooperatives formed involuntarily are from Adjumani, Agago, Amuru, Butaleja, Gulu, Mbale, and Wakiso.



Across cooperative levels, tertiary cooperatives had the highest observance of this principle, followed by primary level cooperatives. Area cooperative enterprises had the least observance to this principle, mainly because these types of cooperatives resulted from a donor project implemented by Uganda Cooperative Alliance.

Cooperatives within the arts and crafts, carpentry, construction, fishing, dairy farming and forestry have the highest observance of the principle of voluntary and open membership. At the same time cooperatives in the supply and consumer goods, mining and minerals, livestock farming, energy and agricultural inputs & extensions supply sectors have the least observance of this principle.

Across districts, cooperatives in Amuru have the least observance of the principle of voluntary and open membership. At the same time, 20 districts recorded the same average and the highest voluntarism index in the observance of this principle. They include Busia, Fort Portal, Jinja, Kole, Mpigi, Mukono, among others. Across regions, cooperatives from Karamoja have the least observance to this principle, while cooperatives from the Central region have the highest observance to this principle.

The analysis by ethnic groups shows that cooperatives from the Baganda and Basoga ethnic groups have the highest observance to the principle of voluntary and open membership, and the opposite was true for cooperatives from the Karamojong ethnic group.

From the cooperatives sampled, those that observe the principle of voluntary and open membership faced less risks compared to cooperatives that observe the same principle to a lesser extent.

*Cooperatives within the arts and crafts, carpentry, construction, fishing, dairy farming and forestry have the highest observance of the principle of voluntary and open membership.*

### ■ 6.1.12 Member Economic Participation

As social enterprises, cooperatives participate through patronage and investing in shares. Investment through shareholding earns the member a right to vote, but patronage is not the determinant of voting rights in cooperatives in Uganda. The members are both patrons (customers/suppliers) and owners (shareholders). The jointly owned enterprises have a more complex purpose focused on providing ongoing patronage with benefits accruing to its members, while also ensuring that it can generate sufficient retained surplus to continue as a going concern. Part of the capital is usually allocated to the common good of the cooperative, and members receive limited compensation, if at all, on the capital subscribed as a condition of membership. In the case of Uganda, cooperatives are required by law to pay out dividends that are not more than 10% of the members' equity in any given financial year.

### **A cyclic economy**

The sustainability of the cooperative depends on how well it satisfies the business and social needs and aspirations of its membership. This study has established that most cooperative members and leadership have promoted patronage and less investment, mainly because of their limited conceptualization of the holistic business model. The few who have promoted both patronage and buying shares have been nudged through education and have clearly established business plans with budget projections that demand for capitalization. In this category are mainly bulking and marketing cooperatives at secondary union level, where survival is about how much they persuade their members with integrated services, all of which require substantive investments.

#### ***Lessons from Kibinge Coffee Cooperative in Bukomansimbi***

Kibinge Coffee Cooperative is adding value by producing blended coffee for the local and international markets. For this reason, they can afford to buy coffee at a higher price from farmers. In addition to the competitive prices, the cooperative has deployed extensive value chain management systems that ensure their farmers receive input credit from the SACCO side of the cooperative. This money also ends up buying fertilisers, seedlings, pesticides, and herbicides from the input supply shop, which is also owned by the members.

The cooperative also has farm management services for busy, elderly and diaspora community members. These members entrust the cooperative with their farms, at a fee, until the crop has matured. Looking at Kibinge Coffee's business model, a cooperative has great potential to preserve and grow its liquidity and bolster its solvency by ensuring investment in services that increase membership, patronage, and investment. With the money that the cooperative makes through its various coffee-centred businesses, it has the redundant resources to enable them to sponsor child education, youth sports activities, fund research, and open selling points abroad. This is a story of how cooperatives can be sensitive to the environment and adapt, with the agility and flexibility that earns it a secure place in the market.

Although cooperatives like Kibinge had indicators of sensitivity, adaptability, agility and flexibility many cooperatives have not developed adaptive market systems that can help them absorb shocks. A significant number engage in production of unprocessed agricultural products for local consumption and export, exposing them to several internal and external risks. Cooperatives in horticulture have met significant challenges when their goods were denied access to markets, and destroyed for flouting phytosanitary standards. Others have had bumper harvests, yet their single contractor is unable to absorb the extra produce. Others still have chosen value chains whose inputs are not accessible without an off-taker.

*"Last year we produced sorghum, which we were supposed to supply to Uganda Breweries Limited (UBL), but it rained so much that farmers could not dry their sorghum. When we took our sorghum to UBL, the aflatoxin level was so high that they could not buy and we had to spend a lot of money because somebody was giving us hope that maybe they will calm down and buy; but those guys don't laugh, once it is below or above a certain point they don't take. We spent a lot of money on that, and it reached a point when some people thought we had stolen their money. No, we were not prepared because these people assured us, and I thought they would really understand because it rained countrywide. We thought since it had rained, they would say instead of giving UGX900, let us give you UGX600 at least, but people insisted on the quality, and we had to enter the expenses that we had not budgeted for."*

**FGD participant, Lira.**

This study also highlights the mixed fortunes of farmers in the sunflower value chain in Lango, Teso, and West Nile who also entirely depend on off-takers. When there is a supply delay, these farmers' incomes are hit hard on either side. In Buyende, farmers shared experiences in which KK Foods agreed with them to grow green chilli, and when it reached harvest time, KK didn't honour the agreement.

## Static share prices

The price of the cooperative share capital is generally fixed in its bylaws, and the shares are not traded on an open market unless when the cooperative has shares in a public company. Due to the lack of share premium, members get discouraged over time, and the cooperative has to rely on the reserves that would have been built. When cooperatives make a surplus, they do it for any or all of the following purposes: developing the cooperative, part of which at least would be indivisible; benefiting members in proportion to their transaction with the cooperative; and supporting other activities approved by the membership.

However, our findings indicate that several cooperators know little about the value of shares. The real challenge is that a cooperative with a weak capitalization does not have risk free capital to undertake large scale investments. Where the cooperative has sufficient share capital, the business will remain robust; and where the cooperative has low members' equity, the business may collapse—as was the case of Cooperative Bank Limited, whose owners had a smaller stake than the creditors.

*“Making members of our SACCO buy shares in our SACCO is like forcing a child to take bitter medicine. So what we have decided to do is to undertake a carrot and stick approach, starting with the staff who must each have a certain minimum number of shares in the cooperative.”*

**FGD participant, Kabale.**

This study found that when members desire to purchase and acquire improved technologies for improved post-harvest storage facilities, access to these remains a big challenge. Yet the banks they would have run to expect healthy balance sheet assets such as equipment and inventory to offer collateral. As a result, lenders often consider cooperative agri-businesses too risky to loan to. Moreover, the interest rates they offer tend to be higher, which puts a strain on many cooperatives' cash flow, and limits the cooperatives' capacity to grow its reserves, making it difficult for them to accept loans.

