



**Development of Inclusive Business Models
(IBM) for leveraging investments and
development in Acholi sub-region**

USER GUIDE

**Prepared for Joint Acholi Sub-Regional
Leaders' Forum and Trócaire**

Funded by



Acknowledgement of Authors

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Acronyms

AAU	Amatheon Agri Uganda
ACE	Area Co-operative Enterprises
ha	Hectare
IBM	Inclusive Business Model
JASLF	Joint Acholi Sub-Regional Leaders' Forum
Mt	Metric tons
NUAC	Northern Uganda – Transforming the Economy through Climate
PCS	Primary Co-operative Society
PDM	Processor-Driven Marketing
PWD	Person with a disability
RPO	Rural Producer Organization
SACCO	Savings and Credit Cooperative
SC	Site coordinators
Ugx	Uganda shillings
USD	United States Dollars
USAID	United States Agency for International Development
VODP	Vegetable Oil Development Project
WACU	West Acholi Cooperative Union
WFP	World Food Programme

1. Introduction

1.1 Background

Farmgain Africa Ltd was contracted by Trócaire to produce a detailed, easily understandable study report on possible variety or alternative Inclusive Business Models (IBMs) that would be appropriate to implement in Acholiland. The IBMs are therefore intended to circumvent existing market failures and inefficiencies to successfully integrate the poor, either on the demand side as clients, or on the supply side as employees, distributors, or suppliers of goods and services. Trócaire also intended to produce a Guide document that will spell out at least 4 (or more) IBM options that local actors could choose from, detailing the requirements and steps involved in establishing them.

This guide, therefore, is for the establishment of 2 inclusive business models that have been proposed to Trócaire for consideration. They include the Integrated Cooperative Model promoted by Uganda Cooperative Alliance (UCA) and the Private Investor-driven Hybrid model which is a combination of the Processor-Driven Marketing model (PDM) used by Mukwano Industries , the JI model used by Joseph Initiative and the AFGRI model.

1. Integrated Cooperative Model

1.1 ICM model in summary

This model involves members of a community in a geographical area (a Parish) forming one primary cooperative society (PCS) for purposes of improving their farming. Primary societies are the basic units which comprise of about 20 - 30 individual members with a common need (e.g. improved farming, collective marketing etc.). About 15-30 such primary cooperative societies in a larger geographical area known as a Sub-county form a secondary cooperative known as Area Cooperative Enterprise (ACE). The Primary Societies plus the ACE then form one SACCO which is shared by all the three categories as their financial institution.

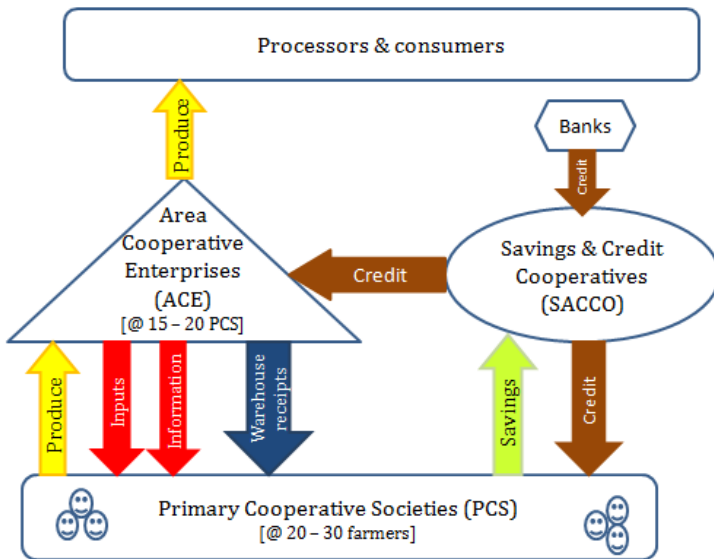


Figure 1: Diagram depicting the integrated cooperative model

1.2 Setting up of the Integrated Cooperative model

The steps involved in the establishment of this model are as follows:

Step 1: Establishing of Primary Cooperative Societies (PSCs)

By Who: Farmers supported by development partners, government agencies and civil society with Cooperative skills

When and how long? To be executed at inception of model and it may take 3- 6 months

Sub activities:

- i. Each PSC should develop its idea of why it's being formed. A feasibility/ viability /sustainability study of the proposed cooperative should be conducted
- ii. Each PSC should have members not exceeding 30 persons above 18years
- iii. Gender balancing to be catered for at this level
- iv. Establish what would be required to start and cover the operating costs of the proposed co-operative before it starts earning its own income.
- v. Determine how the running and operating costs of the co-operative will be met
- vi. Recruiting members and setting up leadership structures for the co-operative. The PSC should have an elected chairperson, secretary, treasurer and committee members
- vii. Registering the co-operative with Ministry Trade, Industry and Cooperatives (MTIC) as stipulated by the Cooperative Act Cap 112
- viii. Managing the co-operative:- Guidelines for a management structure should be adopted and implemented accordingly.
- ix. Evaluating the co-operative: A system of checks and balances is to be installed whereby leaders are accountable to the members.

