



Strengthening

Agribusiness Ethics,

Quality Standards,

& ICT Usage in

Uganda's Value Chains

AGRI-QUEST POLICY BRIEF SERIES

Policy Brief No. 2:
**The Code of Conduct Implementation Strategy of the Uganda
National Bureau of Standards**

Floris P. C. Lekkerkerker, Christopher Wickert
(VU University)
David Katamba, Andrew Seruma
(Makerere University Business School)

AGRI-QUEST Policy Brief Series provide state-of-the-art analyses and policy recommendations on topics related to ethics, quality standards; sustainability, and Corporate Social Responsibility (CSR) in agriculture in the context of Uganda. They are part of the broader AGRI-QUEST research project funded by The Netherlands Organisation for Scientific Research (NWO-WOTRO).

For more AGRI-QUEST details, contact:

David Katamba,
AGRI-QUEST Lead Researcher
Website: www.agriquestuganda.com
Email: info@agriquestuganda.com
Tel: +256 774972532; +256 752794612

A project mainly financed by:



Implemented by:



Introduction

The Uganda National Bureau of Standards (hereinafter UNBS) is a statutory body under the Ministry of Trade, Industry and Cooperatives established in by the UNBS Act Cap 327 and was founded in 1989. The UNBS is governed by the National Standards Council and headed by the Executive Director who is responsible of the UNBSs day-to-day operations. The four main responsibilities of the UNBS are the formulation and promotion of the use of standards, enforcing the standards to protect public health, safety, and the environment against dangerous and sub-standard products, ensuring fairness in trade and precision in industry through the development of reliable measurement systems, and lastly strengthening the Ugandan economy by ensuring the quality of locally manufactured products in order to enhance competitiveness of exports in regional and international markets (Katamba and Nkiko, 2016). Subsequently, the UNBS simplifies and increases the transparency of import/export procedures. The producers improve the quality of the products they produce and improve their understanding of standards and requirements. This is necessary because it is the main perception that Uganda lacks a national standards and quality policy to provide guidance concerning the minimal quality standards for products in agriculture.

In the UNBS Act Cap 327, where this council was founded, is stated under chapter 15: “this council may declare a set of recommended practices for any good process, installation, construction, testing, operation or use of any article or device to be a code of practice for the purpose of this act (UNBS, 1983). Codes of practice, also codes of conduct, can be used to regulate business behavior by developing guidelines. This can eventually lead to conforming to quality standards, but also less perceived wrongdoing in organizations. The UNBS does not only develop codes of practice

and quality standards for the agricultural industry, but also for other products like cosmetics, electrical products, machinery, drinks, and petroleum. As the scope of this research is the developed quality standards and codes of practice in the agricultural industry, that is where the main focus of this paper will be.

To consider how the codes of practice can be most effectively implemented, with whom the UNBS should cooperate, how the UNBS can train and educate farmers, communicate these codes, how these codes can be enforced, and what the effect of these codes on conforming to quality standards is, this paper firstly looks at the broader perspective, namely Corporate Social Responsibility (hereinafter CSR) in Uganda. It is of the essence to understand barriers to CSR in Uganda, how to overcome these, and to study how CSR in the Ugandan agricultural industry is perceived. This paper furthermore aims to explicate on the role of the UNBS in promoting the use of quality standards in the Ugandan agricultural industry. Consequently it will be researched what CSR practices are incorporated and promoted by the UNBS. One main instrument of demonstrating and promoting CSR is through the usage of codes of conduct (Tallontire and Greenhalgh, 2005) (UNBS speaks of codes of practice; the terms are used synonymously in this paper). This research will further investigate a proper implementation strategy of these codes. This can be done by, for instance, developing training, communicating the codes, or educating farmers on best ways of practice. Furthermore, recommendations for the UNBS regarding the implementation of codes are given. To do so, qualitative data has been gathered in the country of origin through semi-structured interviews.

CSR IN UGANDAN AGRICULTURE

According to the MVO CSR Country Scan Uganda (2016), the international definition of CSR is the following: “companies taking

A project mainly financed by:



Implemented by:



responsibility for their impact on society and the environment.” In general, CSR is believed to create value, not alone for the environment, but also socially and environmentally. This is also explicated by the triple bottom line approach, in which organizations try to satisfy not only their financial needs, but also try to create social value without harming the environment (Elkington, 2004). Furthermore, CSR can play a role in all company processes and requires these companies to weigh the interests of different stakeholders, including the people involved and other organizations. Lastly, CSR is different for every company, and depends on the size, but also the sector the company is conducting business in (Aguilera, Rupp, Williams, and Ganapath, 2007). One can also argue that the way organizations perceive CSR is highly context specific. In Uganda, CSR may have the image of charity, and not something obligatory to business. How CSR is perceived in Uganda and the forms in which it is present in Ugandan agriculture is explained in this paragraph.