*“We only provision for the reserves but in actual sense the money is not there. That is why when COVID-19 came we all started struggling when most members withdrew their money.”*

**FGD participant, Kabale.**



### **Difficulty in the transferability of equity**

Cooperatives are expected to have “share transfer funds”. These would be drawn upon in case a member wants to sell their shares, or they find willing buyers of these shares from among other members. When members are burdened with finding a member within the cooperative to transfer their shares to, they undergo liquidity distress. The requirement for share transfer is tied to the patronage decision that a member’s exit should not unsettle the equity capital position of the cooperative. Members are therefore unable to easily adjust their holding to their personal level of risk. In Uganda this problem is compounded by poor investment choices, often determined by short-term market movements. At times, members start desiring long-term investments like real estate that just locks up the capital whose use could initially have been anything else. For agri-business cooperatives, there is a tendency to diversify into other unregistered businesses, like lending, whose management and design requires some unique portfolio and liquidity management strategies.

### **Price fixing vs. competitive middlemen**

Cooperatives often offer members deferred patronage refunds; which is essentially returning to them the cost of their transactions with the cooperative. Many bulking and marketing cooperatives fix prices even before the delivery of the supplies. Price ceiling is sometimes advantageous because in the event of a price fall, the farmers tend to benefit because the cooperative would have cushioned the loss. However, should the price fall when the cooperative has no reserves to fall back to, both the farmers and the cooperative lose.

Cooperators, especially in the grain subsector, were concerned that some of the price ceilings were not methodically arrived at because they regularly found themselves incurring greater production costs. Worst of all, some of them don’t even see any part of the money, or find themselves in debt as it is deducted by the cooperative on behalf of the input provider. It is this sort of condition that forces members to sell most of their crop harvests to external parties in order to take advantage of any positive prices and receive cash faster to meet basic family needs like school fees.

*“In reality most cooperatives don’t have the resources to absorb what the farmers are producing; currently we don’t have bulking houses, we don’t have warehouses because the farmer will be happy if what is produced is taken by the higher organisation. The Warehouse Receipt System, if it was there, the farmer would simply take his produce and get the receipt to pick money from the bank; this way he will be encouraged to produce, but these are not working. Look at the tobacco system; they will say this year we are only buying 2.5 million metric tons, whatever excess you produce and some of these you can’t eat, and it discourages people. Cooperatives if they are able to absorb what the farmers produce and they think of processing that will be good.”*

**KII, Arua.**

To get around this insecurity, a number of cooperatives have contracts with ethical investors like FairTrade, which in addition to paying the cooperatives on time, also gives them a premium from the additional profit margin they make when prices improve. Through this premium, the cooperatives are able to invest in the community.

### **Recognition and incentives**

Uganda’s National Development Plan III, and the Parish Development Model, have identified cooperatives as vehicles to accelerate inclusive development, following reports that Uganda is rescinding the progress it had registered against poverty. Thus, cooperatives are seen to provide a cushion by pooling together human, natural, and financial resources such that citizens can be the long-term drivers of sustainable socio-economic transformation.

*“If you see how the Government works with cooperatives versus how it works with these other groups, there is a huge difference. Cooperatives are seen as a larger and more organised group.”*

**FGD participant, Lira.**

Because of their dual purpose and their capacity to accelerate development, financial cooperatives in Uganda were given a tax holiday for the financial year 2017/2018, on the premise that in 10 years they will have built their capacity to lend better. Government has also picked a few cooperatives as partners in some of the private-public producer and partner arrangements that are in place.

Teso Fruit Growers' Cooperative Union in Soroti is part of a Public-Private Partnership (PPP) arrangement between the government of Uganda and the Korean International Cooperation Agency (KOICA), just like Kalangala Oil Palm Growers Cooperative is in Partnership with Bidco and the government of Uganda. Some of these incentives have increased their market position, visibility, and agility. Savings and Credit Cooperatives are hoping to work with the government in processing payments for their members who are civil servants, so that they can earn the commissions that the banks get.

Yet many cooperatives are positioned to take advantage of financing opportunities without undermining their autonomy. Agri-business cooperatives reported changes in trade agreements, lack of marketing skills, poor storage houses, and poor transport networks as some of the challenges they face. For example, the government - through Microfinance Support Centre, and Uganda Development Bank - is availing affordable financing at non-commercial bank rates, but many of the would-be borrowers are not bankable, don't keep proper records, or run transparent systems to work with a regulated financial institution.

According to this study, cooperatives at the area cooperative enterprise and tertiary union levels have the most observance to the principle of member economic participation (average index=0.2 and 0.1 respectively). Primary and union level cooperatives have the least observance to the principle of member economic participation.



**Figure 19:** *Oil palm cultivation*

Across business sectors, dairy farming cooperatives have the most observance to the principle of member economic participation (average economic participation index=1.4), followed by construction and energy cooperatives (average economic participation index=1.1 each). Cooperatives that supply consumer goods have the least observance to the principle of member economic participation. Across the agricultural sector, dairy farming cooperatives have the most observance to the principle of member economic participation, followed by agricultural inputs & extensions supply cooperatives, and crop farming cooperatives. Livestock farming cooperatives have the least adherence to the principles of member economic participation among agricultural cooperatives.

Across districts, cooperatives in Bukomansimbi, Kyegegwa, Luwero and Mpigi have the highest observance to the principle of member economic participation, while cooperatives in Tororo have the least observance to the same.

Across regions, Western region cooperatives have the most observance to the principle of member economic participation, followed by Central, and Karamoja regions cooperatives. Cooperatives with the least observance to the same principle were from the Northern region.

Analysis by ethnic groups shows that cooperatives from the Rwenzori ethnic group have the highest observance to the member economic participation principle, and the opposite was true for cooperatives from the Bukedi ethnic group.

From the cooperatives sampled, cooperatives that observe the principle of member economic participation were found to face more risks compared to cooperatives that did the same, to a lesser extent.

### ■ 6.1.13 *Autonomy and Independence*

Cooperative independence entails all freedoms enjoyed by businesses and their owners, while autonomy is the ability of the cooperative and its members to make independent decisions without undue pressures and influences from non-members or external forces. These non-members can be government, development partners, religious and cultural leaders, etc. In this section we examine if cooperatives today have managed to remain autonomous and independent amidst the complex and fluid international, regional and national geo-economic and political environments, and how this has contributed to their resilience or a lack of it.



## Cooperatives as tool for implementing socio-economic policies

Compared to Europe and the Americas, African cooperatives have gone through a distinctive history and socio-political context, manifested by peculiar features that make them stand apart. Although African cooperatives pre-date the Western cooperative movement, and existed during pre-colonial times, the expansion of formal cooperatives in Africa was undertaken by the British, French, Portuguese, Spanish, German, and Belgian colonial administrations (Develtere et al, 2008). Since the structure of the contemporary African cooperatives was a product of colonial socio-economic design, Africans perceived formalised and institutionalised cooperatives as foreign and alien organisations. Following the independence of African states, cooperatives were then re-introduced under state control.

Even now Uganda's government, like many of its African counterparts, see cooperatives as a useful tool to serve their interest of implementing socio-economic policies and advancing their nation-building agenda. The infusion of cooperatives into state politics has meant that any failure in the Uganda government's activities became understood as a failure in cooperatives' performance.

