



# UGANDA CO-OPERATIVE ALLIANCE LIMITED



## ANNUAL REPORT for the year 2005/ 2006

UGANDA CO-OPERATIVE ALLIANCE LIMITED - REG. NO. 1850

## Annual Report for the year 2005/2006

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## UCA BOARD OF DIRECTORS



*Mr. Joseph Mukasa*  
Chairman UCA Board of Directors



*Ms. Lydia Turyahumura*  
Vice Chairman



*Mr. Geoffrey Baingana*  
Treasurer



*Mr. Jackson Oyugi*  
Board member



*Mr. Charles Esolu*  
Board member  
(youth)



*Mr. Lawrence Tiruganya*  
Board member

**UCA SENIOR STAFF MEMBERS**



*Mr. Leonard Msemakweli  
General Secretary - UCA*



*Mr. Billy Butamanya  
Deputy General Secretary*



*Ms. Henrietta Tibananuka  
Ag. Chief Accountant*



*Mr. Chris I. Ntabyo  
Manager - FETAS  
Project*



*Mr. Stephen Musinguzi  
Manager - YECCO  
Project*



*Mr. Henry Bainomugisha  
Coordinator - PACE Project*



*Mr. Innocent Muhereza  
Manager - IFAPI Project*

**CHAIRMAN'S STATEMENT**



**DO COOPERATIVE ORGANIZATIONS AND ACTIVITIES STILL EXIST IN UGANDA?**

This is a question, which is frequently asked by some government leaders, legislators, academicians and Uganda citizens. The humble answer to these people is that while the taste of the pudding is in the eating, it is a fact that dead men do not tell stories.

Cooperatives, contribute to economic and social development in both developed and developing countries. According to UN 2006 report, cooperative credit can be positioned as part of a country's overall poverty eradication strategy by providing financial services to those who do not have access to them. ILO 2005 reports that cooperatives have proven to be useful tools in combating social exclusion and fostering community cohesion. Yet, (Somavia 2006) asserts that cooperatives are forces that help to ensure that people from all income levels are included in the long-term growth of vibrant national economies.

In Uganda, the office of the Registrar is experiencing an upward trend of cooperative organizations being registered. A good number of societies have mobilized millions of shillings as savings deposits and shares, put up permanent structures and participated in value addition activities.

**ACHIEVEMENTS**

Among the many achievements registered were the following:

The Minister of Finance, Planning and Economic Development (MFPED) continued to move with the General Secretary of UCA to various districts of the country to physically see cooperative societies that had excelled in producing and mobilizing resources through cooperatives.

**UCA maintained a high level of projects.** As some came to an end, new ones came up.

**UCA recruited high caliber staff** and maintained well performing staff through motivation and good remuneration. **A strategic business plan** for the 2007 – 2009 period is being developed and a simplified version will be available to the members.

## CHAIRMAN'S STATEMENT

### CHALLENGES

#### **Government policies that have negative impact on cooperatives.**

The government policy to downsize the civil has resulted into non provision of services like extension, supervision, and above all, audit that previously contributed to a strong cooperative movement

#### **The negative image of the cooperatives movement**

All efforts to revive the cooperative movement in Uganda must accept that there is a black mark on the history of the performance of cooperative movement in the country. Care should be taken not to repeat past mistakes of nepotism, abetting incompetence, mismanagement, outright thieving and expecting handouts.

#### **Un-due delay in legislating and implementing cooperative issues**

Both the cooperative policy draft and the proposed revised cooperative law have not been finalized and have been on the shelf for a long time

#### **Indifference of UCA members**

Some of the UCA members do not meet their membership obligations in full and on time and yet they demand for services.

### UCA CORE ACTIVITIES

**Education and training** Most activities carried out were in the areas of promoting savings and credit societies (SACCOS) and production and marketing through Area Cooperative Enterprises (ACEs) since these were demand driven. Hardly any district or national union expressed interest in UCA services in this aspect.

**Publicity and information.** Our magazine "The Cooperator", has come out on schedule i.e. quarterly and the Editorial Board has always improved the quality and coverage. Various projects have used F.M radios for local language programmes on UCA activities. Board members have done the same. Management and some Board members made use of WBS TV services.

**Representation** UCA by virtue of being a member of Private Sector Foundation Uganda (PSFU) secured a seat on the National Steering Committee (NSC) of Northern Uganda Social Action Fund (NUSAF). This

## CHAIRMAN'S STATEMENT

project is in the office of the Prime Minister. Members of UCA from Eastern and Northern Uganda are urged to make use of the available funds and capacity building programmes.

UCA was represented at the International Cooperative Alliance (ICA) General Assembly in Colombia in September 2005. The Chairman was elected on the HRD committee for the period 2005 – 2007. At the General Assembly of IFAP in Seoul, Korea in 2006, the Chairman was elected as Vice-Chairman of the Cooperatives Committee for the period 2006 – 2008.

The Chairman of UCA also holds the following posts; ICA Vice-President – Africa Region -2004 – 2008; a member of Good Governance Working Group - 2004 – 2007; a member of Regionalisation Committee- 2005 – 2007.

### PLANNED ACTIVITIES

UCA will attend and make presentations at ICA Africa Regional Assembly in Arusha, Tanzania in October 2006 and ICA General Assembly in Warsaw Poland in May 2007.

Through the mother Ministry of Tourism, Trade and Industry UCA will lobby key centers namely, Speaker, Chairpersons Parliamentary committees, Vice-President and if possible, Members of Parliament (MPs) for purposes of putting the cause for cooperatives based on the theme "Why Cooperatives?"

UCA will undertake to recruit more members.

### WHISTLE BLOWING

Reference to UCDA and UNEX Annual reports clearly highlight two alarming situations. **Overall production and the quality of coffee are declining.** There is an urgent need for all concerned and affected parties to accept that there is a crisis and that coffee producers must be assisted to find a replacement source of income – otherwise, they will be sucked into deeper poverty.

For "Bona Bagaggawale" to effectively deliver, it should be tied to productive loans mostly agricultural production, value addition and

## CHAIRMAN'S STATEMENT

marketing. There should be established a "Land planning and management unit" targeting parishes and sub-counties, together with a component of appropriate technology, targeting the 80% cultivators presently using a hand hoe.

### SPECIFIC REQUESTS MADE TO GOVERNMENT

It is requested that UCA be allowed to lobby for hosting the IFAP General Assembly in 2010 and ICA General Assembly in 2009.

The need to **carry out a national comprehensive study** on the status of the cooperative movement in Uganda and chart a way forward, and the **study of why the Cooperative Bank failed**, still stands.

We request that delays and dragging legislation be addressed as they are likely to adversely affect the good performance of cooperative organizations.

**Spoon-feeding.** Government is advised not to tell citizens to form cooperative societies in order that the government helps them through cooperatives. Rather, it should help those cooperatives, which are performing very well on their own, so that they serve as eye openers.

### APPRECIATION

I thank members of UCA who have owned it by buying shares, for patronizing it, and controlled it through meetings and decisions. I thank the General Secretary and his team for a job well done and all round. Your work is both recognized and appreciated by the board. To our partners in development, please accept our appreciation, as our success is your success as well. As for the Government, we have not had any cause to complain especially as you continue recognizing our autonomy and accepting cooperators as partners in development. We are very grateful indeed. The out-going board has enjoyed teamwork and team spirit with no black sheep at all. Thanks to fellow board members, the electorate and management.

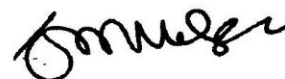
### CONCLUSION

The above and many more cooperative success stories and activities do testify that the Cooperative Movement in Uganda is alive and kicking. While there are challenges, nearly each has got a solution. For the UCA

## CHAIRMAN'S STATEMENT

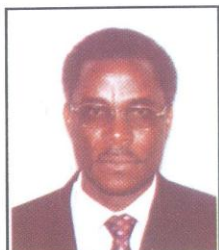
core activities, your Board and Management nearly implemented all to the letter. And given the delegates' input to the planned activities, together with a positive response from Government to the requests made, perfected by the Board, you are to put in place today, there is no doubt that the Cooperative Movement in Uganda will consolidate and expand to undisputed impacts in Uganda.

I wish you fruitful deliberations.



Joseph Mukasa  
CHAIRMAN, UCA 2004 - 2006

## GENERAL SECRETARY'S STATEMENT



### THE CO-OPERATIVE MOVEMENT IS COMING OF AGE.

Even at the peak of their glory in the 1960s, one can confidently say that in the case of the Ugandan co-operatives, only a tiny percentage of their potential had been harnessed. When I joined Uganda Co-operative Alliance in the late 1980s, there was a debate raging on as to whether cooperatives were economic or social institutions, whether the cooperative movement was not a tired idea and so on. This was during the time of frustration which had been precipitated by structural adjustments that left co-operatives abandoned and the leadership of the co-operative movement was trying to reflect deeply on their future. What many people had not come to appreciate, and perhaps still do not do to-day, is that the strength of the co-operative movement actually lies in their being both economic and social institutions. This is what gives them a competitive advantage over other forms of business organisations.

Since I took over as the General Secretary, I have been waiting for the day when co-operatives in Uganda would operate as a "complete sector" as one Indian Minister correctly put it sometime back. If our people took this perspective of the co-operatives, there is no doubt that they would be able to solve many of the problems that they face to-day using the co-operative instrument. However, as a result of many recent developments in our co-operative movement, I am beginning to think that it is now coming.

Firstly, more and more institutions of national importance continue to embrace the co-operative idea. Three years ago, many individuals in the Parliament of Uganda decided to form a co-operative which has since been prospering. Recently, the armed forces, including the Army, the Police, the Prisons have joined by forming their own co-operatives. There are also many groups of civil servants as well as individuals from private companies that have formed co-operatives in their respective places of work. I understand that some groups are in

## GENERAL SECRETARY'S STATEMENT

advanced preparations to form co-operatives for the elderly. So, cooperatives are no longer looked down upon like in the past when they were mainly considered to be institutions of the poor peasant farmers. Our society has now come to appreciate that co-operatives can be good for anyone and that is a big achievement.

One of the things that have been emphasised by the UCA in the transforming the co-operative movement in this country is the increased range of services offered by the co-operatives. This has been achieved to a reasonable extent and our co-operative movement is looking more and more of a complete sector. We now have co-operatives in micro-finance, housing, energy, water and on the horizon, we have the life and old age scheme for all members of the co-operative movement. This means that co-operatives have become organisations that create value for members and that is likely to attract more and more people because it is for added value that people join or form co-operatives.

In the agricultural sector, the range of services have also increased. Our co-operatives are not just about marketing but to bring the members more and more into the value chain starting from inputs supply. Through co-operatives, farmers have embarked on market-led diversification and on value addition which we see as the first step towards the industrialisation of the agricultural sector. That is the way to make farming competitive and profitable. Very soon, co-operators will take leadership in the mechanisation of agriculture. There is no doubt that farmers in this country are tired of using the primitive hand hoe technology but through co-operation they are set to liberate themselves.

Clearly, the landscape of our co-operative movement has changed and shows that it is ready to play its role in the economic and social development of the country. I urge the population to take advantage of this transformation. On our part as UCA, we shall continue to search for new ideas and innovations which will make our co-operative movement really attractive. This is in line with UCA's vision which is: "A Strong Umbrella Organisation of Prosperous Co-operatives with Empowered Members"

## GENERAL SECRETARY'S STATEMENT

On behalf of management, I would like to extend our appreciation to our three most valued partners, the Swedish Co-operative Centre, the Canadian Co-operative Association and the Norwegian Society for Development for making it possible for co-operators to register these achievements.

I would like to thank Hon Dr. Ezra Suruma, Minister of Finance Planning and Economic Development and Hon. Dr. Speciosa Wandira for the wonderful work they have done in assisting us to make people in government and the general public have a better appreciation of cooperatives. They have led by example.

I would also like to thank the Ministry of Tourism, Trade and Industry and the UCA Board for the support they have extended to my team.



Leonard Msemakweli  
**GENERAL SECRETARY - UCA.**

## REPORT ON THE UCA ACTIVITIES FOR YEAR 2005/2006

### UCA ANNUAL REPORT (2005/2006) SECRETARIAT

#### ADVOCACY/REPRESENTATION

##### Meetings with Partners

The General Secretary held meetings with representatives of the UCA's development partners namely; the Swedish Co-operative Centre (SCC), the Canadian Co-operative Association (CCA) and the Royal Norwegian for Development. The new SCC/Vi Regional Director for Easter Africa, Ms. Carina Andersson who took over from Ms Helene Johansson visited UCA.

The General Secretary received an invitation to Norway by NorgesVel to present a paper on UCA's experience in "Changing from old to new co-operative Models". The conference took place at the Norad Head office in Oslo. Prior to the conference, the General Secretary held bilateral discussions with the top leadership and management of NorgesVel mainly relating to the future collaboration between the two organisations.

The General Secretary was nominated to represent African Farmers on the Steering committee of the Sub-Saharan Challenge Programme, which is a programme that aims at making Agricultural Research in Africa work for the farmers. Subsequent to that appointment, a number of steering committee meetings were held in Uganda and outside.

The General Secretary, together with the Chairman, attended the ICA Annual General Assembly at Cartagena, Columbia. Before the general assembly, the General Secretary had been selected to present a paper on how to empower small-scale farmers at one of the seminars. At that annual general assembly, the General Secretary was elected the Vice President of CICOPA representing Africa. CICOPA looks after the interests of industrial and social co-operatives world-wide.

The General Secretary attended a BEEP workshop in Malawi where he presented a paper on 'the marketing initiatives in the co-operative movement in Uganda'.

The Secretariat hosted an ICA workshop on Agricultural Marketing which took place in Kampala and was attended by representatives of members of the ICA in the Eastern, Central and Southern Africa region.

The General Secretary attended a partners' meeting in Nairobi which was organised by the new SCC/Vi Regional Director. The meeting brought together all the partners of SCC in the region to share the vision of the new Regional Director on a number of development issues.

