

Kampala, Uganda

Final Report

Reported by Dennis Frederickson

ACDI Consultant

November 2, 1982

Uganda

Food Production Support Project

AID/REDSO/EA - 0102

Reactivation of the Cooperative Credit Scheme

The following report is written pursuant to request from ACDI and USAID/Uganda. Previous experience with the Cooperative Credit Scheme in Uganda from February 1966 to June 1973 made the assignment a pleasant task.

Terms of Reference

Design a project within a project for the reactivation of the Cooperative Credit Scheme as a means of supplying production inputs to Ugandan farmers through the already existing marketing chain. Funding of the project would be locally generated funds created by the sale of commodities imported for the Food Production Support Project.

Methodology

During various field trips, constant reference was made in written and oral statements relative to the reactivation of the CCS. Background information on the scheme is available from the ACOCD (Savings and Credit) in his Proposed Agricultural Cooperative Credit Project with ACDI/USAID, dated August 9, 1982.

The reactivation largely becomes another exercise in education. Data for loan packages and staffing requirements was collected from Primary Cooperative Societies, field staff of the Department for Cooperative Development, Headquarters Staff of the Credit Section and Agricultural Department staff.

In an attempt to put training on a manageable scale, I suggest intakes in groups of 20 societies. Class size for staff becomes 24 (20 C.A.s and 4 A.C.Os (C)) and Secretary managers class size is held to 20 students for "hands on" training.

Status of Headquarters Savings and Credit Section Staff

A fully trained, competent staff exists for the pilot phase of the reactivation. Computerized statistics are no longer available through the treasury so alternative means of data collection and dissemination will be necessary beyond the pilot stage.

Status of District Credit Staff

1. First intake to be 100 societies or approximately 5 per district.
 - A. Loans made in-kind as far as possible for production credit.

B. Intake Criteria (Society)

1. S/M of S.2 minimum education standard
2. One week course on operation of scheme
3. Credit stationery available and present.
4. Adding machine, safe, cash box, and produce marketing stationery on hand.
5. Permanent store
6. Three day course for committee members
7. Current audit. Showing financial strength
8. Trained supervisors available
 - a. C.A. or A.C.O. for society
 - b. A.C.O.(C) to supervise local staff
 - c. Headquarters staff for district supervision

C. Individual borrower selection

1. Known to be honest, hardworking and trustworthy
2. Member of society for previous three years
3. Repayment ability - no loan shall exceed $\frac{2}{3}$ of the average of the previous two years marketings, inflated to current commodity prices
4. Maximum loan to be no more than 10 times members shares in the society
5. Adequate labor available.

II. Flow of Loan Funds

- A. Individual borrower applications bulked at Primary Society Level.
- B. Loan application completed by Primary Society, recommended by D.C.O. and A.C.O.(C) and forwarded to A.C.C.D. (S&C) for approval.
- C. Entered in loans register, maximum liability approved and forwarded to Cooperative Bank or UCB whichever is the depository for the loan funds.

- D. Relevant branch instructed to make funds available for disbursements.
- E. Society draws funds, requests for disbursements countersigned by D.C.O.
- F. Individual borrower accounts debited from loan disbursement vouchers.
- G. Society deducts loan, issues repayment receipt, calculates interest and credits members loan ledger.
- H. Society bulks members loan repayments and repays cooperative bank branch, submitting monthly reports to the D.C.O. and A.C.C.D. (S&C).
- I. Branch bank sends payment to Cooperative Bank and fund is replenished.
- J. When a society has repaid 80% of loan, a new application for next crop season can be filed.
- K. No society may receive new loan until previous loan is 100% repaid.
- L. No member may receive new loan until previous loan is 100% repaid.

Medium Term Loans (2-5 years)

Same as above, issued to individual members for purchase of oxen, ox ploughs, planters and cultivators, hand hullers, coffee drying trays or other durable goods. Medium term loan packages to be issued in addition to annual production loan. Should have three years experience with short-term loans before receiving medium term loan.

Long Term Loans (5-10 years)

Mainly used by the Cooperative Society itself for capital improvement such as maize mills, permanent store construction, safes, calculators and adding machines. Astute loan analysis needed by credit staff to determine loan repayment plan, terms of repayment and terms of disbursement.

Individual loans utilized for farm building, breeding stock and farm management.