Conversely, the formation of cooperatives has been embroidered in the fabric of affirmative action. Most of the cooperatives that are government or donor induced often suffer premature death, the latest victims being some of the Emyooga constituency SACCOs. Freebies bring conflict among members, especially because the people that communicate and deliver are always from a political party which may not be liked by every citizen. More so, there is a tendency for communities to divide the money intended for investment, and use it for consumptive purchases. After the collective money basket is no more, the cooperative dies or collapses.

*"I will give an experience of my own sector (transport) where the government is a problem. We were running a tender and the government came and said we are not going to be awarded a tender unless we are in a cooperative, of which the government or the municipality did not come to sensitise members about. But because of that emergency and the tender was very near we were forced to form a cooperative without members being sensitised, but rather people just got names. The cooperative came by the mistake of the government to change the management of the taxi park or the tenders from the association to the cooperative and it was at an ambulance speed. The members now don't have trust in the leadership so they no longer save and they no longer buy shares; so the cooperative is just there and I don't know whether it still exists or it doesn't."*

**FGD participant, Busia.**

The interference in cooperatives has been observed to narrow their goals, and left many members in subsistence and raw produce economies. For agri-business cooperatives, which have often received subsidised services from government and development partners, donations have diminished the potential of these investments. Between 2013 and 2019, several cooperatives and members were provided with improved varieties of dairy cattle, and priority crops like tea seedlings, among others. While a few cooperatives have taken advantage of these opportunities, several farmers across the country are crying foul over the high cost of doing business, and increased levels of poverty.

### **A controlling regulatory and legal framework?**

From the findings of this research, the formation of over 90% of the cooperatives was initiated by its owners, but this has not saved these organisations from the unnecessary controlling tendencies of the government.

Never the less, recent developments seem to be realigning this power imbalance.

On the 1st of April, 2021, the Constitutional Court of Uganda pronounced itself on some inconsistencies and contraventions in a number of sections in the Cooperative Act 1991 which had given enormous authority to the registrar of cooperatives. For example, the registrar had the powers to make an opinion on the budget of the cooperative before the members have reviewed and adopted it, among other clauses. These provisions meant that the government was practically running these cooperatives remotely.



**Figure 20:** *Arbitration image*

## Case study: Bugisu Cooperative Union's quest for autonomy and independence

Although it was supported by the colonial government at formation, Bugisu Cooperative Union (BCU) survived being fully hijacked by external influence, and have demonstrated the ingredients of a real social movement. They exist based on the interests of their members, notwithstanding the problems typical of many cooperatives in Uganda. Cooperatives are collective private businesses whose members must make all decisions concerning their growth and development.

In December, 2010, in exercise of his powers at the time enshrined in Section 52 of the Cooperative Act, the Registrar of Cooperatives suspended the entire board of BCU. Subsequently the Resident District Commissioner in the company of police sealed off BCU's offices, evicted the duly appointed CEO at the time, and took over the premises housing the BCU headquarters in Mbale.

In the days that followed, the Permanent Secretary in the Ministry of Trade Industry and Cooperatives turned up with one Batala Cyprian as the Caretaker manager of the co-operative, who took over all financial tools of the cooperative by becoming the principal signatory to the bank accounts of the Union for two years.

Later, on the 12th September, 2012, 277 members petitioned the Registrar to convene a meeting of members so that they can take back the governance and management of their union, to which the Registrar declined. They still went ahead and held their meeting, in which they resolved to take back their governance rights and decision-making authority.

Government later yielded to the pressure, but the members of Bugisu Cooperative Union still pressed on with their pursuit for freedom and autonomy by petitioning Uganda's constitutional court on October 15, 2012, seeking declarations and redresses for a number of sections which they saw as undermining their autonomy and independence (Refer to the constitutional petition 46 of 2012).

On April 1, 2021, the four constitutional judges—Kenneth Kakuru, Stephen Musota, Remmy Kasule, and Lady Justice Hellen Obura—delivered a “life changing” ruling and declared the following: -

1. Sections 6(3), 22(1), 24(2) & 3, 43(1), 45 and 52(3), (4), (5) & (6) of the Cooperative Societies Act as null and void on the account that they are inconsistent with, and contravene article 40(2) of the constitution.
2. Sections 8, 9(6) & (7) and 15, 43(1) and 46(2) of the Cooperative Societies Act are null and void on the account that they are inconsistent and contravene articles 29(1) b and 40(2) of the constitution.
3. Sections 4(2) and 29(b) of the Cooperative Societies Act, are neither inconsistent with nor contravene articles 29(1) (b) and 40(2) of the constitution.
4. Sections 43(1) and 46(2) of the Cooperative Societies Act are null and void on the account that they are inconsistent and contravene articles 29(1) (b) & (e) and 40(2) of the constitution.

Justice Christopher Madrama dissented ruling 1, 2 and 4, but agreed with ruling 3 above.

Whether this ruling is later appealed or not, these events point to BCU as collaborative, visible, and having the sensitivity to manage the risks that confront their stability and progression.



## Arbitration as the preferred civil dispute resolution mechanism for cooperatives in Uganda

Businesses usually spend a lot of money and time in litigating commercial and civil disputes, which have often pitted disgruntled members against each other for generations. According to our findings, the majority of the cooperatives (50%) have not faced any major conflicts while 41% of the cooperatives reported to have faced major conflicts; and the remaining 9% did not answer this question. Most conflicts were reported to have happened in the financial cooperatives, and at the union level, with the most serious conflicts reported in Kampala, Kabale and Mbale. Because of the “family” bond, arbitration is used in view of ensuring that disputes are resolved with unity and peace.

From the qualitative findings, the study reveals confusion between mediation and arbitration. Many DCOs, cooperative department staff, and the cooperators have for a long time been practising mediation, not arbitration. There is equally a vague understanding of the provisions in Section 73-76 of the Cooperative Societies Act Cap 112, and section 55AAA of the Cooperative Societies Amendment Act 2020.

*“Experience has shown that disputes have contributed over 80% to the collapse of cooperatives in Kamuli district. The law of arbitration should be done away with, in that instead of the law acting and enforcing that the defaulter’s security should be taken over, it expects the cooperative to talk to them with mutual understanding. One defaults with UGX 10 million, but has a share capital of UGX 1 million, yet 9 million is for the members, so you’re making the other members lose their capital? For example, in 2012, Kamuli faced financial loss in the SACCOs because of default until it extended unconditional grant of UGX 65 million to all 13 sub-counties as a waiver.”*

**KII, Kamuli.**

Notably, Section 55 AAA prescribes the following for SACCOs:

- a.) Where there is a dispute and the issues involve loan defaults, fraud or misappropriation, the case shall be immediately referred to the courts by the society.
- b.) The registrar shall prescribe the qualifications of the arbitrators to resolve issues in SACCOs.
- c.) The board in consultation with the members shall identify the persons to be appointed as arbitrators under paragraph (b).

