# Making rural services work for the poor: The role of Uganda's service reforms in marketing and agricultural extension

## Dissertation

# zur Erlangung des akademischen Grades doctor rerum agriculturarum (Dr. rer. agr.)

eingereicht an der

Landwirtschaftlich-Gärtnerischen Fakultät der Humboldt-Universität zu Berlin

von

M.Sc. Nana Afranaa Kwapong

Präsident der Humboldt-Universität zu Berlin

Prof. Dr. Jan-Hendrik Olbertz

Dekan der Landwirtschaftlich-Gärtnereischen Fakultät

Prof. Dr. Dr. h. c. Frank Ellmer

Gutachter: 1. Prof. Dr. Markus Hanisch (HU-Berlin, Deutschland)

2. Dr. Ephraim Nkonya (IFPRI-Washington, DC, USA)

Datum der Verteidigung: 24. Juli 2012

Zusammenfassung

Ziel der Studie ist, zum besseren Verständnis und zum politischen Diskurs hinsichtlich der

Reform des ländlichen Dienstleistungssektors in Uganda beizutragen. Sechs Aufsätze zeigen,

wie Reformen im genossenschaftlichen Vermarktungsbereich und innerhalb der

landwirtschaftlichen Beratung den Aufbau funktionsfähiger ländlicher Dienstleistungen

unterstützen können, um zur Armutsbekämpfung in Uganda beizutragen.

Paper 1 analysiert, warum in manchen Gemeinden ein größeres Angebot an Dienstleistungen

zur Reduzierung der Armut beigetragen hat, während dies in anderen Gemeinden nicht

erreicht werden konnte. Fallbeispiele zeigen, dass (1) der Zugang zu komplementären

Dienstleistungen ländliche Lebensgrundlagen verbessern kann, (2) ein hoher Anteil

kommunaler Dienstleistungen teilweise durch kollektive Anstrengungen, Selbsthilfe und

Partizipation ersetzt werden kann, und dass (3) öffentlichen Ordnung, Sicherheit und

Voraussetzungen ländlicher Eigentumsrechte unentbehrliche zur Verbesserung

Lebensbedingungen und zur Verbesserung ländlicher Dienstleistungsangebote sind.

Paper 2 ist eine Literaturstudie über den Zusammenhang zur genossenschaftlichen

Organisation und Armutsbekämpfung.

Paper 3 untersucht die Bestimmungsgründe für Resilienz und Untergang des ehemaligen

Genossenschaftssystems. Paper 4 analysiert den Wandel des Genossenschaftssystems anhand

struktureller Unterschiede zwischen dem alten und neuen System. Fazit: Das ,Revival des

Genossenschaftsgedankens' war begleitet von der Implementierung neuer Institutionen,

Verbesserung der Fortbildung und Ausweitung politischer Unabhängigkeit sowie finanziell

tragfähiger Genossenschaften.

Paper 5 und 6 untersuchen den Beitrag einer der bedeutendsten politischen Reformen im

Raum des heutigen Ugandas: die Dezentralisierung des Angebotes

landwirtschaftlicher Dienstleistungen. Fazit: Die weit verbreitete Einflussnahme auf den

politischen Meinungsbildungsprozess schwächt das gute Image des National Agricultural

Advisory Services.

Schlagwörter: Ländliche Dienstleistungen, Landwirtschaftsberatung, Armut,

Dezentralisierung, Genossenschaften, Uganda

ii

#### **Abstract**

The objective of this study is to contribute to the understanding and policy debate on the changing landscape of agricultural rural services reforms in Uganda. My study analyzes service reforms in cooperative marketing and agricultural extension as part of efforts to make rural services work for the poor in Uganda. Six papers are written to achieve this objective.

**Paper 1** presents empirical evidence to the paradox of why over the last two decades in some communities' service provision has worked to get the poor out of poverty whereas in other communities services have not. On the basis of case studies I show that efforts to reduce poverty should focus on improving security, property rights, then analyze the capacity for self help and strengthen it with capacity building and improve public service provision.

With cooperatives back on the development agenda, the study further examines the revival and reform of agricultural cooperatives in Uganda. Three research papers were written to address three questions. The first question is addressed in **Paper 2**: What are the bases for general claims that the cooperative model has a potential to reduce poverty? **Paper 3** addresses the second question: Why did a few agricultural cooperatives survive the crises in the cooperative movement in Uganda while most other cooperatives had collapsed? **Paper 4** examines the third question: How are the reformed cooperatives differently organized and how are they contributing to reducing poverty? My findings show that the revival of cooperatives has included the introduction of new institutions, capacity building and promoting autonomous financially viable cooperatives.

**Paper 5 and Paper 6** analyze the impact of decentralization on provision of agricultural extension services. Together with colleagues I examine the perception of agricultural extension agents on decentralization. It is evident that widespread political interference is negatively affecting the overall good image of the National Agricultural Advisory Services.

In summary, finding from the study contribute to answering the questions what mechanisms of service provision have worked for the poor, why they have worked whereas others have not and what so far has been the role of political decision makers in the process of governance reform in particular areas of service provision.

**Key words:** Rural Services, Agricultural Extension, Poverty, Decentralization, Cooperatives, Uganda

To my family

# Acknowledgements

This research was conducted within the Project "Making Rural Services Work for the Poor: The Role of Rural Institutions and their Governance for Agriculture-Led Development". I gratefully acknowledge the support of all researchers from the Humboldt Universität zu Berlin, International Food Policy Research Institute, and Makerere University Kampala.

My sincere appreciation goes to my first supervisor Prof. Dr. Markus Hanisch, thank you for your constant support, guidance and motivation throughout the writing of this thesis.

I wish to extend my profound appreciation to my second supervisor Dr. Ephraim Nkonya for his mentoring and encouragement throughout my research study. I appreciate your time and effort and very useful comments on my work.

My gratitude also goes to my third supervisor Prof. Bernard Bashaasha for his tremendous support and guidance during my field research stays in Uganda and also for his constructive comments. Likewise, my sincere appreciation goes to Dr. Margaret Mangehni for her valuable comments and support during my stay in Uganda.

To Dr. Todd Benson, thank you for introducing me to writing research papers and also for reading and providing valuable comments on my policy notes and my research work.

I am grateful to Mr. Reinhold Wilhelm for his constant support throughout the preparation of this thesis. I would also like to appreciate Mr. Patrick Lubega, Mr. John Ilukor, and Mr. Norman Kwikiriza for their time and tremendous support during the field studies, data collection and analysis.

I would also like to acknowledge the support of my field research team who helped with the implementation and organization of the fieldwork and data collection. To all my interview partners in the various districts and cooperatives, I am very grateful for your time and for the valuable information you shared with me.

To all my friends, thank you for your prayers, counselling and support. I would like to appreciate the Adarkwah family, Coffie Family, Mensah Family, Papa Yaw Asabere, Regina Asante, Otuo-Serebour, Dennis Awitty, Francis Obeng, Liza Meza, Guilia Secondini, Johanna Speer and all my friends who have supported in diverse ways contributing to the successful completion of this thesis.

To my family, Dad and Mum thank you for giving me the opportunity to be educated. I owe this work to you. To all my siblings, thank you for your care and support. To my lovely husband Richmond Asante, thank you for giving me a shoulder to lean on during difficult times and for your encouragement.

What shall I say unto the Lord? All I got to say is thank you God for how far you have brought me, Lord I am truly grateful.

To God be the glory

# **Table of Contents**

Zu	sammenfassung				
Ab	ostract				
Ac	Acknowledgement  Table of contents  Extended table of contents				
Ta					
Ex					
Ab	Abbreviations				
1.	Research Agenda				
2.	Explorative Study (Paper 1):  "Making rural services work for the poor: Micro-level evidence from Rural Uganda"				
3.	Literature Review (Paper 2) "What do we know about cooperatives and Poverty reduction? A literature review"				
4.	Case Study (Paper 3) "Why a few agricultural cooperatives survived the crisis in the cooperative movement in Uganda while many others collapsed?"				
5.	Case Study (Paper 4) "Restructuring and Reorganizing Post Liberalization Cooperatives in Uganda"				
6.	Quantitative Study (Paper 5)				
	"Pluralistic and demand-driven and traditional supply-driven agricultural extension services in Africa: Which reaches more farmers and women? The case of Uganda"				
7.	Qualitative Study (Paper 6)				
	"Agricultural extension reform and development in Uganda"				
8.	Policy notes				
	Conclusions and research outlook				

# **Extended Table of Content**

Zusammenfassung	ii
Abstract	iii
Acknowledgements	v
Table of Contents	vii
Extended Table of Content.	viii
Abbreviations	xi
1. RESEARCH AGENDA	1
1.1 Research Motivation	1
1.2 Research purpose and scope	6
1.3 Research design	
1.4 Core concepts and positioning of thesis	9
1.4.1 What is known? - Poverty and strategies to reduce poverty	9
1.4.2 Why cooperatives have a potential in reducing poverty?	
1.4.3 Decentralization and service delivery	
1.5 Thesis Outline	20
References	21
2. EXPLORATIVE STUDY (P1): "MAKING RURAL SERVICES WORK FOR THE	
POOR: MICRO-LEVEL EVIDENCE FROM RURAL UGANDA"	26
2.1 Introduction	28
2.2 Materials and Methods	29
2.3 Results and Discussions	32
2.3.1 Rural services accessibility and local service preferences	32
2.3.2 Why service improvement had resulted in reducing poverty?	
2.3.3 Why poverty has been reduced despite low improvement in services?	
2.3.4 Why improved services had failed to reduce poverty?	
2.3.5 Why poor improvement in services resulted in high poverty levels?	
2.4 Conclusions	
References	43
3. LITERATURE REVIEW (P2): "WHAT DO WE KNOW ABOUT COOPERATIVES	
AND POVERTY REDUCTION? A LITERATURE REVIEW"	45
Abstract	45
Introduction	46
Understanding Cooperatives	48
Understanding Poverty	
Arguments on claims on potential of cooperatives to reduce poverty	51
Conclusion.	
Appendix 1: Annotated bibliography on research studies on cooperative potential to	
poverty reduction	61
References	69
4. CASE STUDY (P3): "WHY A FEW AGRICULTURAL COOPERATIVES SURVIVE	ED
THE CRISES IN THE COOPERATIVE MOVEMENT IN UGANDA WHILE MANY	
OTHERS COLLAPSED?"	73
Introduction	
Methodology	75
Case studies	
Emerging Lessons	89
Conclusion	
5. CASE STUDY (P4): "RESTRUCTURING AND REORGANIZING POST	
LIBERALIZATION COOPERATIVES IN UGANDA"	93

5.1 Description of the case	95
5.1.1 A Historical Perspective of restructured Agricultural Cooperative Marketing	
System in Uganda.	95
5.1.2 Core business model of the Tripartite Cooperative Model	97
5.1.3 Life cycle of the Tripartite Cooperative Model	
5.1.4 Governance structure of the tripartite cooperative model	
5.1.5 Financing cooperative activities	
5.1.6 External Relations	
5.1.7 Policy Environment	105
5.2 Analysis of the case	106
5.2.1 Impact analysis of participation on poverty reduction	. 106
5.2.2 Prospects of evolution of the tripartite cooperative model	. 108
5.3 Conclusions	112
References	114
6. QUANTITATIVE STUDY (P5): "PLURALISTIC AND DEMAND-DRIVEN AND	
TRADITIONAL SUPPLY-DRIVEN AGRICULTURAL EXTENSION SERVICES IN	
AFRICA: WHICH REACHES MORE FARMERS AND WOMEN? THE CASE OF	
UGANDA"	. 116
6.1 Introduction	117
6.2 Analytical methods and data	. 119
6.2.1 Data	. 122
6.3 Results	. 128
6.3.1 Drivers of share of farmers and female farmers served by AEA	. 128
6.3.2 Drivers of targeting of advisory services to different groups of farmers	131
6.3.3 Drivers of the type of technology provided by AEA	. 132
6.4 Conclusions and policy implications	. 134
References	. 136
7. QUALITATIVE STUDY (P6): "AGRICULTURAL EXTENSION REFORMS AND	
DEVELOPMENT IN UGANDA"	138
7.1 Introduction	
7.1.1 The changing landscape of provision of agricultural rural services in Uganda	. 140
7.2 Methodological Approach	143
7.3 Results and discussions	. 144
7.3.1 Strengths of the current agricultural extension system	. 144
7.3.2 Weaknesses of the current agricultural extension system	
7.1.3 Enhancing advantages and address disadvantages of the current extension appr	oach
	. 150
7.3.4 Successes and failures of NAADS program in selected districts	. 152
7.4 Conclusions and Policy Implication	. 160
References	. 161
8. POLICY NOTES	. 163
8.1 Policy Note 1: Why a few agricultural cooperatives survived the crisis in the	
cooperative movement in Uganda whiles many others collapsed?	. 163
8.1.1 Introduction	. 163
8.1.2 Methodology	. 165
8.1.3 Case studies	. 165
8.1.4 Emerging Lessons	. 168
8.1.5 Conclusion.	
References	171
8.2 Policy Note 2: Revival of agricultural cooperatives in Uganda	. 172
8.2.1 Introduction	. 172

	8.2.2 Methodology	
	8.2.3 Restructuring and reorganizing post-liberalization cooperatives	173
	8.2.4 Ensuring sustainability of cooperatives	175
	8.2.5 Cooperatives' contribution to improving rural livelihoods	178
	8.2.6 Expectations of government support to cooperatives	
	8.2.7 Stakeholders perception on what should be done to strengthen agricultural	
	cooperatives	182
	8.2.7 Conclusion	
]	References	184
9. (	CONCLUSIONS AND RESEARCH OUTLOOK	185
(	9.1 Major research findings	185
(	9.2 Review of Papers	186
4	4.3 Areas for future research	193
]	References	194
AN	NEXES	195
1	Annex 1: Questionnaire for Members of Rural Producer Organization (RPO)	195
1	Annex 2: Guidelines for focus group discussion with old Cooperative Union Members	213
1	Annex 3: Guidelines for discussion with Management of Cooperative Union	214
1	Annex 4: Questionnaire for survey of district leaders and private agricultural extension	
ä	agents	216

#### **Abbreviations**

**ACE** Area Cooperative Enterprise

**AEA** Agricultural Extension Agents

**BCU** Bugisu Cooperative Union

**BMZ** German Federal Ministry for Economic Cooperation and

Development

**Body** Board of Directors

**BKCU** Banyankole Kweterana Cooperative Union

**CAO** Chief Administrative Officer

**CAADP** Comprehensive Africa Agriculture Development Program

**CDB** Cooperative Development Bank

**CLAD** Censored Least Absolute Deviations

**CMB** Coffee Marketing Board

**DAC** Development Assistance Committee

**DARST** Adaptive Research Support Teams

**DAO** District Agricultural Officer

**DPO** District Production Officer

**DVO** District Vertinary Officer

**DSIP** Development Strategy and Investment Plan

**FAO** Food and Agriculture Organization

**HLFO** High Level Farmer Organizations

ICA International Cooperative Alliance

**IFPRI** International Food Policy Research Institute

**ILO** International Labor Organization

**IOF** Investor Owned Firm

**MAAIF** Ministry of Agriculture, Animal Industries and Fisheries

**MFPED** Ministry of Finance Planning and Economic Development

NAADS National Agricultural Advisory Services

**NfP** Not for Profit

LMB Lint Marketing Board

**NAP** National Agricultural Policy

NCBA National Cooperative Business Association

**NDP** National Development Plan

**NGC** New Generation Cooperatives

NGO Non Governmental Organization

**NIE** New Institutional Economics

**NRM** National Resistance Movement

**NPART** Non Performing Asset Recovery Trust

**OECD** Organization for Economic Cooperation and Development

**PEAP** Poverty Eradication Action Plan

**PFA** Prosperity for All

PMA Plan for Modernization of Agriculture

**PMB** Produce Marketing Board

**RDS** Rural Development Strategy

**RPO** Rural Producer Organization

SACCO Savings and Credit Organization

SCDS Sub-county Development Strategy

SSA Sub Saharan Africa

**SLM** Sustainable Land Management

**TDS** Technology Development Site

**UBoS** Uganda Bureau of Statistics

UCA Uganda Cooperative Alliance

UN United Nations

**UCB** Uganda Cooperative Bank

**UNRISD** United Nations Research Institute for Social Development

**VFF** Village Farmer Forum

**WDR** World Development Report

#### **Currencies**

Uganda Ugandan Shillings (UGX)

**USA** United States Dollar (\$)

#### 1. RESEARCH AGENDA

#### 1.1 Research Motivation

Agricultural reforms tailored to differing ecological niches and market opportunities present a strategy to achieving agricultural-led growth (Staatz and Dembélé 2007). This has the potential of achieving rapid economic growth and poverty reduction in Sub-Saharan Africa. However, because of government and market failures in providing needed rural services, most often due to underinvestment in physical, institutional and human capital, poverty and food insecurity still exist in much of Sub-Saharan Africa (Christiaensen and Demery 2006; Diao et al 2007; Byerlee et al 2005; Beintema and Stads 2011; Pratt and Diao 2006). Strategies to make rural service work for the poor have included decentralization of service provision (Prud'homme 2003: Ribot 2002: Bardhan 2002), the promotion of the third sector such as cooperatives and producer groups (Develtere et al 2008: Münkner 2012; Birchall 2003), outsourcing to involve the private sector in service provision (Pritchett and Woolcock 2004) and the promotion of participatory governance to increase people's ability to demand services and hold service providers accountable (Ackerman 2004; Platteau 2009).

The empirical evidence regarding the effectiveness of these governance reforms is rather mixed, and there are major knowledge gaps regarding the question of what makes rural services work for the poor. In view of an inherent tendency of policy makers and donors likewise to promote "one-size-fits-all" approaches in order to curing a wide range of development problems, more empirical research is essential to identify options for reforming rural service provision by improving our understanding of what works where and why? This study focuses on the fast changing landscape of agricultural rural services reforms in Uganda. The study analyzes service reforms in cooperative marketing and agricultural extension services as part of research efforts to make rural services work for the poor in Uganda.

Uganda is a country which has wide spread poverty concentrated mostly in the rural areas where over eighty percent of the population live and derive their livelihood mainly from agriculture. The rural population accounted for about 94 percent of people who lived below the poverty line in Uganda in 2009/10 (UBOS 2010). The agricultural sector employs over 73 percent of the population and contributes 20% of the GDP (UBOS 2011). Large progress has been made in reducing poverty in the country from 51 percent in 1992/93 to 24.5 percent in

2010 (MAAIF 2010). This shows that the government's economic reforms have generated substantial welfare and enabled a significant fraction of the population to move out of poverty. However, despite the achievements in reducing poverty, a major shortcoming until today is the low agricultural productivity and the low investments in the agricultural sector (ibid).

The Ugandan government has implemented a number of policy frameworks and programs for the agricultural sector. These policies and programs (see Table 1) build on past efforts and sometimes run parallel to other policies and programs. This raises concerns of policy consistency and the extent to which this might affect the performance of the sector (MAAIF 2010). The Poverty Eradication Action Plan (PEAP) which served as Uganda's Poverty Reduction Strategy Paper placed greater emphasis on private sector and sharper focus on agriculture through the Plan for Modernization of Agriculture (PMA). PMA objective was to tackle poverty reduction through commercialization of agriculture. The implementation of the PMA however did not did not adequately tackle the issue of provision of rural financial services, value addition and ensuring of access to markets. The Rural Development strategy (RDS) was implemented to partly address these challenges with the objectives of increasing farm productivity, household output, improve value addition and stable markets for agricultural produce. Almost all interventions of the RDS were part of the PMA framework with the exception of establishment of community information system. The RDS is a complementary strategy to PMA and the National Agricultural Policy.

The National Development Plan (NDP) which was initiated in 2008 replaced the PEAP. NDP was designed to address the challenges of low agricultural productivity and inadequate investment in agriculture. This alongside with the Africa-wide program, Comprehensive Africa Agriculture Development Program (CAADP) investment strategy, which aims at enhancing agricultural-led economic growth, has the goal of achieving a 6 percent agricultural annual growth and the allocation of at least 10 percent of government budget to the agricultural sector. Both the CAADP and NDP are implemented through the Development Strategy Investment Plan (DSIP), a medium term plan running from 2010/11-2014/15, with the objective of increasing rural incomes and household food and nutrition security. DSIP has four key priority areas: (1) enhancing production and productivity, (2) improving access to markets and value addition, (3) improving the enabling environment for the agricultural sector and (4) institution strengthening in the agriculture sector.

Table 1: Key policies and interventions with implication on rural and urban transformation

Period	<b>Policy Action</b>	Impact
1997- 2008	Poverty Eradication Action Plan (PEAP)	First published in 1997, the PEAP underwent two revisions in 2000 and 2004. Served as Uganda's Poverty Reduction Strategy Paper. Policy shift from economic recovery to sustainable, broad-based growth and structural transformation. Greater emphasis on private sector and sharper focus on agriculture through the Plan for Modernization of Agriculture. The PEAP had five pillars: (i) economic management; (ii) production, competitiveness and incomes; (iii) security, conflict resolution and disaster management; (iv) governance; and (v) human development.
2000- 2010	Plan for Modernization of Agriculture (PMA)	Cross-sectoral development plan for rural and agricultural development. Characterized as the action plan for the PEAP.  Overall objectives were (i) increased production and productivity; (ii) increased household incomes; (iii) household food security; and (iv) employment creation in rural areas. Sought the transformation of subsistence agriculture to commercial agriculture for poverty reduction. Prioritized commercialization of agricultural production, including providing raw materials for industries. Seven pillars: (i) agricultural research and technology development; (ii) agricultural advisory services; (iii) rural financial services; (iv) rural infrastructure; (v) marketing and agro processing; (vi) agricultural education; and (vii) natural resource management.
2005	Rural Development Strategy (RDS)	This had three main objectives: (i) Increasing farm productivity of selected commodities; (ii) Increasing household output of selected agricultural products, and (iii) Adding value and ensuring a stable market for agricultural products (i) Provision of support to farmer groups; (ii) Enhancing rural micro-finance service provision; (iii) Establishing a community information system (CIS); (iv) Enhancing market access for agricultural produce; (v) Facilitating delivery of agricultural inputs through market mechanisms, including produce dealer/processor credit; (vi) Enhancing agricultural productivity through demand-driven agricultural extension; (vii) Agro-industrial development through enhanced support to research and development of agro-processing prototypes and implementing appropriate processor-producer linkages; and (viii) Enhancing quality control and assurance through support to the Uganda National Bureau of Standards.
2007- 2011	Prosperity for All (PFA)	PFA seeks to identify and support economic enterprises that will enable households to earn daily, periodic and long-term income, with a target of UShs 20 million per household per year. Heavily premised on the agriculture sector with the major intervention being low-interest loans to rural communities organized in Savings and Credit Cooperative Societies (SACCOs) to propel production and incomes. It is envisaged that through market linkages and value chains, PFA will transform rural settings with emergence of small scale agro-industries, value additions and improved commercialization. New programs are not to be brought in under the PFA. Rather, it seeks to establish more effective coordination of existing government programs with a common vision and target.
2010- 2015	National Development Plan (NDP)	Vision is to transform Ugandan society from a peasant society to a modern and prosperous country within 30 years. Replaces the PEAP. Eight objectives: (i) increase household incomes and promote equity; (ii) enhance employment; (iii) improve economic infrastructure; (iv) Increase access to social services; (v) promote

		science, technology, and innovation to enhance competitiveness; (vi) enhance human capital development; (vii) strengthen governance, defense, and security; and (viii) sustainable population and use of natural resources. The NDP attempts to link short-term priorities with long-term goals, integrate sector plans within a coherent overall strategy, and identify concrete programs to be implemented. Although the NDP recognizes development issues in urban areas, the key areas of investment and focus seem to prioritize rural areas.
2010- 2014	Agricultural Sector Development Strategy and Investment Plan (DSIP), 2010/11- 2014/15	Replaces the PMA. Identifies four challenges facing the agricultural sector: low production and productivity; low value addition and limited market access; weak implementation of agricultural policies; and weak public agricultural institutions. Four investment programs designed to address these constraints: (i) increasing agricultural production and productivity; (ii) increasing access to markets and value addition; (iii) creating an enabling environment for the private sector in agriculture; and (iv) strengthening agricultural institutions at the center and in local governments.

Sources: Mukwaya et al 2011; MAAIF 2010; Nkonya et al 2012

The Prosperity for All (PFA) program which was derived from the ruling party's election manifesto in 2006 establishes more effective supervision and coordination of the existing programs mentioned with a common vision and target. PFA seeks to identify and support economic enterprises that will enable households to earn an annual income of UShs 20 million (approximately US\$10,000) per household per year (Joughin and Kjær 2010). The major intervention being low-interest loans to rural communities organized in Savings and Credit Cooperative Societies (SACCOs) to propel production and incomes. It is envisaged that through market linkages and value chains, PFA will transform rural settings with emergence of small scale agro-industries, value additions and improved commercialization (Mukwaya et al 2011).

Of particular importance for this study are agricultural extension services and agricultural marketing services, which have seen dramatic changes under the implementation of the above mentioned development strategies. Government policy reforms aimed at poverty reduction have included efforts fostering cooperation in the form of cooperatives, farmer organizations and community based organizations (CBOs) in order to address the challenges of the poor smallholder farmers. Since the implementation of the PFA, the Ugandan government has shown a vivid interest in reviving the cooperative sector. The government has supported the strengthening of some of the cooperatives which had survived the era of liberalization policies and promoted the establishment of new marketing and financial cooperatives to reach farmers with services that contribute to improving production and productivity, and improved access

to markets. The government has also supported the development of a National Cooperative Policy. This clearly highlights the evolving role of cooperatives and position in national agendas for increasing productivity and modernizing agriculture, presenting many prospects and as well as new challenges for cooperative development.

Cooperatives in Uganda, especially those involved in marketing cash crops, successfully provided agricultural-related services to farmers until the mid-1980s. At that time, due to political instability, liberalization of markets, introduction of the government-run cash crop authorities (Uganda coffee authority, Uganda cotton authority, etc) – which took over most of the cooperative activities - and mismanagement, among other reasons, almost all the cooperatives failed. However, a few survived and today cooperatives are enjoying a revival in Uganda. The contemporary cooperative sector in Uganda has gone through a dynamic process of restructuring and adjusting to the conditions of a liberalized economy. Following a trend that is also observed in other countries, the reformed cooperatives are expected to avoid some of the mistakes and challenges of the past that had contributed to an almost complete collapse of the cooperative sector (Develtere et al 2008; Birchall 2004, 2003). Today the aim is to increase rural incomes and to link farmers to markets with the overall goal of reducing rural However, the development of cooperatives in Uganda has been limited by inadequate efforts in research. For example there is a dearth of up-to-date literature on the status of African cooperatives since the liberalization of the agriculture sector in the mid-1990s (Wanyama et al 2008). In addition, policymakers, practitioners, and others harbor outdated views on cooperatives, hampering modernization in the sector. With cooperatives back on the development agenda, this has presented cooperatives with an essential role and position as well as new challenges. This study analyzes some of the reforms, the roles and challenges of cooperatives and suggests policy recommendations on efforts to promote the development of the cooperative sector.

Apart from cooperative marketing, another focus of this study lies on agricultural extension services. As is the case in other countries, the performance of the publicly provided and funded traditional agricultural extension services in Uganda was poor (MAAIF and MFEPD, 2000). To address this problem, the NAADS program was introduced by the Act of 2001, which gave it a mandate to develop a demand driven, farmer-led agricultural service delivery system targeting the poor subsistence farmers, with emphasis to women, youth and people with disabilities. Its development goal is to enhance rural livelihood by increasing agricultural

productivity and profitability in a sustainable manner. NAADS also aims to empower farmers to participate in the decision making process regarding the type of technologies to be promoted by the providers of advisory services in their sub-county. This demand-driven approach differed significantly from the traditional supply-driven approach towards rural extension services. NAADS operates through farmer groups at village level. As part of implementing DSIP's priority area of increasing agricultural productivity, agricultural extension and research have received the largest share of the agricultural budget. Since 2005/06, allocation to research and extension services has increased. On average, agricultural extension and research respectively accounted for about 40 percent and 20 percent of the agricultural budget, underscoring DSIP's emphasis on increasing agricultural productivity (MAAIF and MFPED, cited by World Bank 2009). NAADS was meant to be an implementing instrument of PFA. Consequently, it attracted significant political attention because of the political nature of the PFA. This study analyzes the related changes in the agricultural extension services and the observable impacts on the effectiveness of service provision.

#### 1.2 Research purpose and scope

The overall objective of this study is to contribute to the policy debate on the changing landscape of agricultural rural services reforms in Uganda. The study analyzes service reforms in cooperative marketing and agricultural extension as part of efforts to make rural services work for the poor in Uganda. The research addresses the question of how cooperative marketing and agricultural extension services have been reformed in Uganda. The research objective was achieved with six papers. The specific objectives of the papers are as follows:

## 1) To examine the impact of service performance on poverty outcomes in Uganda.

Access to rural services is a promising strategy for increasing people's productive capacity resulting in the promotion of human development and poverty reduction. But why is it that in some communities' service provision has worked to get the poor out of poverty where as in other communities services have not worked to get the poor of poverty? What works where, how and why? To answer this question, qualitative case studies of four rural communities in Uganda are used in understanding resulting outcome of how reforms in service delivery have impacted poverty outcomes in Uganda. Paper one addresses this research objective.

2) To examine the revival of cooperatives for the promotion of agricultural led development in Uganda.

With cooperatives back on the development agenda this has given cooperatives an essential role and position in the policy dialogue as well as new challenges. Cooperatives in Uganda have a history of both successes and failures and currently enjoy a revival. A number of issues are worth considering: What are the bases for claims that the cooperative model has a potential to reduce poverty? In other words, why are cooperatives claimed to have an advantage in reducing poverty? Can we expect cooperatives to reduce poverty in Uganda? How are the reformed cooperatives organized? How are they avoiding past mistakes and ensuring sustainability? And how are they contributing to improving rural livelihoods and reducing poverty? Papers two, three and four addresses these research questions.

3) To analyze the impact of decentralization on provision of agricultural extension services
Recent efforts at modernizing agriculture have included decentralization of services to bring
services closer to the people. In this study, decentralization in Uganda and how its
implementation and approaches has affected its effectiveness is examined. The question
addressed is what has been the impact of decentralization on provision of agricultural
extension services? What are the perceptions of AEAs on decentralization? Two research
papers are written to address these questions (Paper five and paper six).

#### 1.3 Research design

The design adopted for this research is a multi-method research approach, combining both qualitative and quantitative study approaches. Miles and Hubermann (1994: 41) suggest three broad reasons why qualitative and quantitative data should be linked: a) to enable confirmation or corroboration of each other via triangulation; b) to elaborate or develop analysis, providing richer detail; and c) to initiate new lines of thinking through attention to surprises or paradoxes, turning ideas around and providing fresh insight. The research was designed in such a way that the quantitative and the qualitative research informed each other.

Figure 1 shows the research design adopted for this study. The relevance of the research topics was confirmed at a stakeholder country workshop on agricultural development in Uganda The research has been structured and partially disseminated in the form of research papers.

Paper one is an explorative study which examines the impact of service performance on poverty outcomes in Uganda (objective one). Findings from the explorative survey prompted the need for further research in other service areas specifically services provided through cooperatives (objective two) and agricultural extension services (objective three). Different research approaches were employed and partially combined in order to consider the complexity of the research objects. These methods are elaborated in details in the individual papers. Thus the thesis is a compilation of six research papers and two policy notes.

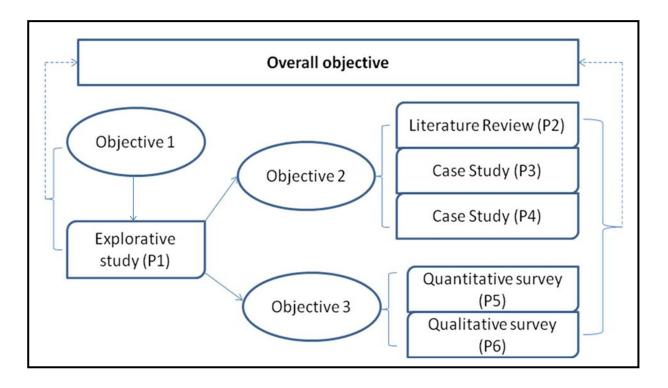


Figure 1: Research study process

#### 1.4 Core concepts and positioning of thesis

The central concepts relevant for this thesis focus on three branches of literature. The literature on (1) poverty and strategies to reduce poverty, (2) cooperative theory and cooperatives potential in reducing poverty (3) governance reforms specifically decentralization and service provision. The literature on poverty and strategies to reduce poverty guides the analysis on the impact of service performance on poverty outcomes in paper one. Literature on cooperatives potential in reducing poverty guides analysis of revival and reformation of agricultural cooperatives for agricultural-led development in Papers two, three and four. The literature on decentralization and service provision guides analysis in papers five and six. In order to ease the reading of the next chapters, a literature review on cooperatives in poverty alleviation explains the main hypotheses which later guide my analyses.

# 1.4.1 What is known? - Poverty and strategies to reduce poverty

Poverty as a phenomenon is multidimensional in nature and composed of interlinked factors. Poverty has been presented by the poor themselves as lack of income and assets to attain basic necessities such as food, shelter, clothing and acceptable levels of health and education; voicelessness and powerlessness; and vulnerability to adverse shocks linked to an inability to cope with them (World Bank 2001). The Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) reveals the interactive dimension of poverty and well being. According to DAC, the concept of defining poverty should encompass the causal links between the core dimensions of poverty and the central importance of gender and environmentally sustainable development. Five core dimensions are presented; Economic capabilities which means the ability to earn an income, to consume and to have assets, which are all keys to food security, material well-being and social status. Human capabilities are based on people's access to health, education, nutrition, clean water and shelter which are core elements of well-being as well as crucial means to improving livelihoods. Political capabilities include human rights, a voice and some influence over public policies and political priorities. Socio-cultural capabilities concern the ability to participate as a valued member of a community referring to social status, dignity and other cultural conditions for belonging to a society which are highly valued by the poor themselves. Protective capabilities include how people withstand economic and external shocks which imply vulnerability to social, economic, or security-related shocks (OECD 2001: 38-40). Understanding the causes of the various dimensions of poverty gives a key to finding answers and solutions to poverty reduction.

The World Bank (2001) presents the following causes of poverty highlighted by the poor: a) Lack of income and assets to attain basic necessities such as food, shelter, clothing, and acceptable levels of health and education; b) Voicelessness and powerlessness forms the institutional basis of poverty. Both formal and informal institutions mediate and limit poor people's access to opportunities, their ability to make themselves heard or to influence or control what happens to them (Narayan et al 2000). c) Vulnerability to adverse shocks, linked to an inability to cope with them. The risks that poor people face as a result of their circumstances are the cause of their vulnerability. But the deeper cause is the inability to reduce or mitigate risk or cope with shocks—a cause that both draws from and feeds into the causes of other dimensions of poverty. Low levels of physical, natural, and financial assets make poor people especially vulnerable to negative shocks (WDR 2004: 34 - 35).

Three main policy elements stand out when it comes to strategies to reduce poverty: A) Promoting basic social services for human development. Human developments includes the expansion of income and wealth as well as adequate nutrition, safe water, good and affordable medical services, schools and transportation, decent shelter and employment, and secure livelihoods. (WDR 2004: 1) b) Facilitating empowerment, thus enhancing the capabilities of the poor to influence political and social processes that affect their lives and making them aware of their rights enhances the confidence of the poor and influences their participation in development and c) Enhancing security thus protecting the poor from risk including livelihood risk, risks due to food shortages, sickness, old age, natural calamities, and also unemployment and other economic adjustment shocks.(OECD 2001:46 - 48)

This research will adapt the OECD multidimensional perspective of poverty. This broad definition gives a wider basis for analyzing and understanding the dynamics of poverty. In this study, I analyze the role of agricultural cooperatives and agricultural extension in

<sup>&</sup>lt;sup>1</sup> There are several kinds of assets: "Human assets – e.g. Capacity for basic labour, skills and good health Natural assets – land; Physical assets – access to infrastructure; Financial assets – social assets – networks of contacts and reciprocal obligations that can be called on in time of need, and political influence over resources" (World Bank 2004: 34)

providing opportunities for the poor and building their capacity and assets. In the next section, I review cooperatives potential role in poverty reduction.

#### 1.4.2 Why cooperatives have a potential in reducing poverty?

This section provides an overview of the key features of cooperatives and their potential to reduce poverty. Cooperatives are born out of necessity in response to market failures or depressed prices (Cook 1995; Cook and Buress 2009; Hansmann 1996). To avoid inefficiencies in markets due to market hold ups, firms may choose vertical integration as an alternative to market exchange (Royer 1999: 49). Inherent in the traditional notion of vertical integration is the elimination of contractual or market exchange and the substitution of internal exchange within the boundaries of the firm (Bijman 2002). In a market economy exchange through the market under the conditions of a perfect market will be the best strategy of economic exchange. Cooperatives as any other firm group internalize economic transactions. Sexton and Iskow note three main advantages of internalizing transaction: firstly, internalization creates a common incentive among parties, whereas participants to market exchange usually have opposing interests, i.e., buyer wants to buy low and the seller wants to sell high; secondly, disputes within an organization can be resolved quickly through hierarchy and internal control, while disputes between independent parties often involve costly litigation; thirdly, costly information usually flows more freely within an organization than across markets (Sexton and Iskow 1998: 6). The cooperative difference lies in the way the ownership structure of the cooperative firm influences decision making. Members decide on the residual claims to profits on the basis of membership rights not on the basis of capital invested. In the traditional cooperative members enjoy equal decision rights on the basis of one member, one vote governance. That is why many authors have attributed an inclusive role to cooperatives as regards the inclusion of the rural poor into a process of cooperative market access and income generation.

The cooperative must be able to provide net benefits in excess of what is available through other market channels to maintain its operations. Royer suggest that, a firm "should select the institutional arrangement that minimizes the sum of its production and transaction costs" to minimize opportunistic behaviors (Royer 1999: 49). Cooperatives provide promising ownership structures when its members share common preference and or the market cannot

be assumed to be perfect (Hart and Moore 1998). In a perfect market situation, conditions are described as a large number of both buyers and sellers prevail; firms are free to enter or leave these markets without penalty; all firms within a market produce the same product; and traders in the market posses all information. Farmers in such perfect markets are expected to receive highest prices for produce sold and pay lowest for the commodity bought. With such perfect conditions, neither group powers nor vertical integration are needed. However, in reality this is not usually the case. Markets are imperfect caused by imperfect competitions, externalities, incomplete information. Vertical integration into cooperative becomes important in countervailing market power, ensuring more efficient production, increase in retail prices, risk reduction and operation in no-markets (Sexton and Iskow 1998:18).

#### Countervail market power

Cooperatives may countervail larger actor's market power through two main forms of strategies. The first strategy has been called the competitive yardstick. In markets in which cooperatives occupy a considerable share of the market, information about a fair level of prices is continuously generated and distributed by the cooperative sector. Customers and producers looking for price information are informed about prices the owner-members of cooperatives realize. Knowing that the member-owners of a particular industry would not accept other than fair prices in buying this industries' product, cooperative prices provide a yardstick for the price orientation in the public or private sectors, respectively. The second strategy countervailing power strategy that is through the formation of bargaining cooperatives which negotiate prices with purchaser of famer produce and do not deal directly with the producers (Hansmann 1996). In either strategy, the cooperative should be able to control a large volume of produce to force price cohesion by the marketing firm or achieve higher prices at a lower cost. For instance, the old Coffee Marketing Boards in Uganda before liberalization of markets provided marketing services to coffee farmers who were organized into cooperative unions and societies. The Coffee Marketing Board had a monopoly over the marketing of coffee and controlled the fixing of coffee prices.

# **Economies of scale reducing transaction costs**

Cooperatives may have the advantage of reducing transaction cost by providing gains from specialization and economies of scales through bulk sales of produce (OCDC 2007). This may be achieved if the cooperative is economically orientated towards average costs and operate at a lower market margin. It is however argued that cooperatives are unlikely to have lower margins than the investor-oriented firms because the cooperative business model is believed to have a compared to investor oriented firms higher administrative cost, energy, raw product, and other materials involved in the process value chain. However, cooperatives may be able to extract savings on their capital due to either the manner in which income is accrued by the cooperatives and in securing cheaper debt capital (Sexton and Iskow 1998). With a lower cost of production, the cooperative can receive a higher retail price and increase the farm prices paid out to farmers. With farm prices increased the farmer may be better off. Sexton and Iskow (1998: 5) note that "the main efficiency enhancing feature of cooperative to accomplish this margin is the harmonization of trade between a cooperative and its members relative to trade between farmers and independent traders". The cooperative and its members have a common incentive. The cooperative seeks high prices for sold produce and wishes to pay its members the largest net price possible subject to covering its marketing costs. This differs to the profit seeking enterprise in which information about fair prices is scarce and capital owners seek to realize the highest dividend. Without a mechanism of fair market competition producers are not likely to realize the optimal prices for their products. For example, the Kamuganguzi Potato growers association and marketing association in Uganda have gone into an agreement to supply Nandos a multinational fast food restaurant in Kampala with an average markets 7.5 tons of potatoes in 125-kg bags to NANDOS every two weeks through forward contracts and have registered a return on investments of up to 70% (Aliguma et al 2007; Okoboi and Byarugaba 2007).

# **Reduce Risk and Uncertainty**

Cooperatives may reduce consequences of risk and uncertainty that plague its members. Through cooperatives farmers attain more assured access to the upstream or downstream markets. That is, provide stable income stream to risk averse farmers, enable farmers to efficiently plan and manage their farm operations, coordinate long term investment and gain access to credit (OCDC, 2007). Cooperative warehouses help farmers to deal with risk of price fluctuations in markets with flexible prices and avoid risk in markets with inflexible prices and possible rationing. According to Sexton and Iskow (1998:13) if prices are free to move up and down, markets should always clear in the sense of equating demand and supply. Rationing means being unable to buy or sell all that is desired at the market price (Ibid). The cooperative to manage the risk of price fluctuation may pool together a significant share of farmers produce and control a large share of the market (Staatz 1987: 95). Peterson and Anderson suggest that the pooling strategy reduces the risk of fluctuant farm level cash flows through a cooperative's strategy of paying members an average price over a season or geographic area or across commodities (Peterson and Anderson 1996: 374). Thus members face the probability distribution of spot prices at a particular place or point in time. By pooling together, the cooperative spreads the risks equitably among the members so as to minimize their effects (Sexton and Iskow 1998: 15). Pooling may lead to some reduction in risk for individual farmers because fluctuations in the returns for their commodities are counterbalanced by offsetting fluctuations in the returns for other commodities in the pool (Staatz 1987: 95). Aside pooling, the cooperative may employ a strategy termed by Peterson and Anderson as "savings bank strategy" (Peterson and Anderson 1996: 375). This strategy involves the cooperative maintaining a buffer stock where the commodities are storable and or balancing plants where the commodities are perishable. In either case the cooperative should control a relevant share of the market. The cooperative saves on returns when prices are high – high demand or low supply – and pays out when prices are low – low demand or high supply. Without controlling a significant share of the market, the cooperative may still be able to reduce member's exposure to risk through diversification. The cooperative pools together and market multiple commodities. Members receive allocations in proportion to their patronage with the cooperative. Allocations to members are made from a pool containing returns from all generated revenue from sales of all other commodities. In this way risk are diversified and members' income is secured and stabilized (Hansmann 1996: 129).

#### Increase efficiency along the value chain

Marketing cooperatives may increase prices paid at retail for finished farm products by controlling the flow of production or by assuring product quality. This may be achieved when the cooperative restricts the flow of farm product to the market or improves on the quality of the finished product. The cooperative must be able to control a relevant supply of the farmers' product within the local or regional market. Cooperatives have the advantage of cheap access to information, economizing on a variety of information cost for its members. Because of this inherent characteristic of traditional cooperatives, the cooperative can efficiently increase efficiency along the value chain (OCDC 2007). Hansmann (1996) argues that, controlling prices by restructuring the amount of produce produced or marketed is difficult because there are a large number of farmers and farmers' entry into production is easy, farmers can individually vary their production (Hansmann 1996 127). Most marketing cooperatives do not succeed in establishing market dominating prices because of their membership policies which makes it difficult to control the amount of produce marketed. Membership policies may be characterized by closed or open membership. Thus, closed membership where additional farmers can join only with explicit agreement of the existing members or open membership where any farmer who produces the crop is free to join and market through the cooperative. With closed membership, excluded members have strong incentive to expand production freely to take advantage of any increase in price the cooperative succeed in arranging With open membership, higher prices will encourage an expansion of membership and hence of production. Hansmann argues that to dispose of the fact that most cooperative have open membership is substantial evidence that they are unable to control prices (Hansmann 1996: 127).

#### Support to people in markets a not-for-profit company will serve

It is expected that a cooperative will equally abandon a market where other IOFs have abandoned due to inadequate returns. However because of the cooperative goal of maximizing value to members, a cooperative will consider its members farm asset returns and not just its own (Peterson and Anderson 1996: 375). The cooperatives decision to continue operating is explained by its information advantage. When the losses at the member level from abandoning the market exceed the cooperative's loss from staying in the market, then it is a

rational decision for the cooperative to stay. Three main reasons account for this; firstly, the farmers in that geographic area may be willing to accept a lower return on investment than are the owners of non-cooperative firms. Secondly, an efficient cooperative may be able to operate with smaller margin than the non-cooperatives were able to achieve. Thirdly, the harmonization of exchange afforded by cooperation enable flexible pricing methods to be instituted that can extract value from product marketing or input purchasing unattainable to non-cooperative firms (Peterson and Anderson 1996: 375). For the cooperative to be successful in the market that IOFs will not serve, the cooperative should be able to gain returns on equity. That is whether the cooperatives built in pricing advantages will enable it to extract sufficient revenues to cover its costs while leaving enough income to make the farming operations profitable.

#### **Build social capital and increase trust**

Cooperatives contribute to building social capital and increasing trust (OCDC 2007). The quality of relationships between people in a community influences its economic performance and effectiveness of politics and other organized activities (Spear 2000). Social capital is characterized by key features of trust, norms, and networks (ibid). Spear (2000) explains trust being 'central to establishing social capital through norms of reciprocity within social or economic networks' (Spear 2000: 59). The argument is that strong linkage of cooperatives to the community and its members provide a uniquely favorable basis for the profitable utilization of social capital, its reproduction and accumulation (Putnam 1993; Spear 2000; Fukuyama 1995).