The General Secretary held meetings with many Government officials, including H.E the President of Uganda, the Vice President and officials in his office, many officials from the Ministry of Finance Planning and Economic Development and the former Vice President of Uganda, H.E Dr. Specioza Wandira Kazibwe. The main subject in these meetings was the role co-operatives were to play especially in the areas of microfinance and agricultural marketing and to create conditions for productive partnership between the two. These high-level meetings were a demonstration of the confidence that the government has in the co-operative movement.

The General Secretary went on a mission to the Islamic Republic of Iran together the MD of National Enterprise Corporation and were hosted by the Ugandan Ambassador to Iran H.E Ambassador Dr. Kisule. The mission was intended to explore opportunities for Ugandan co-operatives particularly in the area of identifying the machines needed by our farmers. During the mission, the General Secretary participated in the negotiations with one of the leading Iranian manufacturing companies that agreed to export tractors and other machines to Uganda at reasonable cost. The company also agreed to set up a tractor assembling plant, should the feasibility study confirm that it is a viable undertaking. Co-operatives are expected to benefit from this collaboration.

## REPORT ON THE UCA ACTIVITIES

UCA Core

### Boards Served on:

The General Secretary served as a board member of the NARO Board. The 4-year term was prolonged to nearly 7 years which ended in 2006. The interests and concerns of co-operators, agricultural research were highlighted during the tenure.

He attended the steering Committee Meeting of the Commodity Exchange and the Warehouse Receipt System.

In addition, he served on the board of the Uganda Commodity Exchange (UNEX) and was subsequently elected its interim Chairman.

### Other Seminars Attended

The General Secretary made many presentations at seminars/ workshops in and outside Uganda.

The General Secretary served as a member of a Steering Committee which was constituted by the Minister of Finance, Planning and Economic Development.

### Other Meetings

Other important visitors to the UCA head office included many members of Parliament, the World Bank, Makerere University and many other agencies. Their interest was to find out more about UCA and its activities and also to exchange ideas.

A team of consultants from the Science Council which is responsible for putting in place the Sub-Saharan Challenge Programme visited Uganda and were met by the General Secretary together with the former NARO Director, Prof. Joseph Mukiibi. This was a monitoring team to see how the programme is taking off and the problems it was facing.

A meeting was held with CGAP mission monitoring the microfinance in Uganda.

The General Secretary took the Minister of Finance, Planning and Economic Development on a field visit to see what some of the progressive co-operators were doing in terms of fighting poverty.

**Other Activities**

UCA organised the Co-operative Day Celebrations where more than twenty co-operative organisations from various parts of the country were able to exhibit their activities and products being developed with the support of UCA. The day has continued to become more and more attractive as co-operatives recover and find they have more and more to show to the public.

**AGMs Attended**

Many AGMs of member co-operatives were attended either by the General Secretary personally or was represented by various staff.

**Resource Mobilisation**

Management has tried leveraging resources from the Ministry of Finance, Planning and Economic Development to expand its development of the co-operative movement. With the collaboration with the Ministry, UCA will be able to achieve more coverage with more training, more storage facilities and more SACCOs (microfinance) country-wide. A Memorandum of Understanding between the Government of Uganda (represented by the MFPED) and UCA was signed to establish over new 500 SACCOs country-wide.

The most important consideration to make these programmes different from past experience is to ensure that the co-operative movement takes the lead in proposing, formulating and implementation, and for government to recognise that the co-operative movement is a partner in development

**Restructuring**

During the year, the Board and Management of the UCA started work on further restructuring of the organisation. One of the main goals of restructuring is to achieve institutional sustainability of the UCA, the sustainability of its development activities and to transform it into a more effective engine which will propel the co-operative movement to higher levels of development for the benefit of individual members. In that regard, a draft business plan based on the views collected from our members at different stages over the last 5 years is being finalised

as the basis of this restructuring. Our 3 development partners namely; SCC, CCA and NorgesVel made a considerable input into the process.

**Achievements**

UCA continues to register financial recovery of the secretariat while at the same time, up-scaling its development activities to more areas. The programme of establishing modern SACCOs which started with 8 in 1998 has now reached nearly 200 that have been nurtured and promoted by the UCA through various projects.

**Regional Example**

As a recognition of achievement in restructuring of the co-operative movement, the General Secretary was invited to share UCA's experience in many countries in Africa and outside. In addition, some neighbouring countries have sent their staff to spend a year to study UCA's work in development. Two persons were hosted during the year, one from Zambia and another one from Tanzania Federation of Co-operatives is still in Uganda with UCA.

The transformation of Uganda's co-operative movement continued to take deep root. For example, the range and quality of products and the volumes, produced by our co-operatives continue to increase. Value addition which we launched at one of the Annual General Meetings two years ago and spearheaded in projects' activities has already given hope to thousands of farmers. We continue to offer training to our members who are interested in value addition, and we are encouraged that more and more people continue to be interested. UCA will continue to search for good but affordable machines and technologies and ways through which these can be acquired.

Management went on several missions to a number of countries to identify technology that could improve the work by our farmers and make it more enjoyable and more rewarding. So far machines were identified during the mission to Iran and UCA is expected to play a major role in handling them when National Enterprise Corporation starts importing them. Not very far from to-day, we are determined to liberate our members from the misery of the hand hoe technology. We have also identified agro-processing machines from Kenya.

**The Co-operative Image**

The image of the co-operative movement continued to improve to the extent that an increasing number of Ugandans, irrespective of social status, want to be associated with the co-operative movement as its members. It has emerged from being one of the most despised to the most attractive sectors in the country. This is a result of our efforts to explain more clearly the cause of its demise in the past and to demonstrate the success of the new approach.

The co-operative movement is emerging as a major player not only in terms of raising people's incomes but also in the social sector. It is in pursuit of this that the UCA is now looking for new services to the members, the "old-age co-operative insurance scheme" is one among many that are on the way.

**Movement to Financial Self-sustainability**

Although the UCA is not a profit-driven organisation, still the problem of sustainability, including that of the UCA core has always been on the mind of its leadership. As a result, we have tried to diversify and increase its income which includes contributions from the members, income generating services to our members and being as cost-effective as possible. During the year, UCA core earned income from consultancy fees from those who hired the services of its professional staff to further promote the cause of the co-operative movement. Our projection is that this is going to be a major source of income for UCA. It is with this consciousness that the financial status of the organisation has remained in black for the last five years. The challenge now is to sustain this trend into the longer term.

**Expansion in Coverage**

UCA was able to mobilise resources in order to start co-operative development work in the West Nile Region where a number of model SACCOs, production and marketing co-operatives are being promoted. The positive response to our ideas regarding the new approach in managing and using co-operatives by the population has been very encouraging and productive in a relatively short period of time. New branches were accordingly opened up to cater for our development activities in that part of the country.

**FARMER EMPOWERMENT THROUGH AGRICULTURAL SERVICES (FETAS)****INTRODUCTION**

The Farmer Empowerment Through Agricultural Services (FETAS) is an agricultural-based project expected to run for 4 years. The project is currently working with 260 farmers' organizations (primary societies and farmer associations), 55 Area Cooperative Enterprises (ACEs) in the 12 districts of Luweero, Nakasongola, Mbale, Sironko, Mukono, Kayunga, Bushenyi, Mbarara, Masaka, Rakai, Iganga and Kamuli. The total beneficiaries are over 68,521 members. The project is a collaborative effort between the Uganda Cooperative Alliance Ltd. (UCA), and the Swedish Co-operative Centre (SCC).

*Table1: Membership and Share Capital holding per district in FETAS Areas.*

| AREA                | Member-<br>ship<br>2005 | Share<br>capital<br>2005 | Member-<br>ship<br>Jul- 06 | %age<br>incre-<br>ase | Share<br>capital<br>Jul-06 | %age<br>incre-<br>ase |
|---------------------|-------------------------|--------------------------|----------------------------|-----------------------|----------------------------|-----------------------|
| Bushenyi/Mbarara    | 10,471                  | 255.2                    | 11,455                     | 9.4                   | 257.5                      | 1.0                   |
| Mbale /Sironko      | 14,604                  | 161.3                    | 15,689                     | 7.4                   | 162.1                      | .05                   |
| Luweero/Nakasongola | 7,479                   | 61.7                     | 8,223                      | 10.0                  | 63.2                       | 0.2                   |
| Kamuli /Iganga      | 9,628                   | 66.7                     | 10,052                     | 4.4                   | 67.9                       | 0.2                   |
| Mukono/Kayunga      | 22,341                  | 160.80                   | 23,102                     | 3.4                   | 164.2                      | 0.2                   |
| <b>TOTAL</b>        | <b>64,523</b>           | <b>705.7</b>             | <b>68,521</b>              | <b>6.2</b>            | <b>714.9</b>               | <b>0.13</b>           |

NB. These figures include both primary societies and ACEs. There was a 6% increment in membership between June 2005 and July 2006

**The Focal Problem**

Participatory assessment carried out with various stakeholders revealed the core problem as ***"Unaware farmers with inadequate agricultural techniques and inadequate access to services"***.

**The Project Objective**

The **Development Objective:** the project will contribute to ***"Informed and aware farmers enjoying higher sustainable productivity"***

**Project Objective**

By the end of 2006, 40% of participating farmers are knowledgeable and skilled with increased sustainable productivity, and marketing for improved well-being.

**The Project Outputs for 2006**

- Agricultural Extension Services for Economic Empowerment
- Capacity building of Farmers for Political Empowerment of Elected Leaders and Staff
- Agricultural Input Supply Service
- Agricultural Marketing Services.

**PROGRESS MADE: JUNE 2005 - JULY 2006****Program management**

4 (Four) Quarterly reviews were conducted to assess what was reported against what was on the ground. The reviews also enabled project staff to plan collectively for future activities. Head office staff continued to provide back up support to the field staff especially in monitoring field activities and providing technical advice.

**Capacity building of farmers, leaders and staff.**

A total of 6,226 farmers as compared to 4086 last year were mobilized, sensitized and trained at different occasions on their duties responsibilities and obligations and this has ensured timely and improved attendance of meetings, improved choice of leaders and

committees. Over 80% of the farmers now know their roles, duties, rights and obligations. The members participate in election of their leaders at annual general meetings.

There is improved record keeping at organization level and more than 65% of these organizations keep simple accounts. 276 leaders and 40 secretary managers of new organizations of organizations were trained in leadership and management, record keeping, financial management and this has improved leadership of these organizations and there is free will of some old leaders to voluntarily leave office to new leaders with new ideas.

In order to enable management of the cooperatives streamline their accounts, 92 annual audits, 142 quarterly audits and 157 on job trainings were conducted and this has enhanced record keeping and efficient accountability at organization level.

The project to encourage and train leaders and members to develop visions, missions, goals, objectives and activities so as develop organisations that are focused and business oriented. 36 strategic plans out of 40 planned (90% achieved) were made through strategic planning workshops attended by 631 members this has enabled organizations to determine their course of action and choice of enterprise to work with. Overall 80% of the participating RPOs have developed their visions, missions and strategic plans which is a right direction towards focused operations.

**Agricultural Extension Services.**

The project offers extension services to more than 60,000 farmers in the area of its operation. This has been possible through the use of 25 extension trainers and field staff.

During the year, a total of 19,625 farmers were trained in a range of crops and various techniques like demonstrations, study tours, study circles and workshops were employed at different occasions so as to achieve this. It is estimated that 60% of the farmers have adopted improved techniques especially in cereals and pulses. Productivity in

some enterprises of enterprises like maize and Beans has increased by over 30% and this has been due to the use of improved seed, timely planting, timely weeding and recommended pest control practices.



*A good maize stand in Bunambutye ACE, Sironko District - UCA FETAS Project*

Due to training in post harvest techniques, over 60% of the farmers have adopted improved post harvest technologies like improved cribs, permanent stores and are using recommended pesticides to control weevils and other storage costs. Post harvest losses have reduced from over 40% to about 15% in maize, Beans, Rice and other grain crops.

6,788 farmers were trained in farm management and 60% of these can now make farm plans i.e. they are able to allocate their enterprises appropriately to their pieces of land.

5,011 farmers were trained in recommended animal husbandry practices as compared to 4,037 last financial year and trainings covered mainly; goat keeping, dairy cattle, poultry, piggery and apiculture. There is a remarkable improvement in poultry management. For instance among those farmers who rear layers, egg production has increased from 50% to about 70% indicating improved feeding and other management practices. Mortality rate has reduced tremendously among chicks for those who are starting poultry projects.



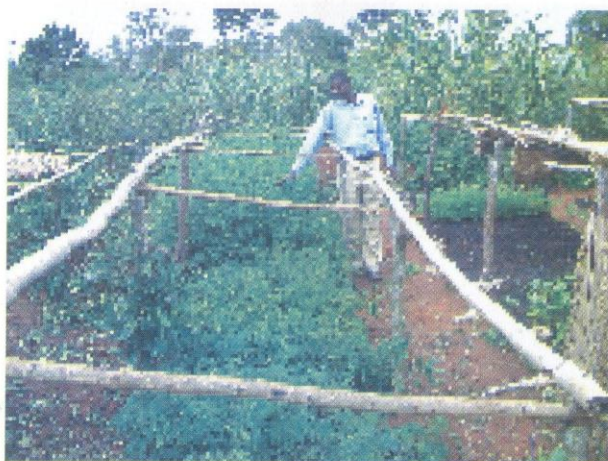
*Well managed local layers in Buka ACE, Jinja District*

The food security position among the benefiting farmers continues to improve. Testimonies indicate that at least 65% of these farmers have improved food security and nutrition in their homes because of increased volumes and variety of the harvest. Most of them testified that they could now have three meals a day and are able to have enough stocks of food up to the next harvest.

### **Achievements**

#### ***Environmental issues***

In order to contribute to the improvement of the environment, the project has been at the forefront for promoting tree planting and organic farming among the participating farmers. Five tree nurseries have been set in the project areas and farmers can access subsidized tree seedlings easily. The area cooperatives have also acquired additional income from these tree seedlings e.g. Buzama ACE in Mukono has received a tender from the subcounty to supply seedlings to them.