For all cooperatives, Section 73(3) of the Cooperative Societies Act 1991 places the responsibility of identifying and appointing an arbitrator on the parties in dispute. Where the cooperatives, cooperators, or staff of the cooperative, or relatives of the deceased members of the cooperative, or leaders of the cooperatives, have failed on their own to agree upon a suitable arbitrator/s, they may request if they deem fit, any competent arbitration institution, including the General Secretary of Uganda Cooperative Alliance, the Cooperative Registrar's office, Centre for Arbitration and Dispute Resolution (CADER), or International Centre for Arbitration and Mediation in Kampala (ICAMEK) to appoint the arbitrator or arbitrators as implied in section 73(5) of the Cooperative Societies Act Cap 112.

It's notable that the majority of stakeholders who participated in the focus group discussions and key informant interviews still vouch for arbitration as the best civic dispute resolution mechanism for cooperative security and sustainability, but recommend that the arbiters must be qualified independent professionals with the objectivity and technical knowledge and skills in the field of arbitration and cooperatives. Thus the need for streamlining the cooperative laws and regulations to enable the cooperative fraternity to understand and enforce the arbitration dispute resolution mechanism and successfully resolve their civil disputes. This will involve aligning cooperative arbitration to the generally accepted principals of arbitration.

Just like the SACCOs have been provided for in the Cooperative Societies Amendment Act 2020, the other cooperative business types would like for the parties in dispute to refer criminal cases to court without having to wait for the arbitrator as it is prescribed in section 73(15).

*“Notwithstanding this section, any debt rising out of embezzlement, loss of cash or misappropriation of a cooperative society's funds shall not be the subject of settlement by arbitration but shall be referred by an arbitrator to a competent court for settlement.”*

*It's notable that the majority of stakeholders who participated in the focus group discussions and key informant interviews still vouch for arbitration as the best civic dispute resolution mechanism for cooperative security and sustainability, but recommend that the arbiters must be qualified independent professionals with the objectivity and technical knowledge and skills in the field of arbitration and cooperatives.*

## **Enabling government initiatives**

The government cannot relegate its role of providing security, public services and enabling policies for cooperative development. Cooperative members like other citizens qualify for incentives targeted at improving the quality of their life. Key among these interventions is ensuring the safety and health of citizens through regulating all productive ventures; providing early warning; coordinating and responding to disasters and mega disruptions like those presented by the COVID-19 pandemic; subsidising access to, and regulating the standard of training and education; and providing tax and other incentives intended at accelerating the business efforts of citizens.

On a positive note, government has been seen to support cooperatives by providing access to water for production through irrigation projects; availing money through Uganda Development Bank, Post Bank, Pride Microfinance and Microfinance Support Centre which are all government owned financial institutions; providing value addition equipment to farmers; subsidising agricultural insurance through a PPP with the agro-insurance consortium; providing extension services; regulating standards through seed and drug certification; providing subsidised education through the cooperative colleges; enabling digitalization in agricultural extension through the E-voucher, which is currently being used to ensure equitable access to inputs; and enabling international trade through the single trade window.

## **Ministries, Departments, and Agencies' (MDAs) overlaps**

Our research findings castigate the government for lack of coordinated efforts among its MDAs. For example, function overlaps amongst the Ministry of Agriculture, Operation Wealth Creation, and NAADS, as well as those between production and commercial services departments at the local government levels, were reported to be a waste of resources and breeding confusion among the population and the actors.

Instead, the farmers are demanding for more extension workers from the agriculture production and commercial offices, not just at the sub-county but down at the parish level. The best ratio for extension service is 1 to 500 households, but currently one extension worker is serving about 2500 households. There is hope that the recently developed parish-based development model may be the answer to limited extensions services. The agri-business cooperatives are also asking for increased enforcement against fake seeds and pesticides, and support towards the re-development of the cooperative bank from which farmers will access loans tailored to the risks of agri-business.

While the government has introduced 'Buy Uganda-Build Uganda', cooperators are appalled by the trade outflows which are significantly lowering investment in social services. For example, farmers wondered why Uganda continues to import rice and other agricultural produce when farmers get stranded seasonally with no buyers, yet the local market would develop better if there were restrictions on the products whose supply is locally sufficient.

Now, cooperatives would like more deliberate protectionist strategies from the government, with arguments that even the developed nations have increased their level of protectionism. Recently, the United Kingdom exited the European Union, while the United States of America and China are engaged in protectionist trade wars.



**Figure 21:** *One of the tractors distributed by NAADS*



## Disaster management

As the leader of government business, all disasters and disruptions affecting citizens are the concern of the Prime Minister's office, in which there is a Department for Disaster Preparedness and Management. The department handles all matters of disaster preparedness and management in the country, putting together the legal framework and all systems. In this department, there is a policy for disaster risk reduction and management which takes a multi-sectoral disaster risk reduction management approach, knowing that every hazard requires experts and specialization from all government MDAs. For example, agriculture in Uganda is prone to floods but these floods may cut off roads or destroy schools, and the Ministry of Education and Sports would have to respond - just like the Ministry of Health is the lead agency in dealing with the COVID-19 pandemic.

Nationally, apart from this department, there is a policy committee comprising of the ministerial policy committee in the cabinet, the disaster risk management platform, the district disaster management committee - which is chaired by the Chief Administrative Officers, with a membership of all heads of department - and the National Emergency Coordination and Operations Centre (NECOC), which is headed by an appointee from the Uganda People Defence Forces.

The NECOC comprises the district emergency coordination and operation centre headed by the District Police Commander, who reports to the Chief Administrative Officer and the Resident District Commissioner. Members of the NECOC are linked to all the earlier mentioned committees.

There is also a District Disaster Policy Committee which is headed by the Local Council V chairpersons, with membership of the district executive committee. These are majorly charged with disaster planning and response. At the sub-county level, there are sub-county disaster management committees which are headed by the Local Council III chairpersons. There are also Village Disaster Management Committees headed by the Local Council I chairpersons.

Notably, the disaster management teams are equipped with fire rescue vehicles, helicopters for rescue purposes, debris and heavy earth movement equipment, night vision, satellite information systems that undertake risk monitoring, and human resources capacity.

However, this study found that when disasters strike, the Office of the Prime Minister, which many farmers and citizens rely on, is vulnerable due to lack of sufficient funding for disaster mitigation, coordination, and response - and considerable reliability on donor funded budgets which are often short-term with long approval processes.

It is no wonder that the government has recently had to take loans to assist its functions, and respond to the disruptions occasioned by COVID-19 pandemic.

While findings indicate that the current policy requires the communities who have suffered disasters to be the first responders in the event of disaster, most members don't know this and imagine that the government is.

*“I will tell you maybe a little bit of the concept of response, when a disaster occurs national policy for disaster preparedness and management provides that the first people to respond are the affected community, the affected individuals. If they fail and the magnitude of the disaster is beyond their capability, they call on the district, and the district disaster management committee deploys their resources to the emergency. It is only after the district has failed that the national assets are called in, and that is when we get involved.”*

**KII, Disaster Office-OPM.**

Additionally, the absence of a law on disaster management makes it very complex for the government to allocate specific votes to it. This has left the whole country reliant on a multi-sectoral team of all the government MDAs - each with small budgets - to help communities in distress. Cooperative stakeholders are now calling on the government to finalise the Disaster Preparedness and Management Act, so that the department can have a substantive budget and reduce the delays occasioned by waiting for third parties.