In conclusion, it must be emphasized that cooperatives provide the economic benefits of countervailing market powers, ensuring more efficient production reducing transaction costs by pooling resources and increasing bargaining power of smallholder farmers. Additionally, cooperatives reduce risk and uncertainty that expose farmers to opportunistic behaviors by trading partners, increase retail prices and provide markets where no for profit firm will operate. Other social benefits may be achieved as the cooperative operates efficiently and after achieving its economic goals.

#### 1.4.3 Decentralization and service delivery

There is no single accepted or unambiguous definition of decentralization, mainly because decentralization can vary substantially in scale and scope across countries (Steiner 2006:20). Decentralization has basically been defined as the transfer of authority and responsibility from a higher level of government to subordinate or quasi independent government organization or from government to non- governmental organizations or the private sector (Rondinelli 1983; Collins and Green 1994). As such, reforms which aim at the privatization of service delivery are sometimes based on a cooperative approach and cooperatives in the area of rural service delivery are one out of many other possibilities of decentralized service governance. Where this is the case, general arguments in favor of decentralized resource and service governance also apply to cooperatives. Several categories of decentralization have been identified in the literature. Rondinelli (1983) describes four main types of decentralization: fiscal, political, administrative and economic decentralization. Drawing distinctions between these various concepts is useful for highlighting the many dimensions to successful decentralization and the need for coordination among them. Nevertheless, there is clearly overlap in defining any of these terms and the precise definitions are not as important as the need for a comprehensive approach (Neven 2002:2).

Fiscal decentralization refers to the set of policies designed to increase the revenues or fiscal autonomy of sub-national governments. Fiscal decentralization policies can assume different institutional forms. An increase of transfers from the central government, the creation of new sub-national taxes, and the delegation of tax authority that was previously national are all examples of fiscal decentralization. Fiscal decentralization implies that local authorities become more responsible for local revenue and expenditure assignment (Steiner 2006:21). Political decentralizations consists of a set of constitutional amendments and electoral reforms designed to open new or activate existing but dormant or ineffective spaces for the representation of sub-national polities (Falleti 2004:8). Political decentralization policies are also designed to devolve electoral capacities to sub-national actors and make them and the citizens more influential in political decision-making at the local level. Economic decentralization refers to the transfer of certain functions from the public to the private sector (Steiner 2006:21). Administrative decentralization comprises of the set of policies that transfer the administration and delivery of social services such as education, health, social welfare, or housing to sub-national governments (Falleti, 2004:7). There are three major

forms of Administrative decentralization- deconcentration, devolution and delegation. *Delegation* refers to transfer of functions to the local level but the ultimate responsibility lies with central government, *Deconcentration* is the transfer of functions from central ministries to their field agencies, *Devolution* refers *to* transfer of both functions and decision-making authority to legally incorporated local government (Litvack 1998:1)

Many studies have battled with the issue of decentralization advocating for or against it. Advocates have mainly based their arguments on theories of fiscal federalism developed by Oates (1972) and Musgrave (1959) which concerns the division of public-sector functions and finances in a logical way among multiple layers of government (Saltman and Bankauskaite 2004:7). The "Oates theorem" states that: "For a public good – the consumption of which is defined over geographical subsets of the total population, and for which the costs of providing each level of output of the good in each jurisdiction are the same for the central or the respective local government – it will always be more efficient (or at least as efficient) for local governments to provide the Pareto-efficient levels of output for their respective jurisdictions than for the central government to provide any specified and uniform level of output across all jurisdictions" (Oates, 1972: 35).

Oates developed his theorem based on the realization that not all public goods have similar characteristics and that different areas may have different preferences for public goods. Thus, the supply of public goods must be fitted to the different requirements of different groups. Central governments often ignore the preferences and differing spatial characteristics or might not be well informed about clients and hence might supply a uniform package. As Bruno and Pleskovic (1998: 298) put it, "a one size-fits-all approach does not deliver a basket of public goods that is optimal for all citizens". Some citizens will be forced to consume more or less than they would prefer to consume. Oates argues that a highly decentralized public sector with many sub national jurisdictions who posses complete knowledge of the state of their constituency would be able to provide pareto-efficient level of outputs that match the preferences of the citizens.

However, decentralization processes have been argued to have both positive and negative aspects. Advocates for decentralization have argued that decentralization has the advantages of enhancing high level of political participation (Ribot 2002; Crook and Manor 1998). Also, decentralization has been claimed to strengthen accountability making officials more

accountable to the locals needs (Seabright 1996; Paul 1991). The idea is that by means of decentralization local citizens can hold their elected officials accountable if their activities and output do not meet the intended goals and standards. Another benefit of decentralization is increase in public service performance (Rondinelli 1983; Putnam 1993). As Bardhan (2002) puts it, in matters of service delivery devolution of powers to local authorities and communities with the requisite information, incentive and who bear the responsibility for the consequence of their decision is vital. He however cautions on the importance of bearing in mind the poor accountability in many developing countries and local elite capture hampering achievement of public delivery goals. According to Bardhan (2002) for decentralization to be really effective there is the need to change the existing structures of power within local communities and improve opportunity for the poor to participate and have a voice in political processes.

Critics on the other hand, argued that there are potential disadvantages in the process of decentralization. Prud'homme claims that decentralization would lead to macroeconomic instability due to a - reduction in government's control over public resources making macroeconomic policies difficult to implement (Prud'homme 1995), Soft budget constraints (Falleti 2004; Stein 1998) Enlargement of bureaucracies – increase in government levels implying a higher cost in decision making (Falleti 2004), Deterioration in service quality and delivery if local administration is weak – low capacity of local government officials in terms of education and experience (Rondinelli, 1983), Local elites or interest groups capturing control (Rondinelli 1983).

The whole idea of decentralization is based on the positive experiences of the western world. Blue prints of decentralization policies have been exported to developing countries and have generated mixed results. The institutional context before which decentralization took place is known to have mattered a lot. Successful results in implementing decentralization policy will not be achieved in situations where the channel of accountability is not well established. Locals should be able to hold their elected representatives accountable for the output of their activities. If there are proper mechanisms in place elected officials will bear in mind the consequences of under producing the desired output. For accountability to be effective, structures such as monitoring, auditing and evaluation by a third party, competitive elections and procedures for recalls should be well established (Steiner 2006).

Where accountability is low, other problems are believed to emerge: elite capture, corruption, clientelism and patronage. Corruption simply put as - funds for development being directed to the pockets of public officials for their private gains. Elite capture refers to the influence of local elite (economic, social or political elites) on policy-making, administrative and political decision making for their own benefit. Patronage is defined as the politically motivated distribution of favors, such as the special treatment of a particular geographical area in the provision of public goods and services to certain groups of people, often of the own kin. Clientelism refers to the exchange or brokerage of specific resources and services, such as land or office, to individuals, who are not necessarily of the own kin (Steiner 2006). These four mentioned problems challenge governments that have adopted decentralization policy especially in the developing countries. Thus decentralization will be a successful strategy to meet the preferences of locals only if the threats mentioned above are carefully considered.

#### 1.5 Thesis Outline

In what follows I shall present the six papers and two policy notes in the way they emerged during my PhD work. Paper 1(chapter 2) is an explorative study which presents empirical evidence to the paradox of why over the last two decades in some communities service provision has worked to get the poor out of poverty whereas in other have not. In paper 2 (chapter 3) I present a literature review on the bases for general claims that the cooperative model has a potential to reduce poverty. Paper three (chapter 4) and paper 4 (chapter 5) follows with empirical evidence on how cooperatives have been reformed to adjust to the conditions of a liberalized market, the strategies adopted to promote sustainability and success, and how the reformed cooperatives are contributing to improving rural livelihood. In paper 5 (chapter 6) and papers 6 (chapter 7), I analyze the general impact of decentralization of agricultural extension services. Two policy notes follow in chapter 8. I conclude findings with an individual chapter summarizing my approach, the main findings and the main conclusions regarding development policy and further research on the subject.

#### References

- Ackerman, J. (2004). Co-Governance for Accountability: Beyond "Exit" and "Voice". World Development, 32 (3), 447–463.
- Aliguma, L., Magala, D., and Lwasa, S. (2007): Connecting Small-Scale Producers to Markets. The Case of Nyabyumba United Farmers Group in Kabale District. In Regoverning Markets Innovations Series. IIED, London.
- Beintema N. and G. Stads. (2011). African Agricultural R&D in the new millennium. Progress for some, challenges for many. Food Policy Report. Agricultural Science and Technology Indicators (ASTI). International Food Policy Research Institute, Washington D.C.
- Bijman, J. (2002). Essays on agricultural co-operatives; Governance structure in fruit and vegetable chains. PhD. Dissertation. Erasmus University Rotterdam.
- Birchall, J. (2003). Rediscovering the cooperative advantage. Poverty reduction through self-help: International Labor Organization.
- Birchall, J. (2004). Cooperatives and the Millennium Development Goals. International Labor Organization, Geneva
- Bruno, M. and Pleskovic, B. (1996): Annual World Bank Conference on Development Economics. World Bank Publications, pp 295-331
- Byerlee, D., X. Diao, and Jackson, C. 2005. "Agriculture, Rural Development, and Pro-Poor Growth: Country Experiences in the Post-Reform Era." World Bank
- Christiaensen, L., and L. Demery (2006). The Role of Agriculture in Poverty Reduction in Sub Saharan Africa Revisited. Washington.
- Collins, C. and Green, A. (1994). Decentralization and primary health care: some negative implications in developing countries. International Journal of Health Services, 24, 459 75.
- Collion, M.-H., and Rondot, P. (1998). Background, discussions, and recommendations. In Agricultural producer organizations, their contribution to rural capacity building and poverty reduction, ed. P. Rondot and M.-H. Collion. Washington, D.C.: World Bank.
- Cook, M. L. (1995). The future of U.S. agricultural cooperatives: a neo-institutional approach. American Journal of Agricultural Economics 77: 1153 59.
- Cook, M. L., and Buress, M. J. (2009). A cooperative life cycle framework. Draft paper. Available online http://departments.agri.huji.ac.il/economics/en/events/p-cook.pdf (accessed on 05 June 2011)

- Crook, R. and Manor, J. (1998). Democracy and decentralization in South Asia and West Africa. Cambridge University Press.
- Diao, X., Hazell, P., Resnick, D. and Thurlow, J. (2007). The role of agriculture in development: Implication for Sub-Saharan Africa. Research Report 153. International Food International Food Policy Research Institute (IFPRI). Washington, DC.
- Davoodi, H. and Zou, H. (1998). Fiscal decentralization and economic growth: a cross-country study. Journal of Urban Economics, 43, 244 257.
- Develtere, P., Pollet, I., Wanyama, F. (2008). Cooperating out of poverty: The renaissance of the African cooperative movement. Dar es Salaam, ILO, World Bank Institute
- Falleti, T. (2004). A Sequential Theory of Decentralization and its Effect on the Intergovernmental Balance of Power. Latin American Cases in Comparative Perspective. Working Paper No. 314.
- Fukuyama, F. 1995, Trust, Penguin, London.
- Hansmann, H. (1996). The Ownership of Enterprise. Cambridge, MA: The Belknap Press
- Hart, O. and Moore, J. (1998). Cooperatives vs. Outside Ownership. NBER Working paper No. w6421.
- Joughin J. and A. M. Kjær. 2010. The politics of agricultural policy reforms: the case of Uganda. Forum for Development Studies. Danish Centre for International Studies and Human Rights. Online at http://diis.dk/
- Litvack, J. (1998). Decentralization Thematic Team. World Bank http://www.ciesin.org/decentralization/English/General/Different\_forms.html. Accessed on 28.03.08
- MAAIF (Ministry of Agriculture, Animal Industries and Fisheries). 2010. Agriculture for food and income security. Agricultural Sector Development Strategy Investment Plan: 2010/11-2014/15.
- MAAIF and MoFEPD, 2000. Plan for modernization of agriculture: Eradicating poverty in Uganda. Ministry of Agriculture, Animal Industry and Fisheries and Ministry of Finance, Planning and Economic Development, Kampala.
- McKinnon, R. and Nechyba, T. (1997). Competition in Federal Systems: The role of political and financial constraints, In the New Federalism: Can the State be Trust? John Ferejohn and Barry Weigast, eds. Stanford: Hoover Institution Press, pp. 3 61.
- Miles, M. and Hubermann, M. (1994). Qualitative data analysis: An Expanded Sourcebook. London: Sage

- Münkner, Hans-H (1976): Cooperatives for the Rich or for the Poor. With Special Reference to Co-operative Development and Co-operative Law in Asia. In: Asian Economies, H. 17.
- Mukwaya, P, Bamutaze, Y., Mugarura, S., and Benson, T. (2011). Rural-Urban Transformation in Uganda. Paper presented at the IFPRI-University of Ghana Conference, "Understanding Economic Transformation in Sub Saharan Africa" Accra, Ghana May 10-11, 2011
- Narayan, D., Patel R., Schafft, K., Rademacher, A. and Koch-Schulte, S. (2000). Voices of the Poor: Can Anyone Hear Us? New York, N.Y.: Published for the World Bank, Oxford University Press
- Neven, I. (2002). Background Paper on Decentralization. Contribution to Cost-Action E19 "National Forest Programs in the European Context" Institute Alterra Green World Research, Wageningen, the Netherland. <a href="http://www.metla.fi/eu/cost/e19/neven.pdf">http://www.metla.fi/eu/cost/e19/neven.pdf</a>
- Nkonya E., N. Afranaa Kwapong, B. Bashaasha, M. Najjingo Magheni and E. Kato. 2012. Agricultural extension reforms and development in Uganda. IFPRI mimeo.
- Oates, W. E. (1972). Fiscal Federalism. Harcourt Brace Jovanovich.
- OECD (2001). The DAC Guidelines. Poverty Reduction. Paris.
- Okoboi, G. and Byarugaba, C. (2007). Linking Smallholders to Remunerative Markets: How Smallholder Potato Producers in a Remote District of Uganda Market their Potatoes to NANDOS in Kampala. ASARECA Technology Uptake and Up-Scaling Support Initiative.
- Ostrom, E. and Ostrom, V. (1977). Public Economy Organization and Service Delivery. Paper Presented at the Financing the Regional City Project meeting of the Metropolitan Fund, University of Michigan, Dearborn, MI, W77-23, October 20.
- Paul, S. (1991). Strengthening public service accountability: A conceptual framework. Washington, DC. World Bank Discussion Paper No. 136.
- Peterson, H. C. and Anderson, B. L. (1996). Cooperative Strategy: Theory and practice. Agribusiness, 12 (4), 371 383.
- Platteau, J. P. (2009). Information Distortion, Elite Capture, and Task Complexity in Decentralized Development. In E. Ahmad & G. Brosio (Eds), Does Decentralization Enhance Poverty Reduction and Service Delivery? (pp. 23–72). Cheltenham: Edward Elgar Publishing.
- Pratt, A. N., and X. Diao. (2006). Exploring Growth Linkages and Market Opportunities for Agriculture in Southern Africa. International Food Policy Research Institute, Washington, DC.

- Prud'homme, R. (2003). Fiscal decentralization in Africa: A framework for considering reform. Publication Administration and development, 23, 17 27.
- Putnam, R. (1993), Making democracy work: civic traditions in modern Italy. Princeton University Press, Princeton.
- Ribot, J. (2002). African decentralization: Local actors, powers and accountability. Paper No. 8, Program on democracy, governance, and human rights. Geneva. UNSRID.
- Rondinelli, D. (1983). Decentralization in developing countries, Staff Working Paper. 581. Washington, DC, World Bank.
- Royer, J. (1999). Cooperative organizational strategies: A neo-institutional digest. Journal of Cooperatives 14: 44–67.
- Saltman, R. and Bankauskaite, V. (2004). Implementing Decentralization in European Health Care Systems: Searching for Policy Lessons. Prepared for European Health Policy Group session at 5th European Conference of Health Economists, London School of Economics, 8-11 September 2004.
- Seabright, P. (1996). Accountability and decentralization in government: an incomplete contracts model. European Economic Review, vol. 40, 61 89.
- Spear, R (2000) "The Co-operative Advantage", Annals of Public and Co-operative Economics, 71 (4), 507-523
- Steiner, S. (2006). An Evaluation of the Impact of Decentralization on Poverty The Case of Uganda. University of Leipzig Germany. PhD Dissertation
- Sexton, R. J. and Iskow, J. (1998). Factors Critical to the Success or Failure of Emerging Agricultural Cooperatives, Giannini Foundation Information Series 88 -3, University of California, CA.
- Staatz, J.M. (1987). Farmer's incentives to take collective action via cooperatives: A transaction cost approach. In Cooperative Theory: New Approaches. J.S. Royer (ed.). Washington, DC: USDA, Agricultural Cooperative Services. ACS Service Report 18: 87-107.
- Staatz, J. and Dembélé, N. (2007). Agriculture for Development in Sub-Saharan Africa. Background Paper for WDR 2008. Michigan State University, USA.
- Tanguy, B., Spielman, D., Taffesse, A., and Gabre-Madhin, E. (2010). Cooperatives for Staple Crop Marketing: Evidence from Ethiopia. IFPRI Research Monograph 164.
- Tiebout, C. M (1956). A Pure Theory of Local Expenditures. In: The Journal of Political Economy, 64 (5), 416-424.

United States Overseas Cooperative Development Council OCDC (2007). Cooperatives:
Pathways to Economic, Democratic and Social Development in the Global Economy. US
Overseas Cooperative development Council.
World Bank 2009. Uganda agriculture public expenditure review. World Bank mimeo.
(2001). World Development Report 2000/01. Attacking Poverty. Oxford University
Press, New York.
(2003). Reaching the rural poor, a renewed strategy for rural development.
Washington, D.C.
(2008). World development report. Washington, D.C.
WDR- World Development Report (2004): Making Services Work for Poor People. Oxford
University Press. World Bank, Washington

# 2. EXPLORATIVE STUDY (P1): "MAKING RURAL SERVICES WORK FOR THE POOR: MICRO-LEVEL EVIDENCE FROM RURAL UGANDA"

Nana Afranaa Kwapong Humboldt University Berlin Division of Cooperative Sciences nafranaa@yahoo.com

John Illukor
University of Hohenheim
Division of Social and Institutional Change in
Agricultural Development
john.ilukor@gmail.com

Prof. Dr. Markus Hanisch Humboldt University Berlin Division of Cooperative Sciences hanischm@rz.hu-berlin.de

Dr. Ephraim Nkonya International Food Policy Research Institute Environment and Production Technology Division e.nkonya@cgiar.org

World Rural Observations 2012; 4(1):3-12]. ISSN: 1944-6543 (Print); ISSN: 1944-6551 (Online). http://www.sciencepub.net/rural.

#### **Abstract**

Access to rural services is a promising strategy for increasing people's productive capacity resulting in the promotion of human development and poverty reduction. However, the paradox in Uganda is that in some rural communities' improved service provision has obviously worked to get the poor out of poverty whereas in other communities improved services seem not to have impacted rural livelihoods. In this paper, we make an attempt to explain this paradox based on a qualitative case study of four rural communities in Uganda. Our findings indicate that communities with reduced poverty levels were characterized by particularly high level of collective action among community residents. Communities with high poverty levels had strong preferences towards better access to extension services, microcredit services and increase security to improve livelihoods and reduce poverty. In all cases, leadership played a critical role in improving the performance of rural services. In the absence of security all other services could not work for the benefit of the poor. The lack of well defined property rights on land in general reduced and insecure access to land was a major obstacle reducing the effectiveness of all other rural services

**Key words:** Rural Services, Poverty, Uganda

#### 2.1 Introduction

Access to rural services is a promising strategy for increasing people's productive capacity resulting in the promotion of human development and poverty reduction (OECD 2001; World Bank 2003). However services often fail to include the poor because governments misallocate resources, because poor incentive structures in delivering services exist, and because the awareness and participation of service users do not reach frontline providers (World Bank 2003; Goetz and Gaventa 2001). Various alternative solutions have been proposed in finding strategies to make rural services work for the poor which have included decentralizing service delivery, community driven development, participatory development, social funds, demand side financing, contracting out, and NGO provision (Pritchett and Woolcock 2004; Zhang et al. 2005). The logical argument for not applying a "one-size-fit-all solution" to rural service provision has been that institutions do matter! The question is: what works where, how and why?

This paper aims at contributing empirical knowledge to address these questions through indepth case studies, examining different cases in which variable service performance has impacted poverty outcomes in Uganda.

Uganda has a wide spread poverty pattern concentrated mostly in the rural areas where over 80 percent of the population live and derive their livelihood mainly from agriculture. Progress has been achieved in reducing poverty in the country from 51 percent in 1992/93 to 31 percent in 2005/06 and further to 24.5 percent in 2010 (UBoS 2011) which shows that the government economic reforms and policies have generated substantial welfare increasing opportunities that seem to have enabled a significant fraction of the population to move out of poverty. Poverty though it has decreased, as a general phenomenon has wide regional differences and even within districts and rural communities there are variations with some communities achieving significant reduction in poverty headcounts.

This paper further elaborates a research study on the dynamics of rural services and their influence on poverty and rural development by Nkonya et al. (2009). The objective of their study was to understand the impact of changes of access to rural services on poverty dynamics, production and commercialization of agriculture and health changes. Part of their findings indicated that generally improvement of rural services reduced the propensity to remain in poverty or fall in poverty and increased the probability to remain above the poverty

line. However, contradicting findings were observed in some communities where despite the improvement of rural services, poverty had remained high. Also in some communities poverty levels remained low despite the limited improvement in rural services. Thus it was felt necessary to provide deeper case study insights to understand why in some communities' service provision has worked to get the poor out of poverty where as in other communities services have not worked to get the poor out of poverty?

#### 2.2 Materials and Methods

#### The selection of the study district

The design adopted for this study was a linkage of both quantitative and qualitative methodological approaches. Such an approach may provide insights in paradox situation by looking at details and contexts (Miles and Huberman 1994). The analysis of quantitative data on access to rural services and poverty headcounts and severity of poverty was used to conceptualize a 2x2 sampling matrix (Table 1). The matrix was elaborated by analyzing data on farmer household's distance to all-weather roads, bank, health centre, secondary schools, primary school, input and output market, number of visits by extension service providers and access to credit (i.e. farmers who borrowed) which were used to determine the performance of a district in providing rural services. The 1990/91 household survey was used as the baseline representing levels of service provision before decentralization and the 1999/00 household survey used to form the panel data, which were used to compute changes in the access to rural services and the changes in the outcome (severity of poverty and poverty headcount). Two statistical methods – Factor analysis and cluster analysis- were used to structure the data. Factor analysis was used to "combine" the rural services into one common factor (rural service – with varying degree of performance). Cluster analysis then was used to group the districts into four groups according to their improvement of rural services: best services (highest improvement); good services (medium improvement) and poor services and very poor service (lowest improvement) (Figure 1). The impact of changes in rural services on poverty changes was calculated using first difference econometric method (Heckman, 1985). Poverty changes were divided into four categories.

- (1) Chronic poverty: Household was below the poverty line in 1991/92 and remained below the poverty line in 1999/00.
- (2) Escape poverty: Household was under the poverty line in 1991/92 but was above the poverty line in 1999/00
- (3) Fall into poverty: Household was above the poverty line in 1991/00 but fell below the poverty line in 1999/00
- (4) Above the poverty line: Household was and remained above the poverty line in 1999/00.

A multinomial logit model was used to compute the marginal effects of the probability to be in one of these groups. Changes in major rural services were then computed subtracting the values of 1999/00 household survey from the 1991/92 values (see Nkonya et al. 2008 for elaborated details of methodology).

Four districts were then selected that fitted the criteria conceptualized in the 2x2 matrix. The agro-ecological zones of the districts were controlled for as they may have an impact on the poverty dynamics. Three of the selected districts for the case studies – Kumi, Soroti and Lira district – were selected from the low to medium unimodal rainfall zone and Nakasongola district from the bimodal medium rainfall zone. Kumi district represented a case district with high improvement in services and low poverty levels. Soroti district represented a low improvement in services and low poverty levels. Nakasongola district represented a high or medium improvement in services and low poverty levels. Lira district represented low improvement in services and low poverty levels.

**Table 1: 2 x 2 Sampling Matrix** 

	Low poverty	High poverty		
High or medium	Kumi district	Nakasongola district		
improvement in services	Kachooso	Katuugo village		
_	village			
Low improvement in	Soroti district	Lira district		
services	Agiret village	Otang Village		

#### A qualitative approach for the selection of study villages

A qualitative approach was used to select four case villages that were representative of each of the selected districts. In selecting the villages, interviews were first conducted with the district officials and experts who had in-depth knowledge of the districts for their opinion on potential sub-counties based on the selection criteria using the 2x2 matrix. In each of the selected districts, interviews were made with the Chief Administrative Officer (CAO), District Chairperson and NGOs working in the district. Based on the different recommendations made by these officials, three of the suggested sub-counties were visited and discussions made with the sub-county Chairman, sub-county Chief and Sub-county Extension Officer. The criteria for selecting the district and sub-county were explained and the officials asked for their opinion whether their sub-counties fitted the criteria or not. If they agreed that it fitted the model, they were then asked to recommend a village that best described their sub-county. If the sub-county was said not to be representative of the district based on the model, then they were asked to recommend other sub-counties within the district that best fitted the model stating the reasons behind their choice. Based on the gathered information a list of proposed sub-counties and villages were compiled. This was compared with a list of pre-selected sub-counties and villages from analysis of the household data. One sub-county was then purposively selected for the case study. Discussions were then held with the village chief and his council members followed by a focus group discussion with the village members and qualitative interviews with ten members of the village including the village chief. The villages selected for the study were Kachooso village from Kumi district, Katuugo village from Nakasongola district, Agiret village from Soroti district and Otang village from Lira district (Figure 1).

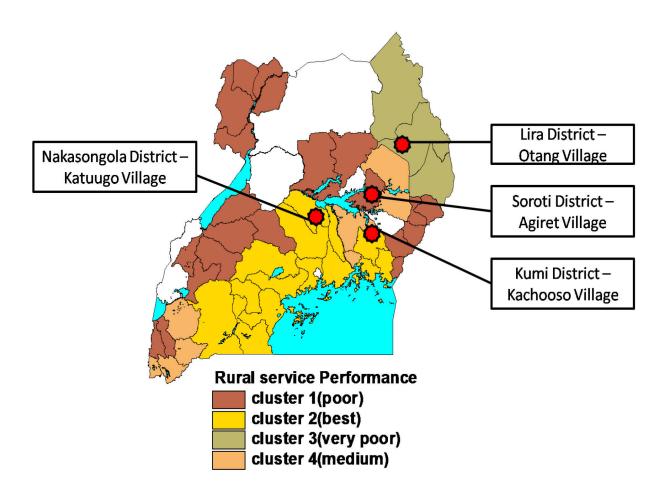


Figure 1: Map of district service performance and selected case study sites

Source: Nkonya et al. 2009 (modified)

#### 2.3 Results and Discussions

#### 2.3.1 Rural services accessibility and local service preferences

Table 2 shows assessment of village members during focus group discussions on service availability and accessibility. Six types of services were identified, that are, extension, water, microcredit, education, health and security. These services were ranked into three categories. That is high, medium or poor improvement in services. Services produced by various service providers and widely accessible by many of the locals were classified as high improvement in services. Services produced solely by the community or co-produced by the community together with government and or NGO support, which was not sufficiently accessible, was

classified as medium improvement in services. Services which were underprovided or not available therefore not accessible were classified as low improvement in services. For instance in the case of Kachooso village from Kumi district, most of the services were classified as high improvement which is consistent with the selection criteria for selecting this case village. Another example is Otang village from Lira district, selected for its low improvement in services.

Table 2: Service provision and local preference in the four case villages

Rural Service	Extension	Water	Microcredit	Education	Health	Security
Village						
High Improved Services x Low Poverty (Kumi district - Kachooso Village)	***	**	***	***	***	***
Low Improved Service x Low Poverty (Soroti district - Agiret Village)	**	*	**	*	*	***
High Improved Services x High Poverty (Nakasongola district- Katuugo Village)	***	**	**	***	***	**
Low Improved Service x High Poverty ( <i>Lira district - Otang</i> Village)	*	*	*	*	*	*

Source: Field Survey 2008

#### Indicators

- \*\*\*: Service produced by various service providers (largely accessible)
  - \*\*: Service produced / co-produced by the community (not sufficiently accessible)
  - \*: Service not available in the village/ underprovided (not accessible)
- Service of most importance to the locals
  - Service of second importance to the locals

During focus group discussions, respondents were asked to rank two most important service needed by the communities to improve livelihoods and reduce poverty. Services considered as of much importance were agricultural extension, microcredit and health services (Table 2). Communities with high poverty levels preferred mostly access to extension services, microcredit services and increase security. Communities with low poverty levels preferred mostly microcredit and health services. Discussions were focused on relation of services performance, poverty outcomes and also on adopted strategies and mechanisms to improve rural livelihood. These results are discussed in the next section.

#### 2.3.2 Why service improvement had resulted in reducing poverty?

For the case example from Kachooso village in Kumi district representing a community with high or medium improvement in services and a corresponding low level of poverty, it was evident that the major reasons why there were low levels of poverty was because of (1) the high accessibility to rural services, (2) close proximity of the village to the district centre, (3) good local leadership, (4) well established local institutions within the community, and (5) large external support from government and NGOs which had helped to improve the livelihood conditions of the inhabitants.

Kachooso village had access to a wide range of services including, microcredit services, health services, agricultural extension services, water, primary and secondary education (Table 2). Access to microcredit to invest in agriculture and agribusiness activities was ranked as the most important service needed by the community to improve livelihood conditions. Recurring unfavorable weather conditions, decreasing yields and the challenge of feeding large family sizes had promoted the need for most families to engage in other income generating activities, reducing their dependence on rain-fed subsistence agriculture. This increasing need for capital to invest in other micro-business enterprises had necessitated the need to increase their access to microcredit. Microcredit was mostly accessed informally through locally established self-help microcredit groups and savings and credit organizations within the sub-county. Health services were accessed from the district hospital and from the community health centre in the sub-county. Even though the locals had access to health services, the service received was reported to be of poor quality, complaining of long waiting hours because of the few working staff, and unavailability of drugs for treatment. Improving accessibility to health services was therefore of much importance to the locals, ranked as of second importance. Other services such as agricultural extension services were largely available to the locals through the government sponsored National Agricultural Advisory Services Program (NAADS). Free primary education was provided under the government sponsored Universal Primary Education (UPE) and Universal Secondary Education. Access to complementarities of services has been found to have a positive impact on per-capital expenditure and poverty (Escobal, Peru and Torero 2005). However, access to a large number of services may not always imply a reduction in poverty outcomes when other critical conditions are not fulfilled.

This study observed that in the case village studied, in addition to having a wide access to rural services, the village was located close to the district centre linked by a good feeder road and good community access roads. This provided an advantage of linking farmers to markets within the district and beyond. This result is consistent with study findings of Nkonya et al. (2005) who find that access to roads contributes to higher per capita household income. Aside the close proximity to roads, the leadership of the village was described as being efficient and effective in mobilization of the locals for community activities and enforcement of rules and norms in the village. Rules and institutions established by the locals and their leaders were considered by the locals as in their own best interest and were motivated to enforce these rules. The village had rules for example; compulsory attendance of family heads to village meetings, construction of sanitary facilities in each household etc. Such rules were set to address the major challenges causing poverty in the village. Their conformance to these rules according to the locals had increased sanitation in village, reduced the number of child mothers, promoted participation in village meetings, reduced theft cases and insecurity, maintained order and discipline in the village.

#### 2.3.3 Why poverty has been reduced despite low improvement in services?

The second case study, Agiret village was selected based on the paradox that the levels of poverty had been reduced despite the low improvement and accessibility to rural services. The reason for the resulting outcome of decreasing levels of poverty was mainly because of the high level of collective action and participation to be found among the members of the village largely organized in self help groups and cooperatives. With financial assistance from these self help groups, a proportion of the locals were engaged in alternative income generating activities such as petty trading, selling of smoked fish, brewing, selling of local beer and charcoal burning. Some of the men in the groups operated as marketing agents who bought harvested produce from the farmers in the village and other neighboring villages, stored and transported to nearby markets on market days or sold later for higher prices. The operations of these local trading agents had provided a ready market for farmers within the village and beyond.

Besides the microcredit group, there were also National Agricultural Advisory Services (NAADS) supported groups which received extension services from local government extension officers. Members of these groups shared the obtained knowledge with their neighbors. Extension services received were said to be mostly on disease control and pest management and on how to apply agro-chemicals and medicines to farm animals. Visits by the extension agents was however said not to be regular. Other self help groups prominent in the village were funeral groups and HIV/AIDS victim support groups. Most families in the village were members of the funeral groups. The funeral groups provided support for bereaved families in organizing funerals of registered family members. The HIV/AIDS groups supported persons infected with HIV/AIDS, widows and orphans. This group received external financial, nutritional supplement and medical support from NGOs. Social capital may create the capacity for collective action which in theory may compensate for missing markets (Di Gregorio et al. 2008), in this case collectively substituting for missing public services which the government had failed to provide.

To the people of Agiret village, the major cause of poverty in their village was due to the lack of access to microcredit to engage in micro business activities. Also, subsistence farming, large family sizes, diseases and unfavorable weather condition were mentioned as causes of poverty in the village. Services of most importance to the members of village were to have access to health services and microcredit services (Table 2). Having access to improved health was crucial as diseases such as HIV/AIDS and meningitis were found to be on rapid increase and claiming many lives within the village. The district hospital and community health centers were far from the village and the sick had to travel long distance to access the service. Access to microcredit was of second importance since most of the members of the village were into agribusiness and micro-business trading activities. The participants during the focus group discussions explained that agricultural output was on a gradual decline due to unfavorable weather conditions of long periods of drought and floods during rainy seasons and farming on small land sizes to feed large family sizes. As they were already organized in groups increasing their capital base to be able to meet the request for credit from members was important for the group members. Leadership in Agiret village was described as not united, unwilling to work together to get projects to the village and not participating in meetings at the sub-county which was said to be the explaining reason why the village had poor services.

#### 2.3.4 Why improved services had failed to reduce poverty?

Improvement in service provision plays a significant role in reducing the propensity to fall into poverty. This was however not the case observed in the case study of Katuugo village in Nakasongola district. Despite the improved provision of rural services in the district, the village had not achieved much reduction in poverty levels. It was identified that the explaining fact for this outcome was due to the lack of well defined property and user rights of the land tenure system in the district and limited and insecure contracts to land was a disincentive for many locals to invest in land related investments such as building permanent structures and planting crops like coffee and citrus.

In this case village, farming was the major economic activity. Poverty in the village was attributed to the lack of capital, producing on subsistence basis, and lack of access or ownership of land, lack of means of transport for farm produce to markets and lack of money to pay for health care services. The village had access to many of the basic services such as education, agricultural extension services, water, markets, microcredit, community access roads and health service. Most of the village members had user rights to the land on which they lived and farmed but not registered land titles to the land. This has a history dating back to the colonial era which has created overlapping land rights. Overlapping land rights are known to create grounds for conflict and disincentive for land related investment (see e.g., Deininger and Ali 2007; Hunt 2004; Pender et al. 2004; Kyomugisha 2008). During the British colonial era, the British under the 1900 Buganda Agreement awarded large tracks of Mailo lands (land title owners renting to tenants who paid rents, tenants given hereditary security of rents up to 3 acres) to the Buganda King and his notables and the rest as crown lands which the government could give out as freehold (indefinite land title) or leasehold (land possession for a specified period). Customary lands already existed before the act in 1900 which now subjected the peasants already inhabiting the land as tenants vulnerable to being evicted by the new landlords. Land reform Act 1975 increased the complexity of land rights abolishing mailo lands, customary lands and freehold, allowing only leasehold tenure system. Land Act 1998 was introduced to increase land security, formal recognition of customary land ownership and women's ownership to land. Tenants did not feel protected by this act. The Act was amended, if a land owner wanted to sell his land, he or she had to inform the tenants if they were willing to buy the land. In most cases the tenants who are peasant farmers do not have the capital to purchase the land. Farmers occupying such lands

are not motivated to make investment on their land such as putting up permanent housing structures or growing perennial cash crops due to frequent eviction cases within the village.

Despite the unresolved issue of land ownership, from focus group discussions agricultural extension services were ranked as the most important services needed in the community to improve knowledge on agricultural production, increase productivity and to have access to improved seeds for cultivation (Table 2). As highlighted by a participant of the focus group discussion "if we are able to produce more, we will have money for other business activities and be able to provide some of our needs". Having access to microcredit was of second importance to engage in micro-agribusiness activities. Local leadership of the village was described as 'weak' not serving the interest of the locals and not efficient in resolving land conflicts cases in the village.

#### 2.3.5 Why poor improvement in services resulted in high poverty levels?

The case village selected to understand why low improvement in services resulted in high poverty levels was Otang village located in Lira district. The main reason for resulting outcome of high poverty levels was because of the long period of insecurity and remoteness of the village. The village was one of the worse affected by the insurgencies in the region from the Lord Resistance Army (LRA) war. The Lord Resistance Army is a militant group which was formed in 1987 led by Joseph Kony. It has been described as an insane ocultic group with no political agenda. The rebel group has been engaged in a long running armed rebellion against the Ugandan government. It has been accused of causing widespread human violation. Many of the inhabitants of the case study village had been killed or displaced to security camps in the districts where they had lived for many years.

Beside the war, there was also the menace of cattle rustling that had prevailed in the Karamoja sub region of Northern Uganda increasing insecurity in the region. Cattle's rustling is a way of life where the cattle are at the centre of the value system. Cattle rustling have been part of the Karamojong tradition where they engage in frequent inter-tribal clashes over natural resources like water and land, characterized by raids. Due to the nature of their livelihood, delivery of basic services has proved to be difficult and expensive (Okidi and Mugambe 2002). As part of the tradition, it is honorable and a pride of manhood for a man to go to other

neighboring villages and raid cattle. Cattle are used for payment of bride price, meat, milk and hide. Neighboring districts have mostly been affected due to their disadvantaged location.

Otang village borders Abim district, where their neighbors practice the tradition of rustling cattle. The inhabitants of the village lived in fear of their neighbors. The civil conflict by the LRA may be over but they lived in danger of being attacked by their neighbors. Since their neighbors were more interested in cattle, the locals had chosen not to rear cattle, an important asset which could have been used as ox plough for ploughing large sizes of farm land for agricultural production. The inhabitants farmed on small areas of land close to their homestead for security reasons. One local explained: "People are scared to go to their farms, if you go to your farm you are chased away by the Karamojongs". Most of the inhabitants owned large sizes of land but had not cultivated these lands due to the security threats. Even though increasing cultivated areas and on-farm activities enhance welfare in post conflict areas (Bozzoli and Brück 2009), this opportunity could not be exploited in the case of Otang village. The lack of security had affected their agricultural productivity and they could not as a result produce enough to feed themselves. They had the challenge of resettling and also dealing with the insecurity issue in their village.

The village had limited access to social services, most of the basic services unavailable (Table 2), and accessed from other villages within the district which were distant from the village. Health services for instance as described by one elderly man during the focus group discussion "there are no clinics nearby and you have to travel about 12 miles to the sub county for medical health care. Imagine a woman in labor, being carried on a bicycle this entire journey to the clinic at the sub county". Aside the distance to the health centre, there were no drugs and the health centers were not adequately equipped. Agricultural extension service was unavailable. According to the village locals there had never been an extension officer visiting their village since they returned from the camps to resettle. Government supported programs such as the National Agricultural Advisory Services (NAADS) and Northern Uganda Social Action (NUSAF) for reducing poverty in northern Uganda had not reached the village which the locals explained as being due to the remoteness of the village and poor road network. New roads were being constructed to link the village and provide access roads for border security guards to be stationed to prevent cattle raiding.

Faced with the challenge of surviving under threat of attack and poor availability and accessibility to services, the village locals had to find strategies to survive in one way or the other. The village was endowed with large areas of uncultivated land with trees which the locals harvested and burnt as charcoal for sale to the other neighboring villages. Burning of charcoal was a tedious process, some of the village men teamed up to produce the charcoal together, sell and share the capital. Some of the local men burned bricks together which were sold to the new arrivals and neighboring villages in the parish for income. Others worked as laborers on other neighboring village's farms for a fee. These strategies had been adopted to compliment their small scale agricultural production.

Increasing security was considered as the most important service needed in the village (Table 2) and the region if services were to be improved and poverty reduced. The locals of the village believed that if there was peace and security they could work to feed themselves as they owned large sizes of arable land. Also, they could rear cattle and use as ox ploughs for ploughing large farm lands. The service of second importance was to have access to microcredit. With access to microcredit the locals could engage in other income generating activities not relying solely on subsistence farming.

#### 2.4 Conclusions

This paper had the objective of examining how service performance has impacted poverty outcomes in four rural communities in Uganda. The paper provides insight to understanding why in some communities' service provision has worked to get the poor out of poverty where as in other communities services have not worked to get the poor of poverty?

It has become evident that the major reason why improvement in services corresponded with a low level of poverty in village 1 was because of the high accessibility to rural services, close proximity of the village to the district centre, good local leadership, well established local institutions within the community, and large external support from government and NGOs. The reasons for the resulting outcome of decreasing levels of poverty despite low improvement in services in village 2 was mainly because of the high level of collective action - participation of the members of the village in self help groups and cooperatives. The explaining factor why improved services had failed to reduce poverty in village 3 was due to

the lack of well defined property rights of the land tenure system in the district and reduced access to land which acted as a disincentive limiting land related investment opportunities. In village 4, the reasons why poor improvement in services had resulted in high poverty level were because of the long period of insecurity and remoteness of the village.

In understanding what works where and why, four propositions are made based on the findings from the case study:

#### 1. Access to complementarities of services may improve rural livelihood

Communities with low poverty levels preferred mostly microcredit and health services. Whiles communities with high poverty preferred mostly access to extension services, microcredit and increase level of security. Access to complementarities of services has been found to have a positive impact on per-capital expenditure and poverty (Escobal, Peru and Torero, 2005). Increased access to a combination of services such as extension services, microcredit, and health services with increase level of security may result in improving livelihood and thereby reduce poverty.

## 2. High levels of public service provision may partly be compensated by high levels of collective action, self-help and participation.

Evidence shows that participation in cooperatives and self help groups increased individual's access to credit, marketing services and reduced risk. This is consistent with literature that has shown that where the state and the private sector are unable to provide services and market failures exist, groups of individuals may cooperate to achieve a common interest in privately providing the missing service (Montgomery and Bean 1999). The problem of free riding however persist which according to Ostrom (1990, 2000), investing resources in monitoring and sanctioning actions of individuals to some extent reduces the probability of free riding.

## 3. Security and property rights are indispensable in efforts to improve service provision

Communities with security treats had little or no services, small population sizes and little governmental and external support. Services are not likely to work for the poor in such areas as the needed services may not be available and or accessible due to security threat. Vaux and Visman (2005) emphasize that early government prioritization and commitment to policy

reforms and allocation of resources for service delivery is essential for the development of post conflict areas.

The lack of well-defined property rights of the land tenure system and reduced access to land may act as a disincentive limiting land related investment opportunities (De Soto 2000; Hunt 2004). De Soto (2000) proposes formally documenting property rights to facilitate transactions. That is including the informal property rights especially of the poor in the formal legal system. There is however the need to minimize unintended impacts during the process of design and implementation of such reforms as there may be competing claims form long standing history of settlements, and inefficiencies resulting from under-resourced administrative and legal systems (Hunt 2004).

Efforts to reduce poverty should focus on improving security, property rights, then analyze the capacity for self help and strengthen it with capacity building and improve public service provision.

#### References

16 July 2011).

- Bozzoli, C. and Brück, T. (2009): Agriculture, Poverty and Post-War Reconstruction: Microlevel evidence from Northern Mozambique. Journal of peace research, vol. 46, no. 3, pp. 377 97.
- De Soto, H. (2000): The mystery of capital. London, Sydney, Auckland and Park town (S. Africa). Bantam press; New York. Basc Books.
- Di Gregerio, M., Hagedorn, K., Kirk, M., Korf. B., McCarthy, N., Meinzen-Dick, R., and Swallow, B. (2008): Property rights, collective action and poverty: The role of institutions for poverty reduction. CAPRi Working Paper 81. International Food Policy Research Institute, Washington, D.C.
- Deininger, K. and Ali, D. (2007): Do Overlapping Land Rights Reduce Agricultural Investment? Evidence from Uganda. The World Bank Development Research Group WPS431
- Escobal, J., Perú, G., and Torero, M. (2005): Measuring the impact of asset complementarities: The case of rural Peru. CUADERNOS DE ECONOMÍA, VOL. 42 (MAYO), PP. 137-164, 2005
- Goetz, A. M. And Gaventa, J. (2001): Bringing Citizen voice and client focus in service delivery. Institute of Development Studies Working Paper 138, Sussex
- Heckman, J. J. (1985). Alternative Method for Evaluating the Impact of Interventions. Journal of Econometrics, 30, 239-267.
- Hunt, D. (2004): Unintended Consequences of Land Rights Reform: The Case of the 1998 Uganda Land Act. Development Policy Review 22 (2): 173-91.
- Kyomugisha, E. (2008): Relationship between land tenure and agricultural productivity in Uganda. Part of a series of briefs on the agricultural sector in Uganda for IFPRI-Kampala.
- Miles, M. and Hubermann, M. (1994): Qualitative data analysis: An Expanded Sourcebook. London: Sage
- Montgomery, Michael R. and Richard Bean (1999): Market Failure, Government Failure, and the Private Supply of Public Goods: The Case of Climate-Controlled Walkway Networks. Public Choice Journal 1, 99:3/4, pp. 403-37.
- Nkonya, E., Pender, J., Kato, E., Benin, S., Makerlova, H., and Okecho, G. (2009): Dynamics of rural services and their influence on poverty and rural development: Evidence from Uganda. Available online at: http://ugandassp.files.wordpress.com/2010/06/uganda econometric analysis.pdf (retrieved

- Nkonya, E., Pender, J., Kaizzi, C., Kato, E., Mugarura, and S. (2005): Policy options for increasing crop productivity and reducing soil nutrient depletion and poverty in Uganda. International Food Policy Research Institute, Washington, D.C.
- Organization for Economic Co-operation and Development OECD (2001). The DAC Guidelines. Poverty Reduction. Paris
- Okidi, J. and Mugambe, G. (2002): An Overview of Chronic Poverty and Development Policy in Uganda. CPRC working paper 11
- Ostrom, E. (1990): Governing the Commons: The Evolution of Institutions for Collective Action. New York: Cambridge University Press.
- Ostrom, E. (2000): Collective action and the evolution of social norms. In: The journal of economic perspectives 14 (3): 137 158.
- Pender, J., E. Nkonya, P. Jagger, D. Sserunkuma and H. Ssali (2004): Strategies to Increase Agricultural Productivity and Reduce Land Degradation: Evidence from Uganda. Agricultural. Economics 31 (2-3): 181-95.
- Pritchet, L. and Woolcocks, M. (2004): Solution when the solution is the problem. World Development Vol. 32, No. 2, pp. 191–212, 2004
- Uganda Bureau of Statistics (UBoS) 2011: Statistical abstract 2010/11. Kampala
- Vaux, T., and Wisman, E. (2005): Service delivery in countries emerging from conflict. Final report for DFID. Bradford: University of Bradford, Center for International Co-operation and security.
- World Bank 2003: World Development Report 2004: Making Rural services work for poor people. The World Bank and Oxford University Press, Washington, D. C.
- Zhang, X., Fan, S., Zhang, I., and Huang, J. 2004: Local Governance and Public Goods Provision in Rural China. In Journal of Public Economics, 2857-2871

3. LITERATURE REVIEW (P2): "WHAT DO WE KNOW ABOUT COOPERATIVES AND POVERTY REDUCTION? A LITERATURE

**REVIEW"** 

Nana Afranaa Kwapong

Humboldt University Berlin Division of Cooperative Sciences Luisenstr. 53

10099 Berlin

Germany

**Abstract** 

There is growing consensus among both practitioners and the academic community that the

cooperative business model is a form of institution that meets most of the dimensions of

poverty, providing opportunities, facilitating empowerment and enhancing security. But what

are the bases for such claims that the cooperative model has a potential to reduce poverty?