*Buzama Tree Nursery in Mukono*

### **Fish farming**

Fish farming (aquaculture) has been identified as one of the new enterprises that is highly profitable and will improve both food and nutrition security among the participating farmers. The project has set up five demonstrations in the project areas namely Bushenyi, Luweero, Mukono, and Kamuli and Mbale. To assist in management of the demonstrations the project also trained 65 TOTs in pond management and these will also reach out to other farmers in the vicinity and train them.

Over 2,500 farmers have been mobilized and trained in fishpond management, harvesting, post harvest handling and marketing. We believe this will go a long way to reduce the pressure on our lakes and will raise the incomes of the people. More than 70% of the mobilised farmers already own more than one pond.

### **Gender**

As project activities are implemented the project staff are very mindful of the need to continuously incorporate issues that affect both men and women. The women have increasingly participated in project activities as compared to the past. Attendance of women in trainings and workshops ranges between 40 - 45%. To achieve the above, the project has carried trainings/workshops, which have been attended by over 2,850 people.

More women are now involved in income generating activities like poultry keeping, piggery, zero-grazing and others to supplement household incomes. Through affirmative action, over 90% of the RPOs participating in the project have elected two women and a youth on their committees

### **HIV/AIDS**

The project has sensitized and trained beneficiaries on the dangers, preventive/control mechanisms and living a productive life with HIV/AIDS. HIV/AIDS has been cautiously addressed in all project interventions because of the effect it has on production and marketing. Over 85% of the beneficiaries are aware of its dangers, transmission methods, preventive measures and do not stigmatize those who are infected.

In order to create sustainability, the project decided to train peer educators who will regularly train members of cooperatives on the same. A total of 47 participants including 21 females and 26 males drawn from the FETAS regions attended an HIV/AIDS peer educator's workshop.

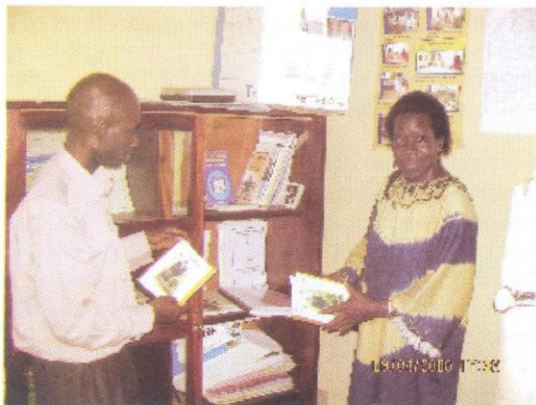
### **Study circles**

Through participatory learning techniques like the use of study circles farmers have tended to learn faster because they learn from fellow farmers and can freely ask questions and interact with fellow farmers. This has created a sense of self-confidence and free communication among the project beneficiaries

This year, over 5,486 farmers (45% women) participated in 189 study circles and this greatly improved on the farming techniques by sharing acquired knowledge acquired from various sources. More than 60% of these testified that they understood better-improved farming techniques through study circles. Almost all women testified that they have had improved child nutrition, improved knowledge on HIV/AIDS through study circles.

### **Village libraries**

The project has put in place 35 village libraries in the project areas and this has attracted 5,463 readers this year, the village libraries have inculcated a reading culture among the farmers and this has greatly improved on their knowledge on production and other current issues that affect their lives like health, education, etc. the village libraries have been transformed into information centers by a number of stakeholders to promote issues like antenatal programs and adult literacy programs.



*The Manager Kayunga ACE and committee member in Kayunga Village Library.*

#### **Input supply services.**

Interventions on input supply services included training seed breeders, animal breeders, ACE managers, input suppliers and stockists and sensitizing farmers to use and procure improved inputs in bulk.

#### **Achievements.**

The project has linked some ACEs to large input suppliers like FICA Seeds, Victoria Seeds, Elishadai and other small input retailers in Mbale, Mukono, Iganga, Masaka and Luweero.

Farmers in those ACEs have benefited from acquiring reliable seeds at far much cheaper prices compared to the open market. Secondly, the farmers easily access these inputs because they are delivered closer to them.

Due to our close relationship with the local government in Mukono, Kayunga ACE was provided with 10 tons of improved variety of upland rice to farmers. This has greatly increased production by over 50% in the ACE as can be observed from what they marketed. This was in a bid to alleviate poverty among the farmers.

Improved seed of various crops and other inputs were procured in bulk at cheaper prices (with discounts of 3 -5%) in the last financial year.

Purchasing the input in bulk has been due to the sensitization of farmers to take advantage of the SACCOs in their vicinity to acquire short-term production credits.

Training seed and animal breeders has created sustainable supply of good quality planting materials especially the high value crops seed like vanilla vines and Aloe Vera seedlings. In Mukono for instance many farmers have benefited from selling vanilla vines and Aloe Vera plantlets to farmers all over Uganda.

Because of the linkages made between ACEs and FICA SEEDS Company, Malongo ACE in Masaka was contracted to produce Bean seed for them. Over 40 tons of improved bean seed was produced and sold to FICA seeds.



*The above photos show some of the value added products produced by the farmers. They include banana wine, packed honey, banana flour and dried pineapple.*

**Market information**

Market information promotion among the Area Cooperative Enterprises has greatly assisted management of ACEs to have a strong bargaining power on behalf of the farmers. This has been depicted by the higher prices at ACEs as compared to the open market. A number of tools are being used to enhance the flow of market information and these include use of mobile phones, market information boards, radio programs and linkages have been made with Uganda Commodity Exchange and some ACEs have received a computer system to enable them get information online.

In order to operationalise the UCA market information system, a total of 56 participants mainly managers and Chairpersons of ACEs were trained in market information gathering, dissemination and interpretation.

Out of the 55 ACEs, 47 ACEs (85% achieved) have an operational market information system. In these ACEs farmers are able to receive regular market information from various organisations like world food program (WFP), Uganda grain traders limited, food net and the rest of the business community

**Fair trade Arrangements.**

Due to the projects intervention in producing organic and high quality products some primary societies and ACEs have been selected by UNEX (Coffee exporters) to participate in fair trade arrangements for coffee. The farmers in these organisations have been able to receive much higher prices as compared to those outside this arrangement. In addition to this, part of the proceeds from this arrangement have been used to benefit the communities by providing some basic social infrastructure like protected springs, health centers, repairs on roads, bridges and houses for teachers in some schools. Other funds have been put to supporting environment protection programs like tree planting and waste recycling.

**Linkages with other exporters.**

Linkages have been created with some exporters of fruits and other high value crops. For instance, hot pepper farmers in Mukono ACEs

have been linked to an exporter for hot pepper. ACEs, which have been trained in drying of fruits, like pineapples; paw paws and Apple bananas are exporting their dried fruits through Fruits of the Nile Company. A number of local vanilla exporters have been linked to ACEs and they have been able to supply them with cured Vanilla beans.

**CHALLENGES**

During bulking, the farmers bring their produce to the ACEs for marketing. However, most of these ACEs do not have adequate storage facilities. This hampers the concept of bulking for collective marketing. In addition to this some areas lack basic infrastructure like good roads, electricity and piped water.

Although farmers have been trying to add value to their products, this has continued to be on a small scale due to the fact that there is still lack of appropriate technologies and those available are quite expensive. Hence, there is limited improvement in competitiveness due to lack of value addition. The quality of agricultural products is still low and may not meet the standards, which limits competitive prices. This is coupled with lack of clear national standards on various products and therefore certification of farmers' products is still a problem.

Although the farmers have been trained in various aspects of farming as a business, enterprise selection, business plan development, the business acumen of most ACEs still needs to be enhanced further.

# REPORT ON THE UCA ACTIVITIES

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## ACE BUSINESS PERFORMANCE (July 2005 – June 2006)

| District          | ACE         | Enterprise                                                                                                        | Qty                                                                                                   | ACE Price to farmers                                            | Open market                                                   | Sales                                                                                                      | Commission acquired by ACE                                                                    |
|-------------------|-------------|-------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------|---------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------|
| MBARARA/ BUSHENYI | Budicu      | Milk                                                                                                              | 2,727,544                                                                                             | 300                                                             | 240                                                           | 818,263,200<br>818,263,200                                                                                 | 69,676,290<br>69,676,290                                                                      |
|                   | Ruhinda     | Honey<br>Bananas<br>Coffee processing                                                                             | 4709kgs<br>10350bnchs<br>146,701                                                                      | 4,000<br>4,000<br>35                                            | 2,500<br>2,500<br>40                                          | 18,836,000<br>41,400,000<br>5,134,535                                                                      | 3,247,580<br>2,070,000<br>733,505                                                             |
|                   | Manyakabi   | Maize<br>Banana flour<br>Bananas<br>Pineapples<br>Beans                                                           | 300,000 kgs<br>1368kgs<br>5,062bnchs<br>73,489pcs<br>27192 kgs                                        | 340<br>3,000<br>5,000<br>340<br>470                             | 250<br>-<br>3,500<br>250<br>450                               | 102,000,000<br>4,104,000<br>25,310,000<br>24,665,050<br>12,236,400                                         | 9,800,000<br>450,000<br>1,120,400<br>2,301,500<br>543,840                                     |
|                   |             |                                                                                                                   |                                                                                                       |                                                                 |                                                               | 168,315,450                                                                                                | 14,215,740                                                                                    |
|                   | Kyabugimbi  | Honey<br>Soya bean                                                                                                | 1071.3 kgs<br>7,938kgs                                                                                | 4,176<br>800                                                    | 2,500<br>550                                                  | 4,474,000<br>6,350,000                                                                                     | 1,071,300<br>567,450                                                                          |
|                   |             |                                                                                                                   |                                                                                                       |                                                                 |                                                               | 10,824,000                                                                                                 | 1,638,750                                                                                     |
|                   |             | Banana Wine                                                                                                       | 1266bottles                                                                                           | 5,000                                                           | 3,000                                                         | 6,330,000<br>6,330,000                                                                                     | 436,000<br>436,000                                                                            |
|                   |             |                                                                                                                   |                                                                                                       |                                                                 |                                                               |                                                                                                            |                                                                                               |
|                   |             |                                                                                                                   |                                                                                                       |                                                                 |                                                               |                                                                                                            |                                                                                               |
|                   |             |                                                                                                                   |                                                                                                       |                                                                 |                                                               |                                                                                                            |                                                                                               |
| MUKONO/ KAYUNGA   | Nama        | Hot pepper                                                                                                        | 31082 bo                                                                                              | 5,000                                                           | 3,500                                                         | 155,410,000<br>155,410,000                                                                                 | 9,831,800<br>9,831,800                                                                        |
|                   | Kangulumira | Pineapples-fresh<br>Vanilla<br>Pineapple-dry<br>Aloe-Vera<br>Suckers<br>Aloe-vera Syrup<br>Hot pepper             | 20373 kgs<br>736 kgs<br>1013 kgs<br>8,934<br>14541bottles<br>2008 kgs                                 | 700<br>35,000<br>5,000<br>700<br>1,000<br>6,000                 | 300<br>25,000<br>3,500<br>500<br>800<br>4,000                 | 14,261,100<br>25,760,000<br>5,065,000<br>6,253,800<br>14,541,100<br>12,048,000                             | 1,117,200<br>2,300,000<br>240,740<br>758,400<br>1,454,100<br>1,147,600                        |
|                   |             |                                                                                                                   |                                                                                                       |                                                                 |                                                               | 77,929,000                                                                                                 | 7,018,040                                                                                     |
|                   | Kayunga     | Rice<br>Coffee<br>Cured vanilla<br>Maize<br>Pineapples<br>Pine apple Jam<br>pine apple juice<br>Water melon juice | 404,700<br>3,751<br>703 kgs<br>100,103<br>22165pieces<br>13,486bottles<br>1050 bottles<br>8494bottles | 1,000<br>1,600<br>35,000<br>280<br>600<br>2,000<br>2,000<br>500 | 800<br>1,200<br>25,000<br>200<br>300<br>1,500<br>1,600<br>400 | 404,700,000<br>6,001,600<br>24,605,000<br>28,028,840<br>13,299,000<br>26,972,000<br>2,100,000<br>4,247,000 | 20,235,000<br>569,260<br>2,000,000<br>1,001,030<br>656,620<br>2,500,000<br>450,000<br>400,000 |
|                   |             |                                                                                                                   |                                                                                                       |                                                                 |                                                               | 509,953,440                                                                                                | 27,811,910                                                                                    |
|                   | Kanada      | Maize<br>Cured vanilla<br>Beans<br>Aloe-vera plantlets                                                            | 369,343<br>1,043kgs<br>20,000<br>25,160                                                               | 300<br>35,000<br>650<br>700                                     | 200<br>26,000<br>450<br>400                                   | 110,802,900<br>36,505,000<br>13,000,000<br>17,612,000                                                      | 6,934,215<br>3,300,000<br>3,000,000<br>2,516,000                                              |
|                   |             |                                                                                                                   |                                                                                                       |                                                                 |                                                               | 177,919,900                                                                                                | 15,750,215                                                                                    |
|                   |             |                                                                                                                   |                                                                                                       |                                                                 |                                                               |                                                                                                            |                                                                                               |
|                   |             |                                                                                                                   |                                                                                                       |                                                                 |                                                               |                                                                                                            |                                                                                               |
|                   |             |                                                                                                                   |                                                                                                       |                                                                 |                                                               |                                                                                                            |                                                                                               |