Step 2: Registration of Primary Cooperative Societies (PSCs)

By Who: Farmers supported by development partners, government agencies and civil society with Cooperative skills

When and how long? To be executed at inception of model and it may take 1 - 2 months

Sub activities:

Under the cooperative societies Act Cap 112, in order to operate a cooperative that is recognised it must be registered by the Registrar of co-operative societies. The Registrar of cooperative societies is based in the Ministry of Trade, Industry and Cooperatives (MTIC) (i.e. Farmers House, Parliament Avenue, Floor 6 Room 608). The procedures of registration are as follows:

- i. Mobilizing of at least a minimum of 30 members (aged 12 years and above) with a common bond/interest/need. At least all the 30 members must have paid up membership fees and share capital before registration. Note: membership fees and share capital are determined by the members of the society intending to register.
- ii. Recruiting members and setting up interim leadership structures for the co-operative as

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- follows: (Chairperson, treasurer, secretary and 2 other committee members)
- iii. Completing application form for registration (sample registration application forms are contained in the model bylaws for co-operatives or Cooperative Societies Regulations 1992) and these forms are obtainable from MTIC **Room 608** and from all offices of District Commercial Officers (DCOs) across the country.
 - iv. Obtaining 1 set of bylaws (**four booklets in number**) from MTIC and DCOs offices, participatorily filling and forwarding them together with Schedule of paid up membership fees, shares and savings if any, through the DCOs.
 - v. Approaching area District Commercial Officer (DCO) to prepare interim Financial Statements of the proposed cooperative and writing a recommendation letter to the Registrar (based on the cooperative's interim operating report).
 - vi. Payment of 50,000/= for registration
 - vii. It is advised that during the process of registration, the interim committee should open up a joint collection account with any bank or SACCO for safe custody the funds collected during the formation process.
 - viii. Submitting of Passport Photographs of the 3 interim committee members who are signatories to the cooperative group's account

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- ix. The following documentation would be required:
- Model bylaws (copy obtainable at UCA at Ugx 15,000)
 - Application for registration form (schedule form 1) which is free of charge

Step 3: Mainstreaming gender into the cooperative

By Who: Farmers supported by NGOs with gender mainstreaming skills

When and how long? To be executed when cooperative has been registered and it may take 6 – 12months.

Sub activities:

- i. Ensure that there is a woman, a youth and a PWD¹ on the committees. Cooperatives have enabled women to access products and services, and also improve their businesses and entrepreneurial skills and knowledge. The integration of gender in cooperative development is essential and has benefits like growing membership both in numbers and inclusiveness. In Uganda the co-operative movement, over the last 15 years, has recruited many women, youths and persons with disabilities. They are fully involved and some have assumed management and leadership positions. This has also provided a platform for advocacy, leadership

¹Person with a disability

training and, management and skills development of all cooperative members.

- ii. Render some gender coaching to the members of the cooperative

Step 4: Capacity building of the members

By Who: Farmers supported by any NGO with management and entrepreneurial skills

When and how long? To be executed when cooperative has been registered and it may take 6 – 12months.

Sub activities:

For cooperative to succeed and generate wealth for their members, the capacity of members needs to be built in the following aspects:

- i. Planning for the cooperative: This involves visioning and setting goals and objectives to pursue.
- ii. Building confidence, trust and respect for policies, bylaws and sustainable shared goals.

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- iii. Adaptability to changing environment at local, regional and global level.
 - iv. Diversification of activities /enterprises to maximize attainment of institutional and individual interests.
 - v. Pay attention to Efficiency and Effectiveness in running cooperative enterprises. This should be backed by ability to identify and minimize risks
 - vi. Member empowerment through continuous cooperative education
 - vii. Boost the management potential of the cooperative in professional and entrepreneurial approach to management of the cooperative as well as regular and effective training and skills development for leaders and management staff. Human Resource Development institutions which train people in cooperatives should also include ICT skills development in their programmes.

Step 5: Formation of Area Cooperative Enterprises (ACEs) and linking them to PSCs

By Who: Farmers supported by experts in cooperative formation

When and how long? To be executed after a year or two of assessing how the PSC is running.

Sub activities:

Essentially, an Area Cooperative Enterprise (ACE) is conglomeration of two and up to 30 primary cooperative societies in a larger geographical area known as a Sub-county. ACEs perform functions of economic benefit to their members and these include:

- i. Collects and disseminates market information
- ii. Collaborates with the primaries to guides members in the selection of 3 enterprises to focus on during production.
- iii. Stores members' produce after it has been bulked and delivered by the primary cooperatives. It can also just keep the records of what is where.
- iv. Checks on quality of produce delivered by the members
- v. Drying and storage and adding value to members produce where it is desirable and feasible.