This paper presents a literature review of empirical research on cooperatives potential to

reduce poverty and finds a substantial literature supporting this claim. Four different

perspectives on this proposition are identified, all agreeing to this claim but emphasizing

further on the need to respect cooperative principles and values.

Key words: Cooperative, Poverty, literature review

Corresponding author email: <u>Kwaponna@staff.hu-berlin.de</u>

45

#### Introduction

All over the world there is a growing tendency towards promoting cooperatives as means to reducing poverty (ICA/ILO, 2008; Develtere et al., 2008). There is growing consensus that the cooperative business model is a form of institution that meets most of the dimensions of poverty, providing opportunities, facilitating empowerment and enhancing security (ICA/ILO, 2008; Develtere et al., 2008; Bibby and Shaw, 2005; Simmons and Birchall, 2004). As such the cooperative business model is increasingly presented as a pre-condition for a successful drive against poverty and exclusion especially in the developing countries (Wanyama et al., 2008; Pollet, 2008; Parnell, 2001; OCDC, 2007; Simelius and Tenaw, 2008; Birchall et al., 2008). However, the impact of cooperatives on poverty levels has frequently been questioned (Birchall 2003; Bibby and Shaw, 2005) and Münkner (2012; 1976) has repeatedly reminded us that the ability of poor people to organize themselves and invest in cooperatives may be very limited and that the benefits of collective action may not be easily accessible for poor people. In literature different perspectives on cooperatives ability to reduce poverty and foster development can be differentiated. Some authors (see e.g., Hussi et al., 1993; Thorp, Stewart and Heyer, 2005; Holmén, 1990; Schirber, 1945) argued that cooperatives with open membership, would not require large individualized amounts of capital and that cooperatives manage to share economic results equitably therefore have an automatic tendency to benefit the poor. Another group of authors (see e.g., Laidlaw, 1980; Münkner, 1976; UNRISD, 1975; Braverman et al. 1991; DFID, 2005; Birchall, 2008) of a more "moderate perspective" argue that cooperatives are people centered businesses thus mainly concerned with benefiting their members and do not necessarily have an inbuilt obligation to the poor. However representatives of that group also emphasis that even though the original objective of a cooperative may not show concerns for poverty elimination, cooperative business practices may result in side effects that offer economic advantages for the poor. A third group of authors (see e.g., Hussi et al., 1993; Pollet, 2009; Satgar and Williams, 2008; Holmén, 1990; Gyllström et al 1989; Hunter, 1981; Lele 1981, 1975) take a more "balanced perspective" and argue that cooperatives have a general potential to reduce poverty provided their values and principles are well respected and certain preconditions are met. The fourth group of authors (see e.g., Wanyama et al 2008; Simmons and Birchall 2008; Spear, 2009; Develtere et al 2008; Bibby and Shaw 2005; Birchall 2004; OCDC, 2007; Parnell, 2001; Pollet and Develtere, 2004; Markell, 2004) are of a rather "optimistic perspective" even claiming that cooperatives have the advantages of identifying economic opportunities for the poor;

empowering the disadvantaged to defend their interest; and providing security to the poor by allowing them to convert individual risks into collective risks. They have the advantages of identifying economic opportunities for the poor; empowering the disadvantaged to defend their interest; and providing security to the poor by allowing them to convert individual risks into collective risks.

The objective of this review paper is to take stock and analyze various arguments presented by different authors and practitioners on the potential role of cooperatives in reducing poverty. The paper will also identify the underlying reasons for the cooperatives' advantage in addressing the issue of poverty. This is aimed at providing a clearer understanding of the key features of the cooperative advantage and the basis for claims on cooperatives potential to reduce poverty. This paper contributes knowledge at a point in time when cooperatives are back on the development agenda. The United Nations has declared 2012 as the International Year of Cooperatives aiming at promoting awareness of the cooperative business model as a value based business model (ICA, 2009). After year of little attention, cooperatives seem to be back on national and international economic policy agendas. This paper reviews the existing literature focusing on the relationship between cooperative development and poverty reduction. It must be noted that the literature presented in this paper is not meant to be exhaustive, does not cover all literature on cooperatives and poverty reduction. Our aim is to gather relevant literature which has served as the foundation for making arguments on the role of cooperatives in poverty reduction. The focus lies on published literature. The paper is organized as follows. The next section provides a discussion on how to define cooperative organizations vis a vis other types of organization. This is followed by a review of prominent claims on cooperatives' potential to reduce poverty. This is followed by a discussion on the more general member benefits and cooperative advantages. We conclude with comparing the main arguments of the different strands in literature and with listing the remaining research gaps for future studies. Annotated bibliographies of the literature reviewed are provided at the end of the paper.

#### **Understanding Cooperatives**

A cooperative is an enterprise characterized by user-ownership, user-control and user-benefit:

- It is user-owned because the users of the services of the cooperative also own the cooperative organization; ownership means that the users are the main providers of the equity capital in the organization;
- It is user-controlled because the users of the services of the cooperative are also the ones that decide on the strategies and policies of the organization;
- It is for user-benefit, because all the benefits of the cooperative are distributed to its users on the basis of their use; thus, individual benefit is in proportion to individual use.

This definition of cooperatives and producer organizations (from now on shortened in the text as cooperatives) includes cooperatives and associations of producer organization (often called federated or secondary cooperatives). Our study focuses on cooperatives and cooperatively organized forms of producer organizations (not on state cooperatives or socialist producer cooperatives). The International Cooperative Alliance (ICA) has defined a cooperative as "an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically -controlled enterprise" (ICA, 1995: 1). This definition places emphasis on cooperatives being an economic enterprise with socio-cultural responsibilities. ICA expects cooperatives to be independent of government control; owned by individuals or organizations. Members join willingly and can leave freely which is to say membership is voluntary. This feature distinguishes cooperatives from other forms of associations like farm collectives or community or district associations where membership may be related to geographical location or profession even though some members may prefer non association. Cooperatives are designed to meet the economic, social and cultural needs of their members as defined by the members. Hence, in order to meet the needs of their members, cooperatives have an economic, social and cultural role to play. Another feature has to do with ownership control. Cooperatives are democratically controlled. In traditional cooperatives members participate on the basis of a one member one vote principle thus the powers to decide on residual cost or profit distribution do not rest on the number of capital shares a person owns (Birchall 2003). Cooperatives usually return surplus revenues (income over expenses and investment) to

members proportionate to their use of the cooperative, not proportionate to their "investment" or ownership share.

Cooperatives are motivated not by profit, but by service to meet their members' needs for affordable and high quality goods or services. When cooperatives generate margins from efficient operations and add value to products, these earnings are returned to members in proportion to their use of the cooperative. Without the cooperative, these funds would go to other middlemen or processors.

#### **Understanding Poverty**

Different researchers have defined and explained poverty in different ways agreeing on no single common definition of poverty. However, according to Lister (2004, 12) it is critically how poverty is defined: "is critical to political, policy and academic debates about the concept which is bound up with explanations and has implications for solutions". Pioneering work by Booth (1892) and Rowntree (1901) did set the ground for many further studies on poverty. Both Booth and Rowntree gave a subsistence definition of poverty based on human basic needs, having less than what is objectively defined in society as an absolute minimum. Townsend gave a broader definition of poverty not limited only to subsistence needs. He describes poverty as the inability of a person to participate in society due to a lack of resources. This resource based definition of poverty focuses on basic needs has resulted in the "one dollar one day" treatment of poverty and has been criticized for not including nonmaterial elements and also seen as being confined to areas of life where participation or consumption in society are determined by command over financial resources (Lister, 2004). Nobel Prize economist Amartya Sen (1993) presents an alternative definition of poverty, arguing that any definition of poverty should be based on people's capabilities. The capability approach developed by Nussbaum and Sen (1993) is based on an understanding of the meaning of living seen as 'being and doing' with the quality of life to be assessed in terms of the capability to achieve valuable functions. Functions they define as representing "part of the state of a person in particular the various things that he or she manages to do or be in leading a life" (Sen 1993, 31). Sen (1993) emphasizes that income was not valuable in itself. Income only becomes valuable in so far as it increases the capabilities of individuals and thereby permits their functioning in society.

The United Nations Development Program (UNDP) widely follows this approach and defines poverty as "the denial of opportunities and choices most basic human development to lead a long healthy, creative life, to have a decent standard of living, to enjoy dignity, self esteem, the respect of others and the things that people value in life. Human poverty thus look at more than a lack of income, since it is not the sum total of human lives, the lack of it cannot be sum total of human deprivation" (UNDP 1998, 25). The Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) reveals the interactive dimension of poverty and well being, the concept encompassing the causal links between the core dimensions of poverty and the central importance of gender and environmentally sustainable development. (OECD, 2001: 38-40). It identifies the core dimensions of poverty including protective, economic, political, socio-cultural, human and economic dimensions (ibid). The World Bank also widely acknowledges Sen's capability approach of understanding poverty but identifies a shortfall of the approach because it neglects other forms of human deprivation such as vulnerability, exposure to risk, voicelessness and powerlessness (World Bank, 2000: 15). It proposes a definition of poverty based on the perspective of the poor, thus - "To be poor is to be hungry, to lack shelter and clothing, to be sick and not cared for, to be illiterate and not schooled, but for poor people, living in poverty is more than this" (World Bank, 2000: 15). Poverty as expressed by poor above is simply "a life without human dignity" (Ritzen, 2005: 14). It is an outcome of economic, social, and political processes that interact with and reinforce each other in ways that can worsen or ease the deprivation poor people face every day (World Bank, 2001: 37). The World Bank (2001) presents the following causes of poverty highlighted by the poor: a) Lack of income and access to basic necessities b) Voicelessness and powerlessness c) Vulnerability to adverse shocks, linked to an inability to cope with them. Three main policy elements stand out when it comes to strategies to reduce poverty: A) Promoting basic social services for human development, B) Facilitating empowerment and C) Enhancing security.

If cooperatives contribute to poverty alleviation a connection between such strategies and the main areas of cooperative activity and organization has to be made. Cooperative members may benefit from the collectively established opportunities to manage and reduce the disastrous consequences of some natural or market related risks through insurance mechanisms like cooperative warehousing, finance, crop or funeral insurance and health care. Cooperatives may as well improve the access of the poor to important institutions thereby

providing the organizational means for collective decision making, the organization of political voice and representation through democratically based enterprises (ICA, 2005). Cooperatives may work towards improving incomes and creating value and investment opportunities. Another argument is that cooperatives play important educationary roles as "schools of democracy" and participation in society. (OCDC, 2007: 8).

#### Arguments on claims on potential of cooperatives to reduce poverty

Cooperatives are claimed to have a potential role in reducing poverty, but what are the basis for such claims? Much of the debates on the relation of cooperative and poverty reduction have been centered on the expected roles of cooperatives as vehicles of poverty reduction and social exclusion, which is worthwhile a debate to understand whether the poor benefit from cooperative and how cooperatives can be strengthened to have an impact on the poor. Different views have been proposed on the relation of cooperatives and poverty reduction. This section presents four perspectives on the relation of poverty and cooperatives which have evolved over time.

#### Argument 1: Cooperatives have an automatic tendency to benefit the poor and as such tools for poverty reduction.

Cooperatives in the developed countries emerged according to response in economic needs. The Rochdale Pioneers<sup>2</sup>, Friedrich Wilhelm Raiffeisen, Hermann Schulze-Delitzsch are some household names of early cooperative leaders who powered the development of the cooperative model. According to Cook and Burress (2009: 4), the examination of the lives and activities of cooperative pioneers such as Robert Owens, Charles Fourier, Friedrich Raiffeisen, Herman Schulze-Delitzsch, Rochdale Society and many others document the importance of 'economic justification' as a primary driving element in their ability to move patrons toward the purpose of improving a market clearing collective action. In Africa, cooperatives ideas were promoted by colonial governments often for the modernization of traditional economies through the promotion of cash crops production and marketing (Holmén, 1990; Hussi et al., 1993). As cooperatives had recorded much success in parts of the developed world, the cooperative model was replicated in the developing countries.

<sup>&</sup>lt;sup>2</sup> The Rochdale Pioneers of 1844 are regarded as the pioneers of the cooperative movement, setting the Rochdale principles which set foundation for cooperative principles worldwide.

Cooperatives were argued as being instruments of national economic development and as a way to modernizing traditional economies (Birchall, 1997). Cooperatives were imposed on the local populations and instead of cooperatives being created by the people themselves. these cooperatives were rather created for the people, deviating from the basic principles of what a cooperative is supposed to be. In many instances, the local population did not understand what cooperatives were and how they could benefit from being members. In some instances, being a member of a cooperative was mandatory and was the only means to get access to certain services and in some cases to avoid sanctions (Birchall, 2004; Hussi et al., 1993). As Pollet and Develtere (2004:15) put it 'affiliation was instrumental, opportunistic and passive'. The early cooperators had a fundamental view of cooperatives, of the opinion that as long as cooperatives provided open membership, this implied that anyone could join, and cooperatives required little capital investment which gave the poor the possibility to be part. Moreover, the fact that cooperatives shared economic gains equitably, they were perceived to have an automatic tendency to benefit the poor, therefore used as a tool for reaching national economic goals. The emphasis here was on cooperatives' inherent automatic tendency to serve the poor due to its fundamental characteristics and in the long run promoting national and economic development.

Even after independence, the cooperative model was further promoted by national governments for government support credit schemes and marketing of mostly cash crops. Few years after independence, governments highly controlled and managed these cooperatives distorting their nature as member controlled and discouraging participation of the members (Hussi et al., 1993; Pollet and Develtere, 2004; Simmons and Birchall, 2008; Birchall, 1997). Governments often appointed some key officials for running the cooperatives and this led to corruption and buying farmer crops on credit and paying them artificially lower prices fixed by the government. The introduction of crop authorities – which were completely ran by the government – virtually replaced the key services provided by the cooperatives. Thus, the regulation of prices and markets by the government prevented these cooperatives from becoming commercially and financially viable (Hussi et al., 1993). Some critiques of cooperatives in the early 1960's till the 1980's argued that cooperatives did not bring about expected changes, did not benefit the poor, suffered from bad management and were heavily controlled the by the government (Holmén, 1990; Laidlaw, 1978). Most cooperatives then were criticized for being inefficient because of their small membership, financially weak, without qualified management, significant output and not creating greater equity rather

widening the gap between the rich and the poor (Holmén, 1990; Münkner, 1976; Laidlaw, 1980). Where cooperatives were economically efficient, only a small minority benefited, most often the local elite while the masses of people and underprivileged did not (Holmén, 1990).

The challenge faced by the cooperatives due to the bureaucratic ways of organization resulted in lack of autonomy and limited democracy. Cooperatives were seen more as distinctive policy tools for reaching the poor and reaching national set objectives than cooperatives being seen as member owned, member controlled and member benefit organization. Most cooperatives failed to live up to expectation and many collapsed. Much of the debate concerning cooperatives had obtained its basis from the United Nations Research Institute for Social Development (UNRISD, 1975) studies done between 1967 – 1971 with studies of 37 case studies in 12 countries in Africa, Latin America and Asia and concluding that these cooperatives had failed to have an impact on the local population in the developing countries because cooperatives were imposed on the local population without attempts to understand the local conditions. UNRISD (1969) extensive survey of reaction of local population to innovation and change such as adoption of cooperative model that had succeeded in the developed countries, provided evidence that the failures of local institutions to provide an effective framework for the management of change resulted in the failure of such institutions. The Recommendation 127 in this document concerning the role of cooperatives in the economic and social development of developing countries provides guidance on the role of cooperatives and international development with emphasis on developing countries, provided guidance on how governments should be involved highlighting on what to expect of cooperatives, setting the ground for further debates on the potential role of cooperatives in promoting development (ICA, 1966).

In summary, the basis for this fundamental perspective of cooperatives is that cooperatives have open membership – open to the poor -, would not require large individualized amounts of capital and that cooperatives manage to share economic results equitably therefore have an automatic tendency to benefit the poor. Such cooperative have a mixed membership with both the poor and better off as members. The poor benefit from the redistribution of wealth contribution from the better off members. However in such groups the poor may not have equal voice as the better off and not properly represented. The needs of the poor within mixed groups must be specifically targeted which incurs a higher cost. The government may opt to support to such cooperatives as part of its key instrument to promote rural development.

From past experience in many countries in Africa, when government supported such cooperatives, they ended up being supervised and controlled by the government which resulted in their collapse.

### Argument 2: Cooperatives are people centered business mainly concerned with benefiting their members and do not have an inbuilt obligation to the poor.

The view of cooperatives having an automatic tendency to benefit the poor has been challenged by several authors (see e.g., Braverman et al., 1991; DFID, 2005; Birchall, 2008) who argue that, cooperatives are people centered business mainly concerned with benefiting their members and therefore cannot have an inbuilt obligation to the poor hence are not expected to benefit the poor but in the process may contribute to this goal by offering economic advantages to the poor. The expectation of cooperatives reaching the poor is what Holmén (1990) describes as a false assumption. He noted that there have been too many unrealistic expectations of cooperatives solving much of development problems and acting as proper tools for safeguarding the interest of the people without means to contribute. Simmons and Birchall also assert that 'cooperatives were unfairly criticized for not creating growth and equity when this was not one of the principles' (2008: 2133). But cooperatives were often concluded for not creating greater equity rather widening the gap between the rich and the poor when this was not part of their principles. Münkner (1976) distinguishes between the really rich and the destitute poor<sup>3</sup> arguing that it is to simply to say that cooperatives do not help the poor and that such an assertion does not provide correct picture of the meaning of the cooperative organization. Münkner notes that for the really rich the concept of cooperatives is of little relevance and identified a 'middle layer' between the affluent rich and the real poor where he claimed that cooperatives could be instrumental (Münkner 1976: 9 - 10). Too high expectation had resulted in perceived failures of cooperative to meet set goals. Hunter claims that, full benefit to the poor can best be ensured or perhaps can only be ensured if the poor themselves participate more fully in the choice and in the execution of development programs (Hunter, 1981). Thorp, Stewart and Heyer (2005) assert that group formation has great

<sup>&</sup>lt;sup>3</sup> The relatively rich he defines as those who dispose of a regular income in cash or in kind sufficient to meet needs of their families, maintain their business and provision for unforeseeable risk. The relatively poor he defines as persons able to earn own living through own efforts, live above the subsistence line, have an income above bare minimum for survival, but not enough to build up reserves. The real poor he describes as persons living at subsistence level, having no capacity to make even small savings, because their entire income is required for survival. The destitute poor he describes as persons having an income below subsistence level or no income at all, who depend on assistance by others in other to survive (Münkner 1976: 9 - 10)

potential to empower and raise the income of the poor. However, the very poor may be excluded due to factors such as their lack of assets, lack of rights, lack of access to markets and networks. But so long as groups are formed among poor people, they will contribute to poverty reduction (Thorp, Stewart and Heyer, 2005). The lesson is that though instrumental for a 'middle layer' in society there is the need to be inclusive<sup>4</sup> of poor households, benefits should be accessible to poor household and even when they do not directly participate in cooperative, there should be organizational structures and processes that represent the interests of the poor households (Tanguy and Spielman, 2009). Münkner argues that efforts to improve the social and economic position of the poor cannot be realized if the poor fail to make contributions themselves and participate actively in self-help actions (Münkner, 1976: 11). Likewise, Hunter also points out that full benefits to the poor can best be ensured or perhaps can only be ensured if the poor themselves participate more fully in the choice and in the execution of development programs (Hunter, 1981). This moderate perspective acknowledges the potential of cooperatives and other forms of group formation to provide benefit to the poor provided the poor are inclusive and actively participate in the cooperative. Cooperatives should not be expected to help the poor. Cooperatives provide a chance for the poor to work themselves out of poverty by fully participating and contributing to pooling resources together.

### Argument 3: Cooperatives have a potential to reduce poverty provided their values and principles are respected and certain preconditions are met.

Another group of authors (see e.g., Satgar and Williams, 2008; Pollet, 2009; ICA and ILO 2005; Hussi et al 1993; Braverman et al 1991; Holmén 1990, 1989; Gyllström et al 1989; Hunter 1981; Lele1981,1975) provides a more balanced view between the fundamental perspective that argued that cooperatives have an automatic tendency to benefit the poor and contribute to national economic development and the moderate perspective that argued that cooperatives are people centered business mainly concerned with benefiting their members and do not have an in-built obligation to the poor. Representatives of the balanced perspective

<sup>&</sup>lt;sup>4</sup> Inclusive as explained by Bernard and Spielman, should offer at least one of the following: a) membership that is inclusive of poor household, b) benefits that are accessible to poor households even when they do not directly participate in the organization or c) organizational structures and processes that represent the interests of poor households.

argue that cooperatives have a potential to reduce poverty provided their values and principles are truly respected and certain preconditions are met. Pollet (2009) highlights that cooperativism as a development model should have an established and clear identity, with an identified target group, with a workable mechanism and with a particular role or function in development. According to Satgar and Williams (2008), there is the need to identify preconditions necessary for successful cooperative development complimented with context specific interventions to ensure that cooperative works. Preconditions for ensuring endurance, cohesion and ability to overcome problems overtime and capacity building include efficient and effective management; learning and teaching; innovation; good governance; information and information technology (ibid, 2008). The preconditions for success of cooperatives as a means of community development are: awareness that a cooperative can link its members to alternative markets; building cooperatives as a voice of the poor; and using the structural power of cooperatives to build a parallel cooperative economy (ibid, 2008).

Lele (1981) emphasizes that for cooperatives to achieve efficiency and equity, there should be physical infrastructure, market information, regulatory institution, technology, pricing policies towards commodities, capital and proper management. Likewise Parnell (2001) suggests that for successful cooperative development, there should be certain 'drivers' in place, that is provision of accessible information on co-operative enterprise, availability of competent mentors to assist with recruitment, training and development, access to sympathetic sources of finance and a positive public policy framework (cf. Simmons and Birchall, 2008: 2137). Münkner outlines minimum requirements that cooperatives need to regard if they are to be successful. Cooperatives need to emerge from below in response to a felt need, common economic interest, and social cohesion, understand principles and values of cooperatives and have a strong leadership. Certain external factors such as a conducive economic political and legal framework, clear government policies, basic infrastructure for cooperative organization, and a community social structure flexible for cooperatives to operate should be available (Münkner, 1976). Hussi et al. (1993) highlighted the need for cooperatives to operate without undue restriction on their management and business activities and a favorable policy and legislative framework. Capacity building to promote development of cooperatives such as member training, training of cooperative staff and management should be done through the cooperatives themselves with some external support (Hussi et al., 1993). Braverman et al. (1991) caution that the diversity of the environments in which the cooperative operate must be

carefully analyzed as this complicates the answer to the question of determining the precondition for success of cooperatives. They propose further analysis of the different environments in which peer cooperatives thrive. They point out that cooperatives cannot be expected to provide a universal institutional solution in an environment where other actors, private entrepreneurs or parastatal institutions have not been able to survive. Also external agents should not support cooperatives unless they have a potential to developing into independent business units and use of cooperatives by local politicians for political patronage must be refrained from (Braverman et al., 1991: 28).

# Argument 4: Cooperatives are the only institutions that have the potential of meeting all the dimensions of poverty contributing to the achievement of the millennium development goals and addressing the challenges of globalization.

The available literature since the late 1990's onwards has mostly been written by authors from within organizations related to promoting cooperative development such as International Labor Organization (ILO), International Cooperative Alliance (ICA), Food and Agriculture Organization (FAO). Notable authors in this regard such as Birchall, Simmons, Laidlaw, Holmén and other authors who have mostly written policy related literature on readjustment of cooperatives to reach the poor. With the advent of the new millennium, the debate on cooperatives geared towards the potential role of cooperatives for poverty reduction and meeting the millennium development goals. These groups of authors (see e.g., Birchall, 2004, 2003; Holmén, 1990; ILO/ICA, 2003; Wanyama et al., 2008; Simmons and Birchall, 2008; Develtere et al., 2008; Bibby and Shaw, 2005; Markell, 2004; Stiglitz, 2004; Pollet and Develtere, 2004; Parnell, 2001; Spear, 2009; Vicari, 2008; OCDC, 2007) share an optimistic perspective on cooperatives arguing that cooperatives are the only institutions that have the potential of meeting all the dimensions of poverty. Wanyama et al. (2008:1) summarizes this argument noting that "the broad argument however is that cooperatives have the advantages of identifying economic opportunities for the poor; empowering the disadvantaged to defend their interest; and providing security to the poor by allowing them to convert individual risks into collective risks. Thus, cooperatives are believed to serve as an important tool in global efforts of halving extreme poverty and hunger by 2015. Birchall claims that, cooperatives have a direct impact on eradicating poverty (MDG 1) and an indirect effect on the other Millennium Development Goals (Birchall, 2004).

The New development paradigm insist on multiple actors, decentralization, privatization, local entrepreneurs, poverty reduction, specialization and professionalization (Pollet and Develtere, 2004; Birchall, 2003). Münkner asserts that what makes co-operatives a potentially powerful tool for development is that co-operatives are a means to combine self-interest in such a way that self-interest and group interest of individuals tally and become the driving force in group action for the benefit of all members of the group (Münkner, 1976). Cooperatives have been shown to be capable of reaching the very poor, particularly when used as a vehicle for poverty reduction using participatory development methods (Simmons and Birchall, 2008). Wanyama et al. (2008) assess empirical evidence from eleven African countries and concludes that cooperatives in Africa significantly contributed to poverty alleviation by mediating members access to assets, which they have used to earn a living, by integrating the poor and the relatively well off in the same income generating opportunity and contributing to the reduction of exclusion and inequality. Simmons and Johnston studied cooperatives in Sri-Lanka and Tanzania and claimed that cooperatives help to reduce poverty through access to credit, marketing of output and skill development. Cooperatives have a comparative advantage benefiting the poor but may be limited by financial support, intrusive nature of governments and lack of trust of cooperative leadership (Simmons and Birchall, 2008). Bibby and Shaw also claim that cooperatives play a significant role in poverty reduction. Strengthening the capacity of the local cooperative can have an immediate and direct impact on rural poverty and cooperatives contribute to meeting the Millennium Development Goals by enabling small producers to access markets, access credits, reduce vulnerability, promote democracy and provide goods and services (Bibby and Shaw, 2005). Cooperatives have a potential in responding to crisis and supporting mitigation strategies. Cooperatives create employment, promote dialogue, democracy and address social protection and other socio-economic needs (Parnell, 2001).

The four different perspectives are summarized in Table 1 below. The debate however needs to turn focus from perspectives on potential role of cooperatives in poverty reduction to understanding why cooperatives may provide an advantage in addressing the issue of poverty.

Table 1: Perspectives on the potential role of cooperatives in reducing poverty<sup>5</sup>

Perspective	Argument	Authors		
Argument 1:	Cooperatives have an automatic	Hussi et al 1993; UNRISD		
Fundamental	tendency to benefit the poor and as	1969; Holmén 1990; Schirber		
Perspective	such are tools for poverty	1945; Thorp, Stewart and		
	reduction.	Heyer, 2005		
Argument 2:	Cooperatives are people	Laidlaw 1980; Münkner 1976;		
Moderate Perspective	centered business mainly	UNRISD 1969,1975; DFID,		
	concerned with benefiting their	2005; Holmén 1990; Birchall		
	members and do not have an	2008; Braverman et al. 1991;		
	inbuilt obligation to the poor.			
Argument 3:	Cooperatives have a potential to	Hussi et al 1993; Holmén 1990,		
Balanced Perspective	reduce poverty provided their	1989; ICA and ILO 2005;		
	value and principles are truly	Gyllström et al 1989; Satgar		
	respected and certain	and Williams, 2008; Pollet,		
	preconditions are met.	2009; Hunter 1981;		
		Lele1981,1975		
Argument 4:	Cooperatives are the only	Wanyama et al 2008; Simmons		
Optimistic Perspective	institutions that have the	and Birchall 2008; Develtere et		
	potential of meeting all the	al 2008; Bibby and Shaw 2005;		
	dimensions of poverty	Birchall 2004, 2003; Markell		
	contributing to the achievement	2004; Stiglitz 2004; Pollet and		
	of the millennium development	Develtere 2004; Parnell 2001;		
	goals and addressing the	Spear 2009; Vicari 2008;		
	challenges of globalization.	OCDC 2007		

#### **Conclusion**

This paper reviewed existing literature on basis of claims of cooperatives having a potential to reduce poverty. Four perspectives on this claim were identified. The first group of authors claimed that cooperatives had an automatic tendency to benefit the poor. They provided a fundamental perspective of cooperatives of the opinion that so long as cooperatives had an open membership, required little capital investment and shared economic gains equitably, they provided the poor opportunity to participate and benefit. This perspective of cooperatives having an automatic tendency to benefit the poor was challenged by another group of authors who argued that cooperatives are people centered business and mainly concerned with benefiting their members and as such do not have an in-built obligation to the poor as claimed by the first group of authors. Rather, they emphasized that if the poor are included and fully participated in the cooperatives they stood a better chance of benefiting. A third group of authors of a more balanced perspective argued that cooperatives had a potential to reduce

\_

<sup>&</sup>lt;sup>5</sup> See appendix 1 for a list of relevant literature and annotated bibliography

poverty provided their values and principles are respected and certain preconditions are met. They acknowledged cooperatives potential to have a tendency to benefit the poor once the poor were included and actively participated in the cooperatives. However they further emphasis on the need to respect the cooperative principles and values. A fourth group of authors of an optimistic perspective argued that cooperatives are the only institutions that have the potential of meeting all the dimensions of poverty contributing to the achievement of the millennium development goals and addressing the challenges of globalization. Cooperatives have the advantages of identifying economic opportunities for the poor; empowering the disadvantaged to defend their interest; and providing security to the poor by allowing them to convert individual risks into collective risks. As such the cooperative business model is rapidly being promoted in many nations to achieve this objective.

All four perspectives acknowledge that cooperative may have a potential to reduce poverty, but caution on the need to respect cooperative principles and values. Cooperatives provide the poor a chance to work themselves out of poverty. A favorable environment needs to be created to support the development of cooperatives.

Appendix 1: Annotated bibliography on research studies on cooperative potential to poverty reduction

Dofowanaa	Quastians	Erridonas nuesanted	Findings / main regults
Reference	Questions	<b>Evidence presented</b>	Findings / main results
Birchall, J. (2003). Rediscovering the cooperative advantage. Poverty reduction through self-help: International Labor Organization.	What is the role and potential of cooperative in reducing poverty?	Case study of 11 cooperatives from developed and developing countries- Bangladesh, New York, Wisconsin, Finland, Uganda, India, Greece, Nepal, Russia, Sahel, Bolivia	Cooperatives have the potential to reduce poverty and – provided their values and principles are respected - will do this more effectively than other forms of economic organization. However, this potential may not always be realized, either because members lose sight of the needs of other potential members, or because those concerned with poverty reduction see cooperatives as tools rather than as autonomous organizations. Cooperatives should only be used if the poor themselves see its potential.
Wanyama, F., P. Develtere, and I. Pollet. (2008). Encountering the Evidence: Cooperatives and Poverty Reduction in Africa. Working Papers on Social and Co- operative Entrepreneurship WP-SCE 08-02. Catholic University of Leuven, Belgium.	What has been the contribution of cooperatives to poverty reduction in Africa since the liberalization of the sector in mid 1990s?	Empirical evidence from 11 African countries – Cape Verde, Egypt, Ethiopia, Ghana, Kenya, Niger, Nigeria, Rwanda, Senegal, South Africa, Uganda	Cooperatives in Africa significantly contribute to poverty reduction by mediating members access to assets, which they have used to earn a living, by integrating the poor and the relatively well off in the same income generating opportunity and contributing to the reduction of exclusion and inequality.
Birchall, J. (2004). Cooperatives and the Millennium Development Goals. International Labor Organization, Geneva	What has been the contribution of the cooperatives to the MDGs? Have cooperatives been involved in the development of PRSPS?	Case studies of 10 cooperatives from Bangladesh, India, South Africa, Uganda, Bolivia, Philippines, Latin America, Caribbean, SSA,	Cooperatives contribute to poverty reduction in both developed and undeveloped countries. They have in-built advantages that benefit the poor in promoting gender equality, providing health care services, tackling the HIV/AIDS pandemic, ensuring environmental sustainability and working through partnership with a wide range of actors. Cooperatives have enormous potential for delivering pro-poor growth that is owned and controlled by the poor themselves. However cooperatives have not fully involved in formulation and implementation of poverty reduction strategy papers.
Satgar, V., and Williams, M. (2008). The passion of the People: Successful Cooperative Experiences in Africa. Cooperative and Policy	What makes a cooperative succeed?	Qualitative research on successful cooperatives experience of 20 cooperatives in six African Countries- Ethiopia,	There is the need to identify preconditions necessary for successful cooperative development complimented with context specific interventions to ensure a cooperative works. Preconditions for ensuring endurance, cohesion and ability to overcome problems overtime and capacity building include efficient and effective management; learning

Alternative Center COPAC		Kenya, Tanzania, Mauritius, Senegal, South Africa	and teaching; innovation; good governance; information and information technology. The preconditions for success of cooperatives as a means of community development are awareness that a cooperative can link its members to alternative markets; building cooperatives as a voice of the poor; and using the structural power of cooperatives to build a parallel cooperative economy.
Birchall, J. and R. Simmons (2008). The Role and Potential of Co-Operatives in the Poverty Reduction Process: Full Research Report ESRC End of Award Report, RES-155-25-0077. Swindon: ESRC	Do co-operatives help to reduce poverty? Do co-operatives have organizational comparative advantages in relation to poverty reduction? How can co-operatives' capacity for poverty reduction be strengthened?	In-depth case study, key informant interviews and document analysis - Tanzania and Sri Lanka	Cooperatives help to reduce poverty through access to credit, marketing of output and skill development. Cooperatives have a comparative advantage benefiting the poor but may be limited by lack of financial support, intrusive nature of governments, and lack of trust of cooperative leadership. More financial aid is needed for cooperatives but in the form of business loans and grants for in-kind services such as trainings and capacity building.
Develtere, P., Pollet, I., Wanyama, F. (2008). Cooperating out of poverty: The renaissance of the African cooperative movement. Dar es Salaam, ILO, World Bank Institute	What is the state of affairs of the cooperative sector in Africa post liberalization? What has been their contribution to poverty reduction?	In-depth field studies of 11 African countries and rapid appraisal in 16 African countries including the 11 countries for the field study.	There has been considerable growth of the cooperative sector since liberalization serving the interest of the people. Success of cooperatives in Africa can significantly contribute to poverty alleviation through the creation of employment, income generating opportunities, creation of solidarity mechanisms to re-enforce the underdeveloped traditional social security systems, integrating the poor and relatively well-off in the same income generating opportunity, reduction in social exclusion and inequality.
Simmons, R. and J. Birchall (2008). The Role of Cooperatives in Poverty Reduction: Network Perspectives. Journal of Socio-Economics, 37, 2131–2140.	What exactly is the potential of cooperatives for reducing poverty?	Theoretical perspective	summarizes the arguments of the relation between cooperatives and their potential role in poverty reduction as: that cooperative values and principles provide built-in advantages for poverty reduction; that the history of co-operatives in developed countries shows great achievements in poverty reduction; that even though there have been failures in co-operatives in developing countries these do not indicate weaknesses in the co-operative model; That the essential nature of the cooperative form of organization is now much clearer; That participatory development is cooperative development; that the UN's Millennium Development Goals and the poverty reduction strategy of the World Bank need co-operative development if they are to succeed.

United States Overseas Cooperative Development Council OCDC (2007). Cooperatives: Pathways to Economic, Democratic and Social Development in the Global Economy. US Overseas Cooperative development Council.	Do cooperatives make an instrumental contribution to transformational international development?	Interviews with cooperative leaders and Case examples worldwide	Cooperatives contributing economically to increase peoples incomes and creating value and investment opportunity; democratically by providing firsthand experience with democratic governance, transparency and member participation; and socially by increasing trust and solidarity
Thorp, R., Stewart, F., Heyer, A. (2005). When and How Far is Group Formation a Route Out of Chronic Poverty? World Development 33 (6), 907–920	When and How Far is Group Formation a Route Out of Chronic Poverty?	In-depth case studies of 12 groups	Group formation has great potential to empower and raise the income of the poor. However, the very poor may be excluded due to factors such as their lack of assets, lack of rights, lack of access to markets and networks. But so long as groups are formed among poor people, they will contribute to poverty reduction.
Bibby, A., and Shaw, L. (2005). Making a Difference. Co-operative solutions to global poverty. Co-operative College, London	Do cooperatives play a significant role in providing solution to global poverty?	Case examples from Ghana, East Timor, Bangladesh, Mali, Columbia, Bolivia, Brazil, Uganda, India	The co-operative sector has historically played a significant role in the empowerment of the economically disadvantaged and that there is a real opportunity now to put co-operatives back on the development 'map' from which they have been largely absent for the past twenty years. Cooperatives play a significant role in poverty reduction. Strengthening the capacity of the local cooperative can have an immediate and direct impact on rural poverty. Cooperatives contribute to meeting the Millennium Development Goals by enabling small producers to access markets, access credits, reduce vulnerability, promote democracy and provide goods and services.
Markell, L. (2004). Building Assets in Low Income Communities Through Cooperatives: A Policy Framework. Canadian Cooperative Association, Canada	How to make the co- operative tool more helpful in tackling poverty and disadvantage in low- income communities?	Stakeholder interviews and case studies of 10 cooperatives	Develops a framework depicting cooperatives potential in building five assets i.e., financial, physical, social, personal and human assets. Cooperatives accomplish key social goals such as delivering services or creating new jobs, they help individuals increase their assets, empower the poor through a cooperative decision making mechanism, they contribute to community well being.

Braverman, A., L. Guasch, M. Huppi, and L. Pohlmeier (1991). Promoting Rural Cooperatives in Developing Countries: The Case of Sub-Saharan Africa. Washington, DC: World Bank.	What is the status of rural cooperative in SSA? Do these institutions represent a viable way to serve the rural population?	Synthesis of Seminar Papers and Discussions	Expectation of cooperatives was disappointing due to both internal and external constraints. External constraints mainly due to excessive government interference often reinforced by donors, difficult economic and political environment, and unrealistic expectations of the role of cooperatives. Internal weakness mainly limited member participation, structural and control problems and mismanagement. The top down approach employed by the government contributed largely to the failure of the cooperatives. The relationship between the government and the cooperatives need to be redefined and find a balance between the state support and avoidance of direct interference by the government, and creating a conducive environment for cooperative development.
International Labor Organization ILO and International Cooperative Alliance ICA (2005). Cooperating out of poverty. The global co-operative campaign against poverty. The campaign objectives. ICA& ILO/COOP	Why do we need a global program against poverty through cooperatives? What is the global cooperative campaign? How will the campaign work?	Policy Note	Cooperatives are the only form of organization meeting so fully all dimensions of poverty. Cooperatives create opportunities for employment creation and income generating activities; opportunities to manage and reduce the disastrous consequences of some risks through insurance cooperatives; and provide a means of representation through democratically based enterprise of one member one vote.
Daoust, A., B. Fairbrain, C. Shepstone, M. Bouchard, M. Champagne and I. MacPherson (2003). Cooperative Research Inventory Project. Overview of English-Language Literature. Center for the Study of Cooperatives, University of Saskatchewan.	Inventory on research, published or carried out, since 1993 on cooperative-related research (mostly nonfinancial) in industrialized countries.	Literature overview on cooperatives in industrialized countries with emphasis on Canadian cooperative research from 1993 -2003	Research should focus on the potential role for cooperatives to add value for members in the area of food security, food quality and compliance. Also on alternative models for healthcare and home care delivery. Study of the aboriginal communities in Canada to understand the applicability in other settings. Research should also focus on the potential for cooperative development in the areas of local economies and social development especially in areas of role of social cohesion in cooperatives application of cooperative models for alternatives to public service delivery and responses of communities to environmental issues through the formation of cooperatives.
International Labor Organization ILO (2002). Recommendation 193: Recommendation Concerning the Promotion of Cooperatives. International Labor Organization, Geneva.	Instrument for guidance on cooperatives and international development	Policy Note	Policy recommendation on promotion of cooperative development and International cooperation. Recommendation 193 revised and replaced the cooperatives (Developing Countries) Recommendation 1966.

Department for International Development DFID (2005). Cooperatives, growth, poverty reduction and community well being. How to leverage the cooperative movement for poverty reduction. Policy division info series no. 067. United Kingdom.	Can cooperatives help to reduce poverty?	Case examples from Uganda, Tanzania, Bangladesh, India, former soviet states	Many co-operatives do not start with the poverty elimination agenda but contribute to this goal by offering economic opportunities to marginal economic actors. Cooperatives contribute to meeting the millennium development goals.
Parnell, E. (2001). The Role of Cooperatives and other Self- Help Organizations in Crisis Resolution and Socio- Economic Recovery. International Labor Office, Geneva, Switzerland	What is the role of cooperatives and other self-help organizations (Coops/SHOs) in responding to crisis and reconstruction?	Case examples worldwide	Cooperatives have a potential in responding to crisis and supporting mitigation strategies. Cooperatives create employment, alleviates poverty, promote dialogue, democracy and address social protection and other socio-economic needs.
Sumelius, J. and T. Shimelles (2008). Cooperatives as a tool for poverty alleviation and food production in Sub-Saharan Africa. In: <i>NJF Report</i> , Nordic Association of Agricultural Scientists, 4 (7), NJF Report, pp. 109-113.	Are cooperatives a tool for poverty alleviation and food Production in Sub- Saharan Africa?	Case examples Sub- Saharan Africa	Cooperatives can play a significant role in the promotion of food security policy in sub-Saharan Africa if they are rooted in communities and respond to their members and the interests of those communities.
Pollet, I. (2009). Cooperatives in Africa: The age of reconstruction – synthesis of a survey in nine African Countries. Coop AFRICA Working Paper No. 7, International Labor Organization, Dar es Salaam.	Is it worth investing in cooperatives in order to lift people and communities in disadvantaged regions out of poverty? Does investment in self-help mechanisms enable development?	Baseline study in nine African countries: Ethiopia, Kenya, Tanzania, Uganda, Rwanda, Zambia, Botswana, Lesotho and Swaziland	Cooperativism as a development model should have an established and clear identity, with an identified target group, with a workable mechanism and with a particular role or function in development.
International Labor Organization (2005): World Employment Report 2004–05: Employment, Productivity and	What is the collective advantage of cooperatives?	Case examples worldwide	Small-scale activities and small firms are important in creating employment and they therefore hold an important key to reducing poverty in developing countries. Despite their handicaps, they are able to survive by operating in different markets as opposed to larger firms.

Poverty Reduction. Geneva, Pp 249 – 254			
Spear, R. (2000). The Cooperative Advantage. Annals of Public and Co-operative Economics, 71 (4), 507-523	Why cooperatives as one form of social enterprise have emerged?	Draws on economic theories of the enterprise - transaction cost and agency theory - and Not- for-Profit (NfP) literature on emergence and performance	Finds six cooperative advantages. (1) Cooperatives provide effective response to market failures and state crises, (2) Cooperatives have advantage of information asymmetry, (3) cooperatives are uniquely suited to build on the spirit of self-help of individuals, (4) cooperatives build on the solidarity within the community, (5) cooperatives empower its users, and (6) cooperatives have a greater social efficiency by generating positive externalities.
Vicari, S. (2008). Understanding co-operatives' potential in fighting global poverty in a human development perspective. Paper presented at the ICA Research Conference on "The Role of Co-operatives in Sustaining Development and Fostering Social Responsibility", Riva del Garda, October 15-18	What is the added value of a co-operative enterprise in enhancing human development? Is there any specific role of co-operative business form in fighting poverty, as deprivation of capabilities?	Literature review	Cooperatives can foster human development and enhance people's capabilities. Also, the cooperative feature of economic democracy form of business may be a means to promote human development through fostering people's participation in economic and democratic and political life.
Holmén, H. (1990). State, cooperatives and development in Africa. Uppsala: The Scandinavian Institute of African Studies.	What are the experiences of efforts to use agricultural cooperatives as instruments of development in Africa? What are the conditions under which cooperatives can be suitable institutions for enhancement of development?	Theoretical study	There have been much unrealistic expectations of cooperatives solving much of development problems and acting as proper tools for safeguarding the interest of the people without means to contribute. This high expectation has resulted in perceived failures of cooperatives to meet set goals. The poor and destitute are more likely to benefit from other measurers than through cooperatives. If cooperatives are to play a role in local and regional development, they need to 'degenerate' after some time into independent cooperatives without interference by the government.
Hunter, G. (1981): A Hard Look at Directing Benefits to the Rural Poor and at Participation: Overseas	-		Full benefits to the poor can best be ensured or perhaps can only be ensured if the poor themselves participate more fully in the choice and in the execution of development programs.