As mentioned above, the interpretation of the meaning of CSR in Uganda is not quite clear. Besides this, the number of organizations which incorporated CSR in their daily practices dis rise. This could however have another reason than sheer good intentions, several studies found that organization’s CSR practices sometimes lead from external factors like wanting to attract and retain customers, enhance the organization’s reputation and operational efficiencies to achieve competitive advantage instead of truly wanting to be socially responsible because of internal factors such as CSR policies, employee welfare, and CSR reporting. Regarding the interpretation of CSR in Africa, the association of the concept with philanthropy and charity through for instance investing in education, health, the environment or other community services to show CSR is one point of interest. The organizations try to make a difference in Ugandan society, but often do not succeed as the difference in scale for one single entity to change an entire society is massive.

The concept of CSR is thus often driven by external factors and interpreted in a different way than in the Western culture. CSR is not very formalized in guidelines or even laws, and the institutionalization of the practices is not advanced. For instance, we assess CSR activity by the usage of codes of conduct and quality standards, the main focus of this paper, but also by reports and management systems, which are often not present in Uganda. The concept of CSR is not based on formal guidelines and procedures, but rather on a personal sense of ethics, integrity and goodwill. However, some big councils and associations try to have smallholder farmers or processing companies adopt and implement CSR practices like codes of conduct, and have them conform to the quality standards. It is believed that adopting these codes and conforming to the quality standards ultimately can lead to more export and thus higher revenue for agricultural value chain (VC) players (Tallontire and Greenhalgh, 2005). Incorporating CSR standards is of the essence for agricultural VC-players in Uganda, as this industry has been shocked with conflicts and crises in recent years (Heyder and Theuvsen, 2008). These crises eventually resulted in decreased legitimacy. To enhance this legitimacy, the VC-players could adopt CSR practices like quality standards and codes of conduct, to ensure the long-term survival of the organization (Palazzo and Scherer, 2006).

CSR is a very old concept in Uganda. Often the challenge here is that CSR lacks high level political back up. The MVO Country Scan Uganda (2016) devotes a separate section to potential CSR risks in Uganda. As this report ultimately aims to derive recommendations for promoting CSR by the UNBS, it is important to clarify some risks for CSR in the Ugandan agricultural industry. These risks are stated in table 1, which is based on the risks identified in the MVO Country Scan (2016).

CSR Risk	Description
Corruption	Although Ugandan anti-corruption legislation, regulations and policies are in place, much of it is not enforced and does not meet international standards.

<i>Unequal (exploitative) relations between small farmers and traders</i>	As farmers are unable to unite themselves. Also workers on large plantations and temporary seasonal workers have difficulties in joining trade unions, especially when it concerns female workers. Workers do not feel free to join a union and fear being fired. In addition, small farmers find themselves in difficult conditions by the contracts and debts that they (are forced to) engage in with large companies. This means that they can only purchase seeds, pesticides, tools, etc. through loans by the large companies.
<i>The use of forced labor and human trafficking</i>	These are serious issues in the Ugandan agricultural sector, especially with the seasonal nature of the agricultural labor market.
<i>Working conditions of small farmers</i>	The working conditions of small farmers do not meet safety standards or are harmful to the health of employees.
<i>The (mis)use of fertilizer, pesticides and other products in agriculture.</i>	Pesticides are not only applied on plants, but do end up in air, soil and water. Elevated concentrations of pesticides can lead to the disease and death of animals. Besides the risks to plants and animals, pesticides can also lead to health risks for humans. The usage of pesticides and fertilizers are commonly regulated in codes of conduct.
<i>Effects on the local community</i>	health and safety can be threatened due to the use of chemicals, machinery and communicable diseases. Traditional livelihoods are impacted due to monoculture, commercial fishing, over fishing, land use for cash crops, volume of water use and impact of effluent and wastes.
<i>Seasonal and uncertain work</i>	Seasonal workers have worse salaries, hours and facilities than regular employees. Employees hired by employment agencies face even worse working conditions, since most agencies do not take regulatory guidelines concerning hours and salaries into account.
<i>Market disruption and competition</i>	The power of European supermarket chains is increasing and they demand high environmental and social standards, but are often not willing to pay much more for these higher standards. This development puts profit margins in the Ugandan agricultural sector under even more pressure and favors the concentration of export trade into large firms. Smallholder farmers cannot compete with the large firms. The transaction costs of conforming to the standards of the large firms are often too high for smallholder farmers.
<i>Child labor</i>	Child labor is an important issue in the agricultural sector (e.g. in the farming & cattle breeding and the production