# REPORT ON THE UCA ACTIVITIES

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| District       | ACE           | Enterprise                              | Qty                            | ACE Price to farmers    | Open market             | Sales                                    | Commission acquired by ACEs          |
|----------------|---------------|-----------------------------------------|--------------------------------|-------------------------|-------------------------|------------------------------------------|--------------------------------------|
|                | Buna          | Maize<br>Beans                          | 110,300<br>73,306              | 300<br>700              | 200<br>500              | 33,090,000<br>51,314,200<br>84,404,200   | 2,249,000<br>5,710,000<br>7,959,000  |
|                | Nakinjeru     | Maize<br>Maize flour                    | 48,350<br>24,650               | 300<br>700              | 360<br>500              | 14,505,000<br>17,255,000<br>31,760,000   | 483,500<br>493,000<br>976,500        |
|                |               |                                         |                                |                         |                         |                                          |                                      |
|                |               |                                         |                                |                         |                         |                                          |                                      |
| MBALE/ SIRONKO | Budadiri West | Milk<br>Coffee                          | 231730lts<br>2441 Kgs          | 450<br>2,500            | 300<br>2,000            | 104,278,500<br>6,102,500<br>110,381,000  | 5,213,925<br>305,125<br>5,519,050    |
|                | Elgon         | Honey<br>Banana<br>Coffee               | 1728kgs<br>1410 bunches<br>100 | 3,400<br>6,000<br>1,500 | 2,500<br>4,000<br>1,300 | 5,875,200<br>8,460,000<br>1,500,000      | 633,720<br>258,500<br>80,000         |
|                |               |                                         |                                |                         |                         | 15,835,200                               | 972,220                              |
|                | Sukuya        | Beans<br>Maize                          | 5400 kgs<br>5690 kgs           | 500<br>180              | 400<br>100              | 2,700,000<br>1,024,000<br>3,724,000      | 108,000<br>56,900<br>164,900         |
|                | Bukusu        | Banana<br>Sunflower<br>Banana plantlets | 1,037<br>2,050<br>5,000        | 3,500<br>300<br>820     | 2,000<br>200<br>-       | 3,629,500<br>615,000<br>4,100,000        | 103,700<br>-<br>100,000              |
|                |               |                                         |                                |                         |                         | 8,344,500                                | 203,700                              |
|                | Bunambutye    | Beans<br>Sunflower<br>Maize             | 130,000<br>45,000<br>168,000   | 500<br>300<br>300       | 300<br>200<br>-         | 65,000,000<br>13,500,000<br>50,400,000   | 3,000,000<br>375,000<br>3,080,000    |
|                |               |                                         |                                |                         |                         | 128,900,000                              | 6,455,000                            |
|                | Malandu       | Coffee<br>Onions                        | 92500kgs<br>52,354kgs          | 1,500<br>800            | 1,200<br>600            | 138,750,000<br>41,883,200<br>180,633,200 | 8,560,000<br>3,145,000<br>11,705,000 |
|                | Bufumbo       | Banana                                  | 540                            | 5,000                   |                         | 2,700,000<br>2,700,000                   | 54,000<br>54,000                     |
| LUWERO/ NAKASO | Bukonde       | Banana                                  | 400                            | 4,000                   |                         | 1,600,000<br>1,600,000                   | 40,000<br>40,000                     |
|                | Bahungu       | Banana                                  | 480                            | 4,500                   |                         | 2,160,000<br>2,160,000                   | 48,000<br>48,000                     |
|                | Tsutsu        | Banana<br>Birds<br>Eggs                 | 498<br>480<br>24,800           | 9,500<br>4,800<br>100   |                         | 4,731,000<br>2,304,000<br>2,480,000      | 99,600<br>96,000<br>248,000          |
|                |               |                                         |                                |                         |                         | 9,515,000                                | 443,600                              |
|                | Kalungi       | Maize<br>G/Nuts<br>Eggs                 | 60,000<br>4,000<br>633         | 320<br>1,500<br>4,000   | 200<br>1200<br>3000     | 19,200,000<br>6,000,000<br>2,532,000     | 1,200,000<br>400,000<br>180,900      |
|                |               |                                         |                                |                         |                         | 27,732,000                               | 1,780,900                            |
|                |               |                                         |                                |                         |                         |                                          |                                      |

# REPORT ON THE UCA ACTIVITIES

FETAS

| District          | ACE         | Enterprise | Qty     | ACE Price to farmers | Open market | Sales              | Commission acquired by ACEs |
|-------------------|-------------|------------|---------|----------------------|-------------|--------------------|-----------------------------|
|                   | Semuto      | Rice       | 8,000   | 800                  | 600         | 6,400,000          | 400,000                     |
|                   |             | Maize      | 19,000  | 280                  | 200         | 5,320,000          | 380,000                     |
|                   |             |            |         |                      |             | <b>11,720,000</b>  | <b>780,000</b>              |
|                   | Zilobwe     | Rice       | 22,000  | 800                  | 650         | 17,600,000         | 1,100,000                   |
|                   | Butuntumura | Honey      | 854     | 5,000                | 3500        | 4,270,000          | 427,000                     |
|                   |             | Eggs       | 562     | 4,000                | 3200        | 2,248,000          | 112,400                     |
| KAMULI/<br>IGANGA | Buyamba     | Maize      | 140,000 | 190                  | 120         | 26,800,000         | 1,400,000                   |
|                   |             | Rice       | 169,332 | 470                  | 300         | 79,416,708         | 1,693,320                   |
|                   |             |            |         |                      |             | <b>106,216,708</b> | <b>3,093,320</b>            |
|                   | Bukawa      | Maize      | 40,000  | 200                  | 110         | 8,000,000          | 800,000                     |
|                   |             | Coffee     | 10,000  | 360                  | 320         | 3,600,000          | 50,000                      |
|                   |             | Beans      | 9,260   | 700                  | 500         | 6,482,000          | 92,600                      |
|                   |             |            |         |                      |             | <b>18,082,000</b>  | <b>942,600</b>              |
|                   | Buka        | Maize      | 60,000  | 195                  | 120         | 11,760,000         | 900,000                     |
|                   |             | Coffee     | 10,000  | 340                  | 290         | 3,400,000          | 100,000                     |
|                   |             | Beans      | 8,000   | 680                  | 500         | 5,440,000          | 240,000                     |
|                   |             |            |         |                      |             | <b>20,600,000</b>  | <b>1,240,000</b>            |
|                   | Bukawa      | Maize      | 40,000  | 190                  | 100         | 7,600,000          | 800,000                     |
|                   |             | Coffee     | 70,000  | 320                  | 240         | 22,400,000         | 400,000                     |
|                   |             | Beans      | 20,000  | 670                  | 580         | 13,400,000         | 1,400,000                   |
|                   |             |            |         |                      |             | <b>43,400,000</b>  | <b>2,600,000</b>            |
|                   | Nakalama    | Maize      | 70,000  | 220                  | 110         | 15,400,000         | 1,400,000                   |
|                   |             | Milk       | 40,000  | 400                  | 300         | 1,600,000          | 800,000                     |
|                   |             | Chicken    | 12,000  | 5,000                | 3,000       | 6,000,000          | 600,000                     |
|                   |             |            |         |                      |             | <b>23,000,000</b>  | <b>2,800,000</b>            |
|                   | Nabu        | Maize      | 40,000  | 200                  | 110         | 8,000,000          | 800,000                     |
|                   |             | Beans      | 20,000  | 700                  | 480         | 14,000,000         | 1,000,000                   |
|                   |             | Coffee     | 18,000  | 330                  | 240         | 5,940,000          | 360,000                     |
|                   |             |            |         |                      |             | <b>27,940,000</b>  | <b>2,160,000</b>            |
|                   | GISPUB      | Rice       | 100,000 | 330                  | 300         | 33,000,000         | 500,000                     |
|                   |             | Cotton     | 100,000 | 360                  | 300         | 3,600,000          | 1,000,000                   |
|                   |             | Trees      | 18,000  | 50                   | 20          | 900,000            | 900,000                     |
|                   |             |            |         |                      |             | <b>37,500,000</b>  | <b>2,400,000</b>            |
|                   | Nabuka      | Maize      | 40,000  | 194                  | 110         | 7,760,000          | 400,000                     |
|                   |             | Cotton     | 75,000  | 350                  | 300         | 26,250,000         | 750,000                     |
|                   |             | Millet     | 70,000  | 400                  | 300         | 2,800,000          | 140,000                     |
|                   |             |            |         |                      |             | <b>36,810,000</b>  | <b>1,290,000</b>            |
|                   | Busece      | Maize      | 75,000  | 200                  | 110         | 1,500,000          | 750,000                     |
|                   |             | Rice       | 94,360  | 400                  | 300         | 37,740,000         | 1,887,200                   |
|                   |             |            |         |                      |             | <b>39,240,000</b>  | <b>2,637,200</b>            |

# REPORT ON THE UCA ACTIVITIES

CECFIS

## COMMUNITY EMPOWERMENT THROUGH CO-OPERATIVE FINANCIAL SERVICES (CECFIS)

### BACKGROUND

CECFIS Phase II is a four year project which will come to an end in 2008. This project is funded through the Swedish Cooperative Centre (SCC). It is being implemented in parts of Bushenyi, Kamuli, Masaka, Mukono, and Mbale districts. Qualifying communities from neighboring districts may also be served but on a limited scale. The 22 SACCOs from the previous phase are being supported so that they can consolidate their operations while 16 new SACCOs are being developed. It is envisaged that by December 2008, at least 32,000 households will have been directly served through the 38 SACCOs with Sh. 2.35billions having been raised in form of share capital and Sh.3.2billions mobilized as savings deposits.

### PROJECT OBJECTIVES

The Project development objective of this phase is **"To contribute to improved livelihood and reduced vulnerability of the low income, small-scale entrepreneurs, including farmers through sustainable community based micro-finance services"**. The indicators for the realization of the development objective are the *percentage of the SACCO members with improved health, improved access to education and information, and improved shelter/housing.*

The project's immediate objective is **"Empowered communities with improved access to affordable and sustainable financial services in the target areas"**. The main indicators for the achievement of this objective are increased membership satisfaction, increased incomes and increased access to affordable financial services on a sustainable basis.

## PROJECT OUTPUTS

**Output 1: Co-operative Rural Finance Services (CRFS) Unit at UCA with financial and technical capacity to provide cooperative support services.**

Under this Output, UCA is to establish and strengthen its Microfinance Services Unit. The indicators for the achievement of this output include *operational and financial self-sustainability of the Unit and its technical capacity to provide quality cooperative support services demanded by SACCOS*

**Output 2: Demand Driven Co-operative Support Services**

Under this output, UCA provides co-operative support services demanded by SACCOS. The main indicator for success under this output will be *the degree of self-sustainability achieved by SACCOS being supported, and the quality of financial services they are extending to their members.*

**Output 3: Strengthening Democratic and Social Economic Capacity of SACCO Members**

UCA is building the capacity of members and enable them to be in full control of their SACCOS. They are being empowered to demand for high quality financial services as well as effective and efficient leadership of their institutions. *The main indicator is the quality of financial services provided by SACCOS as well as the co-operative support services extended by UCA to SACCOS. The responsiveness of SACCO leaders to the members' needs is another one.*

**Output 4: Enhanced Capacity for Project Monitoring and Evaluation at Member, SACCO and Microfinance Unit Levels.**

Under this output, UCA is improving the periodical qualitative and quantitative reports, baseline reports, individual SACCO members' testimonies, training needs assessment and evaluation reports, and members' views and suggestions on services being rendered to them by their SACCOS.

## ACHIEVEMENTS DURING THE YEAR.

The achievements of the project phase during the year according to planned outputs can be summarised as follows:



*The Speaker of the National Assembly Hon. Edward Ssekandi hands over MSCL cheque to the Manager of Mbirizi SACCO. (L-R) Ssenyonga Richard UCA, Jennifer Andinde MSCL and Jennifer Kyompire of UCA.*

**Output 1: CRFS Unit at UCA with financial and technical capacity to provide cooperative support services.**

The unit carried out the following activities during the year.

- Participated in the negotiations with the Ministry of Finance leading to the signing of an MOU between Government and UCA. The latter is to set up 592 SACCOS in Sub-counties that do not have.
- Institutionalized the UCA Microfinance Unit with a 3-year business plan.
- All SACCOS supported under the project signed memoranda of undertaking. One of the key provisions in the memorandum is that the SACCOS will contribute towards the cost of supervision, internal audit and capacity building services. Some of the SACCOS have already started paying.
- Supported 16 newly-formed SACCOS in mobilization of rural communities to patronize them.
- Continued to play an active role in shaping the trend and future of the microfinance industry by participating in the Micro Finance Forum,

## REPORT ON THE UCA ACTIVITIES

CECFIS

- Capacity Building Sub-committee, Micro Finance Outreach Programme, etc.
- Continued to represent UCA at international forums organized by ICA, World Bank, EU and SCC.
- As a result of services provided through the project, many SACCOs graduated to model SACCO status and are on course to becoming operationally and financially self-sufficient.
- The head of the project was elected to the Board of AMFIU where he is also serving as its Secretary

### Output 2: Demand Driven Cooperative Support Services

- Mobilized 16 rural communities to form new SACCOs under the new phase of the Project.
- Provided co-operative support services to 22 SACCOs under phase 1, majority of which became operationally and financially self-sufficient.
- Continued to build the capacities of SACCO leaders and management staff through on-the-job training, joint meetings, workshops and during their Pre-AGMs and AGMs.
- Provided internal audit and supervision services that improved the SACCOs' operations, financial records and reports, and management.
- Continued to provide support to SACCOs in recruiting competent staff especially Loans Officers.

### Output 3: Strengthening democratic and social economic Capacity of SACCO Members

- Conducted membership mobilizations and sensitization meetings, training programmes and facilitated SACCO AGMs and strengthened their capacities to control their SACCOs and demand performance and accountability for leaders and management staff.
- Enforced the holding of timely statutory AGMs and other types of meetings in all Project supported SACCOs.

### Output 4: Enhanced Capacity for Project Monitoring and Evaluation at Member, SACCO and CRFS Unit Levels

- Provided monitoring services to SACCOs and, collected and processed their data into timely, correct and complete financial statements and operating reports.

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- Together with SCC, our partner, revised and introduced a new reporting format that the Model SACCOs are supposed to use in their monthly reporting to UCA and other stakeholders.
- Followed up the revision of the Performance Monitoring Tool (PMT) for SACCOs by AMFIU.