Image: Wayne Fenton, AP on [www.nationalgeographic.com](http://www.nationalgeographic.com)

**Figure 22: A volcano erupting**

## Peace and security

Then there is the question of peace and security, many cooperatives that existed before 2006 have gone through a series of wars, and now a few have started receiving compensation. The story of Kyoga Cattle Breeders Cooperative Limited in Amolatar is one of those that speaks to how the government's inability to provide security has interfered with a thriving business.

Formed in 1955 under the first cooperative ordinance of 1946, the cooperative was robust, occupying 600 hectares of land on which it provided cross-breeding services to its members. But during the peak of the cattle rustling of 1987, the cooperative lost all its cattle and important office documents after being ransacked by the insurgents. Since then, most members have lost confidence, especially having not received any form of compensation from the government.

In 2001, a few surviving members came together to mobilise the children of the original members to revive the cooperative, but that effort has been met with grief and apathy. Currently the cooperative has slightly under 100 members, who are working towards reclaiming their grazing land which has now been occupied by squatters; whether that effort bears fruit, only time will tell.



**Figure 23:** Young armed men herding cattle

Cooperatives like Masaka, Banyankole Kweterana, Bunyoro Growers, Busoga Growers, Teso, and Lango Cooperative Unions were recently partially compensated by the government for the war losses, almost 30 years after the NRA liberation war. For many of the cooperatives, the compensation money is helping them in recovering their businesses and taking up new investments. The worry the primary cooperative members of some of these cooperatives have expressed is whether the benefits will accrue to them at some point, and if the leadership of the cooperatives are ready to steer their organisations with integrity in a direction that responds to the changes in the business environment.

### **Poorly conceived development policies**

Farmers were generally appreciative of the Agricultural Cluster Development Project (ACDP) funded by the World Bank. The project is operating the matching grant facility in which cooperatives contribute 33%, while the government takes care of the remaining 67% of the cost of inputs in the first year.

However, some cooperatives are not happy with some aspects of the project, arguing that this project seems not to have considered its competing interest with agricultural cooperatives, which were already running agro-input shops. They complained that their farmers have abandoned their cooperative input shops in preference for the ACDP project. The cooperatives can learn from this project, and in future use their reserves to subsidise the cost of the inputs to their farmers. In this way, the farmers may see the difference in belonging to the cooperative.

Cooperatives also reported their vulnerabilities resulting from disruptive science. While the government has invested in agricultural research through National Agricultural Research Organisation, and National Animal Genetic Resources Centre & Data Bank, many rural farmers feel left out. For example, they are troubled that the new crop varieties, though high-yielding, are less resistant to pests because they have to keep buying inputs from the seed companies, lest they get low yields.

Additionally, cooperatives are dejected because the government sometimes lacks the public interest when coming up with laws, policies, and regulations. They cited a number of laws that do not reflect the needs, ambitions, and aspirations of the cooperative members—even though the latter is sometimes unbothered to be a part of the processes that lead to the formulation of these laws.



In Kabale, for example, crop and livestock farmers are anxious about the future of their livelihoods. In 1980, communities in Kabale signed a 49-year long lease to conserve and benefit from the 104-hectare Mugandu-Buramba wetland, by responsibly using it for crop farming and livestock grazing. However, as the population grew, the wetland has suffered degradation and is now - following the enactment of the National Environment Act 2019 ("NEA") - defined as "areas permanently or seasonally flooded by water where plants and animals have become adapted and gazetted as such". NEA repealed the National Environment Act (Cap. 153) and modified the definition of a wetland by adding the requirement that a wetland, apart from having aquatic characteristics, needs to be gazetted. Now cooperatives in livestock rearing and dairy are not sure if by gazetting the wetland they will not be thrown out. Participants of FGDs in Bushenyi and Kabale castigated the government for often taking a top-down approach, which alienated them from responsibly participating in shaping the policies and regulations that affect their livelihoods and the prosperity of their cooperatives.

### **Multilateral interests and cooperatives**

In the 1980s, the International Monetary Fund (IMF) and the World Bank launched their Structural Adjustment Programs (SAPs) in Africa, with the purpose of liberalising what was perceived as an excessive government-controlled economy. Structural Adjustment Programs were predicated on the assumption that African economies needed to be transformed from a state-dominated, to a market-oriented economy. Years later, these SAPs induced long standing organisational and operational challenges for African cooperatives.

According to the participants of this research, the actions of the World Bank and the IMF of "pressuring" African governments to liberalise the economy through privatisation of government parastatals, and withdrawing the trade protectionist policies from cooperatives, was one of the biggest blunders in Africa's history of development.

While the Bretton Woods Institutions kept the Ugandan government from investing directly in social services and mainstream sections of the economy, they were quick to replace the investment revenue with aid/donations. This aid comes through projects that have short tenures and often addresses a multiplicity of issues. It's been over 40 years of depending on aid and the generation today has been conditioned to "begging". Even when they are in a cooperative, they will not look for ways of making their own money, but work on how they can write proposals to well-wishers to send money for projects.

For cooperatives which are heavily donor reliant, their independence and autonomy has not counted because one cannot negotiate on the table of “unequal”. The donors sometimes take cooperatives back by making them develop document templates that suit their need, yet in the process of applying for the grant, there is no guarantee one will be considered. So the cooperatives end up wasting a lot of valuable time. Members also reported that some NGOs come with so much money that their influence overshadows the structure of the cooperative. They have sometimes appointed managers and influenced who is on the board of the cooperative.

In Masindi, it was reported that most cooperative leaders prefer to wear the t-shirts of the NGOs that support the cooperative, and not that of the cooperative. A scenario was reported in the Kiryandongo FGD, where a chairman of one of the cooperatives introduced himself as the board member of the NGO, instead of the cooperative, yet the person has never even been to the head office of the NGO.

*“For example, in the recent past, through the International Trade Centre and Transformational Business Network, we wanted to access markets and financing, but they wanted us to go through the development of a 5-year business plan. By the time we were to begin doing that, the coffee season would be over. We had done some training of a similar sort, so we would just change and put in their template but they wanted us to change and adapt to everything of theirs and by the time we finished, farmers would be asking ‘how much did the cooperative trade?’. If they had told me to go and try somewhere else it would have been okay, but they just end up disrupting and wasting your time which you would have used to get someone else to support you.”*

**FGD participant, Mbale.**

Nonetheless, there are cooperatives that have made good use of the donations to stabilise their businesses, especially because of the awareness of the risk of over-reliance on donors. Donors have also been lauded for providing programs that have accelerated learning, increased access to financing, and construction of stores, among others.

*Members also reported that some NGOs come with so much money that their influence overshadows the structure of the cooperative.*

## Public-Private Partnerships (PPP)

In the face of a volatile, uncertain, complex, and ambiguous socio-economic and political environment, cooperatives have adapted new ways of working. For the SACCOs, agency banking has become a source of additional income and a mechanism for bringing services closer to their members.