Requirements for all above

1. Commitment from Government of Uganda to provide staff, training sites, trainers, allowances for travel, means to travel and salaries commensurate with responsibilities.
2. Revision of Credit Scheme Manual and Savings Manual so that ready reference is available to all field staff of the D.C.D. who are working on the scheme.
3. Training materials such as sample loan documentation for all course participants.
4. Savings and Credit technician to assist in implementation of above. Should work closely with the ACCD (S&C) in planning and assist in the training of Headquarters Savings and Credit Staff.
5. Elementary statistics section in the Credit Section to monitor flow of loan funds to and from Primary Societies. Small clerical staff may be required for production of statistics required by management (ACCD S&C) to make sound loan decisions.
6. Agricultural Credit and advisory service, functioning as the technical staff for drawing loan packages and advising farmers on use of agricultural inputs. Should not be responsible for borrower selection or loan collection.

Technical Assistance

One credit advisor for 12 months commencing as early in 1983 as possible. This technician would be posted to the Headquarters Credit Section and would be expected to act as an advisor at District level as well. Transportation for the technician will be a necessity. The broad terms of reference would be to assist the Government of Uganda in the reactivation and supervision of the Cooperative Credit Scheme. A cooperative farm credit background is required as a substantial amount of in-country travel will be expected. The technician should be capable of organizing a statistical section which will produce monthly returns for management purposes. Ultimately this section should be computerized.

Agricultural Credit Advisory Services

The necessary organization for the disbursement and collection of loans will be in place by early 1983 if the outlined program is followed. The real impact on production will occur when trained agriculturalists, AAOs (Credit), work parallel with the ACDs (Credit). Their duties are to prepare loan packages that maximize the impact of inputs on production. Agricultural assistants and field assistants supervise individual farmers on land preparation, planting, weeding, spraying and harvesting.

The agriculture department has an assistant commissioner responsible for the organizational structure of the service. The Commissioner for Agriculture has agreed to post train A.A.O.s (C) back to the service at district level.

Participant Training

When field personnel are selected for training, two or three agriculture department staff working with the agricultural credit advisory service should be included in the training program.

Costing

(If provided by locally generated currency)

Grant component training - intake of 20 societies

24 staff for one week residential course

Transportation @2000/each	48,000/=
Accommodation @1500/=per night	216,000/=
Meals @1000/per day	144,000/=
Supplies	25,000/=
S/T	<u>433,000/=</u>

20 S/M - 1 week residential	
same as above per student	361,000/=
S/T	<u>361,000/=</u>

Committee seminars (3 days)	
5 member per society x 20=100	
Transportation @1000/=each	100,000/=
Accommodation 4 nights @1500/ea	600,000/=
meals @1,000/=per day	300,000/=
Supplies @500/=each	50,000/=
S/T	<u>1,050,000/=</u>

Grant component - support

1 pickup (hq. staff)	2,240,000/=
10 nights per month @2000/=	5,760,000/=
per night - 24 staff	
10 nights per month, 2 hq. staff	720,000/=
Share contribution (project)@	2,400,000/=
3000/=per borrower times 800	
	S/T <u>11,120,000/=</u>
Total Grant Component	<u>12,964,000/=</u>

Loan Component (revolving) 1 year

20 bicycles (C.A.s) @20,000/=	400,000/=
4 motorcycles (ACO/C) @80,000/=	320,000/=
20 adding machines @56,000/=	1,120,000/=
20 sets credit stationary @10,000	20,000/=
	S/T <u>2,040,000/=</u>
Total Grant and Loan, Credit Section	<u>15,000,000/=</u>
Add Operating Cost, Hq. pickup	<u>1,000,000/=</u>
Grand Total	<u>16,000,000/=</u>
Loan Funds for Cotton Loan	
Packages @12,500/=times 800	<u>10,000,000/=</u>
Total Project Cost Per intake of 20 societies	<u>26,000,000/=</u>

Expansion should occur as rapidly as trained staff, support and loan funds are available. A realistic goal may be 400 societies by year three of the project.

Additional Funding

It is obvious that locally generated funds from the sale of USAID commodities will not be adequate to fund the entire scheme.

In discussions with the Agriculture department it was suggested that it may be possible to fund the credit scheme for all coffee growing areas from the sale of commodities being made available through the EEC Coffee Rehabilitation Project. The funds could retain their identity and would also be subject to audit at any time.

