

Terms of Reference

Improving the financial management system of Bushika

“Improving the financial management system of Bushika” is an assignment within the framework of project 17at-7034. The Agriterra business advisor responsible for this assignment is Chris Ibyisintabyo. In case of changes in the assignment and/or programme the business advisor has to be consulted immediately. The responsible person within Bushika is Mr Wanambwa James (manager).

Background

Bushika

Bushika Integrated Area Cooperative Enterprise (BIACE) is a member owned Cooperative which started in May 2010 with 10 Primary Cooperatives (PCs). It is registered with the Register of Cooperatives, Reg. No. P4951/RCS. In 2015, the cooperative was comprised of 33 Rural Producer Organizations with 2,640 individual farmers and in 2016, the membership base grew to 3,040 individual farmers.

They have six staff members, manager, deputy manager (accountant) and four service providers.

However, its focus is on increasing its production, improve value addition and increase market base for:

- Coffee
- Dairy
- Passion fruits
- Honey processing and
- Banana wine production

The above enterprises have high potential of generating good incomes for its members. It therefore believes that when the above is realized, it will achieve its overall goal of reducing poverty among its members, increase food security, nutrition, health and sustainable resource management. The Society has 9 objectives that it pursues with 15 activities that it implements with 7 core values.

In June 2017 Agriterra did a cooperative assessment at Bushika and the result is that in 2017 Agriterra wants to assist Bushika with an expert from the Netherlands to assist in improving the financial management. And in 2018 Agriterra can start working with them, if in 2017 they have followed up some of the recommendations Agriterra has given (see also the report).

Agriterra

Agriterra is a development agency founded and steered by the farmers’ organisations and agricultural cooperatives in the Netherlands. Its mandate is to strengthen producers’ organisations worldwide. Among other activities it supports co-operative farmer-led economic development in developing countries. Agriterra mainly acts as a facilitating agency and provides advisory and broker services to farmer-led business initiatives to enable them to:

- Develop sound and bankable business plans for starting-up new agribusiness ventures and/or expanding existing ones
- Improve their financial management capacity
- Have access to capital
- Rely on technical support and backstopping

For farmer-led business initiatives, Agriterra specifically supports business development services in the pre-investment phase such as feasibility studies, market surveys, business planning and capacity building components. In addition Agriterra provides:

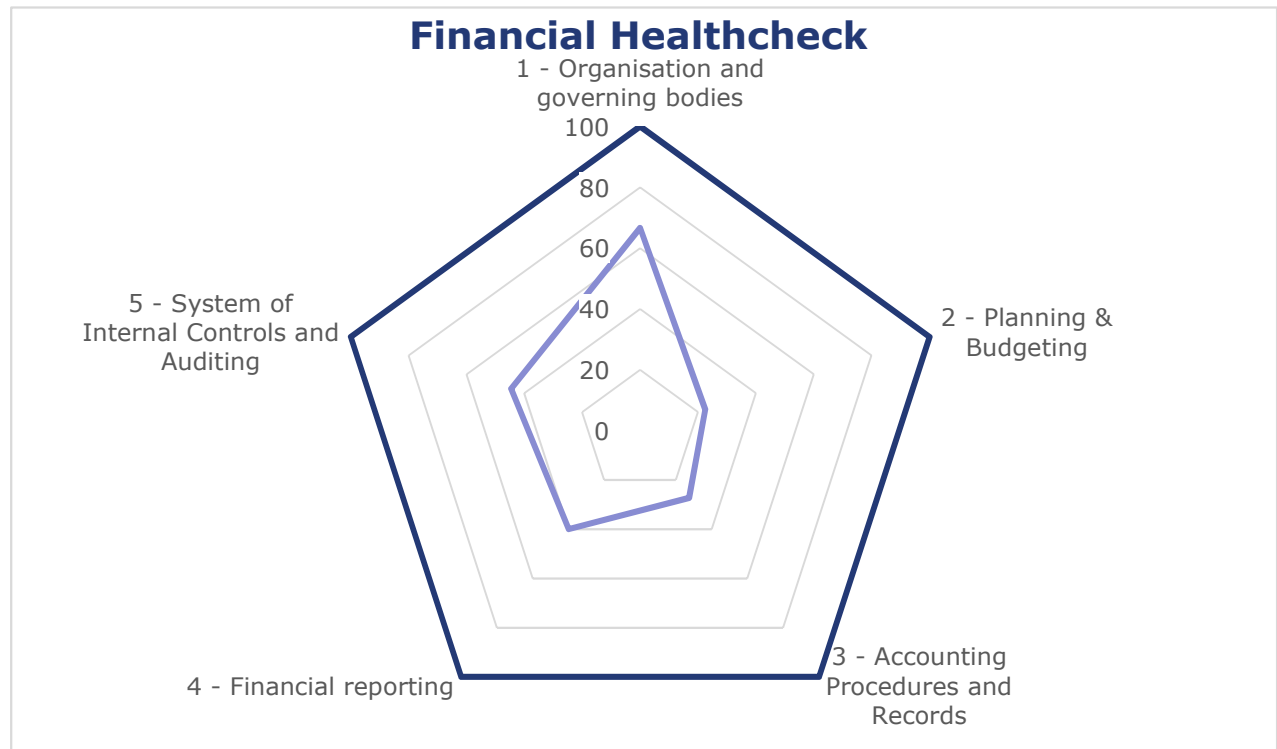
- brokerage services to link farmer-led business development initiatives with investors, banks and other primary and supportive stakeholders in the value chain.
- advisory services often employing AgriPool advisors: experts stemming from co-operative and private agribusiness companies from the Netherlands and beyond with a specific thematic or sector expertise