However, a section of cooperatives across the country are worried that agency banking is threatening their own lending business, as the cooperatives simply remain conduits of bank money. Other members reported that the banks are rendering their businesses untenable because the banks have more money, and can afford to lend at more competitive rates.

Then there was a common issue of church-based SACCOs, where members were unhappy about the 10% that is deducted from the surplus made, as the collective tithe from all members. The point of concern is that 10% is too much deduction from the institution. While they were understanding of the notion of tithe, they thought these actions should be within the confines of personal incomes. Here is where the cooperative values and principles did not anticipate the complexity that members of faith-based institutions would find themselves in.

*“Actually, when we were in the AGM someone asked about it, and the chair said since the SACCO is church-centred there is no discussion about it.”*

*KII, Kampala.*

### ■ **Is there a relationship between observing the principle of autonomy and independence, and vulnerability levels of cooperatives?**

An autonomy and independence index was created to indicate the level of observance of the autonomy and independence principle in each cooperative. The higher the index, the more the autonomy and independence principle is observed. Likewise, the lower the index, the less the autonomy and independence principle is observed by the cooperative.

Across cooperative levels, tertiary unions observe the principle of autonomy and independence the most (average index=0.3), followed by secondary union level cooperatives (average index=0.01). Primary cooperatives and area cooperative enterprise unions have the least observance of the principle of autonomy and independence (average index=-0.1).

Across business categories, construction, agricultural inputs & extensions supply, dairy farming, energy, and forestry cooperatives have the highest observance of the principle of autonomy and independence (average index=1). Processing cooperatives have the least observance of the same principle.

Among agricultural cooperatives, livestock farming and crop farming cooperatives have the least observance of this principle, compared to agricultural inputs & extensions supply, and dairy farming cooperatives.

Sixteen districts have cooperatives with the highest observance of the autonomy and independence principle. They are: Zombo, Pakwach, Pader, Nebbi, Napak, Mpigi, Moyo, Mityana, Mayuge, Luwero, Lira, Kyenjojo, Kyegegwa, Kasese, Jinja and Bundibugyo (average index=1.0). Cooperatives with the least observance to the same principle are found in Arua and Amuru (average index=-2.2). Cooperatives in Kampala also recorded a low observance to this principle (average index=-0.3). Across regions, Karamoja cooperatives recorded the highest observance to the principle of autonomy and independence, followed by West Nile cooperatives. Northern region cooperatives recorded the lowest observance to the same principle.

Analysis by ethnic groups shows that cooperatives from the Karamoja ethnic group have the highest observance to the autonomy and independence principle, followed by Rwenzori and Busoga. The least observance of this principle is found within cooperatives from the Bukedi ethnic group.

From the cooperatives sampled, cooperatives that observe the principle of autonomy and independence face less risks compared to cooperatives that observe the same principle to a lesser extent.



Image: [www.globalgiving.org](http://www.globalgiving.org)

**Figure 24:** *Irrigation system*



### ■ 6.1.14 Education, Training and Information

Throughout the discussions with members and various stakeholders, it was clear that investment in education, training and information is a must for any cooperative to be collaborative and sensitive to the environment. It is also apparent that the application of the values of self-responsibility, self-help, democracy, openness, honesty, and solidarity play a significant role in determining whether a cooperative prioritises training, education and information.

By this principle, a cooperative - like any business - is obligated to provide regular and up-to-date education, training and information to their members and leaders. This training can be non-academic or academic. Information can be shared through all avenues that are appropriate for the cooperatives and their members, to enhance their participation and involvement.

*“In the country of the blind, the one-eyed man is king.”*

**FGD participant, Kabale.**

According to the findings of this study, cooperative leaders and members do not have the adequate knowledge, skills, and information to ensure the cooperatives' smooth running, safety and growth. Both leaders and their members have scanty information depending on how lucky they may have been to benefit from a government or donor project.

Worst of all, most stakeholders are not able to articulate the cooperative identity and the subject of resilience, coupled by the limited number of elites in the agri-business cooperatives.

Moreover, there is a negative attitude about cooperatives by the youth, who witnessed their parents losing everything they had worked for. This situation has been reinforced by the demise of government-formed cooperatives shortly after the money has been “eaten”.

This mindset can only be reset through training and positive marketing of the success in the cooperative movement. For example, as a result of training, smallholder farmers in the dry areas of West Nile have moved towards quick-growing seed varieties and non-traditional crops - like cabbage and eggplant - that grow all-year round, to build climate change resilience.

*“Once you think of plants needing water instead of rain, you can plant certain crops several times, and it is a matter of giving the environment water. People have gone to the greenhouses, and now you see people at Ayivu who take vegetables to Nakasero every week. With the greenhouse, you can produce anytime, and control the quality.”*

**KII, Arua.**

The study also established that when there is limited or no education, the vulnerabilities the cooperative faces are enormous. For example, most members end up leaving the decision-making function of the AGM to management and/or the board. Even when left to make their own decisions without practical and relevant education, training, and information, members may be inept to perform their roles and exercise their rights. Ignorance was cited as the reason why most cooperatives have members stuck to the old traditions that they are accustomed to, and have continued with the minimum shares they acquired when joining the cooperative.

Several District Cooperative and Commercial Officers have advocated for prospective members to get training on the cooperative identity before they are admitted to the cooperative. Their argument is that prior knowledge and information checks if the member is ready for the responsibility that comes with joint entrepreneurship. They have attributed the tendency for members to operate businesses other than those registered for, to the limited appreciation of the workings and regulation of cooperatives. They state that many cooperatives start with clearly narrow ambitions, due to the skewed imagination that cooperatives can only engage in savings and credit, or agricultural production and marketing. Along the way, as they are exposed and educated, they start venturing into completely new and more lucrative enterprises which they did not think about in the beginning.

*“Ignorance itself is a bad thing; there is that thing of failing to adhere, and failing to know what they are adhering to. The biggest thing here is the capacity gap, not knowing what you are adhering to. When it comes to failure to adhere, it creates a big gap between the members and the cooperative. There is a very big distance created if the owners of those cooperatives are not accounted for; they are not even aware of what is taking place in their enterprise. Members tend to shift blame to the leaders, forgetting that they have failed to play their part as cooperators, members, and as shareholders.”*

**KII, Soroti.**

It is not all bad for every cooperative, a number of those with healthy capital and liquidity positions, as well as educated and exposed leaders, have understood the value of upskilling and informing membership. These cooperatives arrange regular education and training programs both internally and externally. In some cooperatives like Y-SAVE Multipurpose Cooperative, all the money the organisation uses for its business and educational programs is from the members. There is harmony, collaboration, a great sense of awareness, self-responsibility, and voluntarism.

From the educational and information programs of Y-Save and Franciscan Investment Cooperatives, it is apparent that the values and principles of cooperation resonate with that of most religions. Additionally, cooperatives can ride on day-to-day values and principles of life to naturally run their businesses. Since all Y SAVE Cooperative its members fellowship within Watoto Church, the cooperative's training is largely linked to biblical teachings, which has helped the members to have a shared value system. As a result of the good relationship between the church and some cooperatives, affiliate churches are used to disseminate information, which cuts costs on congregating people.