Development Institute (ODI).			
Münkner, H. (1976). Cooperatives for the Rich or for the Poor. With Special Reference to Co-operative Development and Co-operative Law in Asia. In: Asian Economies, H. 17.	Cooperatives for the Rich or for the Poor?	Theoretical analysis of minimum requirements for cooperative growth and government assistance for cooperatives	Massive government support of cooperatives does not necessarily promote the establishment of self help organization. Support should be focused on creation of the minimum requirements of cooperatives of cooperative growth i.e. education and training programs, measures to promote generation of savings and formation of capital and provision of effective advisory services.  Also cooperative have the advantage of benefiting people with limited means because of their open membership, democratic nature and the little capital investment needed. Cooperatives have the benefit of contributing to the overall economic and social development of less developed countries and further suggest a middle layer between the rich and the poor which needs to be developed.
United Nations Research Institute for Social Development UNRISD (1975): Rural Institutions as Agents of Planned Change. Geneva: United Nations Research Institute for Social Development.		37 case studies in 12 countries in Africa, Latin America and Asia	Cooperatives had failed as the cooperative model was imported and imposed on the local population without attempts to adopt it to local conditions. Also, cooperatives have had little impact on local population in the developing countries.
United Nations Research Institute for Social Development UNRISD (1969): A Review of Rural Cooperation in Developing Areas. Geneva: United Nations Research Institute for Social Development.	Has the European-style cooperatives been successful in the developing world?	Extensive survey of reaction of local population to innovation and change such as adoption of cooperative model that had succeeded in the developed countries	Provided evidence that the failures of local institutions to provide an effective framework for the institution and the management of change resulted in the failure of such institutions
International Labor Organization ILO (1966): Recommendation Concerning the Role of Cooperatives in the Economic and Social Development of Developing		Policy paper	Guidance on role of cooperatives and international development, emphasis on developing countries.

Countries. Recommendation 127. Geneva.			
Schirber, Martin E. (1945), Cooperatives and the Problem of Poverty. In: The American Catholic Sociological Review, Jg. 6, H. 1, S. 13–21.		Theoretical perspective on how cooperation does relieve poverty and what it can do if given a chance	Cooperatives are ideal organization that rebuild lives, develop the personalities of the poor, insulates the poor from competitive markets when the poor participate actively and members understand and uphold the principles of cooperatives
Lindberg, O. and Brenneman, C. (1993), The Development of	How to promote development of cooperatives and other self help organizations?	Analysis of cooperatives and other farmer organizations in several SSA countries	The study showed that past efforts by governments to promote efficient and sustainable rural organizations have been constrained by inappropriate policies. Extensive government intervention has tended to reduce member participation and has militated against the objective of building self sustaining organizations. Regulations of prices and markets have frequently prevented rural organizations from becoming commercially and financially viable.

#### References

- Adebayo, S., Chinedum, P., Dabo, C., and Pascal, H. (2010). Cooperative Association as a Tool for Rural Development and Poverty Reduction in Rwanda: A Study of Abahuzamugambi ba Kawa in Maraba Sector, Educational Research 1(11), 600-608
- Booth, C (1982): Life and Labor of the People in London. Volume 1, Macmillan
- Braverman, Avishay; Guasch, Luis J.; Huppi, Monika; Pohlmeier, Lorenz (1991): Promoting Rural Cooperatives in Developing Countries: The Case of Sub-Saharan Africa. Washington, DC: World Bank.
- Birchall, J. (2003). Rediscovering the cooperative advantage. Poverty reduction through self-help: International Labor Organization.
- Birchall, J. (2004). Cooperatives and the Millennium Development Goals. International Labor Organization, Geneva
- Birchall, Johnston et al (2008). The Role and Potential of Co-Operatives in the Poverty Reduction Process: Full Research Report ESRC End of Award Report, RES-155-25-0077. Swindon: ESRC
- Bibby, A., and Shaw, L. (2005). Making a Difference. Co-operative solutions to global poverty. Co-operative College, London
- Cook, M. L. 1995. The Future of U.S. Agricultural Cooperatives: A Neo-Institutional Approach. American Journal of Agricultural Economics 77 (5): 1153-59
- Daoust, Albert; Fairbrain, Brett; Shepstone, Carol; Bouchard, Marie; Champagne, Michelle; MacPherson, Ian (2003): Cooperative Research Inventory Project. Overview of English-Language Literature. Center for the Study of Cooperatives, University of Saskatchewan.
- Department for International Development (2005). Cooperatives, growth, poverty reduction and community well being. How to leverage the cooperative movement for poverty reduction. Policy division info series no. 067. United Kingdom.
- Develtere, P., Pollet, I., Wanyama, F. (2008). Cooperating out of poverty: The renaissance of the African cooperative movement. Dar es Salaam, ILO, World Bank Institute
- Fukuyama, F. 1995, Trust, Penguin, London.
- Hansmann, H. (1996). The Ownership of Enterprise. Cambridge, MA: The Belknap Press.
- Hart, O. and Moore, J. (1998). Cooperatives vs. outside ownership. NBER working paper series, working paper 6421. Massachusetts.
- Holmén, Hans (1990): State, cooperatives and development in Africa. Uppsala: The Scandinavian Institute of African Studies.

- Hunter, Guy (1981): A Hard Look at Directing Benefits to the Rural Poor and at Participation: Overseas Development Institute (ODI).
- Hussi, P., Murphy, J., Lindberg, O. and Brenneman, L. (1993), The Development of Cooperatives and Other Rural Organizations: The Role of the World Bank, The World Bank, Washington, D.C.
- International Labor Organization (1966): Recommendation Concerning the Role of Cooperatives in the Economic and Social Development of Developing Countries. Recommendation 127. Geneva.
- International Labor Organization (2002). Recommendation 193: Recommendation Concerning the Promotion of Cooperatives. International Labor Organization, Geneva.
- International Labor Organization (2005): World Employment Report 2004–05: Employment, Productivity and Poverty Reduction. Geneva, Pp 249 254
- International labor Organization and International Cooperative Alliance (2005): Cooperating out of poverty. The global co-operative campaign against poverty. The campaign objectives. ICA& ILO/COOP
- Lister, R. (2004): Poverty. Loughborough University
- Markell, L. (2004). Building Assets in Low Income Communities Through Cooperatives: A Policy Framework. Canadian Cooperative Association, Canada
- Münkner, Hans-H (1976): Cooperatives for the Rich or for the Poor. With Special Reference to Co-operative Development and Co-operative Law in Asia. In: Asian Economies, H. 17.
- Münkner, Hans-H (2012): Co-operation as a Remedy in Times of Crisis. Agricultural Co-operatives in the World: Their Role for Rural Development and Poverty Reduction. Marburg Studies on Cooperation and Cooperation, No. 58.
- Nussbaum, M. and Sen, A. (1993): The quality of life. World Institute for Development Economic Research Press. Pp 30 35
- United States Overseas Cooperative Development Council OCDC (2007). Cooperatives: Pathways to Economic, Democratic and Social Development in the Global Economy. US Overseas Cooperative development Council.
- Parnell, E. (2001). The Role of Cooperatives and other Self-Help Organizations in Crisis Resolution and Socio-Economic Recovery. International Labor Office, Geneva, Switzerland
- Peterson C. H. and Anderson, B. L. (1996). Cooperative strategy: Theory and practice. Agribusiness 12 (4): 371 383.

- Pollet, I. (2009) Cooperatives in Africa: The age of reconstruction synthesis of a survey in nine African Countries, Coop AFRICA Working Paper No. 7, International Labor Organization, Dar es Salaam.
- Putnam, R. (1993), Making democracy work: civic traditions in modern Italy. Princeton University Press, Princeton.
- Rowntree, B. S. (1901): Poverty: A Study of Town Life. London: Macmillan.
- Satgar, V., and Williams, M. (2008). The passion of the People: Successful Cooperative Experiences in Africa. Cooperative and Policy Alternative Center COPAC.
- Schirber, Martin E. (1945), Cooperatives and the Problem of Poverty. In: The American Catholic Sociological Review, Jg. 6, H. 1, S. 13–21.
- Sen A. (1993): Capability and well-being. In Nussbaum, M. and Sen A. (1993): The Quality of Life. World Institute for Development Economics Research, Oxford University Press. Pp 30 53
- Simmons, Richard; Birchall, Johnston (2008): The Role of Co-operatives in Poverty Reduction: Network Perspectives. Journal of Socio-Economics, 37, 2131–2140.
- Sexton, R. J. and Iskow, J. (1998). Factors Critical to the Success or Failure of Emerging Agricultural Cooperatives, Giannini Foundation Information Series 88 -3, University of California, CA.
- Spear, R (2000) "The Co-operative Advantage", Annals of Public and Co-operative Economics, 71 (4), 507-523
- Sumelius, John and Tenaw, Shimelles (2008): Cooperatives as a tool for poverty alleviation and food production in Sub-Saharan Africa. In: NJF Report, Nordic Association of Agricultural Scientists, 4 (7), NJF Report, pp. 109-113.
- Royer, J. S. 1999. Cooperative organizational strategies: A neo-institutional digest. Journal of Cooperatives 14: 44–67.
- Thorp, R., Stewart, F., Heyer, A. (2005). When and How Far is Group Formation a Route Out of Chronic Poverty? World Development 33 (6), 907–920
- Tinsley, D. (2006). Farmer Organizations and Cooperatives: Is there a competitive advantage? http://www.smallholderagriculture.com/?0d44cc00 (accessed 05.06.2011)
- United Nations Research Institute for Social Development UNRISD (1975): Rural Institutions as Agents of Planned Change. Geneva: United Nations Research Institute for Social Development.

- United Nations Research Institute for Social Development UNRISD (1969): A Review of Rural Cooperation in Developing Areas. Geneva: United Nations Research Institute for Social Development.
- United States Overseas Cooperative Development Council (OCDC) (2007): Cooperatives: Pathways to Economic, Democratic and Social Development in the Global Economy. US Overseas Cooperative development Council.
- Vicari, S. (2008), "Understanding co-operatives' potential in fighting global poverty in a human development perspective", paper presented at the ICA Research Conference on "The Role of Co-operatives in Sustaining Development and Fostering Social Responsibility", Riva del Garda, October 15-18
- Wanyama, F., P. Develtere, and I. Pollet (2008). Encountering the Evidence: Cooperatives and Poverty Reduction in Africa. Working Papers on Social and Co-operative Entrepreneurship WP-SCE 08-02. Catholic University of Leuven, Belgium.

4. **CASE STUDY** (P3): "WHY A **FEW AGRICULTURAL** COOPERATIVES SURVIVED THE CRISES IN THE COOPERATIVE

MOVEMENT IN UGANDA WHILE MANY OTHERS COLLAPSED?"

Nana Afranaa Kwapong Humboldt University Berlin Division of Cooperative Sciences

nafranaa@yahoo.com

**Abstract** 

This paper summarizes case studies examining the underlying factors that resulted in the survival of some cooperatives, and the collapse of so many others. Evidence shows that factors that led to the collapse of many cooperative unions are related to the years of political instability, the inability of the union to compete on a liberalized market, the accumulation of huge debts, and poor management. In contrast, the few cooperative unions that managed to

survive did so due to the presence of strong and persistent leadership and proper management,

gaining access to external financial support, and retaining a strong membership in times of

crises.

Key words: Cooperatives, liberalization, Uganda

Corresponding author email: Kwaponna@staff.hu-berlin.de

73

### Introduction

Agricultural cooperatives in Uganda date back to 1913 as a response to the disadvantageous terms of trade imposed on smallholder farmers by colonial administrators and middlemen who monopolized both domestic and export markets for coffee and cotton (Kabuga and Kitandwe 1995; Kyazze 2010; Mugisha et al. 2005; Flygare 2006). In such an economic context, forming a farmers' cooperative provided a mechanism for smallholders to collectively bargain for higher output prices, achieve higher margins through economies of scale, and engage in value-added activities. Until the 1980s, cooperatives in Uganda had some success in counteracting the effects of unfavorable market positions for smallholder farmers. At that time, political instability, the liberalization of markets, and mismanagement, among other reasons, caused almost all cooperatives to fail. However, a few exceptional cooperatives survived. This paper summarizes case studies that examine the underlying factors that resulted in the survival of some cooperatives, and the collapse of so many others. The first farmers' cooperative formed in Uganda was the Kinakulya Cooperative Society, established in 1913 in the Central region (Kabuga and Kitandwe 1995). Many other farmer associations were then formed across Uganda in the following years, including the Buganda Growers Association in 1923 and the Uganda Growers Cooperative Society in 1933 (Kyazze 2010). To institutionalize the operations of these smallholder cooperative associations, the colonial government enacted the Cooperative Ordinance in 1946 (Kabuga and Kitandwe 1995; Mugisha 2005).

Between 1946 and Uganda's independence in 1962, membership of the cooperative societies increased eight-fold and the tonnage of produce handled increased six-fold (Kabuga and Kitandwe 1995: 84). The prosperity of farmers increased as the business operation of the cooperatives expanded and employment opportunities were created (Kyazze 2010). This success, however, was short-lived due to the government's increased interest and control over the activities of cooperative societies, the emergence of corrupt practices among cooperative leaders, and the appointment of political leaders as managers of the cooperatives who ultimately pursued their own political and economic ambitions. As a result, many cooperative societies experienced a decline in their performance in the two to three decades after Uganda's independence (Kabuga and Kitandwe 1995; Kyazze 2010; Mugisha 2005).

Another factor limiting cooperative effectiveness in Uganda is the liberalization of markets as part of economic reforms encouraged by the World Bank. Cooperatives were not prepared to

compete in this new, more liberalized market, which resulted in the abolishment of Cooperative Marketing Boards and the collapse of many cooperative unions and primary cooperative societies. In addition, these new economic policies were introduced at a time when the country was just emerging from years of political instability and business activities of the cooperatives were beginning anew following the end of the 'Bush War' in 1986. The war disrupted the trading activities of the cooperatives. Moreover, cooperative assets were requisitioned for use in the fighting, lost or destroyed, negatively impacting cooperative activities.

The Bugisu Cooperative Union (BCU) was one of the few cooperatives to survive the pressures that led to the collapse of many others over this turbulent period. As we will discuss below, BCU was able to survive by gaining access to external financial support from private investors and government, strong membership, good leadership, access to markets, and having a strong asset base. The purpose of this paper is to examine these underlying factors that resulted in the survival of some cooperatives such as the BCU, and the factors that led to the collapse of so many others. Lessons learned from this past experience may guide efforts to promote the current revival and expanded development of the agricultural cooperative sector in Uganda.

# Methodology

To explore why some cooperatives survived the crisis in the cooperative movement in Uganda in the 1990s at a time when many others collapsed, case studies of one surviving and one failed cooperative union were conducted. Both cooperatives were established in the 1950s for processing and marketing coffee. BCU has been operating in the Eastern Region of Uganda since 1958. The failed cooperative union examined was – the Banyankole Kweterana Cooperative Union (BKCU) – which operated successfully in the Western Region from 1956 until 1986, when its operations began to decline. The BKCU finally ceased operations in 1997. However, former members of the union have been attempting to revive its operations since August 2008.

Focus group discussions were conducted with surviving members of both BCU and BKCU. Cooperative union members who had actively participated in their union for more than twenty

years and were currently participating in Area Cooperative Enterprises (ACE)<sup>6</sup> were selected for the focus groups. Four discussions were conducted in the eastern region with BCU members and three focus group discussions were conducted in the western region with those who were involved with the BKCU. These members interviewed were former members of the union who also were currently involved in attempting to revive the union. Focus group discussions were composed of between six and twelve participants. Interviews were also conducted with former and current management staff of the two cooperative unions. The data was collected between January and May 2010.

#### Case studies

# Historical evolution of Banyankole Kweterana Cooperative Union Formation of BKCU

Banyankole Kweterana Cooperative Union (BKCU) was founded in 1956 and registered with the Registrar of Cooperatives on 7<sup>th</sup> May, 1958. The union was formed by the farmers to eliminate the middlemen who were mostly foreign traders exploiting farmers. The farmers cooperated to vertically integrate into the marketing chain, partaking in the marketing of their produce and having a strong bargaining power. Farmers in the old Ankole region which then consisted of Mbarara, Ibanda, Bushenyi, Ntungamo, Isingiro and Kihura districts were organized to form the union. The middlemen who traded coffee now had to deal directly with the unions as farmers sold their produce through the union. The union negotiated coffee prices on behalf of the farmers. In this way, the farmers avoided direct negotiations with the middlemen.

\_

<sup>&</sup>lt;sup>6</sup> ACEs are secondary cooperatives societies which were introduced by the Uganda Cooperative Alliance (UCA) in the early 2000s as an attempt to revive the collapsed cooperative movement. The ACEs are located at the sub-county level and group together a number of local primary cooperative societies.

#### Organizational design of BKCU

The union is member owned and controlled by the members. It has a membership of four hundred primary societies. The members finance the activities of the union. Each of the primary society contributes a share capital of about UGX 500,000 (approx. US\$ 185) and an entrance fee of UGX 20,000 (approx. US\$ 8). The union mainly deals with buying, grading and marketing of Robusta coffee for members, provides agricultural extension services and update market information for members. The union is governed by a Board of Directors (BoD) which is headed by the chairman. The members from the board of directors are elected from the delegates from each primary society. Each member primary society from the union appoints two delegates to attend the Annual General Meeting (AGM). From the delegates at the AGM, nine members are elected as board members together with the chairman of the union. The board of directors sits and appoints the management of the union and other supporting personnel of the union who are salaried workers.

The union after its establishment grew very strong and had a number of branches established all over the region. The union had a processing factory established at *Kakoba* in Mbarara for processing coffee. Members of the primary society brought dried coffee beans to their primary societies for bulking. The government provided financial assistance to the cooperatives which aided in the purchase of farmers produce. Upon delivery of a farmers produce, receipts were issued to the members that indicated the quantity of coffee supplied and the price fetched.

The coffee was transported to the union for grading and marketing. The coffee was transported with the trucks provided by the union. The cost of transport was deducted from the total amount paid to the primary societies. After processing, the coffee was sent to the Coffee Marketing Board at Bugolobi-Kampala, and then transported to Mombasa for export abroad. After the sales of the coffee by the union, payment were directly made to the primary societies. Members then received their payment from their primary societies in their villages. The union was much concerned about the quality of the coffee produced as their target market was the international market. They encouraged the production and supply of high quality coffee. Premium prices were paid for the supplied coffee. BKCU was one of the strongest cooperative unions and even received an award for presenting the best coffee in the world "the Arch of Europe Award".

Members received a lot of benefits from marketing their produce through the union other than marketing outside to other traders. The union provided extension services to the members to improve on their coffee production and processing of high quality coffee for higher prices. Members of the union had the opportunity to participate in organized educational tours. The union provided farm inputs to the farmers through their primary societies. Farmers were freely provided with trampolines on which to dry the coffee, spraying machines, wheelbarrows, cutters, garden bags and other farm inputs. Members were assured of their payments from sales of coffee and also received "Bonus" from the union which was a shared profit from the business operations of the union. Some members of the union were able to build good houses from cement, roofed with iron sheets. The coffee farmers were known to be the rich ones in their communities. The union also provided employment opportunities for a lot of people in the region. At the end of the year, during the Christmas festive season, the union provided free cattle from the union's ranch to the members. Members were generally satisfied with the operations of the union and saw the unions to be beneficial besides controlling prices and elimination of middlemen in coffee trading.

#### Decline of BKCU

These benefits were not however long lived; the union faced a lot of challenges that led to the collapse of the union. The political instability in the country after independence greatly affected the union. Idi Amin's reign in the early 1970s marked the beginning of the crisis era for the union. Amin's military governments created a devastated economy disrupting the marketing of coffee. The Indian traders who had been forcibly sacked from the country served as a linkage between the unions and the export markets. With the absence of these traders, the union had difficulties finding market for their members produce. Some of the primary societies began sending coffee illegally to the neighboring countries in Rwanda and Congo. The illegal cross boarder trading locally termed "magendo" was severely punished by the government when the perpetrators were caught, but some farmers took the risk however to look for cross-border markets for their coffee. Some farmers abandoned their coffee farms to turn into bushes, others cut down their coffee plantations to plant other crops as they did not have any market outlets.

Aside this, the Uganda – Tanzania liberation war in 1979 which ended Idi Amin's reign led to the destruction of the union's factory at Kakoba, which further affected the business operations of the union. The factory was rebuilt by the Obote II government and started operations again in 1984. In 1986 soon after taking off with its operation the "Bush War" by the National Resistance Army (NRA) led by now President Yoweri Kaguta Museveni began. The NRA soldiers took away the unions vehicles and sold stocks of coffee which the union had collected from the primary societies. These coffees had been bought on credit with loan from the Cooperative Bank and the members who had supplied the coffee had not been paid for their coffee. The army sold the coffee to fund the war and the vehicles in support of the war. The union management had the army sign for all the items they took and kept records of the value of the assets taken. The army promised to return the vehicles and the money for the coffee when the war was over and they came to power. The union lost its working capital, did not have the means to transport member's coffee from the villages to the union and could not pay back the loan they owned to the Cooperative Bank. The operations of the union came to a standstill. The Cooperative Bank mortgaged most of the remaining assets of the union as they were unable to pay back the loan. Members of the union had to look for other means of marketing their produce as their union could no longer buy their coffee and offer the benefits they used to receive. Individual traders had taken advantage of the crumpling union to begin trading with farmers.

Just after the "Bush War" ended, even before the union could recover to begin operations again, markets were liberalized, paving the way for other traders to compete with the failing union. Members had lost hope in their union and were no longer loyal to the union. Members had begun marketing coffee themselves and no longer saw the importance of the union. As the union was no longer strong, the primary societies were also equally affected. Most of the primary societies became inactive; a few others continued trading with other buyers. The union however kept on operating slowly, hoping that the government would come to their rescue and compensate the union for the damages done, but this never happened. The union finally had to close its offices in 1999, putting to a halt all its operations.

The gradual collapse of BKCU can be attributed to a number of interlinked factors. Box 1 provides a narrative provided by one study respondent of how the union collapsed. The story of BKCU is similar to many failed cooperative unions. The main causal factors identified as leading to the collapse of the BKCU were the inability of the union to compete in a liberalized

market, the effects of years of political instability, and the loss of valuable assets, huge accumulated debts, and general mismanagement.

# Box 1: What led to the collapse of Banyankole Kweterana Cooperative Union?

... the union had a problem during the wars in the country in 1979 (Amin's war) and 1986 (Museveni's war). Our union was very big, we had six branches. During the wars, we lost a lot of assets. After the war we had to restart all over again. But the war of Museveni which ended in 1986 affected us the most and that led to the closure of the union. We had a lot of assets – about fifty lorries were taken all by the liberation army. They took away everything – stocks of coffee which we had bought on credit and on which we had not repaid the loan. The union had a problem paying back the loan. We mortgaged our assets and had to give it up to the cooperative bank because we could not pay back the loan. We asked the bank to give us some time but they would not allow us. The bank mortgaged most of our assets. They sold our buildings at very low prices to private investors. The remaining assets were vandalized as the union was no longer in operation... When the soldiers took our assets, the good thing was that they signed for all the items they took for which we kept records. These assets were worth about UGX 900 million. The soldiers told us they were using the assets to support the war and after the war, they would pay back everything ... We are now making claims from the government to pay back what they took from us...

Source: Key informant interview. IFPRI/Humboldt University Uganda Cooperatives Survey, 2009-10.

### Reviving BKCU

Members after some years of experience on the liberalized markets and comparing to former days of organized markets through the union wanted to have their unions revived. Farmers were again being cheated and were unhappy dealing with frequent fluctuation in prices of coffee. They wished they could be receiving the original benefits they used to get from membership in the primary societies. The surviving leaders of the collapsed union, decided to petition the government to compensate the union to support the union to revive its operations again. The first group of management went to the government in 1996 but did not receive any support from the government. The second group went to the government in 2003 to make another petition. It was not until 2008, when the government suddenly realized that there was the need to support and revive the unions again. Therefore, President Museveni called the

management of BKCU to his office and asked "What happened to BKCU?" ... maybe he could not fully recollect and understand what happened. We told him everything that happened then he said "I even sold some of your coffee...we sold it to finish the war" (comment Board Member BKCU).

The president ordered the Attorney General's Office and the Ministry of Finance February 2009 to take up the case of Banyankole Kweterana Cooperative Union and see to supporting the union and pay for the requested compensation by the union. Claims made by the union amounted to UGX 13 billion (approx. US\$ 4.8 million). The government made an initial payment of UGX 4 billion (approx. US\$ 1.5 million). The union bought back it processing plant at Kakoba in Mbarara after serious negotiations at UGX 950 million (approx. US\$ 348,000), and paid off loan debts of UGX 2.5 billion (approx. US\$ 915,000). The union requested for an additional UGX 5 million (approx. US\$ 1.830) as working capital to begin buying coffee from the farmers which was granted by the government in July 2009. By October 2009, the union had bought 200 tons of coffee from the primary societies. The union had an annual general meeting (AGM) on 10<sup>th</sup> July 2009, after a decade of not holding any AGM to inform the members of the revival of the union and to encourage the member primary societies to start organizing the farmers to begin patronizing their society again. The union elected a board with seven members. A second AGM was organized in June 2010. The union focused on sensitizing the members on the importance of supporting their union by marketing their coffee through their primary societies. The management of the union is expecting the remaining sum of compensation from the government. The union needs capital to start providing crop finance for the primary societies to ensure a larger supply of coffee to the factory. The union management is optimistic that from June – July 2010, the union will fully take off with its operations. The union has reached out to all if its member primary societies and has informed most of its members of the unions position to start operations again. The leaders of the union focus on sensitizing members of the benefits of cooperation and encourage former members to begin patronizing their union. BKCU hopes to take the biggest share of the market as they still have loyal members. "How the union came about was because of farmers being exploited by the Asians, this is what is happening now again... It is a recycled process and farmers will come back to this same point again of seeking refuge from the unions" (comment focus group discussion).

The union is at its infant early stages of revival and at the moment does not have at the moment enough working capital and transport facilities. The union is exploring the possibility of pre-financing contracts with potential buyers of up to 50-70% payment before delivery. Another strategy is that the union is renting out some of its warehouse facilities to other traders to generate some revenue. The processing plant is soon expected to begin operations which will be another source of income for the union.

# Historical evolution of Bugisu Cooperative Union Formation of BCU

Bugisu Cooperative Union (BCU) is a member based cooperative union for coffee farmers. A minimum number of thirty members form a primary society. The union has a membership of two hundred and seventy seven primary societies. The average number of farmers in one primary society is very variable and lies between one hundred and thirty thousand individual farmers. BCU was founded and registered in July 1954. The union was formed to eliminate foreign traders who were reported to exploit coffee farmers. Bugisu Cooperative Union operates in the Bugisu region which includes the districts of Mbale, Sironko, Manafwa and Bududa. Member farmers are organized in primary societies in these districts and sell their coffee to the union. These primary societies were grouped into four zones which merged to form the Bugisu Cooperative Union. The founder of the union was Kitutu Samson. In the past, farmers worked together and had a healthy relationship to their cooperative union. The union processed and exported Arabica coffee. The union in 1958 built a factory for the marketing of Arabica coffee. In addition, the union sold coffee directly by means of auctioning in Kenyan markets. In 1967, the government set up the coffee marketing board, which required all the unions to sell through this board. The foreign currency received was controlled by the government. The union could not make as much profit as it used to when it was exporting the coffee by itself. All the same the unions still had a monopoly as they were the main coffee dealers and controlled the quality of the coffee. When the union was well established, they had an account with the Uganda Cooperative Bank (UCB) and the member primary societies started saving their money with this bank. BCU bought land and constructed many buildings. Some of these buildings were commercial buildings, others for renting, staff housing, and buildings for primary societies. Some of these houses are 'Kitutu house' named after the founder, which houses Barclays Bank Mbale, BCU House which houses other banks and other companies (DFCU, Bank for housing, UCA, Private sector promotion center), Mt. Elgon Hotel, Central stores and many other buildings thus real estate is a major asset of the union.

# Organizational design of BCU

The union is governed by the Board of Directors (BoD) and a management team headed by the general manager. The board members are elected at Annual General Meetings (AGM) where two delegates from each of the zones are represented. The union currently has a board of nine members headed by a chairman. In the 1970s-1980s, BCU was a strong organization. Farmers brought their coffee to their primary societies for bulking. The primary societies had their areas of operations/coverage and the managers of the primary societies sent their coffee for sale at BCU. The primary societies graded and weighed the coffee, checked the moisture content and controlled the quality of the coffee before sending it to BCU. BCU bought only good quality coffee, premium grade coffee (PG) and Grade 1 (G1) coffee that fetched high prices. When a farmer delivered his coffee to his or her Primary Society he was given a receipt to show the quantity of coffee marketed, price, grade and total amount of money to be received by the farmer after the sales of the produce. BCU upon purchase of the coffee issued to the Primary Society what was known as "buying note", a kind of receipt showing the quantity bought, amount and informed the secretary and managers the total amount to be received and when to receive the payment. Payments for the primary societies were made into accounts of the societies with the Uganda Cooperative Bank or Uganda Commercial Bank. The secretary managers and treasurers of the various primary societies received the money on behalf of the members and made payments to the members in their villages.

Members of the primary societies who were marketing through the union received a lot of benefits which encouraged the members to sell their produce through the cooperative. Like the other unions, the members received inputs, iron roofing sheets, pulping machines, fertilizers to enhance their production, second payments and bonus, extension services. Money was readily available to the farmers upon sale of their coffee. The union provided the primary societies with crop finance with which they used to buy the coffee of the farmers.

Some primary societies acquired pieces of land on which they developed buildings for the society. Some of the primary societies had pieces of land and commercial buildings which were rented out to generate some income for the society. Some societies had maize milling machines which served the community at a fee. Most of the primary societies were able to acquire the properties they now have through their cooperation with BCU in the early days of the union. BCU gave bursaries and scholarships to children of members who could not afford to pay tuition fees. BCU also built a number of schools including Teso College, Bubulo Girl's High School, Masaba Senior Secondary School. The union contributed greatly to community development projects within the Bugisu region.

#### Decline of BCU

Around 1969, the monopoly enjoyed by the unions ended. The government removed the monopoly by setting up coffee marketing boards (1970s) which served as an intermediary between the unions and the export markets. Primary societies were given cash payments upon sales of coffee and the primary societies were given crop finance and could pay the farmers cash on delivery of coffee. The unions were no longer allowed to export directly overseas, rather they had to market all their produce through the coffee market boards that were responsible for dealing directly with the exporters. The price at which coffee was bought was determined by the government, the coffee marketing system was directly controlled by the government. During this period, growth and expansion of the union were not as rapid as when the union was in charge of the export market for coffee. The unions did not fully approve of the coffee marketing boards as they acted as intermediaries deciding on the prices and the union could no longer gain foreign currency from their trading activities. The unions sometimes made a loss as they bought the coffee from the farmers at a price that was lower than the prices at which the marketing unions offered.

Around 1973 to 1978, when Idi Amin's military government was in rule, there was a setback in the agricultural sector. There were a lot of shortcomings with the coffee marketing boards as the government interfered directly with the activities of the marketing boards and the marketing boards were characterized by mismanagement and corruption. Coffee production declined during this era. The Museveni's bush war in 1986 affected generally all unions in the country. Where the war started in the west and central region, most of the unions in those

regions were much affected. In the eastern region with BCU, there was some looting especially of trucks by the military. This however had a minor effect on the operations of the union. Most of the trucks were recovered by the union after the war and sold off later.

Later on in the early 1990s the government liberalized the markets, making the markets very competitive. When the markets were liberalized, many companies other than the marketing boards had a license to market coffee. Most of the marketing boards died out as they could not compete on the open markets. They lost control over price setting and could not get the unions to continue trading with them. The union could also not get the primary societies to continue supplying produce to the union. Neither could the primary societies motivate the farmers to continue supplying produce to the union. As a consequence, members were selling their coffee outside the union. The societies did not have money to buy coffee from the members. Members were not willing to supply coffee on credit to the society when they could receive direct cash payment from selling to other traders. Most primary societies lacked money and went out of business. The union had to borrow money at high interest to be able to buy coffee with cash. BCU had a crop finance loan from Uganda Cooperative Bank (UCB) of UGX 3 billion (approx. US\$ 1.1 million). The union loaned some of the amount to the primary societies to buy coffee from farmers. Most of the primary societies defaulted with their payments which created a debt for the union. The debt from the primary societies amounted to about UGX 700 million (approx. US\$ 257 million). The banks withdrew from financing the cooperative union since they could not pay back received loans. The union no longer had money to buy coffee from the farmers and the primary societies did not have crop finance either. BCU needed 10 million kilogram (kg) of coffee annually but when the market was liberalized, they could get only 2 million kg coffee. The coffee processing plant worked under low capacity, profit margins were low, the quality of the products reduced, low prices caused the farmers to no longer care about the quality of coffee they produced. If BCU did not buy their coffee there were always a large number of alternative buyers willing to buy.

In 1995, BCU acquired a new factory "Buhler" plant which had a capacity of 18,000 metric tons (20 million kg). The machine was acquired in 1993 and commissioned in 1995 using a loan given by the government through the Uganda Commercial Bank (UCB) and Cooperative Development Bank to the sum of UGX 2.7 billion (approx. US\$ 987, 000). No sooner had the union purchased this plant than had liberalization of markets fully taken off. To procure quantities sufficient to break even was a challenge. Soon the BCU could no longer be service

the loans they took from the bank, there was no profit and they accumulated long term debts. Around 1996, the loan had accumulated an interest of UGX 2.1billion (approx. US\$ 768, 000). The union's management negotiated with the government to restructure the loan waiving off the interest and the remaining UGX 2.7 billion payable over a period of 15 years. The union managed to pay back UGX 639 million (approx. US\$ 235, 000) in one and half years. The union reduced on its operational cost and laid off a large number of employees. In 1982, BCU was employing about one thousand employees but now has only about fifty employees.

The restructuring of the markets led to failure of other institutions; The Uganda Cooperative Bank and Uganda Development Bank all collapsed during this period. An institution called the Non Performing Asset Recovery Trust (NPART) was set up for four years to recover all assets and sold out the banks. All the UCB loans went to one single trust. The trust (NPART), threatened to sell the union if they failed to recover the loan. The management of the union contacted a philanthropist called "Mr. Luiggi" a national of Switzerland and an Italian by origin who was from Jobbingfield Properties Ltd. He paid off all the loans of the union from the banks and withdrew all the titles from NPART and became the sole creditor. Mr. Luiggi contracted coffee traders from Switzerland to purchase coffee from BCU.

The quality of the coffee had reduced since liberalization and sometimes coffee exported was returned back to the union. The union was sometimes penalized for not fulfilling their contracts. Due to this the union made some losses. Mr. Luiggi in 2005 requested for full management of the cooperative union to ensure it effective and efficient operation. The management of the union decided to lease the factory to Mr. Luiggi and in return recover the money in terms of rent from the investor as he used the factory for business. But within one year of taking over the business, he withdrew because the business was not performing well and instead wanted to take back his money.

#### Reviving BCU

The union's management pleaded with the government to pay off Mr. Luiggi his loan and save the union from being owned by a foreign investor. In early 2008, the government decided to buy some land from the union about 619 acres raising about UGX 3 billion (approx. US\$ 1.1 million). The government gave the union this sum of money in exchange for the land on which it intends to build an industrial estate in the Mbale. The union was able to pay off the investor and the remaining amount remitted to the unions account. A special general meeting was held in February 2008 and the old board of directors was ousted and a new board elected into office.

The offices of BCU were never closed even though at a point in time the union did not have money to buy coffee; the main offices were still opened where the management still came to work. In 2006/07, the union missed out coffee marketing, but all the other years, the union marketed coffee. During the one year period that the union did not market coffee, the members still looked for markets elsewhere, selling to other buyers.

When the new management was set up, money was available to begin business. The union had a strong asset base both in land and buildings. Part of the processing plant was being rented out to other processes such as Kyangalanyi coffee traders. A few members who were well established and had some source of finance used their own resources to buy coffee from members and sent to BCU. They foresaw the benefit of reviving their union during this period and did campaign for the members to start again selling through the cooperative. A few elder farmers from some primary societies in the different zones mobilized the members in their zones. These were prominent men who had been active in the primary societies and were determined to ensure the revival of the union, sought out measures to address the challenges that the union was facing. These delegates from the primary societies mobilized the primary societies and encourage them to start patronizing their societies again and began selling their coffee to the union. Some of the unions responded and started marketing coffee together again. The members adopted the old system of encouraging farmers to forget about the past and continue with the present situation. Farmers who were members of the union were encouraged to donate 1kg of coffee each from the coffee they marketed to the union to recover its debts which was accepted by many of the members as they were committed and determined to see the revival of their union.

The BCU union even though also faced the challenges of operating in a competitive liberalized market, but managed to somehow continue operating. The management of the union adopted timely and useful strategies to sustain their operations. Box 2 highlights the factors that contributed to its survival.

# **Box 2: Why Bugisu Cooperative Union survived**

- Union leaders sought out and entered partnerships with investors, donors and friends who provided pre-finance for the marketing of coffee by the union. With these funds, the union was able to purchase farmers' coffee with cash payment on delivery at competitive prices from both members and non-members.
- BCU has a great worth of assets in the Bugisu region. These assets served as a guarantee which the management could use to secure loans from lenders or investors during the crisis era to enable it to continue with its operations.
- During the wars in 1976 and 1986, some of the union's lorries were requisitioned by the military, but this had a minor effect on the operations of the union. Most of the lorries were recovered after the war and sold off later. The union was able to continue operations after the end of the war.
- The union identified profit-making activities, such as renting out union buildings for commercial activities, renting of staff houses and union land, and milling of coffee for other coffee traders at its coffee processing factory, in order to generate additional revenue.
- BCU reduced its operational costs. Benefits to staff were reduced and land which
  was not productive was liquidated to raise working capital. The union's
  organizational structure was revised for a smaller recurrent wage bill by laying off
  some of its staff.
- BCU received financial support from the government after petitioning the government to assist the union to clear off its remaining debts and revive the union.
   The union traded some of its land assets with the government in exchange for this financial assistance
- The union focused on retaining its members by re-introducing benefits such as
  payment of bonuses which members formerly received and awarding bursaries to
  students whose parents were active members. In this way, the union was able to
  maintain its membership base.

Source: Key informant interviews. IFPRI/Humboldt University Uganda Cooperatives Survey, 2009-10.

## **Emerging Lessons**

Lessons from the BCU and the BKCU case studies reveal a number of factors that led to the collapse of many cooperative unions in Uganda in the 1990s.

- Political instability in the country disrupted the operations of the cooperatives. The wars in 1979 and 1986 affected different cooperative unions to different extents, but had a general negative impact. As the wars started in the Western and Central regions, unions in these regions were most adversely affected. Assets were either requisitioned for use in fighting, lost, or otherwise destroyed. Many cooperative unions could not recover from the damage caused by the wars.
- The government's market liberalization policy was introduced at a time when cooperatives were not prepared, capacitated, and sufficiently educated on how to compete in an open market. The unions were beginning to recover from the effects of the wars and struggling to restart their operations when the markets were liberalized. The supply of agricultural produce to the unions was reduced drastically as farmers began side-selling to other traders that had entered the markets. These traders offered higher prices and immediate cash payments at the farm gate. The union no longer enjoyed the monopoly of being the sole buyer and no longer had government support through the now-collapsed Marketing Boards. The unions had to become financially independent, compete for farmers' produce, and look for markets. Most unions could not meet these challenges and were unable to run their business operations profitably.
- Cooperative unions faced rising debts from unpaid loans accumulating large amounts of interest. The cooperative unions could not satisfy the terms of their loans due to other challenges they were facing during this period. This led to a further loss of union assets to lenders, as banks auctioned off these assets to redeem funds that otherwise would have been lost. As the assets of unions were eroded, the operations of these cooperatives came to a standstill.
- Poor management of the unions in many cases contributed to their collapse. Some
  union leaders took advantage of the failing state of the cooperatives to pursue their
  own personal interests. Remaining assets of unions were mismanaged and often funds
  were not properly accounted for.

The few cooperative unions that managed to survive the crisis period like the BCU had to struggle to survive. They faced the same challenges mentioned above, but had some additional advantages that enabled them to continue with their operations.

- Unions were able to obtain external financing from the government, donors or traders. Some unions went into partnership with the traders and provided pre-financing to unions to acquire produce, which enabled the unions to have working capital to continue with their operations. The management of the BCU also petitioned government to assist the union to clear off its remaining debts. The union traded some of its land with the government in exchange for this financial assistance.
- The successful cooperative unions found market outlets for their member farmers' produce. During the liberalization of markets, the cooperatives looked for markets both internally and externally.
- Cooperatives that had a strong asset base and continued to maintain their assets were better able to continue their operations. Cooperatives with buildings, storehouses, processing factories, land, or commercial buildings derived income from these assets as operating revenue for the union.
- Good leadership ensured that a union continued its business operations on sound financial footing. Strong management teams came up with strategies to adapt to the changing market environment during liberalization, looking for markets and financial support for the cooperatives.
- The loyalty and commitment of members also contributed to the survival of some cooperatives. For example, some of the senior members of BCU lobbied for government support of the union and protested the selling of union assets. Many members continued to sell through the union and made coffee donations to the union to enable it to raise funds. Such commitment and patronage of the union enabled the cooperative to continue existing even though faced with a number of challenges.

#### **Conclusion**

Evidence shows that the underlying factors that led to the collapse of many cooperative unions are related to the years of political instability, the inability of the union to compete on a liberalized market, the accumulation of huge debt, and poor management. In contrast, few cooperative unions managed to survive so due to the presence of strong leadership and proper management, the gaining of access to external financial support, undertaking efforts to develop new markets and marketing channels, maintaining a strong asset base, and retaining a strong membership.

Drawing on these lessons, efforts in promoting the revival and continued development of the agricultural cooperative sector in Uganda should focus on the capacities of both members and leaders. Good leadership and governance of the agricultural cooperatives should become elements of education and trainings. The cooperatives should be operated as profitable business entities with viable business plans. Agricultural cooperatives should provide farmers with a strong incentive to actively participate by providing benefits such as improved linkages to markets, fair and competitive prices, payment of dividends and other social assistance. Diversification of business is also important. Cooperatives should acquire a portfolio of physical infrastructure such as processing plants, storage facilities, and commercial buildings which may serve as capital buffers in bad times. External financial support may be provided at the initial stages of the development of the agricultural cooperatives to generate equity capital for running the operations of the cooperative and building its assets. Such support would be effective if measures are taken to promote good leadership and a strong membership base, and the cooperative is provided incentives to develop into an independent and profitable business unit.

#### References

- Flygare, S. 2006. The cooperative challenge: Farmers' cooperation and the politics of agricultural modernization in 21st century Uganda. Uppsala, Sweden: Uppsala University.
- Kabuga, C., and J.W. Kitandwe. 1995. *Historical background of the cooperative movement. In Cooperatives: Past, present and future*, C. Kabuga and P. Batarinyebwa, eds. Kampala: Uganda Cooperative Alliance.
- Kyazze, L. 2010. *Cooperatives: The sleeping economic and social giants in Uganda*. Dar es Salaam: International Labor Organization (ILO).
- Mugisha, J.; B. Kiiza; T. Hyuha; S. Lwasa; & C. Katongole. 2005. *Governance and business performance of rural producer organizations in Uganda*. Report prepared for NORAD. Unpublished.

# 5. CASE STUDY (P4): "RESTRUCTURING AND REORGANIZING POST LIBERALIZATION COOPERATIVES IN UGANDA"

Nana Afranaa Kwapong Humboldt University Berlin Division of Cooperative Sciences nafranaa@yahoo.com

#### **Executive Summary**

Since the liberalization of markets, the cooperative sector in Uganda has gone through a dynamic process of restructuring and adjusting to the conditions of a liberalized economy. Following a trend that is also observed in other countries, the reformed cooperatives are expected to deal with challenges and avoid the mistakes in the past that had led to an almost complete collapse of the cooperative sector (see, e.g., Develtere et al. 2008; Birchall 2004, 2003). The aim of restructuring policy is to increase rural incomes and to link farmers to markets with the overall goal of reducing rural poverty.

The restructuring measures included the introduction of an integrated approach to agricultural cooperative marketing - the tripartite cooperative model – which is the focus of this paper. There is however a dearth of literature on the dynamic trend of development of this integrated approach to agricultural cooperative marketing. This paper aims at describing and examining the tripartite cooperative model as a case example of a cooperative business model, and analyses its characteristics, operational dynamics and prospects of evolution. The paper reports on the results of a survey of 407 cooperative members and 22 cooperative leaders participating in the tripartite cooperative model.

It is evident that the changes in marketing structure post liberalization and the loss of competitive pressure from oligopolistic markets enjoyed by the cooperatives necessitated the restructuring and introduction of new institutions as intervention measures to leverage failing cooperatives. Strategies employed to reform the cooperatives included (1) introducing Area Cooperative Enterprises to improve market access and realize competitive prices for Rural

Producer Organizations, (2) building stronger linkages with Savings and Credit Cooperative Organizations, and (3) strengthening grassroots organizations.

The tripartite cooperative model has achieved much success and growth since its implementation. The tripartite cooperative model favored the adoption of participatory and democratic practices, including members in decision making process and demanding accountability from managers of the cooperatives. Members of the cooperatives felt a high degree of commitment to their cooperatives and judged their cooperative to be well managed by their leaders.

Our study shows that the tripartite cooperative model focused on creating independent cooperatives that generated sufficient equity capital for the successful operation of the cooperatives. Factors of success include cooperatives abilities to group members, control large share of farmers produce and generate sufficient equity capital for business operations.

The reformed cooperative system also focused on providing clear policies on the operations of the cooperatives. The government of Uganda has shown interest in promoting cooperative development and is committed to rebuilding and revitalizing cooperatives as key business units in the economy. It appears that the revived cooperatives are contributing to poverty reduction. In part through member's participation in the agricultural cooperatives, the economic situation of farmer members over the past years has improved. Even though the tripartite cooperative model has much prospect in advancing cooperative development, the study indicated that there is, however, a need to address the challenges of members not fully participating in cooperative activities and the causes for side selling.

#### **5.1 Description of the case**

# **5.1.1** A Historical Perspective of restructured Agricultural Cooperative Marketing System in Uganda

Agricultural marketing began in Uganda as early as 1913 (Kabuga and Kitandwe 1995). These cooperatives were formed in response to disadvantaged terms of trade imposed on smallholder farmers by traders who monopolized the domestic and export markets (Kabuga and Kitandwe 1995; Kwapong and Korugyendo 2010). These cooperatives recorded much success and rapid growth before independence in 1962 and were continued after independence. In 1971, the government introduced state marketing boards - Coffee Marketing Board (CMB), Lint Marketing Board (LMB), and the Produce Marketing Board (PMB) centralizing processing and marketing of export produce mainly for coffee and cotton. These state controlled marketing boards had monopoly over the buying and marketing of cotton and coffee, and in a way controlled the inflow of foreign revenue generated from the trading of these export cash crops. Bunker explained that the introduction of state parastatal resulted in suppression and loss of autonomy of local cooperative organizations (Bunker 1984). This assertion was true for cooperatives in Uganda after the introduction of the state marketing boards. There was extensive interference by government in cooperative activities (Mugisha et al. 2005; Msemakweli 2008a). This observation is consistent with much of the literature around this era which argues that the state interference in cooperatives activities resulted in the failure of a number of cooperatives necessitating the call for a liberalized economy that promoted autonomous member controlled cooperatives (Hussi et al. 1993; Wanyama 2009).