Conclusion

If agricultural inputs are to be channelled to the grass roots level, a system of providing credit is a necessity. If this report is followed, the credit scheme is certain to succeed. The inherent danger is the success is the inclination to expand at a pace more rapid than supervision is capable of handling. As in the past, political pressure will be brought to bear on the administrators to accept societies for intake that do not meet the required criteria. The Department of Cooperative Development must be strong enough to adhere to accepted policies without fear of retaliation.

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MEMORANDUM

To: Roger Newburn, Team Leader/ACDI/Uganda

From D.C. Frederickson

Subject: Share contribution, page 6 of final report on reactivation of the Cooperative Credit Scheme

Every level of the cooperative movement is under capitalized as a result of the devaluation of the Uganda Shilling. The Credit Scheme will further burden primary cooperative societies because of the society loan criteria insisting they have permanent stores, safes, cash boxes and adding machines. These items are considered to be capital investments, normally paid from share capital investment made by the farmer/member.

The proposal is to match borrower investment at a ratio of 3:1. In other words, a borrower will be required to raise Shs. 1,000/= for shares in the primary society and the project will grant an additional shs. 3,000/= to the society.

If there are an average of 40 borrowers per society, this program would in effect give each society an additional shs. 160,000/= with which to make the required captial investment for entry into the Cooperative Credit Scheme. The total amount of grant funds required per intake of 20 societies (800 borrowers) would be shs. 2,400,000/=.

Kampala, Uganda

November 1, 1982

Final Report

Departmental Staff and Primary Society

Management Training

Dennis C. Frederickson
Cooperative Management Training

Terms of Reference

Initial terms are as follows:

Cooperative Management Training Specialist

The Specialist will be required for approximately four months; an initial two-month visit to research and design a cooperative management seminar and a subsequent two months to train trainers and assist with the implementation of the first few seminars. The candidate should have considerable experience in the design and presentation of cooperative training programs. Duties are as follows:

- To consult with the team leader, the commissioner, the education and training section of DCD, staff of the cooperative college, the Uganda Cooperative Alliance and other appropriate parties to establish priorities for seminar content;
- To design the seminar and prepare an outline;
- To procure or arrange the procurement of necessary materials and supplies;
- To select the venue, schedule the seminar and negotiate for facilities;
- To determine numbers and qualifications of trainers required and to participate in their selection.

Subsequent to receiving the letter of assignment, it became evident to the ACDI team leader and USAID/Uganda that the assignment required splitting the consultancy in two parts, advanced management training and primary society management training. This report contains the design for primary society management training.

Methodology

Having been in Uganda from February 1966 to June 1973, the structure and headquarters personnel of the Department of Cooperative Development are well known. The following interviews were conducted with Headquarters personnel to learn their views.

Mr. A.E. Elogu	-Commissoner for Cooperative Development
Mr. C.A. Owori	-Acting Deputy Commissoner for Coop. Dev.
Mr. Bagugira	-Ag. ACCD (Education)
Mr. Wekesa	-Ag. ACCD (Management and Development)
Mr. Nyeko	-ACCD (Savings and Credit)
Mr. Mpungu	-PCO (Savings and Credit)

Following these interviews, all relevant documents, proposals, manuals, circulars and files pertaining to primary society management training were reviewed. Three safaris (field trips) were organized and staff meetings arranged in eight districts growing both cotton and coffee. Five primary societies of varying degrees of competency were visited. Three different departmental officers accompanied me on these field strips.

Findings, theories and recommendations were then informally discussed with Headquarters staff and final plans and recommendations written for ACDI, USAID/Uganda and the Commissoner for Cooperative Development. The above mentioned report follows:

Status of Headquarters Education Section

Normal duties are to coordinate all cooperative education activities for the movement. This includes staff training, the cooperative colleges, the cooperative alliance, district unions and the operation of the 14 cooperative training wings attached to the district farm institues and the rural training centers.

Only one of the 14 cooperative training wings is functional. The others have been looted of their beds, mattresses, chairs, tables, dishes, kitchen equipment, blankets and teaching materials. It is evident that any extensive training cndeavor will not be able to use these facilities. All districts have retained the post of assistant cooperative officer (education) who normanlly reside at the Cooperative Wings and conduct residential courses and follow-up courses at the primary society level.

Headquarters education section staff compile statistics from monthly reports, distribute education materials, assist education secretaries in drawing education programs and coordinate cooperative alliance activities.

Because very little staff and member education has taken place since 1974, the education section is for all practical purposes inactive.