**Table 1: Summary of SACCOs performance.**

| Indicator                   | July 2005          | June 2006          | Rate of Growth |
|-----------------------------|--------------------|--------------------|----------------|
| Membership                  | 17,818             | 24,297             | 36%            |
| Share Capital               | Sh. 767 Millions   | Sh. 1.141 Billions | 49%            |
| Savings Deposits            | Sh. 988 Millions   | Sh. 1.346 Billions | 36%            |
| No. of Saving Accounts      | 15,558             | 23,198             | 49%            |
| Loans (Outstanding balance) | Sh. 1.499 Billions | 2,338 Billions     | 56%            |

**Table 2: Membership Growth during the Year July 2005– June 2006 (regional)**

| Region       | Number of SACCOs |           | Number of Members |               | Percentage Growth |
|--------------|------------------|-----------|-------------------|---------------|-------------------|
|              | July-2005        | June-2006 | July-2005         | June-2006     |                   |
| Bushenyi     | 8                | 9         | 6,875             | 8,384         | 22%               |
| Kamuli       | 7                | 8         | 2,182             | 3,515         | 61%               |
| Mukono       | 7                | 6         | 2,183             | 3,128         | 43%               |
| Mbale        | 7                | 7         | 1,931             | 2,926         | 52%               |
| Masaka       | 8                | 8         | 4,647             | 6,344         | 37%               |
| <b>Total</b> | <b>37</b>        | <b>38</b> | <b>17,818</b>     | <b>24,297</b> | <b>36%</b>        |

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Table 3: Share Capital Growth.

| Region       | July-2005          | June-2006            | Average Share Capital per member | Percentage growth |
|--------------|--------------------|----------------------|----------------------------------|-------------------|
|              | Ug. Shs            | Ug. Shs              |                                  |                   |
| Bushenyi     | 446,488,356        | 665,381,580          | 79,363                           | 49%               |
| Kamuli       | 58,393,400         | 91,284,900           | 25,970                           | 56%               |
| Mukono       | 65,623,500         | 94,925,100           | 30,347                           | 45%               |
| Mbale        | 49,215,100         | 71,512,900           | 24,440                           | 45%               |
| Masaka       | 147,892,040        | 218,297,714          | 40,442                           | 47%               |
| <b>Total</b> | <b>767,612,396</b> | <b>1,141,402,194</b> | <b>46,977</b>                    | <b>49%</b>        |

Table 4: Savings Deposits Growth.

| Region       | July-2005          | June-2006            | Average Savings deposits per member | Percentage growth |
|--------------|--------------------|----------------------|-------------------------------------|-------------------|
|              | Ug. Shs            | Ug. Shs              |                                     |                   |
| Bushenyi     | 515,570,070        | 711,371,726          | 79,147                              | 38%               |
| Kamuli       | 65,854,451         | 80,284,900           | 27,780                              | 23%               |
| Mukono       | 133,258,033        | 209,744,657          | 81,391                              | 73%               |
| Mbale        | 47,388,157         | 98,521,784           | 37,010                              | 108%              |
| Masaka       | 226,356,975        | 245,359,128          | 40,442                              | 8%                |
| <b>Total</b> | <b>988,430,686</b> | <b>1,345,671,323</b> | <b>65,257</b>                       | <b>36%</b>        |

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Table 5: Outstanding Loans Growth.

| Region       | July-2005            | June-2006            | Average loan deposits per member | Percentage growth |
|--------------|----------------------|----------------------|----------------------------------|-------------------|
|              | Ug. Shs              | Ug. Shs              |                                  |                   |
| Bushenyi     | 915,330,759          | 1,312,726,999        | 156,575                          | 43%               |
| Kamuli       | 95,287,050           | 182,586,320          | 51,945                           | 92%               |
| Mukono       | 158,089,900          | 235,824,276          | 75,391                           | 49%               |
| Mbale        | 82,742,690           | 174,289,849          | 59,566                           | 111%              |
| Masaka       | 247,585,925          | 432,309,270          | 68,145                           | 75%               |
| <b>Total</b> | <b>1,499,036,324</b> | <b>2,337,736,714</b> | <b>96,215</b>                    | <b>56%</b>        |

Table 6: Jobs created.

| Region       | SACCO Managers |           | Loan officers |           | Cashiers  |           | Others   |           | Total     |           | Grand Total |
|--------------|----------------|-----------|---------------|-----------|-----------|-----------|----------|-----------|-----------|-----------|-------------|
|              | F              | M         | F             | M         | F         | M         | F        | M         | F         | M         |             |
| Bushenyi     | 4              | 5         | 1             | 7         | 8         | 4         | 1        | 5         | 14        | 21        | 35          |
| Kamuli       | 3              | 5         | 1             | 0         | 2         | 2         | 3        | 4         | 8         | 9         | 17          |
| Mukono       | 3              | 3         | 0             | 2         | 5         | 0         | 0        | 0         | 8         | 5         | 13          |
| Mbale        | 4              | 3         | 1             | 4         | 2         | 3         | 1        | 0         | 8         | 10        | 18          |
| Masaka       | 1              | 7         | 1             | 6         | 4         | 4         | 2        | 4         | 8         | 19        | 27          |
| <b>Total</b> | <b>15</b>      | <b>23</b> | <b>4</b>      | <b>19</b> | <b>21</b> | <b>13</b> | <b>7</b> | <b>13</b> | <b>46</b> | <b>64</b> | <b>110</b>  |

## PROJECT EFFECTS.

- The success of CECFIS Project and other similar initiatives in the UCA has inspired many communities to start SACCOs by replicating

the SACCO model.

- Many rural communities are able to access many affordable financial services such as savings, credit, payments on a sustainable basis.
- The model used by the is being recommended by Government for adoption in other parts of the country to enhance rural development.
- SACCOs have set a pace in lowering lending rates.
- There is increased financial linkage between the rural and urban centers through the link bank account arrangements.
- The increased competition in the microfinance industry as many more SACCOs are formed has led to improved services and reduction in charges for microfinance services.
- Many more people are being brought into the formal economy.
- SACCOs have diversified into other financial products including loans for improved shelter, water and solar power.
- The saving culture, financial planning and management are improving among the SACCO members due to easy access to financial services facilities and training.



Minister of Water & resources Hon. Maria Mutagamba attending AGM at Kakuuto SACCO where she is a member, next to her is the area MP Hon. Matia Kasamba who also is a member of the SACCO.

### Challenges encountered.

- Demand for co-operative support services is increasing at a rate that is much faster than the growth of UCA's resources .
- As the rate of demand increases at an increasing rate, some people are beginning to distort the model from one of being savings- led to credit-led institutions.
- Lack of legal authority on the part of the UCA to enforce minimum requirements such minimum educational level for the leadership and managers. Consequently, some leaders have been elected to lead mature SACCOs when they actually lack the necessary capacity to effectively lead institutions of big sizes. Many of them are un-trainable.
- Supervision and regulation of SACCOs is weak due to the weak Co-operative law, insufficient resources at the Registrar's office and a generally un-supporting legal and administrative system in the country.

### Conclusion

Based on the trend of affairs during the year 2005/2006, the SACCO movement is poised to growing and becoming the biggest sector of the co-operative movement. As the SACCO business volume grows, the operational systems and structures will require continuous upgrading to suit the size of the institutions. Under CECFIS Project, UCA has demonstrated that when properly mobilized, sensitized, guided and supported with basic start up kit, coupled with capacity building services, and supervision, internal audit services, rural communities can start safe, sound sustainable SACCOs through which they are able to access affordable financial services on a sustainable basis. The SACCOs have a big potential to becoming important institutions for rural transformation. The role of SACCOs is poised to becoming even more important as they link with production and marketing co-operatives to increase rural production, productivity and ultimately incomes thus leading to poverty eradication.

## YOUTH ECONOMIC EMPOWERMENT THROUGH CO-OPERATIVES PROJECT (YEECO)

### INTRODUCTION

The four-year Youth Economic Empowerment through Co-operatives (YEECO) phase I project that UCA had been implementing formally ended in December 2005. SCC agreed to extend the project to December 2009. Like YEECO phase I, the second phase is to be implemented in ten districts of Mukono, Kayunga, Jinja, Kamuli, Iganga, Mayuge Bugiri, Kabale, Kisoro and Kanungu. YEECO phase II project will assist 49 youth co-operatives/groups to consolidate their operations and also support 12 new youth co-operatives. By December 2009, at least 8,778 participants are expected to have been directly served by the 61 youth co-operatives from the two phases.

### Evaluation of YEECO Phase I Project.

In July 2005, an evaluation exercise for YEECO phase I project was conducted through a participatory approach guided by an external consultant. The project staff, youth co-operative leaders and management staff as well as youth and co-operative stakeholders all participated in the exercise. The evaluation exercise was used to establish the projects' achievements, lessons learnt and how the experiences gained could be used to empower the youth economically. Key lessons and recommendations included:

- i) Youth have a potential to start and successfully manage their co-operatives when properly mobilized, sensitized, guided and supervised. Furthermore, the youth are proud to own their institutions.
- ii) YEECO project methodology is effective in promoting and organizing the youth. As a result, it enabled the transformation of over 8,000 youth organized into 49 youth co-operatives that offer demand driven services to members on a sustainable basis.

iii) Though already on a road to take off and sustainability, youth co-operatives supported by YEECO project are still fragile and require further support by way of capacity building (for members, committee members and management staff) as well as supervision. This continued support is vital for consolidation of their operations, financial strength and thus making them a nucleus for the rolling out of the YEECO methodology.

iv) Youth co-operatives have high potential of empowering their members, and communities in different ways. As stated in their testimonies during the monitoring and evaluation, a number of youth who were previously idle and redundant are now gainfully employed in income generating activities. Youth co-operatives can create employment and may become a training ground for local leaders/managers.

vi) The YEECO Project promoted interconnectivity, networking and partnerships among the youths. This helped the youths to share experience and learn from one another not only good lessons but also mistakes by fellow youth and how to avoid them.

### YEECO phase II Project Objective.

The development objective of YEECO phase II project is "To contribute to poverty reduction and improved livelihoods of the youth through sustainable community based co-operatives." The indicators for the realisation of the development objective are percentage of youth co-operative members with improved health, improved access to education/information and improved shelter/housing.

The immediate objective is "increased income of 8,778 youth in ten districts of Uganda and enhanced capacity of 61 youth groups to deliver sustainable services to members." The main indicators for the realisation of this objective are percentage increase in income earned by the youth, member satisfaction of their institutions' level of service delivery and improved performance as well as sustainable service delivery of youth groups to their members.

### Focal Problem

The youth constitute the biggest percentage of our society (78%) and yet most still live in abject poverty with inadequate education and skills, inadequate work / employment opportunities, exploitation, disease, civil unrest and gender discrimination. Investment in youth therefore, is not only a social obligation but also rewarding in economic sense because the youth are the country's most valuable asset. It was against this background that UCA in collaboration with SCC designed the project to address these concerns.

### ACTIVITIES CARRIED OUT DURING THE YEAR AND ACHIEVEMENTS.

#### Strengthening the management unit.

The year 2005/06 was equally focused on strengthening the capacity of project staff for effective delivery of project objectives and other interventions. The project staff and youth group leaders participated in a number of capacity building programs that include: Leadership for change (LFC), Logical Framework Approach (LFA) workshop,



Members of Buyobe Youth Cooperative attending an HIV/AIDS training organized by YEECO Project at their offices in Kayunga District - UCA YEECO Project.

Integrating Gender and HIV/AIDS in project interventions, HIV/AIDS peer educators training, Business management & record keeping, Credit management and loan tracking, Planning, Monitoring and Evaluation (PME) among others. The staff were also availed a number training materials that include Gender reference manual, PME manual, HIV/AIDS materials and training aids. These strengthened the project staffs' delivery capabilities.

#### Capacity building in youth co-operatives.

Participatory methods such as Organisational Development (OD), Participatory Rural Appraisal (PRA), visioning, strategic planning and study circles were employed by the project to uplift the capacity of the youth groups/co-operatives participating in the project. The participatory approach ensured that the beneficiaries themselves are key players not only in assessing their own needs but also the design and implementation of the project interventions as well as their long-term sustainability. The workshops targeted the leadership, management, promoters and individual youth participants. These were equipped with skills of group dynamics & management, participatory planning, resource mobilisation, collective marketing, co-operative formation, record keeping, natural resource management, savings and credit operations/best practices. Others included HIV/AIDS prevention, care and use of drama to effect social change.

As a result, the youth acquired skills that enable members, leaders and management to control, govern and manage their co-operatives professionally. New capable leaders emerged in a number of co-operatives and records management is continuously improving. Most youth co-operatives/groups are now capable of demanding for services from other community development agents. Already, a number of youth groups are networking with such organisations to deliver services to their own members.

#### Technical and Entrepreneurial Skills Provision

Technical and entrepreneurship skills training were provided to the youth Co-operatives. The project, through its established linkages with local

**REPORT ON THE UCA ACTIVITIES****YEECO**

government staff, community development agents and NGOs trained the youth in modern practices of managing their diverse range of income generating activities. Demonstration plots were established to disseminate better agronomic practices for the youth involved in agribusiness. The project also facilitated acquisition of better/improved seeds for the youth and linkages with Agricultural Research Institutions. These aimed at improving quality of products and services produced by the youth and their productivity.

The project emphasized record keeping not only at the institutional level but most importantly at the household level so that they can keep track of each enterprise undertaken. Record keeping enables the individual youth to determine the viability of their income generating activities. For the majority of youth group members involved in agriculture, they were trained to manage farming as a business.

Owing to the technical and entrepreneurial skills offered by the project the youth co-operatives are increasingly becoming centres of change and not only the members but their communities as well. Examples include Kasawo Namuganga youth co-operative in Mukono district that was contracted by World Vision to supply vines of orange-fleshed sweet potato varieties to their target groups. Wider opportunities youth group in Iganga was guided to submit a proposal to NEMA/World Bank project to establish demonstration plots on soil and water conservation at parish level.