Additionally, cooperatives are using various media platforms like radio and social media to train and inform their members. In the wake of the COVID-19 pandemic, platforms like Zoom and Microsoft Teams have been exploited to conduct AGMs, board meetings and training. These have allowed more people to attend, at a lower cost to the cooperative. The challenge, however, has been the cost of data, and members' limited access to smart telecommunications equipment. For the rural folk, cooperatives are using mass SMS to make announcements, while others are taking advantage of the free airtime radios allocated for educational and public interest programs.

The large agricultural cooperatives, like Masaka Cooperative Union, have invested in their own extension trainers who visit members' farms to provide advice on good agronomic practises, disaster warnings, and more. Their members are engaged in learning and exchange visits, which have increased their collaboration, and enabled knowledge transfer.

This study also found that innovation and adaptability are most achieved based on the level of investment the cooperatives put in training and informing their members. When members are exposed and have information, they yearn for more development, and are able to attract researchers and development partners to move their cooperatives to the next level. In a way this creates flexibility, agility, and increases a cooperative's awareness.

*"Climate change brought a serious problem of Coffee Berry Disease, yet we are organic. The team has formulated an enzyme activator, which we are using to make liquid fertilisers that we apply to coffee. As a result of the experiment, we are now applying the fertiliser to other crops, and they are generally doing well. We are using it on other crops such as vegetables, bananas, and sugarcane, and we want to commercialise it."*

**FGD participant, Mbale.**

The study also highlights ICT as critical in enabling business intelligence and early warning mechanisms. However it takes the effort of cooperative members, and their leaders, to invest in being a part of the digital community.

Our findings indicate that 70% of SACCOs use online platforms for marketing and other business operations. This, however, has not guaranteed the full adoption of ICT among the members of such cooperatives, with the majority being left out due to poverty and lack of prioritisation. Agri-business cooperatives, on the other hand, have the majority of semi-illiterates and illiterates with low understanding of, and appreciation for, ICT functionalities and usage.

This research shows that 20% of the cooperatives were using digital platforms for marketing, of which only 30% are agri-business cooperatives. This is ironic, given that most agri-business products from Uganda are lauded as organic, and much sought after in international markets - and would be accessed if found online. Uncoordinated supply chains make business intelligence critical for agri-business cooperatives, in order to keep abreast of new lifestyle trends, laws and regulations, and technologies that could disrupt processes and markets.

■ ***Is there a relationship between observing the principle of education training and information, and vulnerability levels of cooperatives?***

An education, training and information index was created to indicate the level of observance of the education training and information principle in each cooperative. The higher the index, the more the education training and information principle is observed. The lower the index, the less the education training and information principle is observed by the cooperative.

Across cooperative levels, area cooperative enterprises type secondary unions, and tertiary unions observe the principle of education, training, and information more than the primary and traditional type secondary union level cooperatives. Primary cooperatives have the least observance of the principle of education, training and information.

Across business categories, construction cooperatives have the highest observance of the principle of education, training, and information. Processing cooperatives have the least observance of the same principle.

Among agricultural cooperatives, dairy farming cooperatives have the highest observation of the principle of education, training and information.



Across the districts sampled, cooperatives from Luwero, Bukomansimbi and Mityana have the highest observance of the principle of education, training, and information. Cooperatives in Tororo and Arua have the least observance to the same principle.

Across regions, Western region and Karamoja region cooperatives have the highest observance to the principle of education, training, and information. At the same time, cooperatives in the Northern region have the lowest observance to the same principle.

Analysis by ethnic groups shows that cooperatives from the Rwenzori ethnic group have the highest observance to the education, training, and information principle, followed by West Buganda, and Ankole. The least observance of this principle is found within cooperatives from the Bukedi ethnic group.

From the cooperatives sampled, cooperatives that observe the principle of education, training, and information more, on average, have faced less risks compared to cooperatives that observe the same principle to a lesser extent.



Image: [constructionreviewonline.com](http://constructionreviewonline.com)

**Figure 25: Oil fields**

### ■ 6.1.15 Cooperation among cooperatives

As we already saw in previous sections of this report, cooperatives are anchored on the value of solidarity. It's the foundation upon which cooperatives build synergies among themselves, and to unions, tertiary and apex cooperatives. This study established that the reason for cooperation is to facilitate both horizontal and vertical integration, and enable coordination in the storage, marketing, and supply chain systems development, digitalization, and increased access to affordable education and information sharing.

Other cooperatives argued that because of the familiarity with the values, principles and legal framework, it is easier for cooperatives to do business with each other, since expectations are easier to manage.. Others communicated their ability to advocate easily for changes in laws and policies that affect their business.

*“Here in Sheema South, we have managed to deal with a number of challenges that were initially affecting our SACCOs, through forming the Sheema SACCOs Union. The union came in to help us reduce the formation of too many small SACCOs which are duplicating the services of already existing ones like Bugongi, Kitagata and Shuuku SACCOs. Although we did not totally prevent the formation of new SACCOs, even the small ones that have come up have had to open accounts with the large SACCOs that make up the SACCO union.*

*Through the union the member SACCOs are enjoying shared services like retaining one audit firm that ensures standard auditing; hiring of consultants who support members with developing internal control policies; the union also undertakes overnight lending such that when one member has liquidity needs; the excess liquidity is obtained from other members and deployed to the one in need.*

*The union also handles the recruitment of key management team members of the SACCOs, to ensure that they are not compromised by some board members. The union can also redeploy recruits to other cooperatives where they fit best. Lastly, the union acts as the credit reference bureau to weed out multiple borrowers. In fact, for that reason the Sheema SACCO Union is big and stable with healthy members.”*

**FGD participant, Bushenyi.**

A section of stakeholders and cooperatives indicate that some primary cooperatives have lost their core objectives because their unions have dictated programs on them. Others worried that the unions and the apex sometimes hijack their businesses. They also castigated some unions and the apex for their laxity in giving value to members. They were accused of only going to the cooperatives when they needed to write proposals, or when they were in need of signatures for a petition, or to collect annual subscriptions.

*“The disadvantage is when you use the system to provide for yourself alone, you get money as the union and use it at that level and stop there; it does not flow back.”*

**KII, Mbale.**

Some primary cooperatives which have built vertical integration reported that they didn't feel the need to affiliate themselves to a union or an apex, because their businesses are robust, and agile, with strong enough market positions to avoid the costs of such affiliation. They instead saw more value in partnering and working with cooperative sector players who they believe are more researched, and have the autonomy to move their business to the next level.

Some cooperatives and stakeholders also pointed out that unions and the apex cooperatives in Uganda have received more scrutiny from the government, and have found themselves involved more in politicking than business.

### ■ ***Is there a relationship between observing the principle of cooperation among cooperatives, and vulnerability levels of cooperatives?***

A cooperation among cooperatives index was created to indicate the level of observance of the cooperation among cooperatives principle in each cooperative. The higher the index, the more this principle is observed, and the lower the index, the lesser this principle is observed by the cooperatives.