Education Requirements

Extensive study of the existing conditions reveals that cooperative education at primary society level cannot occur until the following has been accomplished:

1. Staff training - most districts have 30-50 staff members of all levels that require further refresher courses in cooperative management and supervision. Many of these are newly recruited people who have had very little practical field experience and lack of confidence in their ability to handle the routine problems faced by primary societies.
2. Stationery - until a supply of the common bookkeeping and marketing forms are available for general usage, training will be wasted. The students must be able to put their knowledge to work immediately.
3. Trainers - the likely candidate for trainers are the district education specialists. A one week residential course for two specialists from each district is required.
4. Secretary managers - perhaps about half of the existing 3500 marketing societies have an employed secretary manager. The rest of the societies are operated by the committee with the treasurer doing the book work and the secretary doing correspondence. Many of the active secretary managers are of low educational standards and must be upgraded and renumerated accordingly. It is suggested that the minimum educational requirement should become S-2 with the salary set at shs. 1500/= per month.
5. Staff mobility - staff in charge of direct supervision must be given the means to supervise. The payment of minimal allowance would have a tremendous impact on morale and a surge of activity would result.

Recommended Training Methodology

1. Centralized trainer training. Two education specialists from each district (66 students) should attend a one week residential course on management and supervision of primary cooperative societies. Suggested training facility is Chobe Lodge or the Institute of Public Administration in Kampala.
2. Staff training at district level. Suggest that three day residential courses be conducted by the education specialist at facilities within the district. If cooperative wings are not habitable, alternate sites such as schools on holidays should be used.
3. Secretary managers courses. Each district should be held responsible for hold one week residential courses for the upgraded Secretary managers.
4. Committee member courses. All resosource people such as the district cooperative officers, ACO's (educational), ACOs (credit) and district audit staff should conduct a series of three day residential courses for committee members of primary societies.

Technical Assistance

Technical assistance by a primary educator will be required for a period of one year.

From the inception of the training program which is suggested to start in January 1983, the person selected for the position should have a background in cooperative education, be innovative and possess more communication skills. He/she will have to be mobile and be able to use the latest technology in teaching. Perhaps the greatest asset will be this persons ability to be inventive and be able to readily adapt to local conditions. Duties will be to assist in developing the trainers course curriculum from existing departmental materials and actually teaching at this seminar. The technician should work closely with the department of education section to coordinate district level training courses for staff, secretary/managers and committee members.

Training Timetable

The technician should come on board as early in 1983 as possible. The first trainer seminar should be held approximately three weeks following their arrival. The Ag. ACCD (Education) should arrange the training site as soon as an arrival date has been established.

Staff training should commence immediately following the trainer seminar. By the time these training sessions have been completed, the coffee and cotton marketing seasons should be nearly completed so that training of secretary/managers is feasible. The last phase, committee member training, will probably take place in late 1983, prior to the start of the 83/84 cotton marketing season.

Costing (estimated on average country-wide costs)

ACO (Education) Seminar

Transportation	shs.	2,000/=	
Accommodation (6 nights)		9,000/=	
Meals (6 nights)		6,000/=	
Supplies (per student)		<u>2,000/=</u>	
Total per student		19,000/=	
Times 66 students =		1,254,000/=	S/T

Staff Training (Below Cooperative Officer)

Travel	shs.	1,000/=	
Accommodation (6 nights)		6,000/=	
Meals (6 days)		6,000/=	
Supplies (per student)		1,000/=	
Contingencies		<u>1,000/=</u>	
Total per student		15,000/=	
Times 1200 students		18,000,000/=	S/T

Secretary/Manager Training

Travel	shs.	1,000/=	
Accommodation (6 nights)		6,000/=	
Meals (6 days)		6,000/=	
Supplies (per student)		1,000/=	
Contingencies (per student)		<u>1,000/=</u>	
Total per student		15,000/=	
Times 1750 students		26,250,000/=	S/T

Committee Members Training

Travel (society expenses)	shs.	-0-
Accommodation (4 nights)		4,000/=
Meals (4 nights)		4,000/=
Supplies (per student)		500/=
Contingencies		500/=
		<hr/>
Total per student		9,000/=
Times 15,000 students or 5 members x 3000 societies		<hr/> <hr/> 45,000,000/=
Grand Total of Training Program		<hr/> <hr/> 90,504,000/=

Note: Training costs can be substantially reduced if government training facilities (Coop wings) can be used. Accommodation would cost nothing and meal costs could be cut an estimated 25%.