	process of e.g. rice, sugar, coffee, tea, mate, vanilla, tobacco)..
<i>Land ownership</i>	Oxfam reports that more than 20,000 people in Uganda are evicted, some forcibly, from their homes and the land they depend on, to make way for plantations. The government leases the land to foreign companies.
<i>Significant greenhouse gas emissions</i>	The emission of greenhouses is often significant due to the use of fertilizers.
<i>Degradation of natural areas of high conservation value</i>	This happens in natural areas such as Bwindi Impenetrable National Park and Rwenzori Mountains National Park.
<i>Soil and groundwater contamination</i>	This contamination is associated with the use of chemicals of crop production.

Figure 1: CSR Risks in Ugandan Agriculture

There do exist some laws and regulations that opt to promote CSR initiatives. These are, for example, the Occupational Health and Safety Act 2006, which focuses on workplace, and the Forest Policy Act 2001, that mainly focuses on the environment. Furthermore, CSR managers in Uganda are motivated to promote these initiatives because they can attract customers, enhance production efficiencies, and improve organizational reputation. CSR in Uganda has evolved to a moderately known concept, which is practiced by both small and large organizations. Researchers often emphasize that Uganda overall is embracing CSR, but still at a low scale (Katamba et al., 2016; Vertigans, Idowu, and Schmidpeter 2016). A lot of laws in Uganda do not stand by it, although meeting the basic CSR standards is expected of any organization. This is especially due to fragile enforcement of these standards.

The MVO country scan (2016) also identified several trends in CSR in Uganda. For instance, there is an increased demand for fair trade products. To produce fair trade products, the farmer has to conform to a code of practice and the minimal quality standards that are set by, for instance, institutions like the UNBS. Furthermore, the development of adding value in the entire value chain is a trend in CSR. The results section will explicate on the farmer-

ownership model, in which the small holder farmer stays owner of their crop along the VC. In this way, the farmer ensures himself of a higher revenue for his crop. Nevertheless, the farmer-ownership model is only introduced in the coffee industry, and not in other agricultural industries. The coffee industry serves however as a pilot for other agricultural industries in Uganda.

Another specific trend identified by MVO is high quality demands by international corporations. This is also a barrier to CSR, explicated in table 1. MVO explains that the international corporations are not committed to talk or support the smallholder farmers, and that it is only a 'one way street.' The UNBS could help support the farmers conforming to quality standards in order to produce crops eligible for export and thus increasing their revenue. The other CSR trend identified is the increasing control of the usage of pesticides, fertilizers, and the environmental awareness which causes this control. The submission to a central code of practice could aid in regulating the usage of these artificial materials and prevent excessive harming of the environment.

UGANDA NATIONAL BUREAU OF STANDARDS AND CSR

As mentioned above, the UNBS is an agency meant to enhance national development through the application of standards in trade, industry and consumer protection. Scholars say that by doing so, it is shaping CSR in Uganda (Katamba et al., 2016). In 2013, the UNBS took part as a standards agency for Uganda, in piloting ISO 26000 as a part of a major project. This project was called "SR East Africa Project", and aimed at popularizing the uptake of social responsibility (Katamba and Nkiko, 2016).

Uganda is a country with many laws and standards like the ones of the UNBS, and these laws and standards relate directly and indirectly to CSR. However, one problem is that most of them are not adhered to or

implemented selectively. One typical CSR standard is ISO 26000, and this standard is championed by the UNBS. The championing project's overarching objective is to build capacity within Uganda, using UNBS as a central pivot. The project had a time span of one year and aims at building local capacity on ISO 26000 to root social responsibility in company operations. The project facilitated training, exchange of experience and good practices on the application of ISO 26000.

The International Standard ISO 26000, *Guidance on social responsibility*, provides harmonized, globally relevant guidance for private and public sector organizations of all types based on international consensus among expert representatives of the main stakeholder groups, and in this way encourages the implementation of best practices in social responsibility worldwide. The understanding of social responsibility is enhanced by providing guidance on translating the principles on paper to effective actions. Specific to the agricultural industry, it is of the essence to produce products that do not harm the consumer by, for instance, excessive use of fertilizers or chemicals. ISO 26000 promotes sustainable agriculture, which does not jeopardize the environment.

Uganda National Bureau of Standards (UNBS) justified ISO 26000's intention to promote common understanding in the field of SR, and to compliment other instruments, quality standards and initiatives for SR, and not to replace them. It is the body in Uganda that officially promotes the adoption of the ISO 26000 standard and hereby promotes CSR (Katamba and Nkiko, 2016). The MVO Country Scan also emphasizes that the UNBS has a lot of knowledge when it comes to CSR standards and are very well-positioned to act as an authority in this field, by drafting a national definition of CSR cooperation and establishing independent accreditation mechanisms for institutionalizing CSR.