Liberalization of the market meant that, government control over the cooperatives was reduced and the state market boards which were strictly under the supervision of the government were to be abolished (Lindenthal 1997). Cooperatives therefore were to enjoy autonomy with little or no interference by government. Lindenthal points out that "...in particular trade liberalization implied that, cooperatives and their member enterprises were put into a position where they could make use of their competitive advantage to producers in other countries; also, the import of necessary goods and materials was facilitated for all who relied on a certain type, quality or quantity of spare parts, means of production etc., which was locally unavailable" (Lindenthal 1997, 14). This positive advantage was beneficial to mostly the large scale cooperatives with links to the international markets. With the abolishing of state owned parastatal, which served as international linkage, many small cooperative organizations could not benefit from the effect of the trade liberalization policy.

Trade liberalization also had the component of cutting tariffs which subsidized the transaction cost incurred by the cooperatives. Such tariffs were provided by the government in the form of crop finance, provision of needed equipment and items such as coffee processing machines, drying trays, packaging bags etc. In a liberalized market, the large number of buyers was expected to bid prices up. Cutting tariffs was expected to stimulate the improvement of economic performance in order to become or remain competitive in the market place (ibid). This however exposed smallholder farmers to competitive markets in which they could not compete competitively due to financial constraints competing with other traders who had financial resources to trade.

In the case of Uganda, liberalization of markets resulted in structural transformation of agricultural cooperative marketing systems in Uganda. The policy was introduced at the time that the country was just emerging from years of political instability and business activities of the cooperatives were taking off following the end of the 'Bush War' in 1986 which brought into power the National Resistant Movement (NRM) government. The former structure (see Figure 1) which had the state marketing board playing the central role of regulating the pricing and marketing of farmers produce supply to the primary societies and cooperative unions changed its form after the collapse of the state marketing boards. The New marketing system saw entry of a large number of traders into the markets, competing to purchase members produce who offered prompt payment. The cooperative unions and primary societies who formerly had the monopoly of being the sole traders of farmer producers had to compete with the other traders for members produce.

Cooperatives relied on members' continuous supply of produce to their primary societies but without pre-financing support from the government, the cooperatives were unable to provide payment upon delivery which was provided by the other traders. Many cooperative members defaulted and side sold their produce to other traders instead of the cooperatives. Loyal members who continued to supply produce to the cooperative did so in expectation of the other side benefits from cooperating such as share of dividends and receiving of inputs and training services. Many of the cooperatives however could not meet this expectation. As the supply of produce to the union drastically reduced their business operations proved unprofitable. This resulted in the collapse of many unions together with their primary societies. Many cooperative experienced a decline in their performance in the second to third decades after Uganda's independence (Kabuga and Kitandwe 1995; Kyazze 2010; Mugisha et

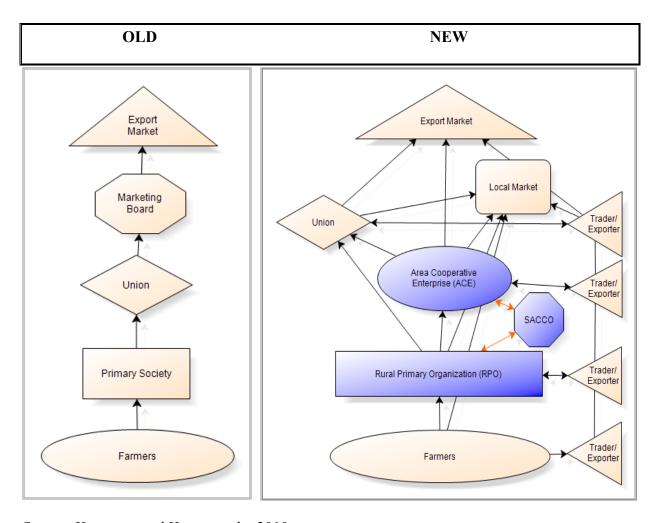
al. 2005). The decline of agricultural cooperatives continued through the 1990's. For instance, Kyazze reported that the market share of cooperatives in the export reduced from 22 percent in 1992/3 (i.e. 28,585 tons out of 130,098 tons) to 2 percent by 2001/02 (3,868 tons out of 180,164), declining further to approximately 1 percent in 2006/07 (2,104 tons out of 162,254 tons) (Kyazze 2010, 3).

As the number of cooperatives decreased, a higher proportion of private owned companies increased to take over the market. The factors that led to the decline of the agricultural cooperatives have been classified as both internal and external. Internal factors were due to mismanagement and embezzlement of funds, misuse of cooperative assets, lack of trust of management leading to the withdrawal of many members, and external factors have been identified for example wars, political instability leading to loss of assets (Kyazze 2010; Beijuka 1993; Mukasa 1997). Other observations of the system according to Msemakweli included inadequate membership participation, mismanagement, focus on few enterprises, indebtedness of cooperative from borrowing for pre-financing of purchase of members produce (Msemakweli 2008, 3). With such changes on the market and cooperatives on the decline, farmers were being once again exploited by middlemen who had infiltrated and dominated the markets. The original need which necessitated the establishment of cooperatives had returned once again. Restructuring measures were therefore necessary to address the weakness and restore the failing cooperative movement. The restructuring measures included the introduction of an integrated approach to agricultural cooperative marketing - the tripartite cooperative model – which is the focus of this paper.

## 5.1.2 Core business model of the Tripartite Cooperative Model

Uganda Cooperative Alliance in its effort to support the cooperative movement focused on measures to organize and strengthen the grass-root farmer organizations to be autonomous, financially viable and maximize membership (UCA, 2009). This saw a structural transformation of the agricultural cooperatives and diversification of activities of the cooperatives in response to growing interest in reviving cooperatives. This approach to cooperative marketing (see Fig. 1) is termed 'Tripartite Cooperative Model'.

Figure 1: Old and new models of agricultural cooperative marketing activities in Uganda



Source: Kwapong and Korugyendo, 2010

The reformation of the cooperatives included the merging of many primary organizations and farmer association located at the villages and parish levels<sup>7</sup> to form Rural Producer Organization (RPOs) with the task of bulking members produce. A new institution known as the Area Cooperative Enterprise (ACE) was introduced with the role of looking for markets for members produce. This role was similar to that of the unions. The difference being that, the ACE covered a smaller operational area, mainly a sub county and consisted of between 5 -20 RPOs whereas the unions had larger operational areas.

The ACE has the option of trading with many traders unlike the union that supplied produce to the marketing boards. The ACE trades with the highest market bidder obtaining competitive prices for members produce. Another important aspect of this model is the

\_

<sup>&</sup>lt;sup>7</sup> The decentralized local government structure in Uganda is based on the district as the unit under which there are lower local governments (LGs) and administrative units. The local governments are the districts or city council, municipal council, city division council, municipal council, subcounty and town council. The administrative units are the county council, parish or ward council and village council.

integrated approach of linking the ACEs and RPOs to Savings and Credit Organizations (SACCOs). Each ACE is expected to have an associated SACCOs that provides financial services to the members. The ACE and its affiliated RPOs and members have accounts with the SACCOs and have the opportunity to access financial services. The ACE and RPOs have access to credit when in need of capital to make bulk purchases and are therefore able to make prompt payment to members. This approach has facilitated cooperative business operations and limited the challenge of financial constraint. Individual members can also access loans using obtained receipts stating the quantity of supplied produce to their ACE as a guarantee for access to the loan. This approach of linking member farmers to financial institutions had limited farmers side-selling when in need of urgent capital. Payments for marketed produce from the ACE are made into individual accounts of members with the ACE.

Aside provision of marketing services and access to financial services, the tripartite cooperative model promoted diversification of enterprises beyond the traditional cash crops of cotton and coffee. UCA encourages ACEs to bulk and market at least three products to ensure an all-year business pattern, thereby encouraging members to extend their production beyond a single product, hence reducing the risks of crop failure and low prices during the peak production season. The ACEs also purchased and supplied members' inputs on credit. Members were therefore able to have access to inputs during the planting season to increase their productivity.

The tripartite cooperative model also focused on empowering their members and leaders providing training programs to build the members capacity and increase their productivity. Trainings were mainly on improvement of agronomic practices and post harvest handling of produce to increase productivity, quality of produce and prices received for sold produce. Most of the services provided by the cooperatives were for free or fully financed by the cooperative itself. Services were provided through the ACE by the staff of UCA. The cooperatives also outsourced services of private extension service providers or through the National Agricultural Advisory Services (NAADS) extension workers. With such advantages and those mentioned earlier, the tripartite model has achieved much success since its implementation. In the next section, the life cycle and growth of the tripartite cooperative model is discussed.

# 5.1.3 Life cycle of the Tripartite Cooperative Model

The tripartite cooperative model began in 1998 with support from external donors mainly from the Swedish Cooperative Centre (SCC), Canadian Cooperative Centre (CCC) and Royal Norwegian Society for development (Norges-Vel). A number of projects supported by these international organizations have promoted the tripartite cooperative model. Projects like 'Promoting Area Cooperative Enterprises' (PACE) supported by Norges-Vel, with the objective of contributing to reduction of rural poverty through increasing incomes of small scale holders by providing support to RPOs, SACCOs and ACEs. The pace project, which began in 2004/05 and ended in 2006 adopted the integrated approach of combining production with financial services. The project was able to achieve its target objective of establishing 25 ACEs to provide agricultural services, establishing 27 ACES by 2006 - which was more than the set objective - (Table 1), consisting of a total membership of 17,089 having contributed share capital of over UDX 39,575,000 (approx. US\$ 16,200). The 27 ACEs had marketed over UDX 519,970,320 (approx. US\$ 213,102) worth of members produce, earning commissions of UDX 51,779,975 (approx. US\$ 21,221) on sales and another UDX 10,270,100 (approx. US\$ 4,209) commission earned from input supplies.

Table 1: Growth of PACE project SACCOs, ACEs and RPOs

Indicator	July 2005	June 2006	Dec 2006*
SACCO Performance			
Supported project SACCOs	33	34	34
Membership	11,336	11,510	13,559
Share Capital (Ug Shs)	452,600,000	461,411,000	581,002,000
Savings Balance (Ug Shs)	487,100,000	493,522,000	736,172,000
Loan Portfolio (Ug Shs)	850,500,000	864,039,000	1,254,325,000
RPOs Status			
No. of RPOs	152	136	143
Membership	11,842	14,669	17,089
RPOs share capital (Ug Shs)	291,785,250	431,373,450	435,630,450
Status of ACEs			
No. of ACEs	32	27	27
Membership	12,142	14,669	17,089
Share capital (Ug Shs)	14, 841,000 <sup>a</sup>	37,600,000	39,575,000
Value of produce marketed (Ug Shs)	n.a.	457,573,000	519,970,320
Commission earned on sales (Ug Shs)	n.a.	46,079,175	51,779,975
Commission earned on inputs (Ug Shs)	n.a.	8,128,300	10,270,100
Value of input procurement (Ug Shs)	n.a.	73,181,000	78,200,435

Sources: Authors compilation of figures from UCA annual reports 2004 – 2006.

Note:\*- Indicate performance of the project when it ended in December 2006.

Indicates total share contribution of only three ACEs that had started transacting business by 30th June 2005. The other ACEs were still in the formative stages.

The Empowering Farmers through Agribusiness and Financial Services (EFTAF) project was started in 2007 to continue with the promotion of the tripartite cooperative model approach after completion of the PACE project. By 2010, there were over 352 RPOs forming 55 ACEs. These RPOs and ACEs were linked to 42 SACCOs which delivered financial services (Table 2). To kick-start the operations of newly established ACEs, UCA provided payment to cover the wages of ACE managers during the first year to reduce ACE operational overhead costs, and provided some office equipment and logistics. Thereafter, the cooperatives are expected to make profits from their business and operate relatively independently.

Table 2: Growth of EFTAF project SACCOs, ACEs and RPOs

Indicator	2007/08	2008/09	2009/10
SACCO Performance			
Supported SACCOs	45	41	42
Membership	23,720	28,228	37,219
Share Capital (Ug Shs)	1,055,000,000	1,307,000,000	1,842,000,000
Savings Balance (Ug Shs)	1,385,000,000	1,991,000,000	2,654,000,000
Loan Portfolio (Ug Shs)	2,207,000,000	3,256,000,000	4,623,000,000
ACEs Performance			
No. Of project RPOs	300	348	352
No. of ACEs	60	55	55
Membership	34,447	53,428	64,346
Share capital (Ug Shs)	62,364,983	235,440,893	265,979,893
Value of produce marketed (Ug	13,410,502,695	14,275,744,424	16,976,784,989
Shs)			

Sources: Authors compilation of figures from UCA Annual Reports, 2007 – 2010

## 5.1.4 Governance structure of the tripartite cooperative model

The cooperatives are managed by a board of nine members. This included the chairman, secretary, treasurer, representative for women and youth and other elected committee members. A manager is recruited to manage the ACE. Managers of the ACEs mostly had a senior four level education or a higher level of education. The tripartite cooperative model favored the adoption of participatory and democratic practices, including members in decision making process and demanding accountability from managers of the cooperatives. From the survey, there was evidence that the cooperatives held organized meetings which were well attended by the members (Table 3). During such meetings the most important issues discussed were mainly on financial issues (40 percent). These issues pertained to how to encourage members to market their produce through the cooperative, how to get better prices for their

commodities and engage in other income generating activities. This showed that obtaining financially stability was very important to the cooperative as already discussed above.

**Table 3: Participation in Cooperative Meetings** 

Participation in meetings	Observation	Percentage	Mean	Standard
			1.010	deviation
Does the cooperative hold AGM? Yes	399	98	1.019	0.139
Did you attend the last AGM? Yes	276	67.8	1.321	0.468
If yes, what were the main issues discussed?	276	100	2.025	0.863
Group cooperative activities	86	31.2		
Financial issues	110	39.9		
Cooperative marketing	67	24.3		
Post harvest management	13	4.7		
If No, why did you not attend the AGM?	131	100	3.405	1.311
I had to work on my farm	16	12.2		
I was unaware of the meeting	26	19.9		
Sick or had to take care of a sick person	67	51.2		
I had travelled out of the village	22	16.8		
Extent of inclusion in decision making	407	100	1.13	0.476
Fully included	371	91.2		
Somehow included	25	6.1		
Do not feel included	5	1.2		
Not sure	6	1.5		
Explanation for perception on extent of inclusion			1.713	0.699
Accepted/allowed to give our opinion	404	100		
Our decisions are heard and considered	167	41.3		
Member of management committee	192	47.5		
Chairman in most cases makes decisions	39	9.7		
	6	1.5		

Source: IFPRI/Humboldt University Uganda Cooperative Survey, 2010

When members participated in meetings, most of them generally felt fully included in the decision making (Table 3). Members perceived such high level of inclusion because they were allowed to give their opinions and their decisions were in most cases accepted and acted upon. This results highlighted that the cooperatives were democratic in their decision making as most members participated in the decision making process.

Respondents were further asked for their judgment on their commitment to the cooperative and perception on management of the cooperative. They were asked to score provided statements on a five point-likert scale from 'totally disagree' (1) to 'totally agree' (5). In general members felt a high degree of attachment to their cooperative and judged their cooperatives to be well managed by efficiently trained management (Table 4). Mean scores were above 4 showing that respondent agreed or totally agreed with the statements.

Table 4: Perception on member commitment and management of cooperative

	Percentage of respondents						
Perception	Totally disagree	Disagree	Neutral	Agree	Strongly agree	Mean	Std. Dev.
I feel very much committed to the cooperative	0.5	0	1.7	42	55.8	4.526	0.586
We the members know that the cooperative is ours	0.3	0.3	3	42.3	54.3	4.501	0.595
I feel that the cooperative is mine	1.7	0.5	3	36.9	58	4.489	0.739
I trust the management of the cooperative	0.3	0.3	3	48.7	47.9	4.437	0.592
Our cooperative is very efficient	0	0.5	5.9	49.9	43.7	4.369	0.617
Women participate effectively in decision making	0.7	2	8.4	47.7	41.3	4.268	0.755
Our management staff are well trained and manage the cooperative well	0.5	1.2	7.9	52.3	38.1	4.263	0.696
I am well informed on the financial status of the cooperative	2.5	3.9	13	44.7	35.9	4.076	0.929

n = 407

Source: IFPRI/Humboldt University Uganda Cooperative Survey, 2010

# **5.1.5** Financing cooperative activities

The ACEs and RPOs charged commissions from providing marketing services for the members which served as income generating sources for the cooperatives aside the incomes generated from membership fees, sales of shares, donations and grants which were most frequently cited as source of revenue (Table 5). Commission charged varied for different produce. For example, Table 6 show that commissions charged by Bahugu ACE - one of the cooperatives studied - for sales of produce differed based on produce. The earned commission was shared between the members RPO supplying members produce and the ACE. For this ACE, other sources of income were obtained from membership fees of UGX 10,000 (approximately US\$ 4) per person, shares of UGX 50,000 (approximately US\$ 20) per share for which a member could obtain a maximum of three shares. Bahugu ACE also operates an input shop which supplied its members as well as other members of the community with inputs. Success of the model considered the ability of the cooperatives to have large membership, control large share of farmers produce and generate sufficient equity capital for its business operations.

Table 5: Case examples of cooperatives sources of generating capital

Cooperative	Sources of internal funds
Abateganda Cooperative	Commission from produce sales, Membership fee, Share capital,
Society	Grants and donations, Rents from Houses and Vehicles hiring
De 1-1- Vetere ACE	Monto alia Con Chan and I Commission days Com
Bududa Yetana ACE	Membership fees, Share capital, Commission charges from produce sales, Crop finance and loans from the SACCO
Sukuya ACE	Membership fee, Share capital, Grants through UCA and
	Commission charges from produce sales
Bahugu ACE	Share capital, Membership fees, Commission charges from produce sales, ACE agro input shop and Donations from UCA
Kigooma Coffee Farmers	Entrance fees, shares, Commission from sales of produce and
Association	donations
Nyabubare ACE	Share capital, Membership fees, Commission charges from
	produce sales and Rents from market stores

Source: IFPRI/Humboldt University Uganda Cooperative Survey, 2010

Table 6: Commission charges for Bahugu ACE

Produce	Commission	Share between ACE and RPO
Banana	100shs (\$0.04)/bunch	50shs (\$0.02) for ACE and 50shs for RPO
Coffee	100shs/kg	50shs for ACE and 50shs for RPO
Beans	50shs/kg	30shs for ACE and 20shs for RPO
Maize	1000shs (\$0.40)/100 kg bag	500shs (\$0.20)/bag for ACE and 500shs/bag
		for RPO

Source: IFPRI/Humboldt University Uganda Cooperative Survey, 2010

## **5.1.6 External Relations**

The cooperatives adopting the tripartite cooperative model approach are supervised by the Uganda Cooperative Alliance (UCA). UCA as an umbrella organization of cooperatives is responsible for advocating, promoting and building the capacities of cooperatives in Uganda. UCA collaborates with the Ministry for Trade Tourism and Industry (MTTI) Department of Cooperatives. This ministry is responsible for policy formulation, planning and coordination of cooperative activities in Uganda. UCA updates officials of MTTI on development of the tripartite cooperative model and other new development of the cooperative movement. All cooperatives are registered with the cooperative development department of MTTI who supervise and monitor the activities of the cooperatives ensuring that they operate within established cooperative laws (MTTI 2011).

### **5.1.7 Policy Environment**

The reformed cooperative system focuses on providing clear policy guidelines to guide the operations of the cooperatives. At the national level, the national cooperative development policy outlines strategies to strengthen cooperatives to support national poverty reduction and rural development programs. At the grassroots level, members of cooperatives have been made more aware by their leaders and staff of UCA of the principles of cooperatives and their roles and responsibilities as cooperative members. All the cooperatives studied have by-laws that guide their activities and their required oversight and internal controls. The Laws that govern the cooperative business model in Uganda are the 1991 cooperative societies act Cap 112, the 1992 cooperative society's regulations, the by-laws of the cooperative society and the Cooperative development policy.

The government of Uganda has shown interest in promoting cooperative development and is committed to rebuilding and revitalizing cooperatives as key business units in the economy. The government has supported with the implementation of national cooperative development policy to promote cooperative development. Table 7 depicts government's commitment to promoting the cooperative sector. Most prominent amongst these policy actions are the promotion of Savings and Credit Organizations (SACCOS) to provide the rural people with access to financial services. Under the Prosperity for All (PFA) program, at least one SACCO per sub-county is supported. At the initial stages of creation of the SACCO, financial support is provided to enable the SACCO on-lend to their members. These cooperatives are especially designed for the poor and target their needs. Sustainability of the cooperatives however depends on the external aid provided to the SACCO. Ownership of the cooperatives is low as it is externally created and driven. There is the tendency for the cooperative to collapse once the financial assistance received ceases.

Table 7: Government commitment to promoting cooperative development

Policy Action	Government commitment
Re-building the Co-	Government is committed to rebuilding and revitalizing co-operatives as
operative Movement	key business units in the economy.
Legal Reforms	Government shall effect the necessary legal reforms to facilitate the co-
	operative movement to operate and develop.
Regulation	Government shall promote good governance, compliance to laws,
	regulations and standards
Quality Assurance and	Undertake quality assurance measures that conform to international
Competitiveness	standards
Diversification of Co-	Government shall promote diversification of co-operative enterprises
operative Enterprises	beyond commodity marketing.
Human Resource	Government is committed to supporting co-operative education, training as
Development	well as developing and implementing information systems that service the
	co-operatives' regular information needs.
Development of SACCOs	Government shall support development of SACCOs into strong financial
	institutions.
Information Management	Government shall establish an ICT management framework for both the
_	Ministry and the Movement in order to ensure sound and consistent ICT
	management practices across the sector.

Source: National Cooperative Development Policy 2008: 12 – 15.

# 5.2 Analysis of the case

# 5.2.1 Impact analysis of participation on poverty reduction

It appears that the revived cooperatives are contributing to poverty reduction. Over 90 percent of surveyed members reported changes in their income after joining and marketing their produce through the cooperative, with 91 percent of these reporting an increase in income over the past five years (Table 8). A few however reported a decrease in income, which was primarily due to the effect of coffee wilt disease on the coffee crop in recent years. When asked what proportion of their income change they attributed to their participation in cooperatives (Table 8), 43 percent of farmers reported that between 50 and 74 percent of their income increase was due to cooperative participation, while 7 percent reported that over 75 percent was due to their participation in a cooperative. In part through their participation in the agricultural cooperatives, the economic situation of farmer members over the past years has improved.

Asked how they perceived an increase in their incomes, cooperative members reported examples ranging from being able to meet basic needs of their household to affording two or three meals a day and improved quality of food (Table 8). Members also realized increased income savings and increased yields as a result of better farming practices and expansion of farmland. Increased incomes made it is possible for farmers to purchase and expand farmland

and acquire cooking utensils, bedding, and bicycles for easy transportation, while others were able to diversify their enterprises and engage in livestock production. Members of the cooperatives are optimistic about the economic benefits that will accrue to them over the next five-year period.

Over 90 percent of members surveyed said they expected a positive change in their current economic situation if the cooperatives remained well organized (Table 8). Members were confident that their livelihoods would improve because they would be assured of an increase in production from expanded farmland increased yields due to improved farming practices. Similarly, they expected their income to grow for as long as the market for their produce was guaranteed. Other economic benefits to members include access to financial services and loans through SACCOs for their immediate financial needs rather than having to sell their produce at harvest when only low prices are offered, and access to training workshops to improve their farming knowledge and practices.

Table 8: Members perception on impact of participation in Cooperative on economic situation

situation			
Members perception	Percent		
Income changes perception			
Increased	91.9		
Decreased	5.4		
Remained constant	2.9		
Proportional income changes			
Up to 24% change	26.5		
Between 25 & 49% change	23.8		
Between 50 & 74% change	42.7		
Over 75% change	6.9		
Perception of increased income over past 5 years			
Able to meet household consumption needs	32.5		
Increased incomes and savings	31.0		
Increased yields	10.6		
Increase in household assets	9.7		
Bought piece of land	7.9		
Diversified production	4.9		
Expanded farm land	3.3		
Perception on Economic situation in the next 5 years			
Much better	72.7		
Better	20.9		
Same	3.7		
Worse	2.0		
Much worse	0.7		

N = 407

Source: IFPRI/Humboldt University Uganda Cooperative Survey, 2010

# **5.2.2** Prospects of evolution of the tripartite cooperative model

# Strengths

From the survey, the strengths most frequently cited by the managers of the cooperatives were the willingness of members to cooperate and market through the cooperative (Table 10). This result was consistent with responses from surveyed members where nearly 39 percent of members reported cooperative marketing as major strengths of their cooperatives (Table 9). Having a strong membership support and commitment may stand as a strong positive advantage for ensuring the success of the tripartite cooperative model. Other major strengths mentioned were good leadership (16 percent) and inclusiveness of members in cooperative activities (14 percent).

**Table 9: Major strengths of Cooperatives** 

Major cooperative strengths	Percent
Cooperative marketing	38.5
Good leadership	16.4
Member inclusion in coop. activities	14
Availability of produce supply	12.5
Provision of trainings and financial services	8.4
Coop. ownership of assets	7.8
High prices	0.9
Gender sensitive	0.6
By laws to guide operations	0.6

n = 335

Source: IFPRI/Humboldt University Uganda Cooperative Survey, 2010

#### Weaknesses

The most frequently cited weakness by cooperative managers was the lack of commitment of some of the members and leaders of the cooperative and the issue of side selling (Table 10). Even though, a large number of cooperative members reported increased commitment to their cooperative and trust for management (Table 4), the issue of members not fully participating in cooperative activities such as meetings (18 percent) and lack of trust for leaders of the cooperatives (15 percent) was reported by members (Table 11) to be of a challenge. This result showed that both managers and members of the cooperatives are concerned with promoting member participation.

Members' side-selling of produce to other traders reduced the amount of volume of produce gathered by the ACEs thereby reducing their profit margins. The ACE managers explained that measures to reduce the issue of farmers side-selling included offering competitive prices that was equal or above the prices offered by other market traders.

Table 10: Opinions of cooperative managers on strength, weaknesses, opportunity and threats of their cooperatives

Strengths	Freq.	Weaknesses	Freq.
Willingness of members to cooperate and	12	Lack of commitment of some	10
market through the cooperative		members and leaders of cooperatives	
Provision of trainings on modern farming methods	6	Side selling of produce	5
Marketing of high value crops/engaged in mixed enterprises	5	Lack of trainings	4
Access to financial services – credit and savings	5	Poor management or limited capabilities of management	3
Strong asset base	5	Lack of transparency and accountability	3
Bargaining for High prices for produce	4	Lack of capital	2
Increased productivity through modern farming methods	2	Lack of inputs	2
Job creation	1	Lack of marketing information	2
Access to inputs	1	Ageing members, youth uninterested in cooperatives	2
Share of dividends	1	High transport cost	1
Improvement in livelihood	1	Delayed payments	1
Good management	1	Limited external support	1
2		Lack of knowledge about	1
		cooperatives	
		Non-payment of membership fees	1
Opportunity	Freq.	Treats	Freq.
Linkage to markets	9	Natural calamities and diseases	12
Favorable government policy for cooperatives	3	Competition from middlemen	8
Well organized groups, can benefit from government programs, NGOs	2	Price fluctuations	2
Increased productivity/output of members	1	Declining soil fertility – low	1
Trainings and workshop	1	productivity	

Source: IFPRI/Humboldt University Uganda Cooperative Survey, 2010

Also members in need of urgent capital, could access loans from the SACCO with their supplied produce to the ACE as a guarantee. Aside these, the ACE managers educated the members on the other additional benefits of marketing through the cooperative which encouraged members to supply their produce to the cooperative. Some of the cooperatives studied, had instituted internal rules and sanctions to discourage members from selling to other traders. Members who sold their produce outside their cooperative were sometimes

given a fine by their cooperative and excluded from receiving certain benefits such as free supply of input.

**Table 11: Major weaknesses of Cooperatives** 

Cooperative Major Weakness	Percent
Irregular attendance of meetings	18.2
Lack of trust for leaders	14.7
High illiteracy	12.7
Poor management	11.4
Delayed payment	8.8
Members not abiding to cooperative rules	8.8
Political and religious divisions	8.5
Poor communication	4.9
Lack of cooperation	3.6
Lack of inputs	3.6
Lack of funds and assets	2.6
High membership fees	1.6
High interest rates	0.7

n = 307

Source: IFPRI/Humboldt University Uganda Cooperative Survey, 2010

## **Opportunities**

The major opportunities identified by the managers of the cooperatives are the linkage of the famers to market outlet and favorable government support for cooperatives (Table 10). Members on the other hand (Table 12) were of the opinion that the major opportunities are access to trainings (26 percent) and also linkage to markets (25 percent). The tripartite cooperative model had created the opportunity of linking many rural farmers to profitable markets. Training of farmers as additional benefit to members of the cooperative had increased members productivity and diversified production. With access to markets, farmers were assured of incomes which may translate into improved livelihoods. Government poverty programs have included the use of farmer's cooperatives to address the issue of poverty and rural development realizing the advantages created by these forms of organizations.

**Table 12: Major opportunities of Cooperatives** 

Opportunities	Percent
Trainings	25.6
Linkage to markets	25.3
Good Leadership	13.5
Access to financial services	12.6
Collaboration with other cooperatives	7.2
Availability of labor	8.1
Diversification	3.5
Increased productivity	2
Supportive government	1.7
Youth joining cooperatives	0.6

n = 348

Source: IFPRI/Humboldt University Uganda Cooperative Survey, 2010

#### **Threats**

Most frequently cited threat by both cooperative leaders (Table 10) and members (Table 13) were unfavorable weather conditions and diseases which affected farmer's production. Long periods of drought, floods and landslides were mentioned as some of the natural disasters destroying farmers produce. Diseases like the coffee wilt also had affected a number of coffee plants resulting in reduced outputs and incomes. Diversification is encouraged to prevent total loss of farmers' source of income. Some of the other threats mentioned were competition from middlemen and declining soil fertility leading to poor yields.

Table 13: Major threats of cooperatives

Major Threats	Percent
Unfavorable weather conditions	44.2
Lack of member cohesion and cooperation	15.9
Competition	9.5
Lack of government support	5.7
New members not joining cooperative	5
Theft	2.5
Political interference	0.7
Poor prices	0.4

n = 283

Source: IFPRI/Humboldt University Uganda Cooperative Survey, 2010

#### **5.3 Conclusions**

This paper aimed at examining the tripartite cooperative model as a case example of a cooperative business model, and analyses its characteristics, operational dynamics and prospects of evolution. It is evident that the changes in marketing structure post liberalization and loss of competitive pressure from oligopolistic markets enjoyed by the cooperatives necessitated the restructuring and introduction of new institutions as intervention measures to leverage the failing cooperatives. Cooperative restructuring measures under the tripartite cooperative model have focused on introducing Area Cooperative Enterprises (ACEs) to improve market access and realize competitive prices for Rural Producer Organizations (RPOs), and building stronger linkages with Savings and Credit Cooperative Organizations (SACCOs) for access to financial services. For example Benin et al (2007) showed that farmer's access to capital was a major constraint to improving farming in Uganda. The tripartite cooperative model is integrating several problem solving strategies for smallholders and provides opportunity for farmers to access savings and loans services from SACCOs.

Findings from the study show that the tripartite cooperative model focused on creating independent cooperatives that generated sufficient equity capital for the successful operation of the cooperatives. The constraint of many cooperatives ability to generate sufficient equity capital for operation is one widely noted by many cooperative researchers (see e.g. Williams 2007, Chaddad and Cook 2002; Holmstrom 1999; Staatz 1987; Vitaliano 1983). Thus, whether these cooperatives are able to internally generate sufficient capital form their members and other source of funds to compete in the markets is still an open question. However, the results from the study showed that the cooperatives under the tripartite cooperative model controlled a large share of the farmers produce in their area of operation, in this way they controlled large business volumes which are one important pre-condition to become cost effective leaders and to generate sufficient equity capital. Also the cooperatives generated equity capital from commission charged from sales of produce and supply of inputs, membership fees, shares, donations, grants and also used cooperative assets such as commercial buildings to generate additional capital. As such it provides important services and further selective incentives for members which are known to be important strategies to attract members in times of growth (Olson 1965).

The cooperatives studied favored the adoption of democratic practices, inclusive of members in decision making processes and encouraged full member participation and inclusion of women in cooperative activities. Also of importance was the provision of training services to

build capacity of members and increasing their productivity. Members of the cooperatives felt a high degree of commitment to their cooperatives and judged their cooperative to be well managed by their leaders. The International Cooperatives Alliance emphasizes that cooperatives are user centered, user controlled and user benefited (ICA 1995). The tripartite cooperative model focuses on promoting such cooperatives that focused on providing benefits to its members who were owned and controlled their cooperatives.

The tripartite model has achieved much in attracting members and restructuring markets and services for smallholders in Uganda. A major challenge of that model in the future will be to stabilize the overall good image of that model. With government and donors withdrawing from their "helping hand" roles, the control of managers and the constant increase of both members' and managers 'capabilities to understand their markets will become crucial. Linking up cooperatives with other areas of the provision of rural services such as extension and education may be an interesting strategy.

#### References

- Beijuka, J. (1993), "The state and business prospects of the Uganda Cooperative Movement", Uganda Cooperative Alliance, Kampala
- Benin S., E. Nkonya, G. Okecho, J. Pender, S. Nahdy, S. Mugarura, E. Kato, and G. Kayobyo (2007), "Assessing the Impact of the National Agricultural Advisory Services in the Uganda Rural Livelihoods", IFPRI Discussion Paper 00724, Washington DC
- Bunker, S. G. (1984), "The Ugandan state and local organization in Bugisu", Africa: Journal of the International African Institute 54 (3), pp. 50-71
- Chaddad, F. and M. L. Cook (2002), "An ownership rights typology of cooperative models", Department of agricultural economics working papers no. AEWP 2002-06, University of Missouri, Columbia, MO
- Holmstrom, B. (1999), "The Future of cooperatives: A corporate perspective", Finnish Journal of Business Economics 4, pp. 404 417
- Hussi, P., J. Murphy, O. Lindberg, and L. Brenneman (1993), "The development of cooperatives and other rural organizations: The role of the World Bank", World Bank, Washington, DC.
- Kabuga, C., and J.W. Kitandwe (1995), "Historical background of the cooperative movement", In Cooperatives: past, present and future, C. Kabuga and P. Batarinyebwa, eds. Kampala, Uganda Cooperative Alliance
- Kwapong, N. A. and P. L. Korugyendo (2010), "*Revival of agricultural cooperatives in Uganda*", IFPRI USSP Policy Note No. 11. Washington, DC. Available at: http://www.ifpri.org/sites/default/files/publications/ussppn10.pdf (retrieved 09 June 2011)
- Kyazze, L. (2010), "Cooperatives: The sleeping economic and social giants in Uganda", Dar es Salaam, International Labor Organization (ILO)
- Lindenthal, R. (1994), "Structural adjustment and cooperatives in developing countries", Occasional discussion paper 94-1, ILO/COOP, Geneva
- Ministry for Trade Tourism and Industry (2011), "*Cooperatives*", Kampala. Available at http://www.mtti.go.ug/index.php/cooperatives.html (retrieved 10 June 2011)
- Ministry for Trade Tourism and Industry (2008), "National Cooperative Development Policy". Kampala.
- Msemakweli, L. (2008a), "Cooperative marketing reforms in Uganda". Kampala, Uganda Cooperative Alliance. Available at <a href="http://www.uca.co.ug/publications/marketingreforms.pdf">http://www.uca.co.ug/publications/marketingreforms.pdf</a> (retrieved 10 June 2011)

- Msemakweli, L. (2008b), "New approach to cooperative marketing in Uganda". Kampala, Uganda Cooperative Alliance. Available at <a href="http://www.uca.co.ug/publications/coopdevelopment.pdf">http://www.uca.co.ug/publications/coopdevelopment.pdf</a> (retrieved 10 June 2011)
- Mugisha, J., B. Kiiza, T. Hyuha, S. Lwasa, and C. Katongole (2005), "Governance and business performance of rural producer organizations in Uganda", Report prepared for NORAD, Unpublished
- Mukasa, J. (1997) "The performance of cooperative unions under liberalization: A study of East Mengo Growers Cooperative Union Limited", Makerere University, Kampala, Unpublished dissertation
- Staatz, J.M. (1987), "The structural characteristics of farmer cooperatives and their behavioral consequences", In Cooperative Theory: New Approaches, J.S. Royer (ed.), Washington, DC: USDA, Agricultural Cooperative Services, ACS Service Report 18, pp. 33-60
- Uganda Cooperative Alliance (UCA) annual reports 2004 2010, Kampala, Uganda
- Vitaliano, P.W. (1983), "Cooperative enterprise: an alternative conceptual basis for analyzing a complex institution", American Journal of Agricultural Economics, 65(5), pp 1078 1083
- Williams, R. C. (2007), "The Cooperative Movement: Globalization from Below", Ashgate Publishing Limited, England.
- Wanyama, F. (2009), "Surviving liberalization: The cooperative movement in Kenya", Series on the status of cooperative development in Africa. Working Paper No. 10. International Labor Organization.

# 6. QUANTITATIVE STUDY (P5): "PLURALISTIC AND DEMAND-DRIVEN AND TRADITIONAL SUPPLY-DRIVEN AGRICULTURAL EXTENSION SERVICES IN AFRICA: WHICH REACHES MORE FARMERS AND WOMEN? THE CASE OF UGANDA"

Ephraim Nkonya<sup>1</sup>, Nana Afranaa Kwapong<sup>2</sup>, Bernard Bashaasha<sup>3</sup>, Margaret Najjingo Magheni<sup>3</sup> and Edward Kato<sup>1</sup>

<sup>1</sup>International Food Policy Research Institute

<sup>2</sup>Humboldt University Berlin

<sup>3</sup>Makerere University Kampala

## Abstract

This study analyzes effectiveness of the pluralistic and demand-driven advisory services and the traditional supply driven approaches. Using data collected from 208 extension agents, the study shows that pluralistic demand-driven approach reaches larger share of farmers and women they serve and target poor farmers better than the traditional approach. However, the traditional approach has a greater propensity to provide the traditional advisory services, namely improved seeds. Results suggest the need to have a pluralistic approach to exploit the comparative advantage of each.

#### 6.1 Introduction

Recent efforts to address poverty and food security in sub-Saharan Africa (SSA) have been directed to increasing agricultural productivity through enhancing agricultural research and extension, both of which saw declining investment in the 1980s and 1990s (Beintema and Stads, 2006; 2011). A number of countries have taken bold steps to modernize agriculture through enhancing agricultural extension, a sector that is key to increasing the farmer knowledge to new agricultural technologies. Uganda is one of the SSA countries that invested significantly in improving provision of agricultural extension and other agricultural development programs.

Uganda was among the pioneers of the pluralistic and demand-driven agricultural extension services, when it launched the National Agricultural Advisory services (NAADS) in 2001. The NAADS program was initiated to address the weak supply-driven traditional agricultural extension services (MAAIF and MFPED 2000). In its first phase, which ran from 2001 to 2009, NAADS operated through farmer groups. The farmer groups served as forums of communication between Agricultural Extension Agents (AEAs) and farmers (Benin et al 2011). NAADS also empowered farmer group associations to hire and manage providers of advisory services. The NAADS approach also empowered farmer groups to determine the type of advisory services to be provided. Major providers were affiliated with NGOs or individual AEAs with no institutional affiliation. Each farmer group was given mandate to prioritize three enterprises and the advisory service needs. The priority enterprises and advisory service needs were then sent to the farmer forum - a farmer association at subcounty level – which determines three priority enterprises in the sub-county. Following selection of the three enterprises, NAADS provided advisory services at a Technology Demonstration Site (TDS) located at one of the farmer group member farm. The host farmer is chosen by fellow members of the group, and private service providers are contracted to carry out the demonstrations and advise farmers at these TDSs. NAADS demand-driven approach described above differed significantly from the traditional supply-driven approach, which was largely supply-driven and provided by only government affiliated AEAs. NAADS was first introduced in six pilot districts of the then 56 districts and was rolled out to 545 subcounties or 83% of all the sub-counties in 2006/07 and to all districts and virtually all subcounties in 2009.

Initial evaluation of NAADS showed that direct participation in the NAADS program increased agricultural income by 37%-95% while indirect participation – in which farmers who did not belong to NAADS farmer groups received advisory services from NAADS-affiliated advisory services – led to an increase of agricultural income by 27–55% (Benin et al 2011). Additionally, the rate of return from NAADS investment was 8–49% (Ibid). About 77% of NAADS farmer groups also reported to be empowered to make their own decisions on the provider of advisory services and to demand specific agricultural technologies. Participation in NAADS also increased the propensity to demand for improved crop varieties, crop management practices, soil conservation, livestock breeds, post-harvest practices and marketing information (Benin et al 2010).

Despite these significant achievements, implementation of the NAADS program failed to achieve its objective of targeting the poor. The impact of NAADS was greater in areas with better market access and among male-headed households (Benin et al 2011). President Museveni's administration also perceived that NAADS did not have much impact on poverty - or at least not at a level expected by the president (Joughin and Kjær 2010). As a result of this, the second phase of NAADS, which started in 2010 under the new Agricultural Sector Development Strategy Investment Program (DSIP), has been drastically changed. Provision of advisory services by private and NGOs providers have been largely abandoned. Instead, government AEAs will provide most of the advisory services while NGOs and private AEAs will provide advisory services on specialized topics not provided by government affiliated AEAs. Farmer groups have also been replaced by six model farmers for each parish – an administrative region below a subcounty. Advisory services will be directed to the model farmers and the rest of the farmers are expected to learn from the model farmers. The model farmer will receive free inputs and her/his farm will serve as a demonstration site. Even though NAADS phase II maintains some of its phase I features. Like phase I, NAADS phase II will allow farmers to select technologies but through village farmer forums (VFF) instead of farmer groups.

These changes raise a key question, which this study attempts to answer. Which is more effective in providing agricultural extension services, the new pluralistic, demand-driven advisory services or the traditional supply driven advisory services? This study was done with an objective of contributing to the policy debate on the changing landscape of agricultural rural services in Uganda. The present study compares the effectiveness of pluralistic and

demand-driven advisory services with the traditional supply-driven advisory services, which operated along the NAADS approach during the reference period, when government affiliated AEAs continued offering supply-driven advisory services in sub-counties where NAADS was not operating.

Contribution of this study to literature is its use of data collected from AEAs to analyze the effectiveness of traditional and new advisory services. Most studies in the past evaluating effectiveness of the traditional and new agricultural extension services use household surveys (e.g. Benin et al 2011; Davis et al 2011). Additionally, about 60% of the AEAs interviewed had worked under the traditional system before NAADS. This allowed them to provide an informed perception of both systems. Timing of the study is also crucial since the study was done around the time the government was preparing to initiate NAADS phase II. Hence the results will inform policy makers on the more effective approaches for providing agricultural extension services.

The rest of the study is organized as follows. The next section discusses the analytical methods and data used. Discussion on the results follows the methods and data section. The last section concludes the study and draws policy implications.

#### 6.2 Analytical methods and data

Our study aims to examine the effectiveness of agricultural extension services under the new approach (demand-driven and pluralistic, hereafter simply referred to as new approach) and the traditional approach (supply-driven advisory services provided largely by government affiliated AEAs. We use four outcomes to analyze effectiveness of extension service approaches:

- (i) Farmers served by an AEA as share of farmers in area of jurisdiction
- (ii) Share of female farmers served by an AEA
- (iii) Type of technologies promoted
- (iv)Type of farmers targeted by an AEA

Since the share of all farmers served in the area of jurisdiction and female farmers served are double censored (0 and 1) dependent variables, we use a two-limit tobit model. However, the two-limit tobit model assumes homoscedasticity and normality (Long, 1997). To assess robustness, we also used the Powell (1984) Censored Least Absolute Deviations estimator

(CLAD), which takes into account the censored nature of the data and addresses violations of the normality and homoscedasticity assumptions (Vijverberg, 1987). CLAD bootstraps the standard error to achieve robust estimations (Ibid). The other models are estimated using probit or logit specifications since their dependent variables are dichotomous.

Table 1 summarizes the type of models used to analyze the drivers of each outcome or rural services.

Table 1: Type of econometric models used

Outcome	Type of dependent variable	Model
Farmers served as share of all farmers in area of jurisdiction	Double censored (0-1)	Tobit and CLAD
Female farmers served as share of total female farmers in area of jurisdiction	Double censored (0-1)	Tobit and CLAD
Type of technologies promoted	Dichotomous (0,1)	Probit or logit
Targeting poor or female farmers	Dichotomous (0,1)	Probit or logit

We also examine the interaction terms of affiliation with sex of AEA in order to assess the effectiveness of female AEAs under different affiliations.

The drivers of the share of farmers served and share of female farmers served are estimated using the following model:

$$Y = b_0 + \mathbf{b}_i \mathbf{X}_i + e_i$$

Where Y = the farmers served by an AEA as share of total number of farmers in the AEAs area of jurisdiction.  $0 \le Y \ge 1$ ;

**X** is a vector of covariates affecting share of farmers served. The vector of the covariates affecting proportion of farmers served by AEA, their expected sign and justification of the expected sign are summarized in

### Table 2.

 $e_i$  error term,  $e_i \sim N(0,1)$ .

Table 2: Covariates and their expected signs for share of farmers and female farmers served

Covariate	Sign	Justification
Female AEA (cf male)	- (prop of farmers) + (prop of female)	Limited resources to serve but greater likelihood to serve female farmers (Lahai 2000; FAO 2011)
Age of AEA	-/+	Older AEAs may have higher administrative position, which reduces the number of farmers served. But they can also have more resources to serve more.
Ethnicity	+	AEA with same ethnicity as area of jurisdiction will serve more farmers due language & familiarity with culture
Level of education	-	AEAs with higher education tend to serve at district offices and therefore serve fewer farmers
Affiliation with government	-	AEAs affiliated with government historically are less effective (MAAIF and MFPED 2000)
High agricultural potential	+	Greater density of farmers, better market access
Better rural services	+	Better services enhance effectiveness of AEAs
Female AEA x NAADS, NGO	+	Female AEA will serve better under NAADS & NGOs due to better facilitation

The same covariates are used for analyzing the type of technologies promoted and type of farmers targeted. Since there are many types of technologies promoted and several types of farmers targeted, the justification of their expected signs is not given for brevity reasons. AEAs serving in areas with better rural services or in high agricultural potential and older AEAs are also expected to have better access to internet, motorbikes and training opportunities. Other covariates reported in Table 2 are expected to have an ambiguous sign.