Agriterra does not fund purchase of premises, machinery and other types of hardware.

Background of the situation and problem statement

The cooperative has a growth ambition for the coming years. Bushika ACE wants to establish the first coffee processing (hulling, drying) facility in Mount Elgon region in Uganda.

During the cooperative assessment a Financial Health Check was done, this can help assess the health of a cooperative's financial management. It is designed as a tool so that the areas of improvements can be identified.



Section	Your Score	%
1 - Organisation and governing bodies	20	67
2 - Planning & Budgeting	9	23
3 - Accounting Procedures and Records	15	27
4 - Financial reporting	18	40
5 - System of Internal Controls and Auditing	29	45
Total Score	91	39

This low score of Bushika means that their financial management is very weak and should be taken up immediately. One of the reasons for the low score is due to the fact that they have a manual accounting system.

Most important weaknesses are in planning and budgeting and accounting procedures and records. These have the lowest scores. Examples of things that are missing:

- Chart of accounts
- No annual budget
- No cash flow projections
- No regular cash counts
- No inventory book
- No regular bank reconciliation for each bank account

It should be noted that there is no official accountant.

These were the conclusions from the cooperative assessment on the topic Finance:

- Weak financial management which is a risk
- Poor quality audit report
- Liquidity is weak, no external loans
- Profit on coffee is still low, coffee earning model needs to be improved
- Implementing internal capitalisation (2 kg coffee) is good
- A lot of cash is a risk

Areas of improvement

- Manual bookkeeping
- Accounting procedures and records:
 - Cash count, inventory book, bank reconciliation, update account book once a week
- Develop strategic plan
- Develop annual budget and cash flow projections
- Improve external audit report
- Take up role of Supervisory committee professionally

A good financial management system is the backbone of the cooperative. This has to be in place, to assure ambitions. Conclusion: the financial system in place does not provide a solid base to ensure sound management of organisation funds. The first step is to improve the financial management system.

Mission

- Composition of the mission: The mission will be executed by one agripooler, an expert in financial management.
- Duration of the mission: The mission will take place for nine days (including travelling, excluding one day preparation and one day reporting) from September/ October 2017

Objective(s)

The objective of this mission is:

- To improve the financial management system
- To prepare Bushika for implementation of a financial management system (Tally/Quick books)
- To make sure Bushika will have a higher score in the financial health check the next time.

Activities

- Assess and map the current system through interviews with board and (financial) staff;
- Prepare documents to improve the financial management system, like balance sheet, profit and loss statement and budget.
- And train the staff to use this;

Expected results

- Mission report containing:
 - Results
 - Suggestions and remarks of expert
 - Action plan for cooperative
 - Training material (presentations and other material).
- A proper bookkeeping system in place
- Trained staff, capable to use the bookkeeping system and documents

Programme

Date	Activity	Who
Sat	Flight Amsterdam - Entebbe, transfer to Kampala for one night	
Sun	Travel to Mbale	
Mon - Fri	Mission	
Sat	Travel to Entebbe, flight Amsterdam	
Mon	Arrival Amsterdam	

Annexes:

1. Cooperative assessment Bushika including Financial Health Check
2. Financial statements 2015 and 2016