In addition to standards, codes of conduct are another manner to demonstrate CSR. The

A project mainly financed by:

Implemented by:



UNBS is mandated to formulate Uganda national standards and Codes of Best Practice (code of conduct) for implementation by various agencies in the agricultural industry. These codes mainly address Good Agricultural Practices (GAPs) and Good Manufacturing Practices (GMPs). These will help control microbial, chemical and physical hazards associated with all stages of the production of agricultural products (UNBS, 1999). Generally, these codes exist specific to different kinds of fruits, vegetables and other crops. However, the specific codes should be used in conjunction with codes of hygienic practices in agribusiness.

In their strategic plan for the coming five years (2012), the UNBS outline five strategic objectives, the first being the increasing of the visibility and revamp the corporate image of UNBS to meet current and emerging demands of economy. They propose several areas of focus which serve as strategies to reach this strategic objective, amongst which are the subscription to international standards organization, which they have already done with ISO, the maintaining of corporate culture and values, and the presence of CSR (UNBS, 2012).

Figure 1: Financial Specification for Strategic Objective 1

STRATEGIC OBJECTIVE 1:
INCREASE THE VISIBILITY AND REVAMP THE CORPORATE IMAGE OF UNBS TO MEET THE CURRENT AND EMERGING DEMANDS OF THE ECONOMY.

AREAS OF FOCUS	SPECIFIC OBJECTIVES	BUDGET (MILLIONS)
a) Open more border points/offices and regional offices	To Increase the number of manned border points from the current 17 to 35 by 2017	270
	To increase regional offices from the current 5 to 9 by 2017	300
b) Add more UNBS services at regional offices	To create presence of UNBS services in all regional offices by 2017	600
c) Subscribe to international standards organisations	To subscribe to at least 6 international standard organisations by 2017.	567.5
d) Offer MSME's tailored services	To build capacity of 500 MSME'S in implementation of relevant standards .	2,500
	To support 200 MSME's to attain relevant certification by 2017	3,600
e) Establish/review and strictly enforce UNBS Ethics and Code of Conduct	To review UNBS ethics and code of conduct once in every two years.	30
	To carry out a Baseline survey on compliance with standards	50
f) Ensure customer focused services and adhere to set procedures	To develop a customer centric culture amongst UNBS staff by July 2017	14
	To attain recognition of UNBS information centre as one stop shop for information on standardisation in Uganda by 2015	225
g) Ensure corporate social responsibility	Implement quarterly corporate social responsibility activities.	200
SUB TOTAL		8,356.50

Another means to reach this strategic objective is to establish/review strictly enforced UNBS Ethics and Code of Conduct. In the table for the financial requirements for the first objective of the five year plan, they allocated a budget of over eight billion euros for the first objective. The financial specifics are contemplated in figure 1, which is shown in the UNBS five year strategic plan. According to the report, they plan to extensively review UNBS ethics and the code of conduct once in every two years and to carry out a baseline survey on compliance with the standards. This has to be done by the HR department.

Another strategic objective is to strengthen the development, management, enforcement of and compliance with standards to support production, marketing, and consumption of quality goods and services. Areas of focus on order to reach this objective are to develop review and implement regulations, policies and procedures, to develop, harmonize and implement standards, but also to collaborate with regulatory agencies and private sector associations in enforcement of standards and consumer protection. Regarding the latter, MVO also proposes that one of the CSR opportunities in agriculture in Uganda concerns the collaboration between stakeholders in the same sector.

A project mainly financed by:

Implemented by:

According to the MVO Country Scan (2016) this needs to be facilitated. Because despite the fact that companies do know each other and communicate with one another, many of the sectoral social and environmental challenges that are harming the sector ask for more sectoral cooperation. Many of the social and environmental challenges are pre-competitive, which means that they harm the whole sector and not just individual companies. Companies that are, however, not used to sectoral cooperation, need some support and convincement before they are open to cooperation. This could be a task for the UNBS, perhaps by developing a uniform code of conduct in different agricultural sectors.