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- vi. Bulking of members produce and marketing on behalf of the members
 - vii. Issuing stores receipts to the primary cooperatives members for their produce which they can use for accessing credit from SACCOS
 - viii. Managing the produce stores (in most cases jointly with the SACCOS)

In Uganda, ACEs do their work, on the basis of a commission in terms of percentage of the sales price, which is agreed upon with the members well in advance. This serves as a motivation to the ACEs to get the highest market prices in marketing the members produce. Their setting up involves the following:

- i) Obtain buy-in from potential entrepreneurs
- ii) Introduce them to PSCs
- iii) Develop a via business plan for bulking, storing and selling members' produce at a commission
- iv) Set up the required physical infrastructure (i.e. collection centres, storage facilities, drying or processing facilities, offices)
- v) Link PSCs to SACCOS

Step 6: Formation of Savings and Credit Cooperatives (SACCOs) and linking them to ACEs

By Who: Farmers supported by experts in micro-finance and cooperatives.

When and how long? To be executed after a year or two of assessing how the PSCs are running and shortly after establishing the ACE.

Sub activities:

Essentially, each ACE should be linked to a SACCO for purposes of mobilizing savings. The establishment of SACCOs can be achieved as follows:

- i) Register the SACCO with MTIC
- ii) Enroll members and enable them obtain shares
- iii) Employ professionals to manage the SACCO. These may include an accountant, a manager and a communications clerk
- iv) Open bank accounts for safe keeping of financial assets of the SACCO
- v) Adhere to the Good Practices of SACCO management as stipulated in the Cooperative manual.
- vi) Establish an audit system
- vii) Maintain periodic reporting to members

2. The private investor-driven hybrid model (PIDHM)

2.1 PIDHM model in summary

This model is a hybrid of several models developed by private sector investors that have been operating in Acholi sub-region in the recent decade or so. It essentially involves a mechanism of bulking produce as well as another for supporting producers with services such as credit, market information, advice and access to good quality inputs.

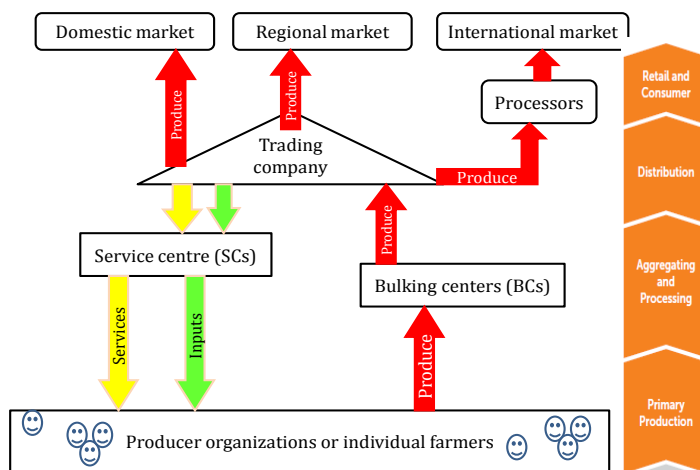


Figure 2: Diagram depicting the Private investor-driven hybrid model

2.2 Setting up the PIDHM model

The following are the steps required in setting up this type of model:

Step 1: Getting the private investor on board

By Who: Local government (district leadership), central government agencies (UIA², UEPB³, MAAIF⁴, MTTI⁵....) society and private sector

When and how long? To be done at the model establishment phase and it may take 1 – 3 months

Sub activities:

The activities involved in getting the private investor on board are as follows:

- i) Identifying potential investor
- ii) Assess their financial capacity to invest
- iii) Assess business project acceptability in terms of culture, values, norms and environmental suitability
- iv) Conduct due diligence on the investor

²Uganda Investment Authority

³Uganda Export Promotion Board

⁴Ministry of Agriculture Animal Industry & Fisheries

⁵Ministry of Tourism Trade & Industry

Step 2: Setting up of procurement process & infrastructure

By Who: Private investor working with the farming community and local government

When and how long? To be done at the model establishment phase and it may take 1 – 12 months

- i) Establishment of farmer bulking centers (BCs). These are essentially places with storage space (temporary or permanent)
- ii) Recruitment of staff to manage the BCs. Each BC is to be manned by procurement person either employed by investor or working on a commission basis on behalf of the investor.
- iii) Introduce a quality rewarding payment system

Step 2: Setting up of service centres

By Who: Private investor

When and how long? To be done at the model establishment phase and it may take 1 – 12 months

Sub activities:

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- i) Construct or hire premises in the production areas
 - ii) Recruit experts or subject matter specialists to render services to producing population
 - iii) Establish the required inputs and estimate their demand to inform how much stock is to be held in such premises
 - iv) Establish a check-off system for farmers unable to pay for the inputs on cash basis
 - v) Profile farmers loyal to the investment model
 - vi) Make a needs assessment in terms of knowledge, skills and information access
 - vii) Develop mentoring and training material
 - viii) Implement training/mentorship programmes

Step 3: Establishment of value addition and marketing processes

By Who: Private investor together with potential buyers, export promoters, regulators, policy makers

When and how long? To be done after production and procuring systems have been put in place.

Sub activities:

- i) Identify purchasing partners locally, regionally or internationally
- ii) Identify attributes desired by consumers
- iii) Determine level of processing / value addition to be done on product
- iv) Establish the processing plant
- v) Obtain buy-in from the community, local government, cultural leaders...