Individually, 36 members of Kiwangula United youth co-op (Kayunga) planted 2 acres of maize each while in Seki youth co-op (Kayunga) 30 members planted an acre of maize each, 15 members planted an acre of beans. In Ngombere youth co-op (Mukono) the group established a two acre demonstration plot for upland rice and demonstration of local poultry management. One youth member of the same group testified that having processed his vanilla following a UCA/YEECO project training, he was able to obtain more than 300% increment on the sale value of his processed vanilla. The project is full of similar success stories from all its participating youth groups/co-operatives.

**REPORT ON THE UCA ACTIVITIES****YEECO****Employment Opportunities Created**

The project through its capacity building interventions has mobilised youth to engage in various income generating activities leading to employment creation for themselves and many others. The income-generating activities include; crop production, honey bee-keeping, animal husbandry, horticulture, fish farming, brick-making, knitting & weaving, retail trading, boda-boda and carpentry. Activities undertaken by the youth however, were not limited to economic but included delivery of social services on self-help basis such as construction of own houses, adult literacy and many others.

The table below shows employment creation by the youth and nature of income generating activities during the period under review.

| Sector of Employment | No. of Jobs Generated |              | Total        |
|----------------------|-----------------------|--------------|--------------|
|                      | Male                  | Females      |              |
| Crop Production      | 1,187                 | 862          | 2,049        |
| Animal Husbandry     | 258                   | 335          | 593          |
| Agro processing      | 57                    | 15           | 72           |
| Fish Farming         | 35                    | 12           | 47           |
| Apiary               | 45                    | 33           | 78           |
| Tailoring            | 20                    | 31           | 51           |
| Carpentry            | 125                   | 0            | 125          |
| Brick Laying         | 164                   | 21           | 185          |
| Retail trading       | 175                   | 59           | 234          |
| Boda boda            | 176                   | 0            | 176          |
| Knitting and weaving | 85                    | 21           | 106          |
| Art and Craft        | 35                    | 42           | 77           |
| Saloon               | 23                    | 66           | 89           |
| Service Sector       | 182                   | 78           | 260          |
| <b>Grand Totals</b>  | <b>2,567</b>          | <b>1,575</b> | <b>4,142</b> |

### Marketing and Access to Market Information

Market information gathering, compilation and dissemination continued to be some of the major activities as far as market information is concerned. Training was also carried out on the marketing theory and practice. The earlier formed marketing sub-committees were strengthened and used to disseminate timely market information. The project also established market information points in two youth co-operatives during the year and many other youth co-operatives are to benefit from the same initiative in the year 2006/07.

The result was that most youth group members embraced the idea of bulking their products and selling to the final buyer in order to eliminate exploitative middlemen. The youth co-operatives in some project areas have established rural markets where the youth sell their products and obtain higher prices that in some cases are up to 20 percent higher than the ruling market prices.

### Access to Investment Capital and Financial Services

The youth were sensitized on the need and importance of saving own resources as cheap source of capital. As a result, a number of youth groups are operating Pre-SACCOs. In addition, members of youth co-operatives are encouraged to join existing financial institutions if they are in easy reach. The project, collaborating with sister UCA projects specializing in Micro finance, conducted training and provided supervisory services to all youth groups operating pre-SACCOs. Youth are able to save and acquire loans for capital expenditures such as purchasing motorcycles for public transport (boda-bodas), retail business and improved farming from these institutions.

### Reduction of HIV/AIDS Effects and Prevalence

HIV/AIDS awareness campaigns were integrated in all project activities throughout the year. The project collaborated with a number of HIV/AIDS service providers that have been instrumental in providing training as well as other HIV/AIDS specialised services like Voluntary Counselling and Testing (VCT) services as well as condoms for distribution.

Drama still plays a vital role among the youth and their communities at

large by educating them about the dangers of HIV/AIDS. To support the development and use of drama in sensitisation of communities on HIV/AIDS and integrating Gender, the project facilitated four youth groups per zone to reach out and stage drama shows each month for a period of five months. The project also organised an HIV/AIDS sports tournament in Kayunga where over 500 youth attended. Messages on the dangers of HIV/AIDS were relayed to the youth. Other activities of the tournament included free voluntary counselling and testing from the AIDS information Centre mobile unit. A total of 98 youth (36 females and



Members of Buyobe Youth Cooperative line up to access voluntary counselling and testing services offered by AIDS Information centre mobile unit with support from UCA YEEO Project.

62 males) volunteered to test for HIV on this day alone. The results indicated that 91(92.9% were negative while 7 (7.1%) were positive.

Overall, a total of 959 youth co-op members accessed VCT services over the period under review. 1,979 boxes of condoms were distributed, 132 drama shows staged, 38 post test clubs formed and 85 HIV/AIDS related training conducted involving a total of 3,132 participants. The district directorates of health services were our major source of condoms distributed to the youth accounting for 1583 boxes (80 percent) of all the

condoms distributed. In all the above, we believe that the project is contributing towards HIV/AIDS reduction in Uganda.

#### Access to services from other providers

The youth co-operatives were organised and capacitated to tap services from other development agents in their communities. In a number of situations the project initiated collaborative arrangements for the benefit of the youth groups. The following are examples of such initiatives undertaken during the period under review:

Wider Opportunities youth group in Iganga was able to write a proposal and received seventeen second-hand computers from the Danish Foundation. The computers were estimated at Ug shs 500,000 each totalling to Ug shs 8,500,000. Area based agricultural modernisation program (AAMP) facilitated Bufundi youth group by constructing a store for their Irish Potatoes worth Ug shs 25 million.

The AIDS information centre mobile team provided VCT services during a project organised HIV/AIDS sports tournament in Kayunga. The Ministry of Gender, Labour and Social Development through its mobile training service (Youth Truck) provided training to youth co-operatives in all the four project zones. The Youth Truck is fully equipped with modern training facilities including video and sound systems. It was a crowd puller in all co-operatives. HIV/AIDS, entrepreneurship and gender awareness films were shown to the communities.

In Busoga area 7<sup>th</sup> July youth co-operative Union ploughed 256 acres for youth co-operative members and provided them with improved seed varieties of maize, upland rice and G/nuts. In Nakalokwe young farmers co-operative, PRAMUKU Agro Industries Busembatia Ginnery conducted a cotton growing/management training for 31 members engaged in the activity. The Ginnery agreed to supply the youth with cotton seeds, plough for them and supply fertilizers on credit.

In Kabale Zone, the project obtained and distributed leaflets from FOOD.net revealing prices prevailing in different markets across major towns periodically. The project also obtained and distributed 1,979 boxes of condoms obtained from other community development agents. The district directorates of health services and the ministry of health were

instrumental in condom distribution as they provided 80% of all condoms distributed.

The project manager participated in a Co-operatives and Trade Unions conference in Manchester, United Kingdom. The Manager also participated in several review meetings and other capacity building programmes organised by the SCC. The workshops/meetings enabled him to learn from and share experience with staff and beneficiaries of similar initiatives. A project staff was trained as a trainer for HIV/AIDS peer educators by our partners the SCC.

#### CHALLENGES ENCOUNTERED DURING THE YEAR

Some of the challenges that the project faced during the year included;

- The political temperature was high for a substantial part of the year in the project operational areas. This interfered with the project activities and in some instances threatened the togetherness and cohesion of the youth group members. The field activities were also affected as some project participants were busy with the political campaigns. From time to time the project staff had to change/adjust their training programmes to suit the politics of particular areas.
- The demand for the services within the project far exceeded the resource envelope available to the project. Demand for co-operative support services is increasing too fast.
- Some youth co-operatives still have weak leadership and management due to the low education and low capacity foundation from which they are started. This is however improving as the project equips them with co-operative governance skills.

## PROMOTING AREA COOPERATIVE ENTERPRISES PROGRAMME (PACE)

### BACKGROUND

PACE is funded and supported through the Royal Norwegian Society for Development (Norges Vel) while UCA is responsible for its implementation. The 3-year programme operates in 10 districts of Mubende, Kibaale, Kyenjojo, Kamwenge, Ntungamo, Rukungiri, Kanungu, Kabale, Kumi and Kapchorwa where a total of 17,320 producers have been supported through creation of 165 primary societies (rural producer organizations), 27 Area Cooperative Enterprises (**ACEs**) and 33 Savings and Credit Cooperative Organisations (**SACCOs**). The programme started in 2004 and is scheduled to end in December 2006.

#### The development objective.

PACE programme is to contribute to reduction of rural poverty in 10 districts of Uganda through increasing incomes of small scale –holders.

#### Objectives.

The programme has four immediate objectives namely;

- The incomes of 60% of producers in the programme to have increased by 30% by the end of the programme.
- The capacity of 80 producer organisations to have been built/strengthened by 2006.
- Twenty five Area Co-operative Enterprises (ACEs) formed and able to provide services effectively by 2006.
- Fifteen Savings and Credit Co-operatives (SACCOs) established, owned, managed and used by producers, RPOs and ACEs by 2006.

To achieve the above objectives, the programme is integrating production/marketing with financial services. It is through such integrated approach that producers are accessing most of the required services to effectively tackle the problem of poverty in rural areas.

#### Immediate Objective 1:

**The incomes of 60% of producers in the programme to have increased by 30% by the end of the programme (2006).**

#### Productivity Enhancement:

During the year, leaders and farmers have been trained and equipped with new knowledge, skills and practices in managing their enterprises.

| Training Area                                              | Number Trained |              | Total         |
|------------------------------------------------------------|----------------|--------------|---------------|
|                                                            | Male           | Female       |               |
| Entrepreneurship, Visioning, record keeping for management | 534            | 199          | 733           |
| Entrepreneurship, Visioning, record keeping for farmers    | 2,381          | 1,252        | 3,633         |
| Selected Agric enterprises                                 | 6,550          | 3,069        | 9,619         |
| Bee-keeping                                                | 200            | 0            | 200           |
| <b>Total</b>                                               | <b>9,665</b>   | <b>4,520</b> | <b>14,185</b> |

A total of 733 leaders and 3,633 farmers were trained in entrepreneurship, visioning and record keeping respectively. This has resulted in improvement of farming business management and increasing profits from their enterprises. 120 farmers were trained as Trainers of Trainers (TOTs) in bee keeping. This has resulted in improved management of apiaries, quality of honey and increasing demand for Langstroth beehives.

#### Demonstrations.

In our effort to demonstrate best practices in crop and animal husbandry on-farm result/method demonstrations were established at different RPOs based on their selected enterprises. Demonstrations were done on enterprise establishment, management, pest and disease control and post-harvest handling on the following crops: bananas, coffee, maize, beans, Irish potatoes, sweet potatoes, rice, sorghum, and the

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following livestock: chicken, turkey, pigs, dairy cattle, goats and local cattle.

| Zone         | Type of Demonstration | Number of Demonstrations | Remarks                                                           |
|--------------|-----------------------|--------------------------|-------------------------------------------------------------------|
| South West   | Method/Result         | 89                       | Conducted to improve productivity on selected enterprises         |
| Mid West     | Method/Result         | 83                       | Conducted to improve on productivity of selected enterprises.     |
| Eastern      | Method/Result         | 57                       | Conducted to improve on the productivity of selected enterprises. |
| <b>Total</b> |                       | <b>229</b>               |                                                                   |

### Change Agents

Twenty change agents extended extension education to farmers and their focus was on the six selected enterprises by the farmers in their respective ACEs and RPOs. A total of 9,619 farmers were trained in the six selected enterprises during the year. Field officers and change agents continued to give advisory services to farmers and monitoring programme activities throughout the year.

### Study Circle and Farmer-to-Farmer Extension Methodologies.

Study Circle and Farmer-to-Farmer Extension Methodologies were introduced to the staff and farmers in the programme area. This helped farmers in accelerating the rate of adoption of various technologies and coverage of farmers through multiplier effect. There was also an increase in demand for extension education services from the farmers.

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| Zone               | Type of training                        | Number trained |            | Total      |
|--------------------|-----------------------------------------|----------------|------------|------------|
|                    |                                         | M              | F          |            |
| South West         | Study Circle training methodology       | 60             | 20         | 80         |
|                    | Farmers-to- farmer training methodology | 68             | 18         | 86         |
| Mid West           | Study Circle training methodology       | 62             | 17         | 79         |
|                    | Farmers-to- farmer training methodology | 37             | 8          | 45         |
| Eastern            | Study Circle training methodology       | 60             | 26         | 86         |
|                    | Farmers-to- farmer training methodology | 60             | 24         | 84         |
| <b>Grand Total</b> |                                         | <b>347</b>     | <b>113</b> | <b>460</b> |

### Immediate Objective 2:

**The capacity of 80 producer organisations to have been built/strengthened by 2006.**

A total of 165 Rural Producers Organizations participated in programme activities during the year. These had a membership of 10,703 men (66%) and 5,487 women (34%) totaling to 16,190 members. Share capital of RPOs was 370,288,533/= as compared to 291,785,250/=. This is an increase of 27% as compare to last year. This is attributed to farmers realization of the benefits of working with RPOs and SACCOs in their respective areas.