Another form of collaboration can be found in the coffee sector, where there is an extensive partnership between the UNBS and the Uganda Coffee Development Authority (UCDA). As mentioned above, the UNBS is mandated to formulate Uganda standards and codes of conduct for implementation by various agencies in the agricultural industry. However, there are no standards or codes of conduct developed by the UNBS for the coffee industry. Regarding the safety management and quality control in this industry, the code of conduct is, amongst others, developed by the UCDA and the UNBS was not involved in this process. National, regional, and even global standards are a key element for effective implementation and regulating quality and safety management and the control of the coffee chain. The UCDA and UNBS have a strong need to work together, but perhaps it is not the responsibility of the UNBS to propose standards and codes of conduct to the respective agricultural sectors, but the other way around. However, concerning the coffee sector, to improve quality, there is a need for the UNBS to proactively encourage the coffee sector to adopt product and quality management systems certification (Kasiry-Alemu, 2005).

CODE OF CONDUCT IMPLEMENTATION STRATEGY

Code effectiveness

One of the objectives of this paper is to develop an implementation strategy for codes of conduct in different agricultural sectors and consider principles of execution and reinforcement. Prior research found differences in code effectiveness between value chains (Barrientos and Smith, 2007; Tallontire and Greenhalgh, 2005). Identifying the effect of the code is easier in more integrated value chains, where these studies found that companies were able to affect the working conditions of their supplier if they had a proactive code implementation strategy. However, scholars found that evaluating the impact of codes was more problematic in less integrated value chains, where the products could not easily be traced back to their source. Also the leverage of the developer of the code or individual buyers who value code usage seems to be important to determine if codes are effectively implemented. Another factor which determines the effectiveness of codes implementation is critical mass. If farmers see that a large number of buyers need requiring them conforming to a code of conduct, the code was taken more seriously (Barrientos and Smith, 2007).

Enforcement

If one takes the abovementioned into account, an effective implementation strategy for a code of conduct by the UNBS would depend on the whether the value chain is integrated. As this is not determined by the UNBS, they can merely opt for direct communication and having principles of execution and reinforcement in place. This is also stated in the five-year plan of the UNBS, as one area of focus in order to reach the objective of increasing visibility and improving the corporate image of UNBS to meet current and emerging demands of the economy. There, it is stated that they should focus on establish and strictly enforce UNBS ethics and code of conduct. According to this plan, the UNBS certainly prioritizes developing a code of conduct and enforcing this code. Furthermore, one of their objectives is to

A project mainly financed by:

Implemented by:

strengthen the development, management, enforcement of and compliance with quality standards in order to support the production of quality goods. Thus, according to the five-year plan, UNBS already has plans to develop codes and enforce these codes through the usage of standards, collaboration with associations and cooperatives, and the reviewing of codes once every two years.

Comprehensiveness and communication

Another important aspect is if the smallholder farmers actually comprehend the standards and codes. Kloppers and Fourie (2014) emphasize the importance of communication for CSR initiatives to foster positive relations between companies and their stakeholders. They researched CSR communication in the context of agribusiness in South Africa, and found that communication should be comprehensive and continuous and that annual reports concerning sustainability are not sufficient for CSR communication to be efficient. They argue that CSR communication can be used to contribute in a more effective manner in stakeholder engagement and that this eventually leads to positive sustainable relationships with commercial farmers. If stakeholders are not aware of the CSR activities of a company, CSR cannot be used as a means to build and eventually maintain positive relations with these stakeholders. A formal code of conduct is thus a common CSR tool employed by companies to establish and communicate responsible business practices and an ethical organizational culture. The code quality, which is a measure of comprehensiveness in the production and establishment of the code, plays a crucial role in the effectiveness of the code implementation. The comprehensiveness of these codes to smallholder farmers is therefore a phenomena which should receive more attention. Furthermore, the farmers need to understand that there is an advantage in following codes. Tallontire and Greenhalgh (2005) argue that the adoption of these codes of conduct result in enhanced productivity and ultimately competitiveness. Also, the organizations adopting these codes of conduct experienced additional value creation that went

beyond financial performance to include societal responsibility. The next paragraph will explicate whether Ugandan farmers who conformed to the quality standards and codes actually perceived similar value addition.

Case Studies: Code implementation strategies

Sesaco

Sesaco is a small soy-processing company located in the outskirts of Kampala, Uganda. The company was founded in 1987 and, according to them, they have come along manufacturing and processing products of good quality and ready for human consumption. Thus, they are at the end of the value chain. They state that their products are fully processed and reach proper satisfaction and consumption for humans according to the UNBS. Furthermore, they are members from the Uganda Manufacturing Association (UMA). This is an association the UNBS also seeks to collaborate with, according to their five-year plan. Besides conforming to the quality standards of the UNBS, they also want to contribute to the sustainability development goals (SDGs), provide entrepreneurship education in Uganda, promoting local production of cereal crops and provide a market for substantive farming, and promote the usage of soy to fight malnutrition. Concluding from the above, they try to be socially responsible, though it has to be said that this was only one moment we have visited the company, and the presentation and interview was ‘propaganda-like’.