#### 6.2.1 Data

A total of 208 AEAs were selected from 16 districts<sup>8</sup>. We developed an index of rural services and used the index as a covariate of the outcomes of interest. The rural service index was used to select case study districts. We used seven rural services and examined their change over time. The seven rural services included in the index were: distance to all-weather roads, bank, secondary schools, primary schools, health centers, agricultural input shop, and agricultural extension services. These data were obtained from a household survey conducted by Uganda Bureau of Statistics. We used the varimax rotation methods (Kaiser 1958) to identify major factors that represent the seven rural services included in this analysis. Varimax rotation maximizes the sum of the variances of the squared correlation (loadings) so that each individual rural services can be linearly represented using a single index. Factors with eigenvalues of greater than 1 were retained (Stata, 2007). Only four factors were identified and they explained 77% of the variance.

We then used the principal component factors generated from factor analysis to identify the districts with comparable level of rural services. Average hierarchical method was used to define the number of clusters (Stata, 2007). Figure 2 shows the four indexes of rural services: (i) Very poor rural services (ii) Poor rural services (iii) Medium rural services (iv) Best rural services.

Rural services are best in the Central region around Lake Victoria and are generally poor to very poor in the northern districts. Western and Eastern districts generally have medium level rural services.

We then purposively selected districts from three of four rural service indexes. We did not sample AEAs from north-eastern districts due to insecurity. Rural services in this sub-region fall in the very poor category. All districts in the north-eastern districts have very poor rural services. Purposive selection of districts was made to ensure that districts from each of the four administrative regions (Central, East, North and West) of Uganda are represented. Additionally, agricultural potential of the districts was considered in selecting the districts. Table 3 reports the selected districts and the index of rural services under each of the four geopolitical zones.

<sup>&</sup>lt;sup>8</sup> The 16 districts were drawn from the old 56 districts. Currently Uganda has a total of 111 districts.

Table 3: Selected districts and performance of rural services development under the geopolitical zones

Central East		ast	North		West		
District	Rural service performance	District	Rural service performance	District	Rural service performan ce	District	Rural service performance
Masaka	Best	Kumi	Medium	Lira	Medium	Bushenyi	Medium
Luweero	Best	Soroti	Poor	Gulu	Medium	Isingiro	Best
Mubende	Best	Mbale	Poor	Yumbe	Poor	Kabale	Medium
Nakasongola	Best	Katakwi	Medium	Pader	Unclassifi ed	Kamwenge	Poor

In each of the districts selected a sampling frame was developed by listing all AEAs operating in a given district. A few AEAs affiliated with crop development authority, other institutions but their numbers were too few to form an independent group (Table 4). Likewise, there were only a few private AEAs working independent of NAADS and therefore not included in the analysis. But a number of independent AEAs worked under NAADS. NGOs affiliated AEAs were put into two groups. The first group included NGOs affiliated with NAADS and the second group was NGOs-affiliated AEAs but working independent of NAADS. The NGOs affiliated AEAs and private AEAs working under NAADS were put in the NAADS group since they constituted the NAADS group. Table 4 reports the percent of AEAs and their affiliation across the four geopolitical regions.

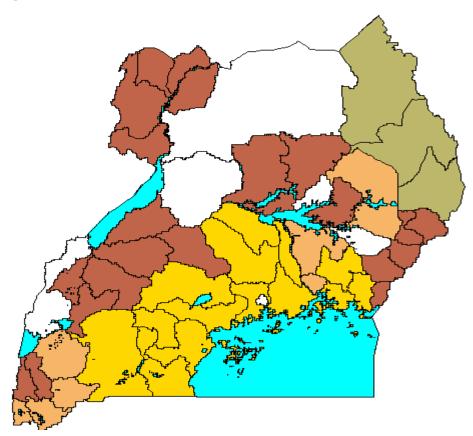
Table 4: Type of extension service providers across regions

Affiliation	Percent of total
	interviewed (n=208)
Government	63
NAADS	22
NGOs	10
Others	5

About 63% of the 208 AEAs interviewed were affiliated with the government while 22% and 10% were respectively associated with NAADS and NGOs (Table 4). The government AEA was larger than expected largely because the survey was conducted in 2008 during which the government was re-employing AEAs to prepare NAADS phase II. However, during the time of the survey, government affiliated AEAs were not yet working with NAADS.

Other types of AEA (crop authorities, independent and farmer organizations) only account for 5% of the AEA. Female AEA accounted for only 11% of the AEA in the country and their number was significantly smaller than the equivalent of male AEAs in all types of affiliations (Table 5). This is comparable with the national average, which is 12%. Consistent with Swanson (2008) who noted that NGOs providing agricultural advisory services are focused on supporting women and other forms of social capital formation, NGOs reported the largest share of female AEA (26%) while the government reported the lowest share (10%).

Figure 2: Index of performance of rural services at district level



Index of performance of rural services



Table 5: Gender of AEA

	Male	Female	Paired test(P-value)
	Pe	ercent	
Government (n=137)	89.7	10.3	0.000***
NAADS (n=48)	83.3	16.7	0.000***
NGO (n=23)	73.1	26.9	0.015**
All (n=208)	89.0	11.0	0.000***

Majority of the AEA have a diploma (Table 6), which is a certificate obtained after high school. The difference in level of education is not significantly different across types of affiliation, but the share of government AEA with first degree or post-graduate education is highest. Consistent with Swanson (2008), NGO AEA also reported the youngest age suggesting tendency of NGO to hire younger AEAs.

Government-affiliated AEAs reported the oldest age but highest share of AEAs with bachelor's degree (Table 6). This reflects the long-term investments, which the government has invested in AEAs when it was the major provider of AEAs. NGO's affiliated AEAs reported the youngest age and lowest share of AEAs with college degree. The young age of the agricultural extension providers could be the reason for such lower level of education.

Table 6: Age and education level of Providers

	Education level (% holding)							
	Age (years)	Below college	College diploma	Bachelor degree	Master degree	Other		
				Percent				
Government	44.0	5.1	37.2	48.7	7.7	1.3		
NAADS	42.8	0.0	50.0	42.6	7.4	0.0		
NGO	32.2	7.7	53.9	38.5	0.0	0.0		
All	42.0	4.2	42.0	46.2	6.8	0.9		

Table 7 shows that the government AEAs serves the largest number of farmers but the smallest share of female headed households (7%) while NGOs serve the smallest number of farmers. The share of female and male subsistence farmers met is comparable across all three types of association (Table 7). The major difference across types of affiliation is the share of farmers met. AEA affiliated with NGOs met about 43% of the farmers in their area of jurisdiction while NAADS and government affiliated AEAs met only about 20% of the farmers in their area of jurisdiction. The results underscore the smaller coverage of NGOs and apparent targeting of women (Swanson 2008).

Table 7: Number of farmers in the area of jurisdiction of AEAs

	# of farmer served	% of farmer met	% of female HHH met <sup>a</sup>	% of female subsistence farmers met	% of Male subsistence farmers met
Government	29705	22.2	7.2	74.9	54.9
NAADS	13529	19.2	9.9	76.7	53.1
NGO	5005	43.2	16.1	71.5	59.1

 $<sup>^{</sup>a}$  HHH = headed household.

As is the case in Nigeria (Nkonya, et al., 2010) and other countries, the major topic promoted across all types of affiliation remain to be improved varieties, which at least 62% of the AEA promoted (Table 8). Promotion of agrochemicals is the second most important topic. Of interest is that 44% of the NAADS affiliated AEAs promoted use of herbicide while only 28% of government affiliated AEAs and 19% of NGO affiliated AEAs promoted herbicide use

Table 8: Major topics promoted

Topics promoted	Government	NAADS	NGO
	(n=137)	(n=48)	(n=23)
	Perce	nt reporting	3
Improved seed varieties	85.3	81.5	61.5
Agro chemicals	65.4	62.9	61.5
Promoted herbicides	28.2	44.4	19.2
Plant protection techniques	20.5	16.7	19.2
Promoted organic fertilizer	15.4	20.4	11.5
Promoted chemical fertilizers	10.0	11.1	7.7
Promoted agro forestry	8.3	11.1	0.0
Promoted soil conservation technologies	0.6	1.9	7.7

Promotion of agroforestry was done by only 8% of the government affiliated AEA and 11% of NAADS affiliated AEAs. Similarly, promotion of soil erosion control was quite low (less

than 8%). This is a cause for concern since advisory services seems focused on improved varieties, plant protection and to a limited extent fertilizer. Promotion of organic soil fertility management practices is limited.

The econometric analysis takes a more rigorous analysis of the descriptive statistics discussed above.

#### 6.3 Results

For brevity, we focus our discussion on policy relevant covariates, which include, gender, level of education, institutional affiliation of AEA and their access to rural services.

# 6.3.1 Drivers of share of farmers and female farmers served by AEA

Consistent with other studies (e.g. Lahai 2000; Gender and governance author team 2009), female AEA are more likely to provide advisory services to female farmers than male AEAs (Table 9). Consistent with a priori expectation, AEAs with bachelor or post-graduate degree provide less advisory services than those with diploma or lower education. This is due to placement, where AEAs with a degree or master degree (46% of the total AEA interviewed) are given supervisory role at district or sub-county level. The AEA with master education accounted for only 7% (Table 6) and therefore are given strategic supervisory roles. The diploma and certificate holders have less specialized profession and are meant to do most of the legwork to advice farmers.

Table 9: Determinants of Proportion farmers served by extension provider in the community

_	Proportion of farmer	rs served	Proportion of female farmers served		
Variable	Two Limit Tobit	CLAD	Two-limit Tobit	CLAD	
Female AEA	7.958	-4.781	1.768	5.498**	
Age of AEA	-0.233	-0.066	0.054	0.047	
Ethnic group (cf Luganda)					
- Nyakitara	3.267	0.056	-0.165	-0.781	
- Northern	-13.706	-8.147***	-0.963	-3.120*	
- West Nile	-2.483	-7.159***	-2.96	-3.753*	
- Eastern bantu	-5.015	3.714*	-0.557	-0.451	
- Eastern non-bantu	23.754***	13.998***	9.151***	5.230***	
Level of education (cf certification)	ficate)				
- Diploma	-11.187	-4.776	1.838	-0.208	
- Bachelor degree	-15.332	-8.115***	1.259	-1.017	
- Post-graduate degree	-24.988*	-9.751**	2.978	1.98	
- Other education	-45.702	-0.413	-4.605	-6.459*	
Institutional affiliation (cf C	Government)				
- NAADS	-0.264	1.737	6.404***	1.341	
- NGO	7.082	4.328*	6.228*	2.919	
High agricultural potential	2.086	2.197	-3.054	-0.785	
Performance of rural service	es (cf Poor)				
- Medium performance	-5.515	-4.931**	2.272	-0.875	
- Best performance	-10.154	-5.898**	0.389	-2.096	
NAADS x female AEA	-14.114	-2.631	-8.017	-6.287*	
NGO x female AEA	1.408	21.977***	-1.772	7.633*	
Constant		17.391***		1.627	

NAADS and NGO affiliated AEAs are more likely to provide advisory services to women than government affiliated AEAs. This is consistent with Swanson (2008) who noted NGOs bias towards women and other vulnerable groups. The results underscore the weak capacity of government affiliated AEAs to provide advisory services to women farmers and highlight the need to increase their capacity given that the changes in the advisory services are reinstating provision of advisory services to government affiliated AEAs.

NGO affiliated AEAs are more likely to offer advisory services to a larger share of farmers than is the case for the government affiliated AEAs. This could be due to better incentives provided by NGOs, small number of farmers served and better working facilities (e.g. all of them reported to have a motorbike and cell phone) and their young age, all of which lead to more efficient delivery of rural services.

Surprisingly, AEAs in areas with poor rural services were more likely to provide advisory services to higher proportion of farmers than those in moderate or best rural services. These unexpected results are supported by descriptive statistics (Table 10) and are due to the large number of farmers in areas with poor rural services (Table 10). It is likely that AEAs in areas with medium or best market access are engaged in other activities and do not devote enough time to provide services. However, there is need to examining these puzzling results.

Table 10: Number of farmers across levels of rural service development groups

Rural services	# of farmers in area of jurisdiction	Share served (%)
Poor	38,445	20.7
Moderate	14,143	18.1
Best	13,452	14.5

Female AEAs working under NGOs provide advisory services to a larger share of all farmers and to women farmers than is the case of female AEA affiliated with government. This is additional evidence of the orientation of NGOs to provide advisory services to women farmers.

<sup>9</sup> Benin et al., (2010) also observed that female-headed households benefitted more indirectly from NAADS than male headed households.

<sup>130</sup> 

# 6.3.2 Drivers of targeting of advisory services to different groups of farmers

Female AEAs are less likely to target any group – including women. However, when affiliated with NGOs or NAADS, female AEAs are more likely to target poor farmers, large-scale farmers, women, export farmers and young farmers (Table 11).

Table 11: Determinants of type of farmer targeted by provider (marginal Effects)

	Poor farmer	Large scale farmer	Export farmer	Female farmer	Young farmer	Livestock farmer
Female AEA	-0.250***	-0.095***	-0.053***	-0.164***	-0.133***	-0.035
Age of AEA	0.002	-0.002	-0.001	-0.002	0.003	-0.001
Ethnicity of AEA (cf Ganda)						
	-0.013	-0.018	-0.051***	-0.106***	-0.062	-0.125**
- Nyakitara	-0.108*	-0.081***	-0.096***	-0.042	-0.049	0.011
- Northern	-0.038	-0.002	-0.050***	0.06	0.046	-0.05
<ul><li>- West Nile</li><li>- Eastern bantu</li></ul>	-0.138***	-0.03	-0.074***	-0.045	-0.052	-0.002
- Eastern oantu - Eastern non-bantu	-0.065	-0.014	0.011	0.053	0.055	-0.003
Highest level of education (c.	f certificate)					
Dinlomo	0.014	0.305***	-0.015***	0.028	0.458***	-0.142*
- Diploma	0.056	0.346***	0.025	0.016	0.459***	-0.089
- Bachelor degree	-0.002	0.538***	-0.022***	0.048	0.746***	0.045
- Post-graduate degree	-0.184***	-0.026***	0.012***	-0.100***	0.087***	-0.160***
- Other education Affiliation of AEA (cf govern	nment)					
	0.174**	0.078	0.037	0.066	0.074	0.129
- NAADS - NGO	0.065	-0.055***	0.020***	-0.134***	-0.002	-0.177***
High agricultural potential	0.03	0.006	-0.024**	0.015	-0.011	0.035
Performance of rural services	s (cf poor)					
	-0.057	-0.060**	-0.013***	0.037	-0.015	0.101
<ul><li>- Medium performance</li><li>- Best performance</li><li>NAADS x female AEA</li></ul>	-0.148**	-0.059*	-0.052***	-0.033	-0.004	0.009
	0.715***	0.530***	0.068***	0.710***	0.731***	-0.083
NGO x female AEA	0.730***	0.534***	0.280***	0.873***	0.066***	-0.033***
N	202	202	202	202	202	202

Consistent with its objectives of targeting poor farmers, NAADS affiliated AEAs are likely to target poor farmers than government affiliated AEAs. NGO affiliated AEAs are more likely to target export crop farmers but less likely to target large farmers, female farmers and livestock farmers. The results conflict those observed above. Probable reason for these results could be the inclusion of the interaction terms discussed above.

# 6.3.3 Drivers of the type of technology provided by AEA

While female AEA generally are less likely to provide advisory services on fertilizer, agroforestry and soil erosion control, they are more likely to provide advisory services on agroforestry, soil erosion control and fertilizer if they work under NAADS or NGOs (Table 12). This further gives evidence of the likelihood of NGOs to provide advisory services on sustainable land management (SLM) technologies observed by Nkonya et al (2005). Contrary to Nkonya et al (2004) however, NGO affiliated AEAs are less likely to provide advisory services on agroforestry. Results also show that better educated AEAs are more likely to provide advisory services on improved crop seeds and chemical fertilizer but less likely to provide advisory services on soil erosion control. This suggests that better educated AEAs seem more oriented towards providing advisory services on short-term benefits which could lead to land degradation. Since the AEA with higher education are the supervisors of the AEA with a certificate in agriculture, their low propensity to provide advisory services on technologies that lead to long-term benefits, namely agroforestry and SWC practices is a concern and calls for re-evaluation of their capacity to provide such technologies.

Table 12: Determinants of technology provided by extension provider (marginal effects)

Variable	Improved seeds	Agro chemical	Plant protection	herbicide	Fertilizer	Organic fertilizer	Agroforestry	Soil erosion control
Female AEA	-0.034	0.026	-0.039	-0.036	-0.154***	0.135	-0.082***	-0.031***
Age of AEA	-0.002	0.001	-0.003	0.003	0.006***	0.002	0.003*	-0.004***
Ethnicity of AEA (cf L	uganda)							
- Nyakitara	-0.138	-0.061	0.113	0.195*	-0.027	-0.067	0.112	0.007
- Northern	0.138*	-0.291**	-0.032	-0.07	-0.043	-0.147***	-0.044	-0.142***
- West Nile	0.049	0.111	0.155	-0.032	-0.024	-0.001	-0.081***	-0.099***
- Eastern bantu	0.059	-0.121	-0.055	0.07	-0.072**	-0.093**	-0.014	-0.063***
- Eastern non-bantu	0.098*	0.059	-0.069	0.019	0.096	-0.121***	0.022	-0.038***
Level of education (cf o	certificate)							
- Diploma	0.257***	0.011	0.065	0.097	0.478***	0.113	0.013	-0.092***
- Bachelor degree	0.183***	0.053	0.014	0.185	0.474***	0.115	-0.007	-0.148***
- Postgraduate degree	0.065	-0.106	-0.013	-0.081	0.755***	0.292	-0.028	-0.033***
- Other education	0.190***	-0.23	0.11	0.373	0.245***	-0.145***	0.067***	-0.025***
Affiliation of AEA (cf	governmen	t)						
- NAADS	-0.042	0.017	-0.103	0.164*	-0.017	0.094	0.012	0.018
- NGO	-0.339***	0.084	-0.037	0.059	-0.024	0.089	-0.077***	-0.016
High agricultural potential	-0.082	-0.078	-0.018	-0.043	-0.088***	-0.042	-0.01	0.012
Rural service performance (cf poor)								
- Medium performance	0.156***	0.04	0.009	-0.012	0.03	-0.072	-0.059*	-0.129***
- Best performance	0.267***	0.162*	-0.003	-0.089	-0.014	-0.137***	0.001	-0.182***
NAADS x female AEA	0.082	-0.209	0.039	-0.07	0.760***	-0.093	0.016***	0.019***
NGO x female AEA	0.034	-0.174	-0.096	-0.12	0.788***	-0.092	0.677***	-0.025***
N	202	202	202	202	202	202	202	202

One of the solutions to addressing the low propensity to provide SLM practices is to provide on-the-job training.

NAADS is more likely to give advisory services on herbicide than government affiliated AEAs (Table 12). This reflects NAADS commercial orientation. Best rural services are positively associated with provision of improved seeds but negatively associated with propensity to provide soil erosion control. The high propensity to provide improved seeds in areas with best rural services is likely due to the higher access of improved seeds in areas with high market access. This further raises concerns on the capacity of advisory services to provide SLM advisory services.

## 6.4 Conclusions and policy implications

This study comes at a time when Uganda is implementing reforms in provision of its agricultural extension services. The results reaffirm the important role played by pluralistic extension services since each of the type of affiliation seem to have a comparative advantage. This requires reconsideration of some of the new strategies of phasing out provision of advisory services by NGOs and private agricultural extension agents (AEAs). As it will be seen below for example, female AEAs affiliated with NGOs and NAADS (under phase I) had greater propensity to provide advisory to the poor, female farmers and to offer advisory services on sustainable land management (SLM) than males.

Female AEAs hold the key to provision of agricultural advisory services to female farmers and the poor and to providing more sustainable land management extension messages.

Female AEAs serving under NAADS or NGOs were more likely to target their advisory services to women and poor farmers than male AEAs. These favorable outcomes suggest the need to increase the number of female AEAs to exploit their great potential to reach women and the poor. Currently, only about 11% of the AEAs in Uganda are women. Most of them are located in the southern and western regions, underscoring the need to create incentives to reach the poorest region in the north.

Female AEAs working under NAADS and NGOs were more likely to provide advisory services on soil erosion control and agroforestry than male AEAs. Our study shows that the share of AEAs providing messages on control of soil erosion and agroforestry was among the

lowest but among those most demanded by farmers. This shows a big gap of provision of advisory services on organic soil fertility management practices. This is a common problem in other countries in sub-Saharan Africa. For example, Nkonya et al (2011) showed that such practices – used in combination with chemical fertilizer – are more profitable and more sustainable than use of fertilizer alone but their adoption rate in Kenya, Niger, Nigeria and Uganda was lower than adoption of fertilizer only. Hence recruitment of more female AEAs will address this gap and contribute to achieving the Development Strategy Investment Program (DSIP) objective of ensuring sustainable land management (SLM).

Training of AEAs is required to increase their knowledge on SLM and marketing and postharvest knowledge.

Achieving SLM is one of DSIP's objectives. However, our results showed that AEA with higher level of education and those affiliated with government had lower propensity to provide advisory services on organic soil fertility management practices than those with certificate or those affiliated with NAADS or NGOs. Additionally, Focus of almost all AEAs remains on production technologies. This suggests their weak capacity to provide advisory services on marketing and post-harvest technologies. Such advisory services are key to achieving objectives of several policies and strategies seeking to transform subsistence farming to commercial farming (e.g. Plan for Modernization of Agriculture (PMA) and the new DSIP). Another new aspect which calls for retraining is the provision of demand-driven advisory services and provision of gender-sensitive advisory services, both of which show weaknesses.

#### References

- Beintema N. and G. Stads. 2011. African Agricultural R&D in the new millennium. Progress for some, challenges for many. Food Policy Report. Agricultural Science and Technology Indicators (ASTI). International Food Policy Research Institute, Washington D.C.
- Beintema N. and G. Stads. 2006. Agricultural R&D in Sub-Saharan Africa: An era of stagnation. ASTI background report. Washington D.C. International Food Policy Research Institute.
- Benin S., E. Nkonya, G. Okecho, J. Randriamamonjy, E. Kato, G. Lubade, M. Kyotalimye. 2010. Returns to spending on agricultural extension: the case of the National Agricultural Advisory Services (NAADS) program of Uganda. *Agricultural Economics* 42(1) 249–267.
- Benin S., E. Nkonya, G. Okecho, J. Randriamamonjy, E. Kato, G. Lubade, M. Kyotalimye, F. Byekwaso. 2010. Impacts of and Returns to Public Investment in Agricultural Extension: the Case of the National Agricultural Advisory Services (NAADS) Program of Uganda. IFPRI mimeo.
- Davis K., E. Nkonya, E. Kato, D. A. Mekonnen, M. Odendo, R. Miiro and J. Nkuba. 2011. Impact of Farmer Field Schools on Agricultural Productivity and Poverty in East Africa. *World Development* (forthcoming)
- FAO. 2011. State of Food and Agriculture 2010. Women in agriculture. Closing the gender gap for development. Rome.
- Kaiser H. 1958. "The varimax criterion for analytic rotation in factor analysis". Psychometrika 23 (3)
- Joughin J. and A. M. Kjær. 2010. The politics of agricultural policy reforms: the case of Uganda. Forum for Development Studies. Danish Centre for International Studies and Human Rights. Online at http://diis.dk/
- Lahai, B., P. Goldey, and G.E. Jones. 2000. The gender of the extension agent and farmers' access to and participation in agricultural extension in Nigeria *Journal of Agricultural Education and extension*, 6(4):223-233.
- Long, S. 1997. *Regression models for categorical and limited dependent variables*. Advanced quantitative techniques in the social sciences, Sage publications Thousand Oaks, (7):187216.
- MAAIF (Ministry of Agriculture, Animal Industries and Fisheries). 2010. Agriculture for food and income security. Agricultural Sector Development Strategy Investment Plan: 2010/11-2014/15.

- MAAIF (Ministry of Agriculture, Animal Industries and Fisheries) and MFPED (Ministry of Finance, Planning and Economic Development), 2000. Plan for Modernization of Agriculture: Eradicating Poverty in Uganda. MAAIF, Entebbe; MFPED, Kampala.
- Nkonya E., F. Place, J. Pender, M. Mwanjololo; A. Okhimamhe; E. Kato; S. Crespo; J. Ndjeunga and S. Traore. 2011. Climate Risk Management through Sustainable Land Management in Sub-Saharan Africa. IFPRI discussion paper 01126.
- Nkonya E., D. Phillip, T. Mogues, J. Pender and E. Kato. 2010. From the ground up. Impact of a pro-poor community driven development project in Nigeria. International Food Policy Research Institute Research Monograph, ISBN 978-0-89629-179-9, 93pp. Washington DC
- Nkonya, E., Pender, J., Kaizzi, C., Edward, K. and Mugarura, S. 2005. Policy options for increasing crop productivity and reducing soil nutrient depletion and poverty in Uganda. Environmental and Production Technology Division Discussion Paper 138. Washington, DC: International Food Policy Research Institute.
- Powell, J.L. 1984. "Least Absolute Deviations Estimation for the Censored Regression Model." *Journal of Econometrics*, 25: 303-325.
- Stata 2007. Statistical data analysis. College Station, Texas.
- Swanson B. 2008. Global Review of Good Agricultural Extension and Advisory Service Practices. Food and Agriculture Organization (FAO), Rome.
- Vijverberg, W. 1987. "Non-Normality as Distributional Misspecification in Single-Equation Limited Dependent Variable Models." *Oxford Bulletin of Economics and Statistics*. 49(4):417-430.

# 7. QUALITATIVE STUDY (P6): "AGRICULTURAL EXTENSION REFORMS AND DEVELOPMENT IN UGANDA"

Nana Afranaa Kwapong Humboldt University Berlin Division of Cooperative Sciences nafranaa@yahoo.com

Ephraim Nkonya
International Food Policy Research Institute (IFPRI)
Environment and Production Technology Division
e.nkonya@cgiar.org

### **Abstract**

This study was done with the objective of contributing to the policy debate on the changing landscape of agricultural rural services in Uganda. The study examines the perception of Agricultural Extension (AEA) providers on the new changes in provision of agricultural extension services. Data was collected from twenty-two key informants. Result show that political interference is negatively affecting the image of the National Agricultural Advisory Services (NAADS) and undoing some of its achievements. This suggests the need of revaluating the current political support given to agriculture to ensure that it builds on past achievement of NAADS and addresses its weaknesses.

### 7.1 Introduction

A number of countries have taken bold steps to modernize agriculture through enhancing agricultural extension, a sector that is key to increasing the farmer knowledge to new agricultural technologies. Uganda is one of the SSA countries that invested significantly in improving provision of agricultural extension and other agricultural development programs. Uganda has recently initiated three major rural development programs, which build on the progress of past efforts. The Prosperity for All (PFA) was Uganda ruling party's election manifesto in 2006, which implemented programs comparable to the Plan for Modernization of Agriculture (PMA) (Joughin and Kjær 2010). PFA set a goal of enabling households to earn an annual income of UGX 20 million (approximately US\$10,000 per year).

The second major agricultural program is the Africa-wide Comprehensive Africa Agriculture Development Program (CAADP), which Uganda has committed to implement and has prepared its investment strategy. The major goal of the country level CAADP investment strategy is to enhance agricultural-led economic growth and to achieve the millennium development goals (MAAIF 2010). The CAADP has set a goal of achieving a 6% agricultural annual growth and allocation of at least 10% of government budget to the agricultural sector. In 2007/08, Uganda's agricultural growth was only 2.6% (Ibid), underscoring the weak growth of the sector. The investment strategy, which Uganda has prepared, will be implemented through its Development Strategy Investment Plan (DSIP).

The third strategy is the medium term development framework – the National Development Plan (NDP) – was initiated in 2008 following the expiration of the Poverty Eradication Action Plan (PEAP), which was implemented from 1997 – 2008. Evaluation of the PEAP found that one of its major weaknesses was the low agricultural productivity due to low investment in the sector, which employs 73% of the population and contributes 20% of the GDP (UBOS 2010). To address this shortcoming, the NDP gives more emphasis on the agricultural sector. To implement this focus, the Agricultural Sector Development Strategy Investment Plan (DSIP) was formulated to serve as the broader framework of the agricultural sector investment and development strategies. DSIP, which is a medium term plan running from 2010/11-2014/15 is designed to harmonize and consolidate all past agricultural development strategies, namely, the Plan for Modernization of Agriculture (PMA) and the Prosperity for All (PFA) (MAAIF 2010).

It is important to reflect on the past agricultural development strategies in order to learn from their strengths and weaknesses. Of particular importance for this study are the agricultural extension services, which have seen dramatic changes under the PEAP and the new development strategies. The Government of Uganda initiated agricultural extension reforms that included the demand-driven National Agricultural Advisory Services (NAADS) program. The main objective of the reforms is to enhance agricultural technology advisory services. This had the key strategy to implement the PMA strategy, which was Uganda's overarching poverty reduction strategy with an objective of transforming agriculture from subsistence to commercial farming. The NAADS program, whose implementation started in 2001, was PMA's main pillar, which attracted significant investment by the government and donors. NAADS targets the development and use of farmer groups, and in the process empowers them to procure advisory services, manage linkage with marketing partners. The NAADS program has been one of case studies of decentralization of agricultural services that uses the new demand-driven advisory services approach, in which private-sector agricultural extension providers are given a key role in providing agricultural advisory services in sub-Saharan Africa (SSA).

This study was done with an objective of contributing to the policy debate on the changing landscape of agricultural rural services in Uganda. The study focuses on the agricultural extension services, which is the major rural services under the PMA, PFA and other government programs. The present study examines the perception of Agricultural Extension (AEA) providers on the new changes in provision of agricultural extension services.

The rest of the study is organized as follows. The next section reviews the changing landscape of provision of agricultural rural services in Uganda to set the stage for discussion of the agricultural extension services. This is followed by discussion on the methodical approach used in the study. Discussion on the results follows the methods and data section. The last section concludes the study and draws policy implications.

# 7.1.1 The changing landscape of provision of agricultural rural services in Uganda

As is the case in other countries, the performance of the publicly provided and funded traditional agricultural extension services in Uganda was poor (MAAIF and MFEPD, 2000). To address this problem, the NAADS program was introduced by the Act of 2001, which gave it a mandate to develop a demand driven, farmer-led agricultural service delivery system targeting the poor subsistence farmers, with emphasis to women, youth and people with

disabilities. Its development goal is to enhance rural livelihood by increasing agricultural productivity and profitability in a sustainable manner. NAADS also aims to empower farmers to participate in the decision making process of type of technologies to be promoted by the providers of advisory services in their sub-county. This demand-driven approach differed significantly from the traditional supply-driven. The first phase of NAADS (2001-2009) was introduced in 2001 in six pilot districts. The program was rolled out to 545 sub-counties or 83% of all the sub-counties in 2006/07. NAADS, a twenty five year program has now been rolled out to 79 of the 80 districts and to 710 sub-counties in the country. <sup>10</sup> In the State of Nations address on 01 June 2010, the President stated that the program had been rolled out in all 80 districts, 929 sub-counties and 137 urban councils. Hence virtually, NAADS has reached all sub-counties and the big question is has it also reached the farmers?

NAADS operates through farmer groups at village level. The farmer groups in a given sub-county form the farmer forums. Each farmer group prioritizes three enterprises and the advisory service needs. The priority enterprises and advisory service needs are sent to the farmer forum, which determines three priority enterprises in the sub-county. NAADS supports the selected priority enterprises and the required advisory services needed to address the identified constraints and advisory service needs. Following selection of the three enterprises, NAADS provides technologies for demonstration on a member of a farmer group's (or host farmers) field—technology development site (TDS). The host farmer is chosen by fellow members of the group, and private service providers are contracted to carry out the demonstrations and advise farmers at these TDSs.

Until early 2008, advisory services were provided by private providers, who included non-governmental organizations (NGOs), private extension agents with no affiliation to NGOs. In the sub-counties where NAADS was not operating, the public extension agents continued to provide agricultural extension services. In the sub-counties where NAADS was operating, the public extension agents regulated and facilitated private extension service providers. NAADS changes in 2008 reinstated the public extension service provision. The government directed the districts to stop contracting private extension workers. This change meant that the public extension workers now provide most of the advisory services with the private extension workers contracted to provide only specialized services. A circular from the Ministry of public services dated 14th January 2010 directed that all agricultural extension staff at the

\_

 $<sup>^{10}</sup>$  Currently, Uganda has 111 districts, which is a sub-division of the old districts.

sub-county level be converted to NAADS. The conversion exercise was to cover all extension staff based at the sub-county level on permanent and pensionable terms. The public extension workers contracted under NAADS will be well enumerated and facilitated under the NAADS program. This directive set a goal of achieving the conversion by April 2010. However, this directive was not fully implemented.

Like NAADS phase I, NAADS phase II (under DSIP) will provide advisory services in conjunction with the specialized export crop authorities (coffee, cotton, and tea), dairy development authority, and the genetic information resource center and data bank. Additionally, cooperatives and NGO will continue to provide advisory services under the supervision of public extension services.

Under NAADS phase II four major areas show the similarities and differences with the first phase. NAADS phase II plans to provide advisory services by:

- (i) Empowering farmers to make and implement decisions on farm management and livelihoods. This component is meant to consolidate the achievement under NAADS phase I, under which a large number of farmer groups were formed. One of the strategies for enhancing farmers' capacity to make and implement decisions is formation of the high level farmer organizations (HLFOs), which will help farmers groups to enhance their capacity to make and implement decisions and to have vertical and horizontal linkage along the value chain. This will also help farmers to have greater voice in marketing and bargaining power.
- (ii) Improving access to new agricultural technologies and information: Unlike the major thrust of NAADS phase I, this component will form a stronger research-extension linkage through formation of adaptive research support teams (DARST) in each district, under which the linkage of extension service providers and farmer groups with the zonal agricultural research and development institutions will be strengthened. Under DARST, participation of extension and farmer groups in decision making of type of research at zonal research and development institutions will increase. The DARST will also organize technology demonstration in villages in order to enhance farmer access to new technologies. Enhancing access to new technologies and information will also involve linking farmers to credit institutions for farmers willing to take up credit.
- (iii) Delivering appropriate advisory services and information. This component aims to strengthen the farmer groups formed under NAADS phase I and to form new ones. Like NAADS phase I, this program will be implemented using the public-private partnership of

providing advisory services. However, the public extension service providers will take a greater role. Unlike NAADS phase I however, delivery of advisory services will use a variety of methods including Farmer Field Schools (FFS). Different advisory services will also be used including extension services through mobile phones, films and radio programs. Instead of using the farmer groups, the TDS will be located at farms of model farmers.

(iv) A component which shows a significant departure from NAADS phase I is the agribusiness development and value addition. This component is a significant departure from the NAADS phase one, which largely focused on agricultural production. Under this component, NAADS will enhance provision of marketing services and value addition. DSIP states that the private sector will play a leading role in implementing agribusiness and value addition. Secondly, NAADS phase II has a particular emphasis on advisory services of sustainable land management (SLM) technologies. Benin et al (2010) and Nkonya (2008) identified weak advisory services on SLM as one of NAADS weaknesses. This appears to be a step towards addressing this weakness.

# 7.2 Methodological Approach

Qualitative approach is used to achieve the objective of examining the perception of Agricultural Extension (AEA) providers on the new changes in provision of agricultural extension services. Respondents were selected from five districts, namely Kabale, Ntungamo, Nakasongola, Sironko and Lira. The districts selected were based on the period of implementation of the NAADS program in the districts. The respondents included District Agricultural Officers, farmer associations, NGO agricultural extension workers, NAADS coordinators and rural service providers who were knowledgeable on the changes in the agricultural extension reforms in Uganda. A total of 22 key informants were interviewed. The farmer associations accounted for 27% of interviewees while the NAADS coordinators and districts agricultural officers each contributed 18% of the participants.

### 7.3 Results and discussions

### 7.3.1 Strengths of the current agricultural extension system

The current agricultural advisory services are mainly provided by public extension services and by NGOs and private providers. The NGO and private providers provide specialized advisory services while the public AEAs provide the traditional advisory services. The key informants who participated in this study identified six strengths of the current system and we discuss them below.

Wider coverage was the most frequently cited strength of the current agricultural extension system (Table 1). Public AEAs are more available where they are recruited in the subcounties and in terms of coverage they are more able to cover wider operational areas even though they may not be as efficient as the NGOs and private extension providers. The public extension workers are based in the sub-counties and are more in touch with the farmers, and the farmers can approach them at any time when their services are needed. Distribution of AEA and accessibility however differs. Access to agricultural extension services across districts shows that the central region has the highest density of AEAs per 100,000 rural households. A hundred thousand rural people in the central region are served by 15 AEAs while the corresponding number for the northern region is only 8, which is 86% smaller than the case in the central region 11.

Other strengths of the agriculture extension system reported by the key respondents was that, the public AEAs are available to do follow up after trainings or provision of services if they are well facilitated. They are salaried workers who are stationed in the districts and subcounties and available for monitoring projects. Unlike the contracted NGO/private extension workers who do not continue with follow ups when their contracts end. On-the-job trainings of public AEA was also reported as one of the strengths of the agriculture extension system.

Figure 1 also shows a similar trend – with districts closer to Kampala having fewer rural people served by one AEA. Kalangala in the central region reported the highest density of AEAs (58 AEAs per 100,000 rural people) while Kaabong – a new district in the northern region – reported the lowest density (1.8 AEAs per 100,000 rural people). This demonstrates the poor agricultural extension services in the remote areas. This is consistent with findings of

\_

<sup>&</sup>lt;sup>11</sup> Equivalent density for east and western regions is 10 and 8.4 respectively.

Jagger and Pender (2006), who observed that access to programs and organizations is concentrated in areas with high market access.

Well trained and higher qualification of public AEAs, private AEAs capacity to offer specialized services, and timely provision of extension services by private AEAs was each reported five times by the key informants (Table 1). The Public AEAs are well trained from recognized institutions at University or Diploma level. They are skilled experienced professionals who know their duties well and follow their professional ethics.

Moyo Koboko Yumbe Kitgum Adjumani Kotido Pader Arua Gulu Amuru Moroto Oyam Buliisa Dokolo Nakapiripirit aberamaid Hoima Kiboga Kibaale Mubende Mpiq mbabule Bushenyi Kalangala Isingiro Legend Less than 5 5 - 8 8 - 14 □ Km 80 160 40 240 **Greater than 14 District boundary** 

Figure 1: Number of agricultural extension agents per 100,000 rural people

This is consistent with Nkonya et al (2012) and Swanson (2008) who find share of government affiliated AEA with degree or post-graduate education highest compared to other private or NGO AEAs, reflecting positive results of governments investment in government AEA when it was the major service provider of agricultural extension.

The key informants observed that using NGO/private service providers for specialized activities is better since they possess specialized skill which the government extension worker may not have. Farmers demand specialized services which can better be provided by the NGO/private extension providers and monitoring can be done effectively by the farmers themselves. The key informants also reported that the NGO/private extension providers are able to complete their work on time according to their terms of contract. If NGO/private AEAs are contracted through NAADS, there are very specific outputs required which makes them more able to provide expected deliverables according to their terms of reference. NGO/private Service providers provide better services since they receive good payments which are higher than that of the public extension workers.

The key informants also observed that private extension workers are easier to use in mobilizing farmers. Additionally, key informants observed that AEA affiliated with NGOs work more closely with farmers in their area of jurisdiction than is the case with the public AEAs. However, their coverage is always limited with budget. For example, Rutatora and Mattee (2001) observed that NGOs have become a major provider of agricultural extension services in Tanzania but their coverage is limited and always closer to urban areas. Jagger and Pender (2006) also observed lower concentration of NGOs in remote areas in Uganda. The NGO affiliated AEAs have done well in improving the fruit and vegetable sector, capacity building, building farmer groups and forming higher level organization.

Table 1: Strengths and weaknesses of the current agricultural extension system

	Public AEA	Private AEA	Total
Strengths	ALA	ALA	
Wider coverage by public AEA	5	2	7
Well trained & Higher qualification of public	5		5
AEA			
Private AEA capacity to offer specialized	2	3	5
services			
Timely provision of extension services &	2	3	5
better payments by private AEA			
Better monitoring & supervision by public	2	2	4
AEA			
Trainings	1		1
Weakness			
Low salary and poor facilitation of public	5	1	6
AEAs			
Poor monitoring and supervision	3	3	6
Private AEAs profit oriented	3	2	5
Inadequate staffing	4	1	5
Lack of skills on modern farming methods	2	1	3
Inefficiency in recruitment and procurement	1	1	2
process			
Costly provision of extension services	2		2
Political interference	1		1
Misappropriation of funds	1		1
Weak linkage between MAAIF and district as	1		1
result of decentralization			
Limited sanctions	1		1
Few enterprise selection	1		1
Model farmer approach limiting wider impact	1		1
Non cooperation from farmers	1		1

Other strengths of the agriculture extension system reported by the key respondents was that, the public AEAs are available to do follow up after trainings or provision of services if they are well facilitated. They are salaried workers who are stationed in the districts and subcounties and available for monitoring projects. Unlike the contracted NGO/private extension workers who do not continue with follow ups when their contracts end. On-the-job trainings of public AEA was also reported as one of the strengths of the agriculture extension system.

### 7.3.2 Weaknesses of the current agricultural extension system

One of the most frequently cited weaknesses by both the public and private AEAs were low salary payments and poor facilitation of public AEAs (Table 1). The key informants reported that the contracted private extension workers earn more money than the public extension workers. This creates a disincentive to the public AEAs who in some cases have to supervise the private NGO/AEAs who earn more than they do. The public AEAs also have poorer working facilities than NGO/private AEAs.

Poor monitoring and supervision was also frequently cited by key informants as a major weakness (Table 1). Monitoring of the activities of the private extension workers is poorly done and this leads to poor advisory services from private providers who may not be committed to providing quality advisory services. The problem is compounded by corruption, which the key informants observed to be common due to the competitive nature of awarding contracts. The key informants also observed that there are no consistent follow ups after the contracts of the NGO/private extension workers are signed. This has been due to the limited capacity of the districts production department and the NAADS secretariat.

The private AEAs contracted are profit oriented and are not concerned much about the successful impact of the services they provide (Table 1). The key informants observed that, unlike the public AEAs who are committed to their work, the private AEAs look out for their personally monetary benefits. Inadequate staffing at the districts and sub-counties was also reported by the key informants. This had resulted in a few AEAs serving a large number of farmers. The key informants noted that with limited staff poorly facilitated only a few farmers were reached.

The implementation of the NAADS approach of contracting NGO and private extension workers to provide specialized services has been faced with a number of challenges. The selection process of the NGOs and private AEA for provision of specialized services starts with, identification of the specialized services needed in the selected enterprises. This is done at the NAADS sub-county farmer forum. The district then places an advertisement, which states the kind of advisory services required and the professional qualification of the providers. Interested applicants pick up application forms and apply for the position to the sub-county. The sub-county farmer's forums are involved in the selection process. They are supported by a technical team composing of the staff from the production department, financing department, audit department, NAADS coordinator and sub-county chief. A

suitable qualified applicant is selected and awarded the contract. Payments are made in phases with an initial payment to begin the work and other payments upon provision of reports and after approval of the Subject Matter Specialist (SMS) that the assigned task was well performed. The farmers' forum has members with low level of education, limited capacity to evaluate and select the advisory service applicants properly. Selection therefore is sometimes biased and may not necessarily be based on merit. Once the farmer's forum rejects an individual, the technical advisors cannot guarantee the selection of suitable candidate even if that applicant is highly qualified. Corruption is also a major problem in the selection process. As it will be seen in the discussion below, there is also lot of political interference and nepotism in the selection process. Aside the biases in the selection process, the selection process takes a long period of time. The selection committee after selecting the preferred candidate, sends the information to district NAADS coordinator and then to the NAADS secretariat for approval. The process takes a period of time before the extension worker is contracted. In some sub-counties that are very remote, NAADS had failed to recruit staff as there were few applicants out of whom there were no qualified applicants or in some cases, no applicant submitted application. This is consistent with Jagger and Pender (2006) and Rutatora and Mattee (2001). NAADS may not have full knowledge of the background of the NGO/private extension agents bidding for service provision. Applicants sometimes falsify documents submitted and the NAADS selection committee may not be able to verify the documents. This may result in awarding contracts to non-qualified persons. The corruption problem in NAADS recruitment process has been widely cited as a major problem (Parkinson 2008; Feder et al 2010).

The key informants also mentioned that it was costly for the government to pay both the private and public extension workers. However, this weakness is contrary to the strength discussed above that pluralistic extension services creates potential for providing specialized advisory services. The Private AEAs also provide advisory services on technologies and/or services prescribed in the terms of reference. So if farmers ask for other advisory services on technologies or services, the private provide would always decline providing them even if they are able to do so. This suggests a considerably large number of private providers to give specialized services.

Other weakness of the current extension system (Table 1) each mentioned included the political interference which will be discussed below, misappropriation of funds, weak linkage

between the Ministry of Agriculture (MAAIF) and districts since decentralization of powers. Supervision of the district staff by the central government has been weakened since the district officials are answerable to the district and not the ministry. Also included in the weakness is the limited sanction for public AEA. One key informant observed that public extension workers are permanent and pensionable and even in case of mismanagement it takes a long time for a public extension officer to be disciplined and even during investigations he/she still may receive salary.

In addition, it was noted the NAADS program (phase 1) looked at only a few selected enterprises leaving out other important services. Advisory services on other enterprises which farmers are engaged in but not selected under the NAADS program are not given. This approach has however been revised under NAADS phase II - as discussed earlier – through prioritization by Village Farmer Forum (VFF) increasing the number of selected enterprises per sub-county.

NAADS approach of using selected host farmers (or model farmers) and technology development sites to carry out demonstrations and advisory services were noted by one key informant to have the weakness of not reaching out to a large number of farmers. Another key informant also cited non cooperation from farmers. Overall, the key informants showed key strengths and weaknesses of the new extension services. The next section discusses strategies which could enhance the strengths of the new agricultural advisory services and how to address its weaknesses.