### Summary Status of RPOs

| Zone               | Number of RPOs | Membership    |              | Total         | RPOs Share Capital |
|--------------------|----------------|---------------|--------------|---------------|--------------------|
|                    |                | Male          | Female       |               |                    |
| South West         | 64             | 4,028         | 2,798        | 6,826         | 234,484,633        |
| Mid West           | 78             | 3,987         | 1,710        | 5,697         | 99,873,900         |
| Eastern            | 23             | 2,688         | 971          | 3,659         | 35,850,000         |
| <b>Grand Total</b> | <b>165</b>     | <b>10,703</b> | <b>5,487</b> | <b>16,190</b> | <b>370,208,533</b> |

## REPORT ON THE UCA ACTIVITIES

PACE

Immediate Objective 3:

**Twenty five ACEs formed and able to provide services effectively by 2006. (What are the services which they are providing and how do they compare with the previous year?)**

The improved environment for the operation of co-operatives has encouraged an increase in membership of the RPOs and ACE in general leading to improvement in businesses by these particular organizations. A total of 27 participating ACEs have mobilised a share capital of 37,600,000 Shillings.

| Zone         | District  | No. of ACEs | Share Capital contribution by RPOs |
|--------------|-----------|-------------|------------------------------------|
| South West   | Kabale    | 3           | 4,200,000                          |
|              | Kanungu   | 3           | 3,000,000                          |
|              | Rukungiri | 2           | 2,400,000                          |
|              | Ntungamo  | 4           | 6,300,000                          |
| Mid West     | Mubende   | 3           | 2,400,000                          |
|              | Kibale    | 2           | 6,700,000                          |
|              | Kyenjojo  | 1           | 400,000                            |
|              | Kamwenge  | 4           | 4,200,000                          |
| Eastern      | Kumi      | 2           | 4,400,000                          |
|              | Kapchorwa | 3           | 3,600,000                          |
| <b>Total</b> | <b>10</b> | <b>27</b>   | <b>37,600,000</b>                  |

**Business performance in Twenty seven ACEs and services offered during 2006.**

### Collective Input Procurement

Synergy effects were enhanced during the period under review between input suppliers, farmer organizations. A total of 5 ACEs procured inputs collectively ranging from seeds to labour (tractor), valued at 73,181,000/= and earned a commission of 8,128,300/= . There has been a general awareness among farmers on collective input procurement through

## REPORT ON THE UCA ACTIVITIES

PACE

ACEs. In Kamwenge, Kahunge and Nkoma ACEs have received 10 tons of maize on contract farming arrangement with a potential buyer. Similarly 1.5 tons of rice has also been supplied to Kahunge ACE.

### Collective Marketing

Collective marketing was undertaken by 13 ACEs and during the year a volume of business stood at Shs 1,796,323,200/=. A total commission of Shs 109,079,175 was earned on bulked sales. Collective marketing has significantly contributed to the attainment of poverty reduction through reinforcement of economic and political empowerment for members and facilitate sustainable development of their organizations.



*Farmers at Kisiita ACE, Kibaale District shelling maize. Improvement of quality of maize through cooperative bulking, shelling and marketing - UCA/PACE Project*

### Summary of Annual Business performance

| Indicators                                   | Cumulative value as at 30.06.2006 |
|----------------------------------------------|-----------------------------------|
| Membership                                   | 14,669                            |
| Share capital of ACEs (Ug Shs)               | 39,605,000                        |
| Value of produce marketed (Ug Shs)           | 1,796,323,200                     |
| Commission earned on sales at ACEs (Ug Shs)  | 109,079,175                       |
| Commission earned on inputs at ACEs (Ug Shs) | 8,128,300                         |
| Value of input procurement at ACEs (Ug Shs)  | 73,181,000                        |

## REPORT ON THE UCA ACTIVITIES

PACE

Immediate Objective 4:

**Fifteen Savings and Credit Co-operatives (SACCOs) established, owned, managed and used by producers, RPOs and ACEs by 2006.**

Achievements under this objective during the year include the following;

Mobilized and sensitized new members to join the SACCOs. During the year, 3,999 new members joined the 33 SACCOs increasing total membership from 7,385 to 11,336 of which 6,473 (57.1%) are men and 4,863 (31.6%) are women .

Facilitated SACCOs to hold Annual General Meetings (AGMs) /Special General Meetings (SGMs) and empowered members to control their SACCOs and demand performance and accountability from leaders and management staff.

Provided monitoring and advisory services to SACCOs and collected and processed their data into timely, correct and complete financial statements and management reports.

Strengthened the capacity of managers and cashiers through on job training that resulted in improved systems and sound operations.

Trained and guided all participating SACCOs in financial product development and refinement. Each SACCOs refined / developed two financial products.

Extended management, rent and stationery support to all participating SACCOs that enabled them to remunerate their professional staff and freed their meager resources for on lending to members.

As a result of the above interventions the status of the Key Growth Performance Indicators of participating 33 SACCOs is summarized below;

**Table 4.1: Summary of PACE Project SACCOs' Performance**

| Indicator      | July 2005   | June 2006   | % Age Increase |
|----------------|-------------|-------------|----------------|
| Membership     | 7,385       | 11,336      | 54.2%          |
| Share Capital  | 242.700.000 | 452.600.000 | 86.5%          |
| Savings Bal    | 297.500.000 | 487.100.000 | 63.8%          |
| Loan Portfolio | 358.600.000 | 850.500.000 | 137.2%         |

## REPORT ON THE UCA ACTIVITIES

PACE

**Table 4. 2: Membership Growth during the year July 2005-June 2006**

| Zone               | July 2005    | June 2006     | % Age Increase |
|--------------------|--------------|---------------|----------------|
| Eastern Zone       | 1,018        | 1,515         | 48.8%          |
| Mid Western Zone   | 2,450        | 4,594         | 87.5%          |
| South Western Zone | 3,917        | 5,227         | 34.7%          |
| <b>Total</b>       | <b>7,385</b> | <b>11,336</b> | <b>54.22%</b>  |

**Table 4.3: Share Capital Growth during the year July 2005-June 2006**

| Zone               | July 2005          | June 2006          | % Age Increase |
|--------------------|--------------------|--------------------|----------------|
| Eastern Zone       | 25.200.000         | 45.900.000         | 81.9%          |
| Mid Western Zone   | 63.100.00          | 134.400.000        | 113.0%         |
| South Western Zone | 154.400.000        | 272.300.000        | 76.4%          |
| <b>Total</b>       | <b>242.700.000</b> | <b>452.600.000</b> | <b>86.5%</b>   |

**Table 4. 4: Savings Growth during the year July 2005-June 2006**

| Zone               | July 2005          | June 2006          | % Age Increase |
|--------------------|--------------------|--------------------|----------------|
| Eastern Zone       | 49.300.000         | 78.500.000         | 59.2%          |
| Mid Western Zone   | 100.800.000        | 197.000.000        | 95.4%          |
| South Western Zone | 147.400.000        | 211.700.000        | 43.6%          |
| <b>Total</b>       | <b>297.500.000</b> | <b>487.100.000</b> | <b>63.8%</b>   |

**Table 4.5: Loan Portfolio Growth during the year July 2005-June 2006**

| Zone             | July 2005          | June 2006          | % Age Increase |
|------------------|--------------------|--------------------|----------------|
| Eastern Zone     | 50.300.000         | 58.600.000         | 16.6%          |
| Mid Western Zone | 113.500.000        | 347.500.000        | 206.3%         |
| Mid Western Zone | 194.900.00         | 444.300.000        | 128.0 %        |
| <b>Total</b>     | <b>358.600.000</b> | <b>850.500.000</b> | <b>137.2%</b>  |

## REPORT ON THE UCA ACTIVITIES

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PACE

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| <b>Total</b>       | <b>7,385</b> | <b>11,336</b> | <b>54.22%</b>  |

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| <b>Total</b>     | <b>358.600.000</b> | <b>850.500.000</b> | <b>137.2%</b>  |

**CHALLENGES/CONSTRAINTS**

Some of the SACCOs, RPOs and ACEs still reel with poor governance and leadership, inefficient services, under capitalization and inadequate resources. Due to prolonged drought, some ACEs could not participate in collective marketing and in puts procurement.

The overwhelming demand from communities seeking guidance on RPO, SACCO formation and management which far exceed the personnel resources of the programme and has created a time pressure on staff.



*Collective mechanised cultivation by Myanzi ACE, Mityana District for its members in preparation for the second rain season; so far a total of 38 members with 128 acres have benefited at a price of 55,000 Shs per acre compared to 60,000 Shs for non-members per acre.*

**CONCLUSION**

A lot was accomplished in the year 2005/6 in all the 10 districts. However more effort needs to be put on strengthening weak RPOs and ACEs to address issues of value addition, bulk marketing and procurement in 2006/7. Nevertheless UCA has demonstrated through PACE Programme the importance of linking financial services, production/productivity enhancement and marketing as an integrated package to enhance rural household income and thus reduction of household poverty.

**INTEGRATED FINANCE AND AGRICULTURAL PRODUCTION INITIATIVE PROJECT (IFAPI)****BACKGROUND.**

The initiative which is a joint effort between the UCA the Canadian Cooperative association (CCA) aims at improving the livelihoods of producers in parts of West Nile and Northern regions through an integrated approach through the co-operative system. The sub-counties in which the project is operating include; Omugo, Naduliwandi, Kijomoro, Vurra, Koboko and Aiyivu in Arua district; Kango, Zeu, Nyaravur, Akella, Erussi, Kucwiny, Panyango and Packwach sub counties in Nebbi and Abongomola, Aduku, Chawente, Chegere, Akokoro, Aboke, Aber and Inomo sub counties in Apac district. A total of 34 co-operative organizations including 19 primary societies, 3 Area Co-operative Enterprises and 12 SACCOs are being supported by the project.

**Project Goal is to** contribute towards the National efforts in rural poverty alleviation while the purpose is to provide a holistic suite of community-controlled co-operative services that improves people's well being by increasing food production, income, and provide financial services.

**Project components**

**a)** Increasing production and productivity, **b)** Organisation of marketing and value addition, **c)** Strengthening the capacity of co-operative business organizations, **d)** Establishing a financial system which will serve smallholder rural producers and **e)** Targeting marginalized groups.

**SUMMARY OF ACHIEVEMENTS****Agricultural marketing services**

**a. Agricultural input supply:** The project has created linkages between farmers stockists, input suppliers ( Garden seeds and Farm Inputs Care Centre (FICA) ) and as a result, farmers have collectively procured inputs especially improved seeds.

**b. Marketing services:** A marketing system based on the concept of Area Cooperative Enterprise (ACE) was put in place to benefit the rural producers in the sub-counties above. Through ACEs, member producers have been able to diversify into high value crops, quality

improvement, enhanced market information; setting up of rural markets, value addition and agro-processing. So far, six machines consisting of three fruit and honey processing were procured for each of the three districts.

**c. Agricultural extension services:** Farmers were trained according to the enterprises which they selected under the guidance of the UCA staff. The enterprises include maize, beans, g/nuts, simsim, sorghum, soya bean and millet in Nebbi; maize, g/nuts, cassava and soya beans in Arua and maize, beans, g/nuts, simsim, sorghum, soya bean/sunflower and millet in Apac. This is a process of careful selection of enterprises by farmer groups, which is carried out based on profitability, food security, market demand, and adaptability of the enterprise among others. In addition, bee-keeping (apiary) has been introduced as a cross-cutting enterprise. Accordingly, a total of 120 farmers received 2 modern beehives (Langstroth), making a total of 240 modern beehives. The targeted beneficiaries for apiary sub-projects are women and youth. A total 1,780 farmers were trained in post harvest handling techniques and quality standards and value addition.

**d. Animal traction:** In an effort to increase production and productivity in the project area, ox-plough technology was introduced and operates through co-operative system. A total of 60 bulls were supplied by the project to farmers during the year. Of these, 21 had been trained and could plough effectively while 36 were still undergoing training.



*An apiary project promoted to raise farmers' incomes - UCA/IFAPI Project*

**e. Capacity building:** The leadership and managers of the 19 co-operative societies were trained during the year. In addition, farmers were trained in enterprise selection, better farming methods, quality control and standards, strategic planning, business plans and record keeping as well as training in the role co-operatives in collective bargaining.

**f. Fruit production:** This is another subproject component targeting women, youth and persons with disabilities. These have so far received 7,500 fruit seedlings including mangoes, oranges and avocados. These are intended to improve nutrition, food and income as well as conservation of the integrity of the environmental.



*Oxen preparing land for the next season - UCA/IFAPI Project*

**g. Demonstrations:** Setting up demos is one of the techniques being used in this project to disseminate new technologies. During the year, 39 demos were established at the primary society level. The demos include beans, maize, soybean, apiary and fruit trees.

**h. Mobilization:** Although the target was 150 members for each primary society, our achievement was much higher as shown in the following table. This was mainly due to intensive mobilization, committed field staff and more importantly, the interest of the people themselves to participate in meaningful co-operative activities once again.

# REPORT ON THE UCA ACTIVITIES

IFAPI

**Table 1. Summary of the performance of the Project supported SACCOs**

| Items               | July.05          | June.06         | Increase    | % Increase |
|---------------------|------------------|-----------------|-------------|------------|
| Membership          | 780              | 4,219           | 3,439       | 441        |
| Share capital       | 29,150,000       | 77,899,500      | 48,749,500  | 167        |
| Savings deposit     | 70,276,000       | 135,373,250     | 65,097,250  | 93         |
| Savings accounts    | 456              | 1,935           | 1,479       | 324        |
| Loans (Outstanding) | 68,000,000       | 173,325,900     | 105,325,900 | 154        |
| SACCOs lending rate | 4%-10% flat rate | 3%-5% flat rate | Decrease    |            |

The following tables show detailed performance report based on districts

**Table 2. Membership growth during the year July – June 2006**

| District | Total membership |         |          |     |
|----------|------------------|---------|----------|-----|
|          | July.05          | June.06 | Increase |     |
|          |                  |         | Number   | %   |
| Arua     | 452              | 1,972   | 1,520    | 336 |
| Nebbi    | 353              | 784     | 431      | 122 |
| Apac     | 0                | 1,463   | 1,463    |     |

**Table 3. Share capital growth during the year July 2005 – June 2006**

| District | Shares     |            |            |    |
|----------|------------|------------|------------|----|
|          | July.05    | June.06    | Increase   |    |
|          |            |            | Amount     | %  |
| Arua     | 22,440,000 | 44,098,000 | 21,658,000 | 97 |
| Nebbi    | 7,885,000  | 11,818,500 | 3,933,500  | 50 |
| Apac     | 0          | 21,613,000 | 21,613,000 |    |

**Table 4. Savings growth during the year July 2005 – June 2006**

| District | Savings    |            |            |    |
|----------|------------|------------|------------|----|
|          | July.05    | June.06    | Increase   |    |
|          |            |            | Amount     | %  |
| Arua     | 60,774,600 | 97,953,900 | 37,179,300 | 61 |
| Nebbi    | 11,378,400 | 18,953,600 | 7,575,200  | 67 |
| Apac     | 0          | 18,465,750 | 18,465,750 |    |