According to the executive director: “this company has been certified and also conforms to the Uganda National Bureau of Standards. We are also working with them to get certification from them. Those are standard bodies that can tell the word that Sesaco is a safe company in terms of what we are producing.” As stated above, Sesaco is a member of the UMA. According to the executive director they conformed to the code of conduct of the UMA, which, to the best of

A project mainly financed by:

Implemented by:



his knowledge, influences their ethical behavior in a positive way. The enforcement of this code is quite clearly stated by the interviewee: “if you do not behave ethically, they will talk to you, and if you do not change, they will throw you out of the association.” Thus, it seems that strong enforcing mechanisms have a positive effect on codes implementation, though this is only one source of data.

Nucaf 

Another interviewee, the Entrepreneurships Services Manager from NUCAFE, a coffee association with the aim to empower coffee farmers and increase their household incomes, also talks about their collaboration with the UNBS. He talks about not only having a coffee policy, but also a coffee law, so that there is a proper and advocated articulation of the coffee standards, because that has been lacking in the past years. However, his association can change that, according to him. In this way, they can achieve a proper upholding of the coffee quality, which is somehow the same thing the UNBS tries to achieve. NUCAFE tries to realize this through an arrangement with the UNBS. The Entrepreneurship Manager states: “when it comes to value addition, the Uganda National Bureau of Standards ensures that the farmers have certification for their product, which is coffee. There must be value added, but at the same time conforming to standards and demands of the certifications that are in place. “The farmers furthermore have shared facilities in order to enable them to add value because the farmers do not have the cash for a factory.” He elaborates a bit on the specific standards of coffee: “when it comes to coffee, the minimal standards when it comes to the farmers is that it cannot be more than 13% moisture pointed, 12% is the best. For export, it should always be 12,5%, but we also allow 13% in Uganda. Why do we allow that? Because coffee with a moisture percentage of 13% is very easy to process, so we do not have a lot of broken beans. Between these percentages, is our key benchmark.” Above-mentioned clearly shows the difference

in quality standards for the domestic market and products that should be eligible for export.



The NUCAFE manager opts to empower farmers through the farmer-ownership model, which has the overarching objective to enhance the profitability of the smallholder farmer, to increase customer satisfaction, and eventually change the livelihood of the farmers. Eventually, NUCAFE controls the quality standards by training the farmers and creating awareness that this eventually is in the advantage of the farmers. This is also done by enabling the farmers to keep being the owner of their coffee while the product moves along the value chain. Having this model in place, the farmer who are a member and use the model have to conform to a certain code to regulate the process. The farmer-ownership model is a pilot in the coffee industry, and if it eventually has a positive effect on the revenue, competitiveness, and ultimately livelihood of the smallholder farmer, Ugandan farmer associations are willing to implement this model in other agricultural sectors in the country.

SNV

SNV is an international NGO, present in 28 countries. The NGO started in the Netherlands to make the world a better place, and has been present in Uganda for 25 years. SNV is mainly agribusiness oriented. They want to develop respective agricultural value chains with the aim to decrease poverty. The Senior Advisor of SNV emphasizes the importance of the quality of the product, the

materials used, the packing, and whether the product is tested by the Uganda National Bureau of Standards. She states: “they do testing for all kinds of product. If it is going to use for mass consumption, to high-end markets, it needs to be tested by the UNBS so that it can be a certified product.” She explicates on this matter by explaining that in Uganda, they have authorities for most products. As an example she names the Dairy Development Authority, which is responsible for making sure that they check every segment of the value chain and if the product is managed properly, it does not pose any risk. She continues by explaining that the coffee also has the UCDA, and that it is their responsibility to check the coffee value chain. So, Uganda has all kinds of authorities that should track the process and make sure the products are quality products. Regarding codes of conduct, she does believe that codes aid in showing CSR and ethical behavior. Furthermore, she explains that when you educate people in conducting research without harassing the code, and show them that they can still make profit or even increase their revenue, ethical behavior in the Ugandan agriculture could be promoted.

Soil Scientist

A professor, who is a soil scientist, further elaborates on the farmer-ownership model mentioned above. “In the past coffee farmers harvest their own coffee, and then sell it. In this new system, they own the coffee along the VC and they try to sell it after it is worth much more. Revenue increases for the farmers. They pay fees in every step of the value chain. The nation is trying to get every farmer, does not matter which crop, using this system, it started with coffee. Government tries to encourage the population to drink more coffee. Associations are semi-independent and registered.” The professor advises these associations. “The process is how to get these farmers more money. The farmer-ownership model is one measure that is taken to achieve this goal. Also, the Makerere University is trying to introduce this system of value chain approach. The country tries to change the system of farming major crops like coffee,

cotton, banana, etc. Because now the determination of weight for pricing is introduced.”