# 7.1.3 Enhancing advantages and address disadvantages of the current extension approach

In addressing the issue on what needs to be done to enhance the advantages of the current extension approach and who should be responsible for each of the action, the following suggestions were made (Table 2):

There is the need to build the skills of the new public AEAs to provide services on agrobusiness enterprise and other specialized skills which farmers may need. This was the most frequently cited measure cited by the key informants. Training of AEAs could be done by providing refresher courses and trainings for the extension workers to update their knowledge on modern farming methods. The key informants also suggested that the salary payments of

public AEAs be increased to motivate them in providing quality services. The public AEAs should be well facilitated and should have access to transport facilities. Also, key informants noted that, monitoring and supervision of the activities of the AEAs should be properly monitored.

Currently, there are farmers in NAADS sub-county communities who do not participate in NAADS since they do not belong to farmer groups. To address this shortcoming, key informants suggested more vigorous sensitization of farmers to join farmers – an aspect, which is consistent with the RDS policy. The sensitization should also promote PMA's prime objective of commercializing agriculture such that the farmers manage their farms as business rather than simple way of life.

Key informants also suggested that the recruitment process of NGO/private AEAs should be strengthened to address the corruption and low capacity of farmer forum to vet the applicants. NAADS should also re-examine the hiring process to ensure a competitive recruitment process in order to appoint competent service providers. Members selected to sit on the farmer's forum should have a certain minimum level of education. They should be able to understand the qualification of the applicant and use the right criteria in selecting the most qualified applicant.

Additionally, key informants suggested the need to increase the agricultural extension budget as the government implements the DSIP plan, which aims to achieve the Maputo Declaration of allocating at least 10% of government budget to agriculture. With an increase in budget the number of staff could be increased to serve more farmers.

The current political interference (see section below) and the rapidly changing agricultural policy landscape have created confusion on the NAADS approach. Hence there is need for clarifying the NAADS approach. Farmers should be well informed on the NAADS program, its objectives and implementation strategies and how the farmers can benefit from the program. Extension workers together with other stakeholders like politicians and religious leaders should all be involved in educating farmers on the NAADS program. There is also the need to increase the Technology Development Sites and consequently model farmers in order to increase access to new technologies.

Other suggestion to enhance the agriculture extension program and address its problems included the need to give NGO/private extension workers long term contracts and to better

coordinate and supervise their work. Current short-term contracts compromise the propensity of NGO/private AEAs to invest in improving their advisory services. There is also the need to increase the enterprises selected per subcounty and increase the number of farmers benefiting per subcounty. The Ministry of Agriculture (MAAIF) should restructure programs to ensure that enterprises not covered under NAADS program are either integrated or create a separate program to support those enterprises. Also suggested was the need to increase the number of beneficiaries from the program and encourage farmers co-funding.

Table 2: Measures to enhance advantages and address disadvantage of the current agricultural extension system

	Public	Private	Total
	AEA	AEA	
Capacity building	7	4	11
Increase salary and facilitation of public AEAs	7	1	8
Improve monitoring and supervision	3	3	6
Sensitization of farmers	4	2	6
Selection of competent private AEAs	1	4	5
Increase funding	4		4
Increase staffing	3		3
Limit political interference	1		1
Increase TDS		1	1
Long term contracts for Private AEAs		1	1
Increase enterprise selection	1		1
Farmer to co-fund	1		1
Increase number of beneficiaries	1		1
Improve quality of services	1		1

# 7.3.4 Successes and failures of NAADS program in selected districts Successes of NAADS in selected districts

The most frequently cited success of NAADS was formation of farmer groups. Four of the give districts reported that NAADS enhanced farmer group formation (Table 3). For example, in Nakasongola three farmer cooperatives for milk and poultry were established and are operating successfully. This is consistent with the design of NAADS, which provides advisory service through farmer groups. Provision of rural services through community groups is increasingly becoming popular in community-driven development (CDD) and other

participatory development programs (Mansuri and Rao, 2004). Working in groups has helped farmers to exchange information and pool production and marketing resources.

The second most cited NAADS success was higher adoption of agricultural technologies – a success that was reported by 3 of the five districts visited for the study (Table 3). This is consistent with Benin et al (2010) who observed higher adoption rates of NAADS beneficiaries. In Kabale for example, key informants reported that a lot of farmers were now using improved seeds and breeds.

Introduction of new enterprises were reported in two districts. In Nakasongola, key informants reported that the introduction of improved dairy breeds has recorded much success. Dairy which was the sixth priority enterprise of farmers in Nakasongola but now it is the second priority enterprise after cassava. Other priority crops in the districts are poultry, mangoes and oranges.

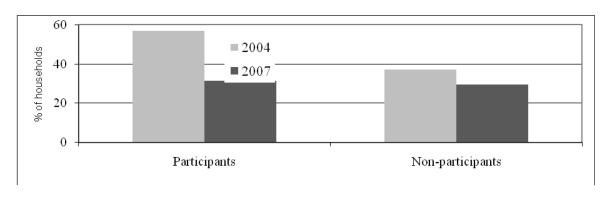
Consistent with the PMA objective, two districts also reported commercialization as a success story of NAADS. Introduction of new enterprises was also reported as a NAADS success in two districts. Benin et al (2010) also found a significant increase in new enterprises for farmers in NAADS sub-counties (Figure 2).

Other success stories of NAADS – each reported by only one district – include: improved food security, farmer empowerment, and linking farmers to microfinance (SACCOS) institutions. The qualitative results show that the successes perceived by key informants were consistent with NAADS structure of providing advisory services through groups, advising farmers on new technologies, introducing new technologies and commercialization of agriculture. The small number of farmers reporting empowerment is a problem which raises concern about how NAADS achieved its prime objective of empowering farmers. As it will be seen below, some of the factors which led to limited empowerment include corruption, political interference and procurement loopholes, all of which are likely to dampen empowerment efforts.

Table 3: Successes of NAADS programs in selected districts

	Kabale	Lira	Nakasongola	Ntungamo	Sironko	Total
Successes of NAADS						
Group formation	X		X	X	X	4
Higher adoption rates of	X	X		X		3
technologies						
More commercialized	X				X	2
New enterprises	X		X			2
Empowered to demand advisory	X					1
services						
Linked to SACCOS			X			1
Better food security			X			1

Figure 2: New enterprises adopted by NAADS and non-NAADS farmers in 2004 and 2007



Source: Benin et al (2010).

### Failures of NAADS in selected districts

Political interference was the most cited failure of the NAADS program. All of the five districts mentioned political interference as NAADS weaknesses (Table 4). This is consistent with the Joughin and Kjær (2010), who observed an increased political interference which increased after the introduction of the PFA program. Given that the PFA was contained in an election manifesto, it took a political tone and approach. NAADS was meant to be an implementing instrument of PFA. Consequently, it attracted significant political attention from the president. The PFA was initiated with an objective of working within the existing government programs – especially PMA and NAADS, which serve the major sector. Technically, it was supposed to harmonize the rural development programs but it took a different approach. Unlike PMA which gave the private sector a leading role in its

implementation, the PFA approach gave the government a leading role in provision of extension services, credit provision and agricultural input distribution.

As seen in Table 5, the frequency of President Yoweri Museveni's speeches criticizing NAADS after formation of PFA (2007 – 2011) was quite high. On average, the president mentioned NAADS in public speeches reported in the *New Vision* newspaper once in every two months. This is quite a high frequency for one agricultural program to attract such high profile attention. Worse still, most of the president's comments were negative. The tone of the president's speeches seem to ignore NAADS achievements discussed above and cited by other studies (Benin et al 2010; Scanagri 2005; OPM 2005; Nkonya et al. 2005; Benin et al. 2007). Such political interference has tarnished NAADS' image among farmers. Given that NAADS is still charged with implementation of NAADS phase II under DSIP, there is need of restoring NAADS' image by addressing its past weaknesses discussed earlier. This requires an unbiased political attention which builds on NAADS strengths and addressing its weaknesses. There is also need on NAADS part to clarify its approach in order to clarify the changes precipitated by the rapidly changing agricultural policy landscape.

Corruption was reported by two of the five districts. This is consistent with other studies which have reported corruption in contracting service providers (Parkinson 2008; Feder et al 2010). Corruption was also one of the reasons of reinstating the old public extension services.

Other weaknesses reported by at least two districts include low capacity of farmer forum to recruit competent service providers, weak or lack of advisory services on marketing and inadequate inputs.

Table 4: Failures of NAADS programs in selected districts

	Kabale	Lir	Nakasongola	Ntungamo	Sironko	Total
Failures of NAADS						
Political interference	X	X	X	X	X	5
Corruption	X			X		2
No market advisory services	X			X		2
Low capacity of farmer forums to	X		X			2
recruit providers						
Inadequate inputs			X		X	2
Covers only priority enterprises				X		1
No benefit to large scale farmers &	X					1
youth						
Poor enterprise selection		X				1
Inadequate staffing			X			1
Procurement loopholes			X			1
Farmer high expectation					X	1
Low quality inputs					X	1
Late delivery of inputs	X					1
Weak monitoring of advisory			X			1
service providers						
Paying matching farmers for		X				1
farmers with no direct benefit is						
problematic						

Table 5: Frequency of President Yoweri Museveni's speech mentioning NAADS, 2007-2011

Date	Key message of speech	President's speech mentioning NAADS
14.01.07	Museveni orders NAADS to be	"I am going to study, investigate, engage NAADS in a dialogue and come up
	investigated following complaints that	with a stand on its future activities. I have not been aware about the way they
	its impact on modernizing the farming	have been implementing their programs. We should find an appropriate policy
	community is not felt.	towards modernizing agriculture since it is the backbone of our economy,"
05.09.07	Government spends lot of money on	"We want to have a change so that the money benefits the people instead of
10.09.07	NAADS program but has achieved	being spent on things you do not see"
	little impact due to misuse of funds by	"Imagine all that money has been coming to one sub-county. Many officials
	officials. Museveni suspends NAADS	have been misusing this money, organizing one seminar where one person
	funds until cabinet sits and reviews the	talks and he gives an accountability of sh2m,"
	program aimed at improving service	
	delivery and accountability of donor	
	funds. NAADS officials to be probed.	
17.09.07	Museveni advises more funds from the	the President suggested that the funds be used to buy farm implements.
	NAADS program should be allocated	Museveni asked MPs to spearhead the campaign against poverty by actively
	for the purchase of farm inputs.	training the 'wananchi' using NAADS materials and local extension workers.
23.09.07	NAADS program will not be stopped	"since it was the NRM government that introduced the program to help
07.10.07	since it is a good program introduced	modernize agriculture and enhance production, it could not simply close it".
08.10.07	by the NRM government. The program	"the Government would audit the utilization of funds, including taking
	has been halted to undergo a review	legal action against those involved in swindling the funds".
	process of its performance and impact.	
	Legal actions to be taken against	
	officials who mismanaged funds.	
06.04.08	President's poverty tours to promote	"The crusade we have now is to change the living situation of our people so
14.08.08	government's PFA program.	that they can use their small pieces of land to earn high incomes,"
22.08.08		" poverty was still a problem because "people are sleeping and even
		NAADS that we sent to wake them up joined them in sleep."
		"I am happy that you have woken up and are engaging in commercial
		agriculture. I have seen the projects and I have instructed NAADS to construct
		dams in places where these projects are so that you can do some irrigation
		during the dry seasons,"

Date	Key message of speech	President's speech mentioning NAADS
08.09.08	Museveni tells NAADS to support farmers move from subsistence farming to commercial farming.	"NAADS should do more work by moving into the villages to help farmers who are currently engaging in subsistence farmingWe need to stop producing for home consumption only. "I am going to talk to the people managing NAADS to strengthen their monitoring and advisory roles. I will ask them to increase the number of model farmers in the district," he said. "Don't get scared of telling me the truth about the performance of NAADS. We need to find out how they are working so that we advise them to improve,"
10.02.09	The president warned the agriculture minister, Hillary Onek, against mishandling the implementation of the NAADS program.	Museveni said he was writing to "clarify one point one more last time." He instructed Onek to stick to the six homesteads per parish, instead of scattering resources to many homesteads. "This is not acceptable to me. NAADS are again bringing confusion with 'demonstration' farmers, 'model' farmers, 'lead' farmers, etc," Resources should only be spent on six homesteadsAny NAADS official that fails to implement this or any other provision in the NAADS program will face severe sanctions"
14.09.09 01.10.09 04.10.09 23.12.09 17.01.10	Museveni sets up special taskforce to investigate, cause arrest and prosecute people involved in theft and misuse of funds meant for NAADS. This follows accusation by the President of NAADS official misappropriating public funds and inflating agricultural inputs.	"The special committee attached to the President's office will verify the standards of government projects to ensure they conform to stipulated goals," "NAADS officials approve companies to tender cow dung and grass, just to steal money. What sort of officer can approve this? Is this person fit to be in public service? Why should such a person be on the payroll of the Government?"  "I am going to send my spies to verify the authenticity of the list (lists of beneficiaries submitted to him during his tours of Prosperity-for-All projects). If the listed beneficiaries are non-existent or the figures attached to the names of farmers don't match, the Police will take the NAADS officials to the university of understanding (Luzira prison)". "If you see Police detectives combing the villages, don't get alarmed. They would be carrying out investigations on my instructions."
22.12.09 30.12.09	Museveni announced that NAADS program will be reformed in 2010 to benefit more farmers. More farmers were to receive inputs.	"Next financial year we are going to transform NAADS into a poverty alleviation program. We are going to spread wealth so that at least each family gets two or three goats or pigs or sizeable number of poultry This will cure the envy and arguments that the NAADS program had benefited only the rich farmers and a few people."

Date	Key message of speech	President's speech mentioning NAADS
23.06.10	Museveni again stopped the releasing	"I have been thinking of ways of sending this money to the poor. I will
07.07.10	of NAADS funds pending a review of	continue withholding sh120b NAADS funds unless I am satisfied that it will
09.08.10	the program.	now reach the poor,"
		"Those who have not yet got NAADs money should not worry. The program is
		not ending tomorrow. I will make changes to ensure funds reach as many
		farmers as possibleI have told them, hold on, don't distribute it. Let me go
		round the country. When I come back, I will tell you how to use it."
22.07.10	Museveni decides to stop NAADS	"We started NAADS to make poor Ugandans rich, but they are supplied inputs
18.08.10	tendering system. The award of tenders	at high prices which they cannot afford. I am going to stop the system such that
	to supply inputs to farmers under	farmers can buy inputs for themselvesThese farmers only lack the money, but
	NAADS is was not cost-effective.	they can buy the farm inputs from their villages,"
	Funds to be channeled directly to	
	farmer to make their own procurement.	
04.10.10	Museveni Lifts Ban on NAADS Money	"I have moved across the whole country assessing the implementation of Naads
10.12.10	Disbursement for the scheme to	programme and I am closing my tour in Kampala District. I have identified the
10.01.11	facilitate the PFA program. Funds will	problems in Naads and together with other stakeholders, we have resolved on
	directly be sent to villages or zones.	how to go about them," he said adding "So now , the funds I had blocked are
		going to be released but this time round all those implementing the programme
		must religiously follow the set new guidelines ,"

Source: The New Vision Online (Archives January 2007 - March 2011)

## 7.4 Conclusions and Policy Implication

This study was done with the objective of contributing to the policy debate on the changing landscape of agricultural rural services in Uganda. The study examines the perception of Agricultural Extension (AEA) providers on the new changes in provision of agricultural extension services. Evidence show that the NAADS program has wider coverage even though distribution of agricultural extension agents differs across regions with the central region having the highest density of agricultural extension agents per 100,000 rural households. NAADS has enhanced the formation of farmer groups. This is consistent with the design of NAADS, which provides advisory service through farmer groups. Provision of rural services through community groups is increasingly becoming popular in community-driven development (CDD) and other participatory development programs (Mansuri and Rao, 2004). Working in groups has helped farmers to exchange information and pool production and marketing resources. The NAADS program has also promoted the adoption of agricultural technologies.

However, political interference is negatively affecting the image of the National Agricultural Advisory Services (NAADS) and undoing some of its achievements. Our study showed that the political attention was negatively affecting the image of NAADS and undoing some of its achievement. NAADS was used as one of the major implementation strategies of the prosperity for all (PFA), a political manifesto of the ruling party in the 2006 election. After formation of PFA in 2005/06, the frequency of the president speeches on NAADS increased tremendously. Between Jan 1, 2007 - March 2011, frequency of president's NAADS speeches reported in New Vision was once in every two months. Most of the comments on NAADS were negative. The tone of the president's speeches seem to ignore NAADS achievements discussed above and cited by other studies (Benin et al 2010; Scanagri 2005; OPM 2005; Nkonya et al. 2005; Benin et al. 2007). Such political interference has tarnished NAADS' image among farmers. Funding for NAADS from the government was also suspended several times in an attempt to coarse the program to implement some of the president's agendas. The political nature of the PFA and its emphasis on the greater role of government involvement in provision of agricultural services and subsidized or free inputs was contrary to the pluralistic and demand-driven approach under NAADS. There is need of revaluating the current political support given to agriculture to ensure that it builds on past achievement of NAADS and addresses its weaknesses. There is also need for clarifying the

NAADS approach. The political interference and the rapidly changing agricultural policy landscape have created confusion on the NAADS approach, which in itself was still not well-understood. Farmers should be well informed on the new NAADS implementation strategies and how the farmers can benefit from the program. Particularly, the role of the private sector in provision of advisory services and access to input program all need to be well-articulated to ensure that they do not compromise the potential of private AEAs to offer specialized advisory services required under DSIP and involvement of the private sector in agricultural processing and marketing.

### References

- Benin, S., Nkonya, E., Okecho, G., Pender, J., Nahdy, S., Mugarura, S., Kato, E. and Kayobyo, G. 2007. Assessing the impact of the national agricultural advisory services in the Uganda rural livelihoods. IFPRI Discussion Paper 724. IFPRI, Washington, D.C., USA.
- Benin S., E. Nkonya, G. Okecho, J. Randriamamonjy, E. Kato, G. Lubade, M. Kyotalimye, F. Byekwaso. 2010b. Impacts of and Returns to Public Investment in Agricultural Extension: the Case of the National Agricultural Advisory Services (NAADS) Program of Uganda. IFPRI mimeo
- Feder G., J. Anderson, R. Birner and K. Deininger. 2010. Promises and Realities of Community-Based Agricultural Extension IFPRI Discussion Paper 00959.
- Jagger, P., and J. Pender. 2006. Impacts of programs and organizations on the adoption of sustainable land management technologies in Uganda. In Strategies for sustainable land management in the East African Highlands, ed. J. Pender, F. Place, and S. Ehui. Washington, D.C.: International Food Policy Research Institute
- Joughin J. and A. M. Kjær. 2010. The politics of agricultural policy reforms: the case of Uganda. Forum for Development Studies. Danish Centre for International Studies and Human Rights. Online at http://diis.dk/
- MAAIF (Ministry of Agriculture, Animal Industries and Fisheries). 2010. Agriculture for food and income security. Agricultural Sector Development Strategy Investment Plan: 2010/11-2014/15.
- MAAIF and MFEPD, 2000. Plan for modernization of agriculture: Eradicating poverty in Uganda. Ministry of Agriculture, Animal Industry and Fisheries and Ministry of Finance, Planning and Economic Development, Kampala.

- Mansuri, G., and V. Rao. 2004. Community-based and –driven development: A critical review. World Bank Research Observer 19(1): 1–39.
- Nkonya, E., Pender, J., Kaizzi, C., Edward, K. and Mugarura, S. 2005. Policy options for increasing crop productivity and reducing soil nutrient depletion and poverty in Uganda. Environmental and Production Technology Division Discussion Paper 138. Washington, DC: International Food Policy Research Institute.
- Nkonya, E., Kwapong, N., Bashaasha, B., Mangheni, M., and Kato, E. 2012. Pluralist and demand-driven and traditional supply-driven agricultural extension services in Africa: Which reaches more farmers and women? The case of Uganda.
- Nkonya E., J. Pender, K. Kaizzi, E. Kato, S. Mugarura, H Ssali, and J. Muwonge. 2008. Linkages between land management, land degradation, and poverty in Sub-Saharan Africa: The Case of Uganda. IFPRI Research Report #159, Washington D.C.
- OPM (Oxford Policy Management). 2005. Evaluation report: the plan for modernization of agriculture. OPM, Oxford, UK.
- Parkinson, S. 2008. Learning participation in rural development: A study of Uganda's National Agricultural Advisory Services. Guelph, Ontario: University of Guelph.
- Rutatora, D. and A. Mattee. 2001. Major agricultural extension providers in Tanzania, African Study Monograph, 22(4):155-173.
- Scanagri Consulting Company. 2005. Midterm evaluation of Uganda's National Agricultural Advisory Services (NAADS) program. Draft Consultancy report submitted to the Government of Uganda.
- Swanson, B. 2008. Global review of good agricultural extension and advisory service practices. Rome: Food and Agricultural Organization of the United Nations
- UBOS (Uganda Bureau of Statistics). 2010. Uganda National Household Survey, 2009/2010. Socio-economic module. Kampala, Uganda.

# 8. POLICY NOTES

8.1 Policy Note 1: Why a few agricultural cooperatives survived the crisis in the cooperative movement in Uganda whiles many others collapsed?

Nana Afranaa Kwapong<sup>1</sup> and Patrick Lubega Korugyendo<sup>2</sup>

<sup>1</sup> Humboldt University Berlin, Germany <sup>2</sup> IFPRI Kampala, Uganda

Uganda Strategy Support Program, Policy Note No. 11 Available online at: <a href="http://www.ifpri.org/publication/why-few-agricultural-cooperatives-survived-crisis-cooperative-movement-uganda-while-many">http://www.ifpri.org/publication/why-few-agricultural-cooperatives-survived-crisis-cooperative-movement-uganda-while-many</a>

### 8.1.1 Introduction

Agricultural cooperatives in Uganda date back to 1913 as a response to the disadvantageous terms of trade imposed on smallholder farmers by colonial administrators and middlemen who monopolized both domestic and export markets for coffee and cotton (Kabuga and Kitandwe 1995; Kyazze 2010; Mugisha et al. 2005; Flygare 2006). In such an economic context, forming a farmers' cooperative provided a mechanism for smallholders to collectively bargain for higher output prices, achieve higher margins through economies of scale, and engage in value-added activities. Until the 1980s, cooperatives in Uganda had some success in counteracting the effects of unfavorable market positions for smallholder farmers. At that time, political instability, the liberalization of markets, and mismanagement, among other reasons, caused almost all to fail. However, a few cooperatives survived. This brief summarizes case studies that examine the underlying factors that resulted in the survival of some cooperatives, and the collapse of so many others.

The first farmers' cooperative formed in Uganda was the Kinakulya Cooperative Society, established in 1913 in the Central region (Kabuga and Kitandwe 1995). Many other farmer associations were then formed across Uganda in the following years, including the Buganda Growers Association in 1923 and the Uganda Growers Cooperative Society in 1933 (Kyazze

2010). To institutionalize the operations of these smallholder cooperative associations, the colonial government enacted the Cooperative Ordinance in 1946 (Kabuga and Kitandwe 1995; Mugisha 2005). Between 1946 and Uganda's independence in 1962, membership of the cooperative societies increased eight-fold and the tonnage of produce handled increased sixfold (Kabuga and Kitandwe 1995: 84). The prosperity of farmers increased as the business operation of the cooperatives expanded and employment opportunities were created (Kyazze 2010). This success, however, was short-lived due to the government's increased interest and control over the activities of cooperative societies, the emergence of corrupt practices among cooperative leaders, and the appointment of political leaders as managers of the cooperatives who ultimately pursued their own political and economic ambitions. As a result, many cooperative societies experienced a decline in their performance in the two to three decades after Uganda's independence (Kabuga and Kitandwe 1995; Kyazze 2010; Mugisha 2005). Another factor limiting cooperative effectiveness in Uganda is the liberalization of markets as part of economic reforms encouraged by the World Bank. Cooperatives were not prepared to compete in this new, more liberalized market, which resulted in the abolishment of Cooperative Marketing Boards and the collapse of many cooperative unions and primary cooperative societies. In addition, these new economic policies were introduced at a time when the country was just emerging from years of political instability and business activities of the cooperatives were beginning anew following the end of the "Bush War" in 1986. The war disrupted the trading activities of the cooperatives. Moreover, cooperative assets were requisitioned for use in the fighting, lost, or destroyed, negatively impacting cooperative activities. The Bugisu Cooperative Union (BCU) was one of the few cooperatives to survive the pressures that led to the collapse of many others over this turbulent period. As we will discuss below, BCU was able to survive by gaining access to external financial support from private investors and government, strong membership, good leadership, access to markets, and having a strong asset base. The purpose of this brief is to examine these underlying factors that resulted in the survival of some cooperatives such as the BCU, and the factors that led to the collapse of so many others. Lessons learned from this past experience may guide efforts to promote the current revival and expanded development of the agricultural cooperative sector in Uganda.

### 8.1.2 Methodology

To explore why some cooperatives survived the crisis in the cooperative movement in Uganda in the 1990s at a time when many others collapsed, researchers conducted case studies of one surviving and one failed cooperative union. Both cooperatives were established in the 1950s for processing and marketing coffee. BCU has been operating in the Eastern region of Uganda since 1958. The failed cooperative union we will examine – the Banyankole Kweterana Cooperative Union (BKCU) – operated successfully in the Western region from 1956 until 1986, when its operations began to decline. The BKCU finally ceased operations in 1997. However, former members of the union have been attempting to revive its operations since August 2008. Focus group discussions were conducted with surviving members of both BCU and BKCU. Cooperative union members who had actively participated in their union for more than twenty years and were currently participating in Area Cooperative Enterprises (ACE) were selected for the focus groups. Four discussions were conducted in the eastern region with BCU members and three focus group discussions were conducted in the western region with those who were involved with the BKCU. These members interviewed were former members of the union who also were currently involved in attempting to revive the union. Focus group discussions were composed of between six and twelve participants. Interviews were also conducted with former and current management staff of the two cooperative unions. The data was collected between January and May 2010.

### 8.1.3 Case studies

The gradual collapse of BKCU can be attributed to a number of interlinked factors. Box 1 provides a narrative provided by one study respondent of how the union collapsed. The story of BKCU is similar to many failed cooperative unions. The main causal factors identified as leading to the collapse of the BKCU were the inability of the union to compete in a liberalized market, the effects of years of political instability, the loss of valuable assets, huge accumulated debts, and general mismanagement. These factors are further explained in the next section.

Box 1: What led to the collapse of Banyankole Kweterana Cooperative Union?

... the union had a problem during the wars in the country in 1979 (Amin's war) and 1986 (Museveni's war). Our union was very big, we had six branches. During the wars, we lost a lot of assets. After the war we had to restart all over again. But the war of Museveni which ended in 1986 affected us the most and that led to the closure of the union. We had a lot of assets – about fifty lorries were taken all by the liberation army. They took away everything - stocks of coffee which we had bought on credit and on which we had not repaid the loan. The union had a problem paying back the loan. We mortgaged our assets and had to give it up to the cooperative bank because we could not pay back the loan. We asked the bank to give us some time but they would not allow us. The bank mortgaged most of our assets. They sold our buildings at very low prices to private investors. The remaining assets were vandalized as the union was no longer in operation... When the soldiers took our assets, the good thing was that they signed for all the items they took for which we kept records. These assets were worth about UShs. 900 million. The soldiers told us they were using the assets to support the war and after the war, they would pay back everything ... We are now making claims from the government to pay back what they took from us... Source: Key informant interview.

IFPRI/Humboldt University Uganda Cooperatives Survey, 2009-10.

In contrast, the BCU union also faced the challenges of operating in a competitive liberalized market, but managed to continue operating. The management of the union adopted timely and useful strategies to sustain their operations. Box 2 highlights the factors that contributed to its survival. We identified six factors that contributed to the survival of the cooperative union. These are: the presence of strong leadership and good management, a large asset base for the union that, when needed, was used to generate revenue, external financial support from private investors and government, sharp cutbacks on operational costs, actively securing market outlets for members' produce, and members' loyalty to the union.

### **Box 2: Why Bugisu Cooperative Union survived**

- Union leaders sought out and entered partnerships with investors, donors and
  friends who provided prefinance for the marketing of coffee by the union. With
  these funds, the union was able to purchase farmers' coffee with cash payment on
  delivery at competitive prices from both members and non-members.
- BCU has a large number of assets in the Bugisu region. These assets served as a
  guarantee which the management could use to secure loans from lenders or
  investors during the crisis era to enable it to continue with its operations.
- During the wars in 1976 and 1986, some of the union's lorries were requisitioned by the military, but this had a minor effect on the operations of the union. Most of the lorries were recovered after the war and sold off later. The union was able to continue operations after the end of the war.
- The union identified profit-making activities, such as renting out union buildings
  for commercial activities, renting of staff houses and union land, and milling of
  coffee for other coffee traders at its coffee processing factory, in order to
  generate additional revenue.
- BCU reduced its operational costs. Benefits to staff were reduced and land which
  was not productive was liquidated to raise working capital. The union's
  organizational structure was revised for a smaller recurrent wage bill by laying
  off some of its staff.
- BCU received financial support from the government after petitioning the
  government to assist the union to clear off its remaining debts and revive the
  union. The union traded some of its land assets with the government in exchange
  for this financial assistance.
- The union focused on retaining its members by reintroducing benefits such as payment of bonuses which members formerly received and awarding bursaries to students whose parents were active members. In this way, the union was able to maintain its membership base.

Source: Key informant interviews. IFPRI/Humboldt University Uganda Cooperatives Survey, 2009-10.

### 8.1.4 Emerging Lessons

Lessons from the BCU and the BKCU case studies reveal a number of factors that led to the collapse of many cooperative unions in Uganda in the 1990s.

- Political instability in the country disrupted the operations of the cooperatives. The wars in 1979 and 1986 affected different cooperative unions to different extents, but had a general negative impact. As the wars started in the Western and Central regions, unions in these regions were most adversely affected. Assets were either requisitioned for use in fighting, lost, or otherwise destroyed. Many cooperative unions could not recover from the damage caused by the wars.
- The government's market liberalization policy was introduced at a time when cooperatives were not prepared, capacitated, and sufficiently educated on how to compete in an open market. The unions were beginning to recover from the effects of the wars and struggling to restart their operations when the markets were liberalized. The supply of agricultural produce to the unions was reduced drastically as farmers began side-selling to other traders that had entered the markets. These traders offered higher prices and immediate cash payments at the farm gate. The union no longer enjoyed the monopoly of being the sole buyer and no longer had government support through the now-collapsed Marketing Boards. The unions had to become financially independent, compete for farmers' produce, and look for markets. Most unions could not meet these challenges and were unable to run their business operations profitably.
- Cooperative unions faced rising debts from unpaid loans accumulating large amounts
  of interest. The cooperative unions could not satisfy the terms of their loans due to
  other challenges they were facing during this period. This led to a further loss of union
  assets to lenders, as banks auctioned off these assets to redeem funds that otherwise
  would have been lost. As the assets of unions were eroded, the operations of these
  cooperatives came to a standstill.
- Poor management of the unions in many cases contributed to their collapse. Some union leaders took advantage of the failing state of the cooperatives to pursue their own personal interests. Remaining assets of unions were mismanaged and often funds were not properly accounted for. The few cooperative unions that managed to survive the crisis period like the BCU had to struggle to survive. They faced the same

challenges mentioned above, but had some additional advantages that enabled them to continue with their operations.

- Unions were able to obtain external financing from the government, donors, or traders. Some traders went into partnership with the union and provided pre-financing to unions to acquire produce, which enabled the unions to have working capital to continue with their operations. The management of the BCU also petitioned government to assist the union to clear off its remaining debts. The union traded some of its land with the government in exchange for this financial assistance.
- The successful cooperative unions found market outlets for their member farmers' produce. During the liberalization of markets, the cooperatives looked for markets both internally and externally.
- Cooperatives that had a strong asset base and continued to maintain their assets were better able to continue their operations. Cooperatives with buildings, storehouses, processing factories, land, or commercial buildings derived income from these assets as operating revenue for the union.
- Good leadership ensured that a union continued its business operations on sound financial footing. Strong management teams came up with strategies to adapt to the changing market environment during liberalization, looking for markets and financial support for the cooperatives.
- The loyalty and commitment of members also contributed to the survival of some cooperatives. For example, some of the senior members of BCU lobbied for government support of the union and protested the selling of union assets. Many members continued to sell through the union and made coffee donations to the union to enable it to raise funds. Such commitment and patronage of the union enabled the cooperative to continue existing even though faced with a number of challenges.

#### 8.1.5 Conclusion

Evidence shows that the underlying factors that led to the collapse of many cooperative unions were the years of political instability, the inability of the union to compete on a liberalized market, the accumulation of huge debt, and poor management. In contrast, the few cooperative unions that managed to survive did so due to the presence of strong leadership and proper management, gaining access to external financial support, undertaking efforts to develop new markets and marketing channels, maintaining a strong asset base, and retaining a strong membership.

Drawing on these lessons, efforts in promoting the revival and continued development of the agricultural cooperative sector in Uganda should focus on building good leadership and governance of the agricultural cooperatives through cooperative education and trainings. The cooperatives should be operated as profitable business entities with viable business plans. Agricultural cooperatives should provide farmers with a strong incentive to actively participate by providing benefits such as improved linkages to markets, higher prices, payment of dividends and other social assistance. Diversification of business is also important. Cooperatives should acquire physical infrastructure such as processing plants, storage facilities, and commercial buildings which may serve as additional income streams for the union. External financial support may be provided at the initial stages of the development of the agricultural cooperatives to generate equity capital for running the operations of the cooperative and building its assets. Such support would be effective if measures are taken to promote good leadership and a strong membership base, and the cooperative is provided incentives to develop into an independent and profitable business unit.

### References

- Flygare, S. 2006. The cooperative challenge: Farmers' cooperation and the politics of agricultural modernisation in 21st century Uganda. Uppsala, Sweden: Uppsala University.
- Kabuga, C., and J.W. Kitandwe. 1995. Historical background of the cooperative movement. In Cooperatives: Past, present and future, C. Kabuga and P. Batarinyebwa, eds. Kampala: Uganda Cooperative Alliance.
- Kyazze, L. 2010. Cooperatives: The sleeping economic and social giants in Uganda. Dar es Salaam: International Labour Organization (ILO).
- Mugisha, J.; B. Kiiza; T. Hyuha; S. Lwasa; & C. Katongole. 2005. Governance and business performance of rural producer organizations in Uganda. Report prepared for NORAD. Unpublished.

### 8.2 Policy Note 2: Revival of agricultural cooperatives in Uganda

Nana Afranaa Kwapong and Patrick Lubega Korugyendo

Uganda Strategy Support Program, Policy Note No. 10 Available online <a href="http://www.ifpri.org/publication/revival-agricultural-cooperatives-uganda">http://www.ifpri.org/publication/revival-agricultural-cooperatives-uganda</a>

### 8.2.1 Introduction

Due to their highly democratic and locally autonomous nature, cooperatives have a potentially strong role in reducing poverty and social exclusion, and promoting rural and national development (Develtere et al. 2008; Birchall 2004, 2003). However, the development of cooperatives has been limited by inadequate research. There is a dearth of up to date literature on the status of African cooperatives since the liberalization of the agriculture sector in the mid-1990s (Wanyama et al. 2008). In addition, policymakers, practitioners, and others harbor outdated views on cooperatives, hampering progress in the sector. Cooperatives in Uganda, especially those involved in cash crops, successfully provided agricultural-related services to farmers until the mid-1980s. At that time, due to political instability, liberalization of markets, and mismanagement, among other reasons, almost all the cooperatives failed. However, a few survived, and cooperatives are enjoying a revival in Uganda. This policy note is based on a case study of the recent revival and reform of the agricultural cooperative sector in Uganda.

In recent years, the Ugandan government has shown commitment and interest in reviving the cooperative sector. The government has strengthened surviving cooperatives and promoted the establishment of new marketing and financial cooperatives to reach farmers with services that contribute to improving rural livelihoods and reducing poverty. The Uganda Cooperative Alliance (UCA), an independent umbrella organization of cooperatives, is spearheading reforms of the sector by promoting sustainable cooperatives that provide services for the poor. The reformed cooperatives offer a complimentarity of services by combining access to financial services through Savings and Credit Cooperative Organizations (SACCOs) with bulk-marketing services for farmer produce through Area Cooperative Enterprises (ACEs) and Rural Producer Organizations (RPOs). The reformed cooperative movement is expected to avoid many of the mistakes made by agricultural cooperatives in the past, to increase rural

incomes, and to link farmers to profitable markets, with the overall goal of decreasing rural poverty. This policy note considers the following questions:

- How are these reformed cooperatives organized?
- How are they avoiding past mistakes and ensuring sustainability?
- And how are they contributing to improving rural livelihoods and reducing poverty?

### 8.2.2 Methodology

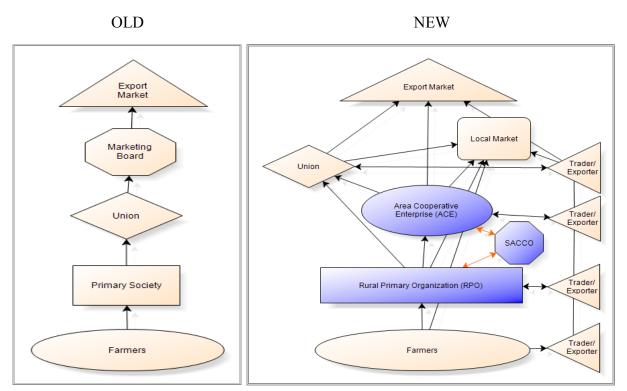
This policy note summarizes findings from case studies of eight Area Cooperative Enterprises (ACEs) from the Eastern and Western regions of Uganda, engaged in different enterprises, such as maize, banana, coffee, beans, and honey. From each selected ACE, three registered member Rural Producer Organizations (RPOs) were selected and researchers randomly picked about fifty members from the three RPOs – 407 cooperative members were interviewed in total. The researchers also conducted interviews with eight ACE managers and 22 RPO chairpersons. The data was collected between January and May 2010.

### 8.2.3 Restructuring and reorganizing post-liberalization cooperatives

Since the liberalization of agricultural markets in Uganda in the early 1990s, the cooperative sector has gone through a dynamic process of rehabilitation and restructuring, adjusting to the conditions of a liberalized economy. The previous old structure of cooperatives had been vertical and hierarchical, with farmers at the lowest level sending their produce to the primary societies and the primary societies then sending it to the unions (see Figure 1). The unions sent the produce to the marketing boards, which had the responsibility to find export markets for it. After liberalization, a new model for cooperative marketing emerged. Other traders entered the markets, competing with the unions to obtain produce from farmers for marketing. As a consequence, the unions had a lower supply of produce and their business operations proved unprofitable. The marketing boards became dysfunctional and gradually collapsed. Most of the unions collapsed as well, affecting the continued survival of the primary societies.

The Uganda Cooperative Alliance (UCA), as an apex body, was affected as well, since it was supported by the cooperative unions. To survive and revive the fallen cooperative movement, the UCA focused on organizing and strengthening grassroots farmer organizations to maximize membership and build the commitment of members. Grassroots community-based organizations, parish farmers associations and other smaller farmer groups were all organized under Rural Producer Organizations (RPOs). These are primary cooperative organizations located at the village or parish level. RPOs were strengthened to act as cooperatives where produce supplied by members, is bulked and marketed collectively. At the sub-county level, the Area Cooperative Enterprises (ACEs) were introduced to act as smaller cooperative unions for the RPOs. A number of RPOs in a sub-county merge to form an ACE. The ACE looks for better markets for members' produce and bargain for higher prices. The ACEs have the option of marketing produce to any of the many buyers on the market, with the objective of obtaining competitive prices for farmers produce. The ACEs may also trade with the cooperative union, of which it is a part, if the union offers a competitive price. Both the RPO and the ACE may register as members of the union and trade directly with it. Produce may also be sold to individual traders on the local market or on contract with other larger traders with links to international organizations operating in export markets.

Figure 1: Old and new models of agricultural cooperative marketing activities in Uganda



An important aspect of the restructured cooperatives is the linkage between RPOs, ACE and SACCOs, which has been termed a "tripartite system." In this system, the RPOs, who are the producers, supply produce to the ACE, which looks for markets for the produce. The SACCOs provide financial assistance to the farmers, who are registered members of the SACCO, and to the ACE. Members can access loans from the SACCO using the produce that they supply to the ACE as security. Payments after sales of produce are made to the individual SACCO accounts of farmers. This system works like a micro-warehouse receipt system. Nationally in 2010, there were over 64,000 individual members of 352 RPOs forming 55 ACEs. These RPOs and ACEs are linked to 42 SACCOs which deliver financial services (UCA 2010).

These reformed cooperatives are meant to be managed as profitable business units competing with other private traders in agricultural output markets. To effectively compete with private traders and make a profit to benefit their members, RPOs and ACEs must minimize their overhead costs and market large volumes of the produce of their member farmers. To kick-start the operations of newly established ACEs, UCA provides payments to cover the wages of ACE managers during the first year to reduce ACE operational overhead costs, and provides some office equipment and logistics. Thereafter, the cooperatives are expected to make profits from their business and operate relatively independently.

The reformed cooperative bodies promote diversification of their marketing enterprises beyond the traditional cash crops of cotton and coffee. UCA encourages ACEs to bulk and market at least three products to ensure an all-year business pattern, thereby encouraging members to extend their production beyond a single product. Diversification of member production reduces the risks of crop failure and low prices during the peak production season.

### 8.2.4 Ensuring sustainability of cooperatives

The agricultural cooperative structure in Uganda needed reforms to help farmers adjust to the changing business environment of a liberalized market economy and to revive the fallen cooperative movement. Learning from of past successes and failures of cooperatives in Uganda and the experiences of other cooperatives in Africa, the UCA pursued a number of strategies to ensure sustainability and promote the development of the cooperative sector. Among these strategies are supporting cooperatives as independent business units; building

autonomous democratic institutions; providing technical education to improve the productivity and profitability of member farmers and training members on best practices in the operations of agricultural cooperatives; and promoting clear policy guidelines for the operations of the cooperatives. Table 1 shows what cooperative members interviewed for this study felt was the most important effort being made at governance reform to promote sustainable development within their specific cooperative bodies.

Table1: Perception by members of most important effort to ensure sustainability of their cooperative

How cooperatives are ensuring sustainability	Percent
Autonomous democratic institutions	50.1
Clear policy guidelines	23.6
Independent business unit	15.5
Cooperative education	10.8
Cooperative education $n = 407$	10.8

Source: IFPRI/Humboldt University Uganda

Cooperatives survey, 2009-10.

### Promoting cooperatives as independent business units

The reformed cooperatives engage in self-sustaining business practices. This principally involves bulk marketing of produce from members, and charging a commission for the produce sold. The commission is a source of revenue to run the operations of the cooperatives. Unlike in the period up to the early 1990s when the collapse of the cooperative union resulted in the collapse of the primary society, the reformed cooperatives ensure that both the ACE and the RPO are organized as business entities with some form of self-generated revenue from commission charges, shares, and membership fees. In their bulk marketing, the cooperatives negotiate for higher prices, selling to the highest bidder on the market, in contrast to the old cooperative structure where the cooperative union only sold to the marketing board. In addition, some ACEs engage in diversified businesses beyond marketing, such as promoting value-addition to the produce they handle.

### Promoting autonomous democratic institutions

The ACEs are generally closer to the farmers and serve a smaller operational area than the earlier cooperative unions. They focus on promoting member participation within their RPOs and the broader ACE by encouraging member involvement in meetings, broad and inclusive decision-making processes, and regular elections of cooperative leadership. From the field survey, researchers found that 87 percent of the cooperative members sold over 80 percent of their total marketed produce through the cooperatives, demonstrating that most RPO members in the area patronized their ACE and participated in its operations.

The cooperatives are organized and operated through a bottom-up approach with the members closely participating in the decision making of their leaders. Ninety-eight percent of the cooperative members interviewed said that their cooperatives held regular meetings. The yearly Annual General Meetings are generally well attended, with over 68 percent of surveyed members reporting attending. Interviews also show that members assume full ownership of their cooperative and are committed to its success. Of the members surveyed, 91 percent said they felt fully included in the decision making process of their cooperative because they were allowed to give their views, and their opinions were heard and considered. Eighty-nine percent of those surveyed, of whom 34 percent were female, agreed that women participated effectively in decision making in their cooperatives.

### Promoting cooperative education

The reformed cooperatives provide training for both their members and the managers of the cooperatives. Eighty-nine percent of members surveyed reported having received some form of training through their RPO or ACE. Most of the training is on issues related to the functioning of the cooperatives, such as group dynamics, agronomic practices, or post harvest management. However, cooperative leaders also occasionally organize special training sessions to address specific challenges. For example, farmers from Tigebwa Development Association, an RPO-registered member of Nyabubare ACE, received value-added training for their banana crop by learning to make banana wine. In addition, the cooperative leaders receive training in managerial and entrepreneurial skills. These training services are provided by the regional offices of the UCA, the district and sub-county National Agricultural Advisory Services (NAADS) extension services, and certain NGOs working in the districts.

### Clear policy guidelines for cooperatives

The reformed cooperative system focuses on providing clear policy guidelines to guide the operations of the cooperatives. At the national level, the national cooperative development policy outlines strategies to strengthen cooperatives to support national poverty reduction and rural development programs. At the grassroots level, members of cooperatives have been made more aware by their leaders and staff of UCA of the principles of cooperatives and their roles and responsibilities as cooperative members. All the cooperatives studied have by-laws that guide their activities and their required oversight and internal controls.

### 8.2.5 Cooperatives' contribution to improving rural livelihoods

It appears that the revived cooperatives are contributing to poverty reduction. Over 90 percent of surveyed members reported changes in their income after joining and marketing their produce through the cooperative, with 92 percent of these reporting an increase in income over the past five years (Table 2). For those cooperative members who reported a decline, the loss in income was primarily due to the effect of coffee wilt disease on the coffee crop in recent years.

**Table 2: Income changes perception** 

How has your income changed?	Percent
Increased	91.9
Decreased	5.4
Remained constant	2.9
n = 407	

Source: IFPRI/Humboldt University Uganda Cooperatives survey, 2009-10.

When asked what proportion of their income change they attributed to their participation in cooperatives, 43 percent of farmers reported that between 50 and 74 percent of their income increase was due to cooperative participation, while 7 percent reported that over 75 percent was due to their participation in a cooperative (Table 3). In part through their participation in the agricultural cooperatives, the economic situation of farmer members over the past years has improved.

**Table 3: Proportional income changes** 

Income change groups	Percent
Up to 24% change	26.5
Between 25 & 49% change	23.8
Between 50 & 74% change	42.7
Over 75% change	6.9
n = 407	

Source: IFPRI/Humboldt University Uganda

Cooperatives survey, 2009-10.