Across business categories, the principle of cooperation among cooperatives is observed the most by cooperatives within the construction, and agricultural inputs and extension supply sectors. Dairy farming, fishing, mining and minerals, and supply of consumer goods cooperatives have the least observance to the principle of cooperation among cooperatives. Within the agricultural sector, both dairy and livestock farming cooperatives recorded a poor observance to the principle of cooperation among cooperatives.

Cooperatives in Luwero and Pakwach recorded the highest observance of the principle of cooperation among cooperatives (average index=2.1). Meanwhile, cooperatives with the poorest observance of this principle (average index=-1.2) are found in 13 districts, including Gulu, Amolatar, Serere, Napak, Lira, Busia, and others. Kampala recorded a moderately better observance of this principle (average index=0.4).

Across the region, West Nile cooperatives have the highest observance to the principle of cooperation among cooperatives. Cooperatives in the Karamoja region have the least observance to the same principle.

Analysis by ethnic groups shows that cooperatives from the West Nile ethnic group have the highest observance to the cooperation among cooperatives principle, followed by Busoga and West Buganda ethnic groups. The least observance of this principle is found within cooperatives from the Karamoja ethnic group.

From the cooperatives sampled, cooperatives that observe the principle of cooperation among cooperatives more have faced more risks, compared to those that observe the same principle to a lesser extent.



**Figure 26:** Aerial view of residential houses



Image: Mike Haupt, Unsplash

## SECTION 7

# Conclusions, recommendations and future areas of research



## 7.1 Conclusion

Most conspicuous of the findings is the centrality of the individual and collective personality, character and morals of the owners and delegated leaders of the cooperative. The study suggests that, for cooperatives to build sustainable resilience, its members and stakeholders must first understand and uphold the traditional cooperative values, and their ethos without which the cooperative principles would be hanging in balance. This way the cooperative organisation's level and magnitude of resilience is holistically realised within a functional and coordinated organisational system and network.

The study takes note of the interlocking nature of all the values and principles of cooperatives; we advance that the consequence of their adherence can only be achieved as a whole, not in parts. This is why the CRMI presents all the elements of the statement on the cooperative identity in a complete matrix with weights that signify how critical each part is to the cause of resilience.

The “real” cooperatives thrive as long as the purpose of the cooperative is owned and understood by its members through: (1) sufficient information, as well as deliberate educational programs; (2) their governance structures, which ensure patronage remains inclusive and cohesive; and (3) their operating system which enables competitive advantages, harmonious, symbiotic and equitable relationship of its members.

We further advance that cooperatives are formed for pragmatic economic self-development, unfettered by political, philanthropic, religious or socio-cultural influences from within and outside. Therefore, we conclude that pressures - natural or otherwise - imposed by external sources cannot break organic cooperatives if they adhere to their traditional and ethical values and principles.

Nonetheless, the cooperative movement is faced with changes in development paradigms that will require adapting to new ways of creating operational efficiency, ensuring solidarity within the membership and cohesion between cooperators and the natural environment. Ignoring these may create long-term disincentives for investing in cooperatives. Cooperatives must recognize that many of the conditions that exist today are dynamic, hence the need for careful modifications without diluting their essence. They should equally be mindful - when planning and implementing their resilience strategies - to customise their solutions to the diversity and changes in the environment, pertaining to religion, culture, and varying levels of socio-economic development, technological advancement, climate change and the geopolitical economy.

This study also infers that resilience on its own is insufficient; rather cooperatives must seek to achieve sustainable resilience for which their very identity embodied in people centredness promotes.

We conclude that whether or not cooperatives observe the cooperative values and principles, they will still be exposed to risk because of their dynamic network of internal and external stakeholders. While the risk levels may vary depending on their degree of adherence to their value and principles, the distinction is that cooperatives that uphold the statement on the cooperative identity have been found to be better prepared, more responsive and adaptive to disruption.

Sadly, this study revealed that a majority of cooperatives in Uganda are not properly applying the statement on the cooperative identity - the appreciation of the universal definition of cooperatives, their values, and principles to realise their full potential and support their sustainable resilience.

*We further advance that cooperatives are formed for pragmatic economic self-development, unfettered by political, philanthropic, religious or socio-cultural influences from within and outside. Therefore, we conclude that pressures - natural or otherwise - imposed by external sources cannot break organic cooperatives if they adhere to their traditional and ethical values and principles.*



**Figure 27:** A drone flying over a maize field



## 7.2 Recommendations

### A. Cooperatives

a.) Must take full responsibility for their businesses by recognizing and applying all the values and principles of cooperatives through attracting and retaining members and leaders with morals and ethics, building capital and growing their reserves through investments that help to secure significant market positions; undertaking continuous research, education, training, gathering, and processing information; embracing technology; nurturing and protecting their social and natural resources and adopting modern ways of business management. This will enable them to remain relevant and sustainably resilient in contemporary business environments that are very volatile.

b.) Should plan and devote themselves to serving and developing their members, in order to enhance long-term investment value. As member-owned, member-controlled, member-used, and member-benefiting business organisations, cooperatives must always create membership value by designing solutions that respond to the members' economic, social and cultural needs and aspirations. In this way, cooperatives are able to meet their dual missions of creating both business and social impact.

c.) Additionally, the cooperatives as social businesses must pay attention to their triple bottoms, i.e. the business, social and environmental goals so that they are able to build internally and externally efficient disaster risk strategies for preparation, prevention and mitigation as well as response. These strategies must be multi-sectoral and extensive enough to take care of all business types, considering that cooperatives are involved in almost all segments of the economy. This requires deliberate effort by cooperatives to collaborate with the government and other stakeholders in planning for and managing disruptions that may happen in the economy, and which have a bearing on the sustainable resilience of their businesses.

### B. Government and Development Partners

d.) Must appreciate that cooperatives are private businesses that should have the liberty to operate competitively, and without avoidable constraints within its environment thus the need for legislation, policy and action that enables cooperative growth and development

e.) Should undertake capital intensive initiatives like irrigation schemes; energy, transport and telecommunications systems; security; standardisation; and extension services to promote a supportive environment, rather than being a seemingly controlling authority. Private-public partnerships between cooperatives and the government, or increased deployment of matching grants by development partners, are good options to preserve autonomy and independence.

### 7.3 Areas for Future Research

f.) Although we validated the study findings and pre-tested the Cooperative Resilience Measurement Index, We recommend a wider testing and adoption of the CRMI by the government of Uganda as a monitoring and supervisory tool, to provide evidence on how cooperatives can be championed as engines for agro-industrialization, and inclusive socio-economic development.

g.) We further recommend that the International Cooperative Alliance undertake a study on which values and norms can be adopted from the New Generation Cooperatives in response to some of the inherent limitations in the application of the universal cooperative principles in light of the changes in the world today and in the years to come. This could be in line with how the cooperative values and principles treat capital and surplus as these play a significant role in influencing long-term investment interest in cooperatives.



**Figure 28: Grapes**

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*“What distinguishes co-operation from every other movement is that it is at once a strong and calm and wise business, and a strong and fervent and proselytising faith”.*

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**Alfred Marshall,**

English Economist & President of the Cooperative  
Congress movement, 1889











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