The professor continues: “For export, you have to standardize small procedures, this is also a process of commercialization. This commercialization entails the usage of guidelines and pressured farmers. This is promoted by the government, they want farms or groups to form associations and to conform to codes of conduct. People get smaller and smaller parts of land to grow their crops in small size. This may not give enough money, so farmers grow different kinds of crops.” Regarding the communication of quality standards, the soil scientist states that: “when you make associations, it is very easy to communicate because they assemble all the farmers for export. So within themselves, mutually you can say: use this technique.” It seems that the comprehensiveness of the codes is an important matter, as well as making clear to the rural farmers what the advantages of using codes and conforming to quality standards are. The soil scientist emphasizes the difference between producing for the domestic market and the export market. “When we just had subsistence farmers, people grew whatever they wanted. Now, obviously, when you go to commercial farming, for export, they standardize production. Because you do not want somebody to have one kind of product, while another one has another kind of product. How are you going to export this?” Regarding the communication of these standards: “when you have associations, it is very easy to communicate, because they assemble the farmers for export.”

Rural coffee farmers

Our research party was welcomed on a rural coffee farm near Sipi Falls, in the Eastern region of Uganda. As mentioned above, it is of the essence create awareness for standards and prove the positive influence of value addition for smallholder farmers if they are to conform to standards and codes of conduct. One rural farmer explains the role of the association he is connected to: “first of all, they help us by showing us how to manage the

A project mainly financed by:

Implemented by:

coffee plantation. Second, they help us by providing pruning devices.” Another coffee farmer also indicates he receives training in agricultural practices, for example spacing, control of weeds, and harvesting the coffee. He states: The union that trains comes and buys coffee. They come here and train us how to get a good yield/quality. They give necessary products and skills. You keep extending your knowledge. They train me, I train my neighbors.”



Another rural coffee farmer that was interviewed explained how he profits financially from his membership: “before I was a member of the association I would sell at a price of 2500 UGS to 3000 UGS. When I eventually became a member, I was able to sell around 8000 UGS to 10000 UGS.” Hence, his revenue about tripled since his membership of an association. Another argument for conforming to quality standards is possibly even stronger, as the farmer emphasized the incentive of price for following guidelines. He states that buyers will pay a lower price for his product if he fails to meet the standards of growing and harvesting, for instance failing to dry or clean properly. He sees this as a penalty, and states:

“actually there is nothing you can do about it, you have to accept it. They need good quality but since you have bad quality they will buy it at a low price, though they will still buy it.” This is confirmed by the managing director of an agribusiness incubator. He states that: “the coffee buyers want specific coffee from a specific area that is produced in a specific way. Any deviation to that may lead to cancellation of the deal of basically they will not buy the coffee.” He thus emphasized that it is of the essence to help farmers to stick to the right production mechanisms, as stated in the code of conduct, and the right quality aspect.

DISCUSSION AND IMPLICATIONS

There seem to be quite a number of problems concerning the effective implementation of codes of practices and quality standards by the UNBS or collaborating partners. The core of the problem potentially lies at the interpretation of CSR and the barriers to incorporating the concept at smallholder farmers, as they cannot see the value addition influence of CSR. As CSR is not formalized by laws or guidelines in Uganda, but merely seen as a personal sense of ethics and goodwill, it is of the essence to make sure that agricultural value chain players experience the value additional factor. This can, for instance, be done via a reward system or advantageous conditions regarding certification for the farmers. The farmers can be educated in good practices which, according to the data, could ultimately result in higher revenue. Once they experience this value addition effect of CSR, they keep incorporating CSR activities in their business. The training of the farmers can be done via ‘train the trainees’. The UNBS, or a partner, trains farmers in good practices and how they can conform to the quality standards, then these farmers train other farmers. In this way, an extensive amount farmers can be reached. Ideally, in the case that the farmers can conform to the quality standards set by the UNBS, the production is eligible for export. It resulted from the data that associations often assemble farmers for export. In this way, the

A project mainly financed by:

Implemented by:

production can be standardized by using the same farming techniques and procedures. Ultimately, by exporting the production, the value for the farmer can be maximized. Taking the abovementioned into account: the farmer needs to understand that there is an advantage in conforming to quality standards and following the code of practice.