Asked how they perceived an increase in their incomes, cooperative members reported examples ranging from being able to meet basic needs of their household to affording two or three meals a day and improved quality of food (Table 4). Members also realized increased income savings and increased yields as a result of better farming practices and expansion of farmland. Increased incomes made it is possible for farmers to purchase and expand farmland and acquire cooking utensils, bedding, and bicycles for easy transportation, while others were able to diversify their enterprises and engage in livestock production.

**Table 4: Increased income perception** 

Perception of increased income	•
(over past five years)	Percent
Able to meet household consumption needs	32.5
Increased incomes and savings	31.0
Increased yields	10.6
Increase in household assets	9.7
Bought piece of land	7.9
Diversified production	4.9
Expanded farm land	3.3
n = 407	

Source: IFPRI/Humboldt University Uganda

Cooperatives survey, 2009-10.

Members of the cooperatives are optimistic about the economic benefits that will accrue to them over the next five-year period. Over 90 percent of members surveyed said they expected a positive change in their current economic situation if the cooperatives remained well organized (Table 5). Members were confident that their livelihoods would improve because they would be assured of an increase in production from expanded farmland increased yields due to improved farming practices. Similarly, they expected their income to grow for as long as the market for their produce was guaranteed. Other economic benefits to members include

access to financial services and loans through SACCOs for their immediate financial needs rather than having to sell their produce at harvest when only low prices are offered, and access to training workshops to improve their farming knowledge and practices.

**Table 5: Future perception on economic situation** 

<b>Economic situation in the next 5</b>		
years	Percent	
Much better	72.7	
Better	20.9	
Same	3.7	
Worse	2.0	
Much worse	0.7	
n=407		

Source: IFPRI/Humboldt University Uganda

Cooperatives survey, 2009-10.

About 6 percent of respondents, however, stated that they perceived no change or even a change for the worse over the next five years. This could be attributed to high and rising costs of living amidst and outbreaks of coffee and banana bacterial wilt diseases that had recently severely affected those crops.

### 8.2.6 Expectations of government support to cooperatives

When asked their opinion on how the government could support cooperatives to promote sustainable development and ensure cooperative members are in a position to add value to their produce and increase their market access for poverty reduction, members provided differing opinions (Table 6).

**Table 6: Government support to cooperatives** 

How should government support cooperatives?	Percent
support cooperatives?	Percent
Farmer trainings and extension services	16.2
Subsidized input supply	17.4
Increase funding	36.9
Monitoring and evaluation	9.6
Supportive policies and programs	13.3
Look for better markets	6.1
Improve road network	0.5
n = 407	

Source: IFPRI/Humboldt University Uganda

Cooperatives survey, 2009-10.

Thirty-six percent of surveyed members want the government to provide more financial support to the cooperatives. Government support is, in fact, needed. Most cooperatives do not have enough capital to invest sufficiently to take advantage of economies of scale. One recommendation arising from this study is to implement an agricultural loan scheme for the ACEs provided through the SACCOs. This would enable them to buy produce from members on a cash-payment basis. In this way, the cooperative could consolidate large volumes of produce for bulk sales, lowering operational costs and putting it in a better position to bargain for higher prices.

Government financial support for cooperatives would also reduce the operational overhead cost of the cooperatives, which is currently borne by members, and would reduce their marketing costs. If the cooperatives are able to operate at the lowest cost possible, prices paid to farmers for the supplied produce will rise. Increased farm prices mean increased income to farmers and improved livelihoods.

Regardless of the amount, direct government support is not adequate without parallel measures to promote education and training and independent democratic cooperatives.

Several survey members (17 percent) felt the government should provide subsidized agricultural inputs to farmers. Agricultural inputs are crucial for farmers to expand their agricultural enterprises, and the appropriate farm inputs to improve productivity, such as fertilizers, are unaffordable for most farmers in Uganda (Pender et al. 2004). While 34 percent of respondents reported having obtained inputs through their cooperatives, many of the

farmers (49 percent) reported obtaining their inputs from private dealers. With access to subsidized inputs, more farmers could improve their productivity and gain higher returns.

Another desired area of government support is in the provision of farmer training for both the management staff and the members of the cooperatives. Training on value-addition, post harvest handling to reduce harvest losses, and improved agronomic practices were especially desired. Others agreed that the government should ensure supportive policies and programs that promote cooperative development and, as part of this, should put a system in place where cooperatives are properly monitored and regulated in their activities. Finally, several survey participants felt that the government should intensify its efforts to strengthen and improve markets and the road infrastructure linking rural areas to markets.

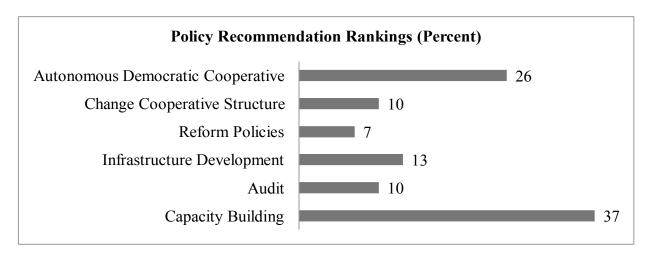
# 8.2.7 Stakeholders perception on what should be done to strengthen agricultural cooperatives

Policy recommendations on how to strengthen agricultural cooperatives were suggested by stakeholders at a project workshop organized in June 2011 in Kampala. The stakeholders included politicians, academicians, local government officials, service providers and representatives from international development organizations. Six strategies were recommended:

- 1. Clear government policy comittment towards autonomous democratic cooperatives
- 2. Change structure of cooperatives to capture economies of scale
- 3. Revive reform policies, incl. Taxation
- 4. Infrastructure development such as feeder roads, stores to access production & market infrastructure
- 5. Auditing for control purposes to build trust
- 6. Farmer and management training and education sensitization of farmers who are coop members

The above suggested recommendations were later ranked by stakeholders. Two policy recommendations were ranked highest to be of major importance in strengthening agricultural cooperatives and promoting cooperative development (Figure 2).

Figure 2: Policy Recommendations Rankings



Capacity building of farmers, management of cooperatives was highest (37 percent). Members need to be sensitized on principles of cooperatives and the cooperative advantage. Members have to join cooperatives not with the expectation of receiving external financial support but cooperating with other members to achieve a collective benefit.

The second highest ranked recommendation was on provision of clear government policy and commitment towards independent cooperatives. Promoting independent autonomous cooperatives free of political interference is emphasized which indicates great concerns for limiting political interference in cooperative activities.

#### 8.2.7 Conclusion

The purpose of this policy note is to provide knowledge on the revival of agricultural cooperatives in Uganda. The study summarized here focused on how the cooperatives have been reformed to adjust to the conditions of a liberalized market, the strategies adopted to promote sustainability and success, and how the reformed cooperatives are contributing to improving rural livelihoods. Evidence from the field shows that strategies employed to reform the cooperatives have included strengthening grassroots organizations, introducing Area Cooperative Enterprises to look for better markets and competitive prices for Rural Producer Organizations, and building stronger linkages with Savings and Credit Cooperative Organizations for access to financial services. The Uganda Cooperative Alliance places heavy emphasis on supporting cooperatives as independent profitable business units, building

autonomous democratic institutions, providing technical education to improve the productivity and profitability and trainings on best practices, and promoting clear policy guidelines for the cooperatives. Member participation in the reformed cooperatives has contributed to increased incomes, affordability of basic household items, increased production and productivity, increased ability of members to feed their families two to three meals a day, and increased household savings. Reviving the agricultural cooperatives has proven effective in linking rural farmers to profitable markets, enabling them to more successfully bargain for higher prices, improving their access to financial services, and increasing their farming knowledge to increase production and productivity.

#### References

- Birchall, J. 2004. Cooperatives and the Millennium Development Goals. Geneva: International Labour Organization.
- Birchall, J. 2003. Rediscovering the cooperative advantage: Poverty reduction through self-help. Geneva: International Labour Organization.
- Develtere, P.; Pollet, I.; & Wanyama, F., eds. 2008: Cooperating out of poverty. The renaissance of the African cooperative movement. Dar es Salaam: ILO; World Bank Institute.
- Pender, J.; Ssewanyana, S.; Edward, K.; & Nkonya, E. 2004: Linkages between poverty and land management in rural Uganda: evidence from the Uganda National Household Survey, 1999/2000. Environment and Production Technology Division Discussion Paper No. 122, International Food Policy Research Institute, Washington, D.C.
- Uganda Cooperative Alliance (UCA). 2010: UCA Annual Report 2009/2010. Kampala: UCA.
- Wanyama, F.; Develtere, P.; & Pollet, I. 2008: Encountering the Evidence: Cooperatives and Poverty Reduction in Africa. Working Papers on Social and Co-operative Entrepreneurship WP-SCE 08-02. Cera Centre for Co-operative Entrepreneurship, HIVA Research Institute for Work and Society, Catholic University of Leuven, Leuven, Belgium

### 9. CONCLUSIONS AND RESEARCH OUTLOOK

### 9.1 Major research findings

The objective of this study was to contribute to the policy debate on the changing landscape of agricultural rural services reforms in Uganda. The study focused on cooperative and agricultural extension reforms and development in Uganda. The study assessed how cooperatives have been reformed to adjust to the conditions of a liberalized market, the strategies adopted to promote sustainability and success, and how the reformed cooperatives are contributing to improving rural livelihood. The study also examined the performance of Uganda's agricultural extension under a decentralized system. The research objectives were achieved with six papers. Two key research findings were drawn:

- (1) Revival of cooperatives has included the introduction of new institutions, capacity building and promoting autonomous financially viable cooperatives. The policy focus in the future however should be to strengthening the managerial capacity and strengthening the abilities of the members on the way to more autonomous democratic cooperatives. Capacity building for managers and control board members and promoting self-organization and self monitoring together with cooperative education should become further elements of such policies.
- (2) Political interference is currently negatively affecting the image of the National Agricultural Advisory Services (NAADS) and undoing some of its prior achievements. This requires an unbiased political attention which builds on NAADS strengths and addressing its weaknesses. Less ad-hocism and an independent evaluation of NAADs should become a continuous effort informing the Ugandan government. A learning approach building on the strength of the NAADs and actively analyzing strategies to overcoming weaknesses is necessary.

In summary finding from the study shows that in making rural services work for the poor, governance reforms should focus on building the necessary infrastructures and institutions, promoting capacity building and limit political interference in service delivery.

In the following sections, I review these and other key results in more detail and suggest policy recommendations that can be derived from the findings (section 9.2). I further make proposals of areas for further research in section 9.3.

### 9.2 Review of Papers

# Paper 1: Making rural services work for the poor: Micro-level evidence from Rural Uganda

Paper1 draws partly on a research study on the dynamics of rural services and their influence on poverty and rural development by Nkonya et al. (2009). The objective of their study was to understand the impact of changes of access to rural services on poverty dynamics, production and commercialization of agriculture and health changes. Part of their findings indicated that poverty had remained high in the areas where there had been no or limited improvement in rural services. Also improvement of rural services reduced the propensity to remain in poverty or fall in poverty and increased the probability to remain above the poverty line. The results supported the fact that rural services played a significant role in reducing poverty and improving rural livelihood.

However, further analysis indicated that there were some communities that despite the improvement of rural services, poverty had remained high. Also in some communities poverty levels remained low despite the limited improvement in rural services. Thus it was necessary to understand why rural services have failed to reduce levels of poverty in some communities where as in other communities despite the limited or no improvement in rural services, there had been significant reduction in poverty levels.

A qualitative case study approach was used in selecting four rural village communities where qualitative interviews were conducted with district and village officials and focus group discussions with village members.

It began evident that the major reason why improvement in services corresponded with a low level of poverty in village 1 was because of the high accessibility to rural services, close proximity of the village to the district centre, good local leadership, well established local institutions within the community, and large external support from government and NGOs. The reasons for the resulting outcome of decreasing levels of poverty despite low improvement in services in village 2 was mainly because of the high level of collective action - participation of the members of the village in self help groups and cooperatives. The explaining factor why improved services had failed to reduce poverty in village 3 was due to the lack of well defined property rights of the land tenure system in the district and reduced access to land acted as a disincentive limiting land related investment opportunities. In village 4, the reasons why poor improvement in services had resulted in high poverty level were because of the long period of insecurity and remoteness of the village.

In understanding what works where and why, three propositions were made based on the findings from the case study. That is:

- (1) Access to complementarities of services may improve rural livelihood.
- (2) High levels of public service provision may partly be compensated by high levels of collective action, self-help and participation.
- (3) Security and property rights are indispensable in efforts to improve service provision.

From this study, the key finding highlight the need for high levels of collective action, access to many rural services on condition that there is security and well defined property rights. This set the ground for further research on the role of self help groups such as cooperatives and farmer groups providing agricultural marketing, financing, and extension services.

# Paper 2: What Do We Know About Cooperatives and Poverty Reduction? A Literature Review

Paper 2 reviewed existing literature on basis of claims of cooperatives having a potential to reduce poverty. There is growing consensus among both practitioners and the academic community that the cooperative business model is a form of institution that meets most of the dimensions of poverty, providing opportunities, facilitating empowerment and enhancing security. As such the cooperative business model is increasingly presented as a pre-condition for a successful drive against poverty and exclusion especially in the developing countries. But what are the bases for such claims that the cooperative model has a potential to reduce poverty?

This paper presents a literature review of empirical research on cooperatives potential to reduce poverty and finds a substantial literature supporting this claim. Four perspectives on this claim were identified. The first group of authors claimed that cooperatives have an automatic tendency to benefit the poor. They provided a fundamental perspective of cooperatives of the opinion that so long as cooperatives had an open membership, required little capital investment and shared economic gains equitably, they provided the poor opportunity to participate and benefit. This perspective of cooperatives having an automatic tendency to benefit the poor was challenged by another group of authors who argued that cooperatives are people centered business and mainly concerned with benefiting their

members and as such do not have an in-built obligation to the poor as claimed by the first group of authors. Rather, they emphasized that if the poor are included and fully participated in the cooperatives they stood a better chance of benefiting. A third group of authors of a more balanced perspective argued that cooperatives had a potential to reduce poverty provided their values and principles are respected and certain preconditions are met. They acknowledged cooperatives potential to have a tendency to benefit the poor once the poor were included and actively participated in the cooperatives. However they further emphasis on the need to respect the cooperative principles and values. A fourth group of authors of an optimistic perspective argued that cooperatives are the only institutions that have the potential of meeting all the dimensions of poverty contributing to the achievement of the Millennium Development Goals and addressing the challenges of globalization. As such the cooperative business model is rapidly being promoted in many nations to achieve this objective. All four perspectives acknowledge that cooperative may have a potential to reduce poverty, but caution on the need to respect cooperative principles and values.

The cooperative business model in addressing the issue of poverty provides certain advantages. Among these are countervailing market power, increasing efficiency along the value chain due to their advantage of dealing with otherwise high levels of information asymmetries on markets, economizing on a variety of information cost, economies of scale, reduce transaction costs and reduce risk and uncertainty that plague its members. However, the literature exercise brought about that claims on cooperatives regarding poverty alleviation should be tempered by known problems of the poor's limited abilities to invest in their cooperative, by the absence of a general objective to include the poor known from most cooperatives, by problems of decision making and control related to collective action and the threat of missing institutions and bad governance. The literature review thus gave a good hypothetical orientation for asking the right questions and conceptualizing cooperatives in their roles in service provision.

# Paper 3: Why a few agricultural cooperatives survived the crisis in the cooperative movement in Uganda while many others collapsed?

Paper 3 provides a historical perspective of cooperative development in Uganda. Until the 1980s, cooperatives in Uganda had some success in counteracting the effects of unfavorable market positions for smallholder farmers. At that time, political instability, the liberalization of markets, and mismanagement, among other reasons, caused almost all to fail. However, a few cooperatives survived. This paper summarizes case studies that examined the underlying factors that resulted in the survival of some cooperatives, and the collapse of so many others.

Case studies of one successful surviving cooperative union and one failed cooperative union, both established in the 1950s, were undertaken. The two cooperatives were selected from two regions, one from the Eastern region and the other from the Western region. In the Eastern region, a case study of surviving cooperative union – the Bugisu Cooperative Union (BCU) – that has been operating since 1958 marketing coffee for their member farmers. In the Western region, a case study of a failed cooperative union – the Banyankole Kweterana Cooperative Union (BKCU).

Evidence shows that the underlying factors that led to the collapse of many cooperative unions were due to the years of political instability, the inability of the union to compete on a liberalized market, the accumulation of huge debt, loss of credibility vis a vis members and poor management.

In contrast, the few cooperative unions that managed to survive did so due to the presence of strong leadership and proper management, gaining access to external financial support, undertaking efforts to develop new markets and marketing channels, maintaining a strong asset base, and retaining a strong membership in times of crisis.

Drawing on these lessons, efforts in promoting the revival and continued development of the agricultural cooperative sector in Uganda should focus on building good leadership and governance of the agricultural cooperatives through cooperative education and trainings. The cooperatives should be operated as profitable business entities with viable business plans. Agricultural cooperatives should provide farmers with a strong incentive to actively participate by providing benefits such as improved linkages to markets, and government programs, higher prices, payment of dividends and other social assistance. Diversification of business is also important. Cooperatives should acquire physical infrastructure such as processing plants, storage facilities, and commercial buildings which may serve as additional

income streams for the union. External financial support may be provided at the initial stages of that development of the agricultural cooperatives to generate equity capital for running the operations of the cooperative and building its assets. Such support would be effective if economic realities of the markets are taken into account and measures are taken to promote good leadership and a strong membership base, and the cooperative is provided the appropriate incentives to develop into an independent and profitable business unit. Lessons learned from this past experience guide efforts to promote the current revival and expanded development of the agricultural sector in Uganda which is addressed in paper 4.

### Paper 4: Restructuring and Reorganizing Post Liberalization Cooperatives in Uganda

Paper 4 is based on the recent revival and reform of the agricultural cooperative sector in Uganda. Since the liberalization of markets, the cooperative sector in Uganda has gone through a dynamic process of restructuring and adjusting to the conditions of a liberalized economy. Following a trend that is also observed in other countries, the reformed cooperatives are expected to avoid the mistakes of the past that had led to an almost complete collapse of the cooperative sector (see, e.g., Develtere et al. 2008; Birchall 2004, 2003). They aim to increase rural incomes and to link farmers to markets with the overall goal of reducing rural poverty.

The restructuring measures included the introduction of an integrated approach to agricultural cooperative marketing - the tripartite cooperative model. There is however a dearth of literature on the dynamic trend of development of this integrated approach to agricultural cooperative marketing system. This paper aims at describing and examining the tripartite cooperative model as a case example of a cooperative business model, and analyses its characteristics, operational dynamics and prospects of evolution. The paper reports on the results of a survey of 407 cooperative members and 22 cooperative leaders participating in the tripartite cooperative model.

It is evident that the changes in marketing structure post liberalization and loss of competitive pressure from oligopolistic markets enjoyed by the cooperatives necessitated the restructuring and introduction of new institutions as intervention measures to leverage the failing cooperatives. Evidence shows that strategies employed to reform the cooperatives included (1) introducing Area Cooperative Enterprises to improve market access and realize

competitive prices for Rural Producer Organizations, (2) building stronger linkages with Savings and Credit Cooperative Organizations, and (3) strengthening grassroots organizations.

The tripartite cooperative model has achieved much success and growth since its implementation. The tripartite cooperative model favored the adoption of participatory and democratic practices, including members in decision making process and demanding accountability from managers of the cooperatives. Members of the cooperatives felt a high degree of commitment to their cooperatives and judged their cooperative to be well managed by their leaders.

From the study it was shown that the tripartite cooperative model focused on creating independent cooperatives that generated sufficient equity capital for the successful operation of the cooperatives. Success of the model considered the ability of the cooperatives to have large membership, control large share of farmers produce and generate sufficient equity capital for its business operations.

The reformed cooperative system also focused on providing clear policy guidelines to guide the operations of the cooperatives. The government of Uganda has shown interest in promoting cooperative development and is committed to rebuilding and revitalizing cooperatives as key business units in the economy. It also appears that the revived cooperatives as a side effect and in line with the findings of the literature review are contributing to poverty reduction. In part through member's participation in the agricultural cooperatives, the economic situation of farmer members over the past years has improved. Even though the tripartite cooperative model has much prospect in advancing cooperative development, the study indicated that there is, however, a need to address the challenges of capacity building and monitoring as well as those related to free riding of some members.

# Paper 5: Pluralistic and demand-driven and traditional supply-driven agricultural extension services in Africa: Which reaches more farmers and women? The case of Uganda

Efforts to improve the delivery of rural services in developing countries have revolved around decentralization policies, which have been seen as a promising approach to increase responsiveness of governments to people's needs by making rural services demand-driven and empowering communities to determine their development. This study analyzes effectiveness of the pluralistic and demand-driven advisory services and the traditional supply driven approaches. Using data collected from 208 extension agents.

The study shows that pluralistic demand-driven approach reaches larger share of farmers and women they serve and target poor farmers better than the traditional approach. However, the traditional approach has a greater propensity to provide the traditional advisory services, namely improved seeds. Results suggest the need to have a pluralistic approach to exploit the comparative advantage of each.

### Paper 6: Agricultural extension reform and development in Uganda

The study examines the perception of Agricultural Extension (AEA) providers on the new changes in provision of agricultural extension services. Data was collected from twenty-two key informants. Evidence show that the NAADS program has wider coverage even though distribution of agricultural extension agents differs across regions with the central region having the highest density of agricultural extension agents. NAADS has enhanced the formation of farmer groups. This is consistent with the design of NAADS, which provides advisory service through farmer groups. Working in groups has helped farmers to exchange information and pool production and marketing resources. The NAADS program has also promoted the adoption of agricultural technologies.

However, political interference is negatively affecting the image of the National Agricultural Advisory Services (NAADS) and undoing some of its achievements. NAADS was used as one of the major implementation strategies of the prosperity for all (PFA), a political manifesto of the ruling party in the 2006 election. After formation of PFA in 2005/06, the frequency of the president speeches on NAADS increased tremendously. Between Jan 1, 2007 – March 2011, frequency of president's NAADS speeches reported in New Vision was once

in every two months. Most of the comments on NAADS were negative. There is need of revaluating the current political support given to agriculture to ensure that it builds on past achievement of NAADS and addresses its weaknesses.

#### 4.3 Areas for future research

Findings from the research indicate political interference hinder the development of both the cooperatives and agricultural extension services. Government involvement cannot be sidelined. But the question is to what extent should the government be involved in promoting cooperative development? What should be the defined role and limits of local and central authorizes in making such rural services work for the poor? These question need to be further explored. A first attempt is made by Doward et al (2004) describing an architecture of modern development programs which differentiates different roles for private and public actors in different phases of development. In the future more research should be undertaken studying the often complementary roles of government or cooperative actors in service provision in rural areas before the background of different phases in development and the deeper analysis of historical facts, what already has worked on the ground and what is yet to be done. The question what works where and why which has motivated my own work on Uganda thus cannot be fully answered. It rather provides the heading for a series of in-depth research efforts oriented towards better understanding phases of development in which quite different actors play supportive roles.

#### References

- Birchall, J. 2004. *Cooperatives and the Millennium Development Goals*. Geneva: International Labor Organization.
- Birchall, J. 2003. *Rediscovering the cooperative advantage: Poverty reduction through self-help*. Geneva: International Labor Organization.
- Develtere, P.; Pollet, I.; & Wanyama, F., eds. 2008: *Cooperating out of poverty. The renaissance of the African cooperative movement*. Dar es Salaam: ILO; World Bank Institute.
- Dorward A., Kydd J., Morrison J. and Urey I. (2004). 'A Policy Agenda for Pro-Poor Agricultural Growth', World Development, Vol. 32 (1): 73-89.
- Holmén, Hans (1990): State, cooperatives and development in Africa. Uppsala: The Scandinavian Institute of African Studies.
- Hussi, P., Murphy, J., Lindberg, O. and Brenneman, L. (1993). The Development of Cooperatives and Other Rural Organizations: The Role of the World Bank, The World Bank, Washington, D.C.
- Nkonya, E., Pender, J., Kato, E., Benin, S., Makerlova, H., and Okecho, G. 2009: *Dynamics of rural services and their influence on poverty and rural development: Evidence from Uganda*. Available online at: http://ugandassp.files.wordpress.com/2010/06/uganda\_econometric\_analysis.pdf (retrieved 16 July 2011).
- Nkonya, E., Pender, J., Kaizzi, C., Edward, K. and Mugarura, S. 2005. Policy options for increasing crop productivity and reducing soil nutrient depletion and poverty in Uganda. Environmental and Production Technology Division Discussion Paper 138. Washington, DC: International Food Policy Research Institute.
- Satgar, V., and Williams, M. (2008). The passion of the People: Successful Cooperative Experiences in Africa. Cooperative and Policy Alternative Center COPAC.
- Scanagri Consulting Company. 2005. Midterm evaluation of Uganda's National Agricultural Advisory Services (NAADS) program. Draft Consultancy report submitted to the Government of Uganda.
- Swanson, B. 2008. *Global review of good agricultural extension and advisory service practices*. Rome: Food and Agricultural Organization of the United Nations.
- Williams, R. C. (2007), "The Cooperative Movement: Globalization from Below", Ashgate Publishing Limited, England.

### **ANNEXES**

### **Annex 1: Questionnaire for Members of Rural Producer Organization (RPO)**

# INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE (IFPRI), HUMBOLDT UNIVERSITY & MAKERERE UNIVERSITY



# Research Project: Making Rural Services Work for the Poor Study on Cooperatives 2010

District Name:		_	Code:	
Sub-county:		_	Code:	
Parish:			Code:	
Village:		_	Code:	
Cooperative Name:		_	Code:	
Name of Enumerator:				
	Date Interview:	/	/	

### **Section A: Basic Information on Respondent**

Socio-economic characteristics of respondent	
1.Full Name and Contact Telephone number	
2. Age (years)	
3. Gender (1= <i>Male</i> 2= <i>Female</i> )	
4. Marital status (see marital status code)	
5. What is your highest level of education (see education code)	
6. What are your main economic activity and your secondary activity?	Main economic activity:
(see occupation code)	Secondary economic activity:

Marital Status: 1= single, 2= married monogamous, 3= married polygamous, 4= divorced, 5= widowed, 6= separated, 7= other (specify)
Education code: 1= none, 2= Preschool, 3= P1, 4= P2, 5= P3,6= P4, 7= P5, 8= P6, 9= P7, 10= Pacer, 11= S1, 12= S2, 13= S3, 14= S4, 15= Pacer, 16= S5, 17=
S6, 18= Pacer, 19= Dip1, 20= Dip2, 21= Dip3, 22= Univ1, 23= univ2, 24= univ3, 25= univ4, 26= univ5, 27= >univ6, 28=Pacer, 29= Grip, 30= none
Occupation code: 1=Farming, 2=Teaching, 3=Trading, 4=Agric. laborer, 5= Community Health Worker, 6=Student, 7= civil servant, 8=Unemployed, 8=
Others (specify)

## **Section B: Membership of the Cooperative**

1. Why did you decide to join this cooperative?

Reasons for joining Cooperative	Tick all that apply	Please rank the three most important reasons (from a scale of 1 – 3, with 1 being the most important reason)
Access to Credit		
Access to Agricultural Inputs		
Access to Agricultural extension services		
To get market information		
Marketing of Produce		
Better Prices		
Receive benefit from government		
Receive community support in times of needs (e.g. Burial of family		
member)		
Bonus paid at end of year (share of dividends)		
Others (Specify)		
Others (Specify)		

2. What are the criteria to become a member of the cooperative?

Criteria	Tick all that apply
Age (years)	
Member of community	
Membership fee	
Buy share	
Acceptance by solidarity group	
Approval by LC1	
Ownership of assets (specify assets)	
Specific enterprise	
Others (specify)	
Others (specify)	
Others (specify)	

3. Can anyone join the coopera	ative? <b>1= Yes →Ski</b>	ip to Que. 5 2= N	lo .		
4. If No, why can some people	e not join the coope	rative?			
5. Which kinds of people in th	is community do no	t tand to be members	of the gooperative (li	st a g Elderly	v disabled near eta )
3. Which kinds of people in th	is community do no	it tend to be members	of the cooperative (iii	st – e.g. Elucii	y, disabled, poor etc.)
Section C: Participation in C					
1. Over the past one year, wha					<u>,                                      </u>
	Do/did you contrib		Amount	Type / Unit	Who collected / mobilized
	to cooperative?	you contribute?			this contribution( <i>Collector</i>
	(1= Yes 2= No	o) (Period Code)	period?		Code)
Membership fee/ Entrance				Ugx	
fee					
Shares				Hay	

	Do/did you to cooperat	tive?	How often did you contribute? ( <i>Period Code</i> )	Amount contributed per period?	Туре	e / Unit	Who collected / mobilized this contribution( <i>Collector Code</i> )
Membership fee/ Entrance					I	Jgx	
fee							
Shares					I	Jgx	
Insurance					Ţ	Jgx	
Deposits					Ţ	Jgx	
Labor					D	ays	
In-kind (specify)							
In-kind (specify)							

Period code: 1=Daily, 2= Weekly, 3=Bi-weekly, 4=Monthly, 5=Quarterly y, 6=When the need arises, 7=one time payment, 8=other (specify) \_\_\_\_\_\_\_\_Collector code: 1=Manager, 2=Secretary, 3= Treasurer, 4=Other- Specify: \_\_\_\_\_\_\_

2. Does the cooperative hold Annual General Meetings? <b>1= Yes</b>	2= No→ move to ques. 8
3. When was the last time that all the members in this cooperative car	me together in an Annual General Meeting (AGM)? Date/
4. When was the time before the most recent AGM that the farmers in	n this ACE/RPO met? Date/
5. Did you attend the last Annual General Meeting (AGM)? 1= Yes	2= No → move to ques. 5
6. If yes, what were the main issues discussed?	
a) c)	b) d)
7. If No, why did you not attend the Annual General Meeting (AGM) Code: I= I did not have time since I had to do work on my farm, 2= I had to take care of a sick family member, 5= other (Specify)	I did not hear of the meeting $3=I$ do not find the meeting beneficial, $4=I$ was sick or
8. To what extent do you feel included in the decision making process. Code: 1= I feel fully included, 2= Somehow included, 3= I do not included.	*
9. Please explain your choice of response to your inclusion in decision	n making in the cooperative (question 4 above)

## **Section D: Benefits from the Cooperative**

1. During the past 12 months, what has been the most important activities/services your cooperative has provided for you, in relation to helping to improve your livelihood?

Type of activity/ service offered	How often undertaken in	Who benefits? (Tick)			
	the past 12 months ( <i>period code</i> )	Only members	Both Members and non members		
1)					
2)					
-,					
3)					
4)					
<del>")</del>					

Period code: 1=Daily, 2= Weekly, 3=Bi-weekly, 4=Monthly, 5=Quarterly, 6=When the need arises, 7=Other-specify
2. Do you consider that your income has changed over the past five (5) years as a member of the cooperative? 1= Yes 2= No
3. If yes, how has it changed? 1= Increased 2= decreased 3= remained constant
4. If income has increased, what proportion of the increase do you attribute to the cooperative?
5. Do you consider that your current economic situation over the past five (5) years as a member of the cooperative is [1=Much Better, 2 Better, 3=Same, 4=Worse, 5= Much Worse]
6. Please explain your choice of response to question 5 above.

7. Do you think that in the next 5 years if you are still situation? [1=Much Better, 2= Better, 3=Same, 4=Worse, 5= M	•	e, your economic situation	will be than your curren
8. Please explain your choice of response to question 7	above.		
9. Did you over the past 12 months receive any form of	trainings from the cooperat	ive? 1= Yes 2= No →	Skip to ques. 11
10. If yes, fill table:			
What kind of training(s)?	How was the training financed? (finance code)	Who provided the training? (service provider code)	How has this training personally benefited you?
a)			
b)			
c)			
d)			
Finance Code: 1= fully financed by members, 2= Continuous Others-specify  Service provider code: 1= ACE, 2=NGO (specify)  Service provider (specify) 5= other (specify)			
11. Over the past years, has there been a situation wh support for you?  1= Yes 2= No → Skip to Sec E			

12. If	yes, pleas	se explain	the type o	f support giv	en.							-
1. Ove activit	er the pas	2= N	hs, have yo	ou as an indive		member of the	cooperative p	ourchased / received and	l used any ag	ricultural input	for your own f	arming
No	Input Input code	Source Source code	To what crop was the input applied Crop Code	Amount purchased	Unit	Cost per unit at the cooperative	Cost per unit in the open market	How satisfied were you with the quality of this input? ( <i>I</i> = Very satisfied, 2= satisfied, 3= Neither satisfied nor dissatisfied, 4= dissatisfied)	Did you buy it on credit 1= Yes 2= No	If yes, how much was the total amount of credit?	What was the interest rate?	Were you able to pay back this credit? 1=Yes 2=No
1) 2)												
2)												
Input	code: 1=s	seeds, 2=fe	ertilizer, 3	=pesticide/he	rbicide	2, 4=Labor, 5=	Ox Plough, 6	5= Beehive, 7= Agricult	ural tools, 8=	others (specify	y)	
Crop Sourc	Code 1= 0 e Code: 1	Coffee, 2= = ACE, 2	= Maize, 3= = input dea	= Banana, 4= aler, 3= NGC	= Honey ), 4= ex	y, 5= Beans, 5= extension office	= Rice, 6=Pea er, 5= Private	as, 7= other (specify)seed dealer, 6= UCA, 7=	= other – spe	cify		
3. If N	No, why d	id you not	t use any a	- gricultural in	puts fo	r your farming	g activity over	r the past 12 months?				

# **Section F: Production and Marketing of Produce**

1. Have you over the past 12 months sold your produce through the Area Cooperative Enterprise? 1= Yes 2= No → move to qu	1. Ha	ive you over the pa	ast 12 months sold	your produce throu	gh the Area Coc	perative Enterp	rise? $1 = Yes$	$2=\text{No} \rightarrow \text{move to qu}$
--	-------	---------------------	--------------------	--------------------	-----------------	-----------------	-----------------	---

1. If yes, fill table:

	during the past year (Jan – Dec 2009)	the ACE	the open market/ to middle men	the ACE sell this output? <b>Buyer code</b>

Product Code 1= Coffee, 2= Maize, 3= Banana, 4= Honey, 5= Beans, 5= Rice, 6=Peas, 7= other (specify)	
Buyer code 1=pre-harvest contractor, 2 = farm gate buyer, 3 = market trader, 4 = consumer, 5 = exporter (specify)	, 6=
other farmer, 7 = don't know, 8= other (specify)	
2 ICNL and a base over the state of the second and the second at the Association Community 2	
3. If No, why have you not sold your produce over the past 12 months through the Area Cooperative Enterprise?	

4. What are the benefits of marketing through the Area Cooperative Enterprise?

Benefits	Tick all that apply	Please rank the three most important benefits (from a scale of 1 – 3, with 1 being the most important reason)
Market Information		
High Prices for produce		
Access to Credit		
Access to input		
Access to tractor		
Access to extension services		
Other (specify)		
Other (specify)		

Section G: Credit and loans  1. Are you a member of	_ (name of SACCO affiliated to ACE) SACCO? 1= Yes → move to que. 3	2= No
2. If No, are you a member of any microcredit group within this community	v?	
1= Yes → move to ques. 3	,	
2= No → Why? (record reasons below) Skip to Section H		

3. If yes, what were the basic requirements to access loa	rom the SACCO/ your microcredit group (Name:	?

Requirements	Tick all that apply	Fill in the details
Membership fee		Ugx
Shares		Ugx
Guarantors		Number
Approval of LC1		1= Yes 2= No
Stationary fee		Ugx
Collateral		Specify-
Loan processing fee		1= Yes 2= No
Other (specify)		
Other (specify)		

4. In your opinion do you think the allocation of loans within your SACCO/Microcredit Institution is fairly distributed?		
<i>1= Yes</i> → Why (record reasons below)	2= No → Why (record reasons below)	

5. Have you over the past 12 months received credit for agricultural activity, business, paying tuition etc? 1= Yes 2= No → move to ques. 9 6. If yes, fill table:

Pay Back

Credit source

When did you

Total

Interest

(see cre	Name of Institution	receive the credit? (month/year)	Value of credit (Shs)	Rate (%)/ Total amount to be paid back (Shs)	Period (Months/ Weeks)	Per Month (Shs)	guarantee did it demand? ( <i>Guarantee code</i> )	(Purpose Code)	desired larger credit? (1= Yes 2= No)	would you have desired? (Value Shs)
10= other (: Guarantee	Credit Source Code: 1=SACCO, 2= microcredit group, 3=NGO, 4= friend or relative, 5= money lender, 6= bank, 7= Output buyer, 8= input suppler, 8= Bank, 9= govt. program (specify), 10= other (specify)									

Amount Paid

What type of

Purpose

Would you have

How much additional credit

Purpose Code: 1= Purchase planting materials, 2= Expand micro-business enterprise, 3= Pay tuition fees, 4= Buy agricultural i	nputs, 5= House Construction 6= other (spec
7. Did it ever happen that you or another member of the cooperative was unable to pay the loan on time? <i>I</i> = <i>Yes</i> 8. If yes, what happened in this case?	2= No → move to ques. 9

9. Over the past 12 months	s, did you have any kind of savings from your enterprise? <i>1= Yes</i>	$2=No \rightarrow move to Que. 1$
10 If yes fill out table:		

Type of Savings	In which institutions? (Name of institution)	What is the actual value of your type of saving over the past 12 months?
Savings account		
Current account		
Stocks / Bond		
Other informal types of savings (specify):		
Other informal types of savings		
(specify):		

11.	In	your	opinion	do	you think yo						joined	the	SACCO/	your	microcredit	group	(Name:
					)? I= Yes	$2=No \rightarrow Wh$	y (rec	ord reasons	s below)	)							

## 12. If yes, fill out table:

How has your livelihood improved?	Tick all that apply	Please rank the three most important benefits (from a scale of 1 – 3, with 1 being the most important)
Increased household income		
Increase assets (specify)		
Increase in basic service accessibility (which services?)		
Increased participation in decision making		
Able to eat 2 - 3 times a day		
Engaged in mixed enterprise (specify enterprises)		
Able to pay my children's school fees		
Other - specify		
Other - specify		

4. What do you consider as the main advantages of being a member of both Rural Producer Organization and	d SACCO/ microcredit group?

<b>Section H:</b>	Reasons fo	for failure	or success	of a	cooperative
-------------------	------------	-------------	------------	------	-------------

1. For how many years have you been a member of this cooperative? \_\_\_\_\_ (years)
2. In your opinion why do you think you Bugisu Cooperative Union (BCU) is surviving to date whiles many other cooperative unions in the country Union collapsed?

V		TD: 1	41 11 416 1	DI 1 1 1 0 1 1 0 0 10
No	Reasons	Tick all that apply	Among the identified reasons please rank from the most important to the least important reason (from a scale of 1 – 5, with1 being the most important factor)	Please explain how each of the identified factors contributed to survival of the cooperative
1	Members were loyal and committed to the cooperative Union			
2	Good management of the Union			
3	Strong asset base			
4	Less political interference			
5	Government support to the union			
6	Ability of union to compete on liberalized market			
7	Other			
8	other			

3. Can you please tell us from yo	ur experience v	vhy you think many	y other cooperative	e unions and primary	societies in the country	collapse?	What were the
main reasons?							

Reason(s)	Tick all that	Among the identified reasons please rank from the most	Please explain how each of the identified factors
	apply	important to the least important reason (from a scale of 1 – 5, with1 being the most important factor)	contributed to collapse of the cooperative (write explanations on the back of sheet)
Excessive political Interference			
Members not assuming full ownership and control over the cooperative			
Delayed payments / No payments			
Management staff pursuing personal interest			
Cooperative not being able to compete in the open market			
Management staff not elected but appointed			
Lack of transparency in the financial affairs of the cooperative			
Political instability			
Mismanagement			
No cooperation among members			
Other (specify)			
Other (specify)			

4. How do you think your cooperative is operating to avoid the mistakes that led to the collapse of many other cooperatives?	

5. Please give your opinion about the following statements	Totally disagree	Disagree	Neutral	Agree	Totally Agree
I feel that the cooperative is mine					
We the members of the cooperative know that the cooperative is ours					
I feel very much committed to the cooperative					
I trust the management of the cooperative					
Our cooperative is very efficient					
Our management staff are well trained and manage the cooperative well					
Women participate effectively in decision making in the cooperative					
I am well informed on the financial status of the cooperative					
Our cooperative includes the very poor in our community					
Our cooperative helps the poor and underprivileged (e.g. Widows, orphans, disabled					
etc)					
Cooperatives help to reduce poverty					

# **Section I: Future perspective**

1. In your opinion, how should the government support cooperatives in the country in order to promote sustainable development of cooperatives?
<del></del>
<del></del>
2. In your opinion, what needs to be improved in the way your cooperative/RPO is organized to enable it help more of the poor and underprivileged?

3. What do you consider as major challenges faced by your cooperative/RPO in carrying out its activities?				
4. What do you consider as major strengths of your cooperative/RPO?				
5. What do you consider as major weakness of your cooperative/RPO?				
6. What do you consider as opportunities to your cooperative/RPO?				

7. What do you consider as major threats to the successful operation of your cooperative/RPO?					
8. If you were the manager or part of the committee of the RPO, what would you do to ensure the successful operation and sustainability of your cooperative/RPO?					
Thank you!					

#### Annex 2: Guidelines for focus group discussion with old Cooperative Union Members

- 1. Could you please give us a brief background of your ACE?
- 2. How were the primary societies operating with BKCU/BCU in the past? (History, Benefits, Marketing, Farmers experiences)
- 3. What were the challenges that led to the collapse of BKCU/BCU?
- 4. What did the member farmers do to support their cooperative union during the above mentioned challenges?
- 5. How was BKCU/BCU able to revive and start operating again? (major reasons for survival)
- 6. How does the union compare with the ACE? (Differences and similarities)
- 7. How do the ACE and its member RPOs and Primary societies mobilize its own internal funds?
- 8. From farmers experiences how have their livelihood improved since they became members of the ACE?
- 9. What are the major strengths, weakness, opportunities and threats of the ACE?
- 10. Which groups of people in your communities do not tend to be members of the RPOs and ACE?
- 11. If the government is to support cooperatives, what should be done?

#### Annex 3: Guidelines for discussion with Management of Cooperative Union

#### 1. History of the union

Could you please give us a history since its establishment?

Reasons for forming, founding members, how operated in the past (bulk marketing), pre or post-liberalization, new millennium, benefits to members, areas of operation

#### 2. Reasons for failure and reorganization

What happened when the union collapsed? How did the primary unions survive? Challenges

Amin, Museveni's era? *Magendo*? Marketing board monopoly – opinion?

How the union survived/coped during liberalization – advantages and disadvantages.

When and why did BKCU close its offices? Political interference, political instability

Debts- reason, how much?

Government support? How

What did members do to support their union during the challenges?

How, who, why, revive the union? Are members still interested in joining the union?

Major reasons for failure? Mistakes?

Surviving strategies?

How is the union avoiding the mistakes of the past?

#### 3. Membership

Registration, membership at formation of the union, current membership

Why would a farmer still be interested in joining the union?

How are you working to win the members who have joined other unions?

How do you ensure that members are loyal to the union? Are members still interested in the cooperatives?

#### 4. Meetings

What kind of meetings does the union hold? When was the last AGM? Main issues discussed? Attendance?

#### 5. Networking

What is your relation with UCA, ACE, Ankole coffee producer's cooperative union ACPCU? How the union is coping on a competitive market? How to ensure that members market through their union

How does the union compare with the ACE? (Similarities and differences) opinion on ACEs

#### 6. Internal mobilization of funds

How is the union operating to mobilize its own internal funds? Assets of the union? Source of finance, credit?

#### 7. SWOT

What are the major strengths of the ACE?

What are the major weaknesses of the ACE?

What are the major opportunities of the ACE?

What are the major threats of the ACE?

### **8.** Future Perspective

Looking at the way cooperatives are organized/ being revived in the country, how do you foresee the future of the cooperative movement in Uganda?

How should the government support cooperatives if they are to be sustainable and help the help?

What needs to be improved in the way cooperatives are being revived?

Are cooperatives a potential means to reduce poverty?

#### 9. Documents

Annual report, balance sheet

# Annex 4: Questionnaire for survey of district leaders and private agricultural extension agents

District Name	
Selected districts: Kabale,	, Lira, Sironko, & Nakasongola

#### AGRICULTURAL EXTENSION REFORMS AND DEVELOPMENT IN UGANDA

#### Introduction:

This guideline should be administered to district leaders who know well the changes in the agricultural extension happening in Uganda. This should include the district agricultural extension officer and other key officials responsible for agriculture who could be available. The guideline should also be administered to selected NGOs providing agricultural extension services in the selected districts. Interview with one NGO in each district will suffice the needs of this study.

#### PROS AND CONS OF THE CURRENT AGRICULTURAL EXTENSION SYSTEM

- (1) Please discuss these questions in detail with the district officials
- (i) What are the pros and cons of the current extension service in which the public extension agents provides most of the advisory services and the private extension agents provides only specialized services?
- (ii) What should be done to enhance the advantages and address the problems of the current extension approach?
- (iii) Who should do each of the actions that you specified in (ii) above? Please discuss whether the officials feel that it is the responsibility of the local government (district to LC1) or central government and/or donors or combination of these why such choice?
- (iv) In your experience, what were the successes and failures of the NAADS program in this district?

#### PRIVATE AND FARMER GROUP EXTENSION SERVICE PROVIDERS

- (2) Private extension agents (this includes farmer organizations, NGOs and private companies or individuals)
  - a. What are the advisory that are best provided by each of the private extension service providers play in this district? Please be specific on each type of private extension service provider.
  - b. What are the pros and cons of the private extension providers? If they are different across the groups of providers, please separate the pros and cons accordingly
  - c. Who regulates the private extension providers? Please also discuss if this regulation works and if not why not?
  - d. Please discuss the selection process of the private extension agents who provide advisory services on behalf of NAADS.
  - e. What are the problems of the selection process that have been observed during implementation of the current NAADS approach?
- (3) Under the current agricultural service provision, what important advisory services are not provided by NAADS or any form of public extension services and why are they not provided?
- (4) What could be done to address this important gap?
- (5) What comparative advantages do you think cooperatives and farmer groups have in providing advisory services?
  - a. Are there a cooperatives or farmer groups providing agricultural advisory services in this district?
  - b. What specific advisory services are provided by each cooperative or farmer group?
  - c. What are the pros and cons of the advisory services provided by each farmer cooperative or farmer group?