# REPORT ON THE UCA ACTIVITIES

IFAPI

**Table5 .Performance: Membership, Shares and Savings Mobilization**

| District | Total membership |         |          |     | Shares     |            |            |    | Savings    |            |            |           |
|----------|------------------|---------|----------|-----|------------|------------|------------|----|------------|------------|------------|-----------|
|          | July.05          | June.06 | Increase |     | July.05    | June.06    | Increase   |    | July.06    | June.06    | Increase   |           |
|          |                  |         | Number   | %   |            |            | Amount     | %  |            |            | Amount     | %         |
| Arua     | 452              | 1972    | 1520     | 336 | 22,440,000 | 44,098,000 | 21,658,000 | 97 | 60,774,600 | 97,953,900 | 37,179,300 | 61.175721 |
| Nebbi    | 353              | 780     | 407      | 115 | 7,885,000  | 11,818,500 | 3,933,500  | 50 | 11,378,400 | 17,093,600 | 5,715,200  | 50.228503 |
| Apac     | 0                | 1463    | 1463     | -   | 0          | 21,613,000 | 21,613,000 | -  | -          | 18,465,750 | 18,465,750 | -         |

**Table 6:Performance: Marketing by Rural Producer Organisations through ACEs**

| District | Crops grown By participating farmers. | Farm gate price | Sale price at RPOs / ACEs | Open market | Total value marketed by ACEs |
|----------|---------------------------------------|-----------------|---------------------------|-------------|------------------------------|
| Nebbi    | Maize                                 | 200             | 600                       | 250         | 560,160,000                  |
|          | Beans                                 | 450             | 900                       | 600         | 225,360,000                  |
|          | G/nuts                                | 800             | 1000                      | 900         | 163,200,000                  |
|          | Sorghum                               | 250             | 500                       | 300         | 80,700,000                   |
|          | Simsim                                | 450             | 750                       | 700         | 94,200,000                   |
| Apac     | Maize                                 | 200             | 300                       | 250         | 60,000,000                   |
|          | Simsim                                | 700             | 850                       | 800         | 51,000,000                   |
|          | G/nuts                                | 800             | 1000                      | 9000        | 100,000,000                  |
|          | Sorghum                               | 200             | 330                       | 250         | 26,400,000                   |
|          | Rice                                  | 350             | 450                       | 400         | 105,000,000                  |
| Arua     | Maize                                 | 280             | 400                       | 350         | 2,920,000                    |
|          | G/nuts (Unshelled)                    | 500             | 700                       | 600         | 40,600,000                   |
|          | Rice (unshelled)                      | 400             | 500                       | 400         | 21,000,000                   |

## CHALLENGES

- Unfavorable weather in some areas, which affect crop production.
- Insecurity especially in some parts of Apac, which affected mobilization of members as well as production.
- Limited funds for training cooperatives especially for SACCOs
- High expectation of farmers for handouts
- Most farmers expect quick results.
- Poor marketing infrastructures.

**7.0 UGANDA CO-OPERATIVE ALLIANCE LIMITED**  
**REPORT OF THE DIRECTORS YEAR ENDED 30 JUNE 2006**

The directors present their report together with the audited financial statements for the year ended 30 June 2006, which discloses the state of affairs of the organisation.

**1. PRINCIPAL ACTIVITY**

The organisation's principal activity is to promote Co-operatives in Uganda.

**2. RESULTS**

The results for the year are set out on page 59.

**3. DIVIDENDS**

The directors do not recommend the payment of a dividend.

**4. DIRECTORS**

The directors who served during the year and to the date of this report were:

|                        |                                             |
|------------------------|---------------------------------------------|
| Mr. Joseph Mukasa      | - Chairman                                  |
| Ms. Lydia Turyahumura  | - Vice Chairman                             |
| Mr. Geoffrey Beingana  | - Treasurer                                 |
| Mr. Charles Esolu      | - Member                                    |
| Mr. Jackson Oyugi      | - Member                                    |
| Mr. Lawrence Tiruganya | - Member                                    |
| Ms Justine Kazungu     | - Retired (28 <sup>th</sup> September 2005) |

**5. AUDITORS**

The auditors, Messrs Ernst & Young, have expressed their willingness to continue in office.

By Order of the Board

  
**GENERAL SECRETARY**

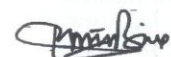
**September 2006**

**UGANDA CO-OPERATIVE ALLIANCE LIMITED**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**  
**YEAR ENDED 30 JUNE 2006**

The Co-operative Societies Statute, 1991 requires the directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the organisation as at the end of the financial year and of its operating results for that year. It also requires the directors to ensure the organisation keeps proper accounting records which disclose, with reasonable accuracy, at any time the financial position of the organisation. They are also responsible for safeguarding the assets of the organisation.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Co-operative Societies Statute. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the organisation and of its operating results. The directors further accept responsibility for the maintenance of accounting records, which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

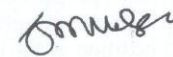
Nothing has come to the attention of the directors to indicate that the organisation will not remain a going concern for at least the next twelve months from the date of this statement.



.....  
**DIRECTOR**

28<sup>th</sup> September 2006

.....  
**Date**



.....  
**DIRECTOR**

28<sup>th</sup> September 2006

.....  
**Date**



**8.0 REPORT OF THE INDEPENDENT AUDITORS**  
to the members of  
**UGANDA CO-OPERATIVE ALLIANCE LIMITED**

We have audited the financial statements on pages 57 to 59, which have been prepared on the basis of the accounting policies. We obtained all the information and explanations, which we considered necessary for our audit.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND INDEPENDENT AUDITORS**

The directors are responsible for the preparation of the financial statements, which give a true and fair view of the state of affairs of the organisation and of the operating results. Our responsibility is to form an independent opinion on the financial statements based on our audit and to report our opinion to you.

**BASIS OF OPINION**

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform our audit so as to obtain a reasonable assurance that the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

**OPINION**

In our opinion, proper books of account have been kept and the financial statements, which are in agreement therewith, give a true and fair view of the financial position of the organisation at 30 June 2006 and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Co-operative Societies Statute, 1991.

  
**KAMPALA**  
28th September 2006

**UGANDA CO-OPERATIVE ALLIANCE LIMITED**  
**BALANCE SHEET**  
30 JUNE 2006

|                                            | Note | 2006<br>Ushs         | 2005<br>Ushs         |
|--------------------------------------------|------|----------------------|----------------------|
| <b>ASSETS</b>                              |      |                      |                      |
| <b>NON-CURRENT ASSETS</b>                  |      |                      |                      |
| Property, plant & equipment                | 2    | 637,713,316          | 688,247,434          |
| Prepaid operating lease rentals            | 3    | 20,108,656           | 148,174,599          |
| Investment property                        | 4    | 2,286,829,957        | 1,329,883,481        |
| Investments in shares                      | 5    | 179,240,000          | 179,240,000          |
| Loans to co-operatives                     | 6    | <u>243,688,640</u>   | <u>243,688,640</u>   |
|                                            |      | <u>3,367,580,569</u> | <u>2,589,234,154</u> |
| <b>CURRENT ASSETS</b>                      |      |                      |                      |
| Inventories                                | 7    | 17,205,778           | 8,778,338            |
| Amounts receivable from related companies  | 17   | 29,481,413           | 4,883,786            |
| Other accounts receivable                  | 8    | 322,349,372          | 237,451,530          |
| Cash and bank                              | 9    | <u>337,248,488</u>   | <u>936,129,203</u>   |
|                                            |      | <u>706,285,051</u>   | <u>1,187,242,857</u> |
| <b>TOTAL ASSETS</b>                        |      | <u>4,073,865,620</u> | <u>3,776,477,011</u> |
| <b>SHAREHOLDERS' FUNDS AND LIABILITIES</b> |      |                      |                      |
| <b>CAPITAL AND RESERVES</b>                |      |                      |                      |
| Share capital                              | 10   | 141,142,356          | 131,472,356          |
| Statutory reserves                         | 11   | 99,293,842           | 75,709,380           |
| Capital grants                             | 12   | 931,952,378          | 931,952,378          |
| Capital reserves                           | 13   | 821,078,950          | 821,078,950          |
| Profit and loss account                    |      | <u>387,257,981</u>   | <u>196,400,740</u>   |
|                                            |      | <u>2,380,725,507</u> | <u>2,156,613,804</u> |

| REPORT ON THE UCA ACTIVITIES | Balance Sheet |
|------------------------------|---------------|
|------------------------------|---------------|

**NON-CURRENT LIABILITIES**

|                       |    |                    |                    |
|-----------------------|----|--------------------|--------------------|
| Long-term liabilities | 14 | <u>585,140,365</u> | <u>584,540,365</u> |
|-----------------------|----|--------------------|--------------------|

**CURRENT LIABILITIES**

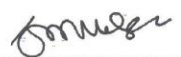
|                                      |    |                    |                    |
|--------------------------------------|----|--------------------|--------------------|
| Other accounts payable               | 15 | 349,242,694        | 143,837,238        |
| Deferred revenue grants              | 16 | 396,474,636        | 550,203,186        |
| Amounts payable to related companies | 17 | <u>362,282,418</u> | <u>341,282,418</u> |

|  |  |                      |                      |
|--|--|----------------------|----------------------|
|  |  | <u>1,107,999,748</u> | <u>1,035,322,842</u> |
|--|--|----------------------|----------------------|

**TOTAL SHAREHOLDERS' FUNDS  
AND LIABILITIES**

|  |  |                      |                      |
|--|--|----------------------|----------------------|
|  |  | <u>4,073,865,620</u> | <u>3,776,477,011</u> |
|--|--|----------------------|----------------------|

The financial statements were approved by the board of directors on 28th September 2006 and were signed on its behalf by:

  
..... Chairman

  
..... Treasurer

  
..... General Secretary.

| REPORT ON THE UCA ACTIVITIES | Profit and Loss |
|------------------------------|-----------------|
|------------------------------|-----------------|

**UGANDA CO-OPERATIVE ALLIANCE LIMITED**
**UCA CORE PROFIT AND LOSS ACCOUNT**
**YEAR ENDED 30 JUNE 2006**

|                                       | Note | 2006<br>Ushs       | 2005<br>Ushs       |
|---------------------------------------|------|--------------------|--------------------|
| <b>INCOME</b>                         |      |                    |                    |
| Member subscriptions                  |      | 7,030,000          | 7,670,000          |
| Rental income from residential houses |      | 39,710,000         | 39,010,000         |
| Rental income from offices            |      | 227,975,110        | 217,246,717        |
| Sale of services to related companies |      | 3,000,000          | 3,000,000          |
| Other income                          | 18   | 116,452,245        | 346,841,147        |
| Interest income                       |      | -----              | 4,309,466          |
| Profit from disposal of investments   |      | <u>481,668,697</u> | <u>212,529,639</u> |
|                                       |      | <u>875,836,052</u> | <u>830,606,969</u> |

**EXPENDITURE**

|                             |    |                    |                    |
|-----------------------------|----|--------------------|--------------------|
| Staff expenses              | 19 | 182,855,728        | 188,098,302        |
| Vehicle and travel expenses |    | 36,420,840         | 35,792,350         |
| Other operating expenses    | 20 | <u>442,117,781</u> | <u>378,804,633</u> |
| Total expenses              |    | <u>661,394,349</u> | <u>602,695,285</u> |

|                               |    |             |             |
|-------------------------------|----|-------------|-------------|
| <b>PROFIT BEFORE TAXATION</b> | 21 | 214,441,703 | 227,911,684 |
|-------------------------------|----|-------------|-------------|

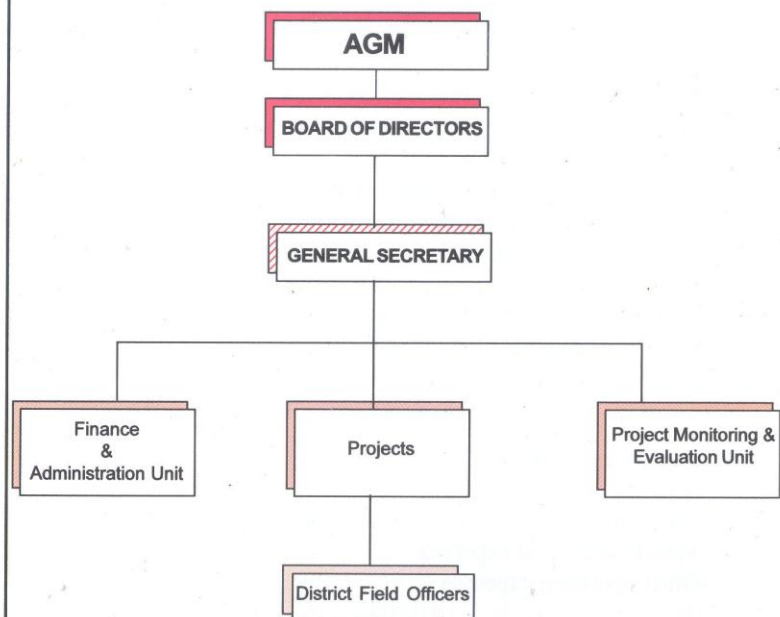
|                 |    |       |       |
|-----------------|----|-------|-------|
| <b>TAXATION</b> | 22 | ----- | ----- |
|-----------------|----|-------|-------|

|                            |  |                    |                    |
|----------------------------|--|--------------------|--------------------|
| <b>PROFIT FOR THE YEAR</b> |  | <u>214,441,703</u> | <u>227,911,684</u> |
|----------------------------|--|--------------------|--------------------|

## UCA Organisation Chart

9.0

### Organization Chart for Uganda Cooperative Alliance Ltd.



#### 2006 POSITION OF PROJECTS

- ✦ Farmer Empowerment Through Agricultural Services (FETAS)
- ✦ Community Empowerment through Cooperative Financial Institutions (CECFIS)
- ✦ Integrated Finance and Agricultural Production Initiative (IFAPI)
- ✦ Youth Economic Empowerment Through Cooperative Organisations (YEECO)
- ✦ Promoting Area Cooperative Enterprises (PACE)