Besides the importance of value addition effect of conforming to the quality standards and code of practice, the initial fee of conforming to the standards poses a tremendous barrier for smallholder farmers. The starting requirements for certification appear to be quite high. If they cannot see the value that comes from conforming to the quality standards, eventually receiving a higher price for their product and perhaps being able to export, the smallholder farmers will not invest in certification. One way to overcome this barrier is to lower the starting requirements for the first years, and to let the height of the fees the farmers have to pay depend on their revenues. Once they see that they can increase their revenue, they are willing to pay more if that means that their product may be eligible for export. If it is going to use for mass consumption, to high-end markets, it needs to be tested by the UNBS so that it can be a certified product

As mentioned above, collaboration with associations or cooperatives is one way to effectively reach smallholder farmers. This is also described in the five-year plan, but the UNBS is not yet well-connected to farmer associations of every agricultural sector. If the UNBS aims to strengthen the development, management, enforcement of standards to support the production of goods that conform to these standards, they should collaborate with these farmer associations in order to effectively reach all the farmers and enforce the standards. This would eventually ease the communication of the standards, which should be comprehensive and frequent. This would ultimately lead to stricter enforcement and comprehensiveness of the quality standards and code of practice. This stricter enforcement can be through warning agricultural value

chain players who are connected to these associations when they do not conform to the standards. In the case that it will happen again, consequences have to be taken: exclusion from the association and withdrawal of the certification, hence: strong enforcing mechanisms.

Concluding: there seems to be a lack of awareness for the value adding effect that conforming to the quality standards and using a code of practice has. This effect results from training and education, producing higher quality products and perhaps creating products that are eligible for export. If agricultural value chain players would be more aware of this effect, the additional transaction costs would possibly not pose the barrier as high as it is at this moment. Besides creating awareness, another thing is also important in effectively implementing codes of practice and the conforming to quality standards, namely that the codes and standards should be comprehensive for the agricultural value chain players. When they are simplified, reviewed every two years and communicated frequently, the effect of these codes is maximized.

REFERENCES

- Aguilera, R. V., Rupp, D. E., Williams, C. A., & Ganapathi, J. (2007). Putting the S back in corporate social responsibility: A multilevel theory of social change in organizations. *Academy of management review*, 32(3), 836-863.
- Barrientos, S., & Smith, S. (2007). Do workers benefit from ethical trade? Assessing codes of labour practice in global production systems. *Third World Quarterly*, 28(4), 713-729.
- Elkington, J. (2004). Enter the triple bottom line. *The triple bottom line: Does it all add up*, 11(12), 1-16.
- Heyder, M., & Theuvsen, L. (2008). Legitimizing business activities using Corporate Social Responsibility: Is there a

A project mainly financed by:



Implemented by:



need for CSR in agribusiness?. In *2nd International European forum on system dynamics and innovation in food networks*.

Kasirye-Alemu, E. (2005). Final report of the mission on the review of coffee quality/safety management and control in Uganda and Kenya. Global coffee project on enhancing coffee quality through the prevention of mould formation. *FAO project –GCP/INT/743/CFC*.

Katamba, D., and Nkiko, C. M. (2016). The Landscape of Corporate Social Responsibility in Uganda: Its Past, Present and Future. In *Corporate Social Responsibility in Sub-Saharan Africa* (pp. 153-171). Springer International Publishing.

Katamba, D., Tushaabomwe-Kazooba, C., Babiiha, S., Nkiko, C., Nabatanzi, A., & Kekaramu, J. (2012). Corporate social responsibility management in Uganda: Lessons, challenges and policy implications. *International Journal of Social Economics*, 39(6), 375–390.

Kloppers, E., & Fourie, L. (2014). CSR communication in a South African agricultural company. *Communicatio*, 40(4), 305-322.

MVO Nederland (2016). CSR Country Scan Uganda.

Palazzo, G., & Scherer, A. (2006). Corporate legitimacy as deliberation: A communicative framework. *Journal of business ethics*, 66(1), 71-88.

Tallontire, A., & Greenhalgh, P. (2005). Establishing CSR drivers in Agribusiness. *Kent, UK: Natural Resources Institute*.

Uganda Bureau of National Standards (1987). Retrieved from:
[http://www.unbs.go.ug/attachments/article/43/Uganda%20National%20Bureau%20of%20Standard%20act%20Chapter_3277_2%20\(1\).pdf](http://www.unbs.go.ug/attachments/article/43/Uganda%20National%20Bureau%20of%20Standard%20act%20Chapter_3277_2%20(1).pdf)
Uganda Bureau of National Standards (1999). General requirements for establishing a Hazard Analysis Critical Control Points

(HACCP) – *Programme for Food Processing Establishments*.

Uganda Bureau of National Standards (2012). Five Year Strategic Plan (2012) Retrieved from:

<http://www.unbs.go.ug/resources/UNBS%205yr%20Strategic%20Plan.pdf>

A project mainly financed by:



Implemented by:

