

## Project Brief

Access to markets for MSEs and smallholder farmers is hampered by a range of constraints. Some are at enterprise level, for example; technical and managerial skills, and limited resources; some are at the supply chain level, like the inability to sustain effective business relationships with suppliers and customers. This in turn limits access to business services. Other constraints are a result of the business environment within which MSEs operate, for instance infrastructure and supporting institutions.

The Business Services Market Development Project Uganda (henceforth BSMD) has been undertaking action research activities as well as a number of specific studies to identify constraints that prevent the establishment of supply chains in Uganda. The purpose is to promote, through documentation, dialogue, and demonstration, the adoption of improved business practices that address identified constraints to supply chain establishment in Uganda.

A number of documents addressing key constraint areas, identified by BSMD, like certification, local sourcing of agricultural products, contracting, business relationships, access to business services, and appropriate business growth models for MSEs, have been published. Summaries of these documents are provided below. The reports, case studies, presentations, posters, press releases, etc. can be downloaded from the BSMD web site: [www.bsmd.or.ug](http://www.bsmd.or.ug).

BSMD is addressing the core economic problem of weak business linkages and helping to embed micro and small businesses (MSEs), and smallholder farmers within, rather than be excluded from, markets. Thus, the project is to increase market access for MSEs and smallholder farmers through the development and strengthening of supply chains that link the rural poor to urban, national and international markets.

The project approach is to pro-actively develop market-based solutions to key business constraints at the micro and agro sector level, and promote the adoption of improved business practices, tools, and mechanisms that address these constraints. It is envisaged that once strong and stable supply chains are established, MSEs and smallholder farmers can gain access to a wide range of business services, thus allowing them to improve their individual as well as the overall chain's competitiveness.

The results of these actions will then also contribute to the overall understanding and development of the commercialisation of business services, and to the roles and responsibilities of the donors, development agencies and the government in developing the MSEs and the private sector in general, in Uganda.

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## 1. Certification Mapping

Production and product standards and certification have increasingly become important requirements for accessing regional and international markets. In some cases they even have become major technical barriers to trade.

This study was undertaken to map the different certifications, their relevance, the different requirements, the certification bodies, the costs involved, and other important aspects related to certification in Uganda.

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## 2. Business-to-Business Services

Many business services, important for business growth and survival, are made available by the private sector on a commercially sustainable basis. These services are provided in the form of customer services or as suppliers support. As such, they are not often recognised, appreciated, and supported by development and support agencies. Instead, they provide similar services to the same businesses, though highly subsidised. By doing so, they actually discourage the private sector from further developing and providing such commercially viable services. This is the key finding of a synthesis of a series of articles published in a Ugandan daily newspaper, The Daily Monitor.

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## 3. Enhancing Local Sourcing

Farmers who can develop long-term partnerships with brokers and other potential buyers will benefit from increased market efficiency and stability. This and other important findings that impinge on business success have been documented in this report. The study investigated concerns raised in the Ugandan media that foreign-owned supermarkets based in Kampala and agro-processing companies preferred importing fresh fruits and vegetables, rather than purchasing them locally. The concern was that this would push Ugandan smallholder farmers out of this market.

The study documents the mutual commercial advantage of inter-firm cooperation, which is an important aspect that could make the domestic Fresh Fruits and Vegetable (FFV) market work better for small farms. The report makes a number of key recommendations, among them: that traders, brokers, farmers, retailers and other buyers should extend research on commercially viable sourcing strategies; that exchange of information and experiences between businesses themselves and with supporting agencies and policy makers would help the development of the FFV sector in pro-poor ways; and that the most strategic intervention for support agencies in Uganda now is to facilitate a mechanism for learning and to promote the exchange of ideas and approaches between key stakeholders in the private and public sectors.

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## 4. Successful Supply Chains

A study, commissioned by BSMD, analysed three successful supply chains in Uganda. The aim was to find out what the driving forces were in the establishment of

these supply chains and how they developed over time; the problems they confronted and how these were solved; what problems still exist and how can they be tackled; what support has been received from development projects and donor agencies and in what way this support contributed to the success of the chains. Finally, some lessons were drawn for the private sector and support agencies seeking to establish market linkages in Uganda.

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## 5. Model Contracts

Contracts reduce the cost of doing business by helping business people to, for example: systematically think through a business deal; increase certainty and therefore minimise risks; avoid and resolve conflicts; formalise business transactions and strengthen business relationships and the level of cooperation.

A field study on the use of contracts among farmers, processors, and traders in Uganda revealed bad experiences of cheating, leading to loss of produce and business opportunities. It also revealed that most farmers and traders buy or sell purely on the spot market with no prior agreement or contract, perceive contracts as complicated and costly, and do not understand the language used in contracts or know how to draw one up.

The purpose of this study was to enable the development of a model contract for the Agro sector in Uganda that was easy to understand and use, clear and comprehensive, easily adoptable to a wide range of transactions in the agro sector at minimal cost, and legally enforceable. The study was undertaken by BSMD in collaboration with seven agro support organisations working in different parts of Uganda. Directly related to this work was the development of Agro Trading Principles.

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## 6. Agro Trading Principles

There is a growing consensus within the agro industry in Uganda that the business culture and current trading practices are unsustainable, very damaging, and costly for all players; There is widespread interest in creating a set of business to business 'trading principles'...to combat the poor trading practices between businesses which together have created a difficult and risky trading environment...

These are some of the key findings of a study that looked at responsible business practices and how lasting business relationships can be developed in the agro business sector in Uganda. It includes an overview of international debates on responsible business, looking mainly at the development and implementation of codes of conduct as examples of how industries have found ways to regulate their behaviour and change practices across their sector. The research then looks at practices in the agro business sector in Uganda and then provides recommendations towards the development and promotion of trading principles for the agro business sector that will provide a more supportive business

environment in which stable and profitable relationships can thrive.

This research summarises the concerns and advice of a wide range of businesses and organisations in the agri sector on how trading principles could be developed, promoted and implemented by the business community.

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## 7. Making Service Markets Work for the Poor

*TO BE PUBLISHED SOON*

Wherever there are gaps in public services, the private sector will move to fill them; how should policy makers relate to these commercial providers?

Tanburn and Kamuhanda consider this question in a variety of service sectors: mass media, financial services, telecommunications, secondary education, primary health, public transport, agricultural extension, and vocational training.

They find a wide range of attitudes and treatments in the different disciplines, and conclude that it would be highly effective to support for policy-makers in developing service markets for the poor.

This ambitious review incorporates a wealth of information across disciplines and sectors, and raises a number of important questions. For example, when do the poor prefer private-sector service providers? Moreover, why are they so popular in some service sectors?

Indeed, some service sectors have benefited from careful regulation, which has encouraged investment, raised service quality and reduced prices. In other sectors, however, further research is needed; little is known, for example, about the extensive network of traditional healers in Uganda.

The review concludes that there is still great potential in all service sectors to extend the access frontier; the poorest Ugandans are not benefiting to the extent that they could, with the possible exception of commercial radio.

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## 8. Mushroom Supply Chain

There is an untapped collective capacity within the private sector to establish supply chains with minimal financial input from development support, in Uganda. This is possible, provided a win-win situation exists that is based on trust among businesses, good business practices and where systems are established that ensure a good performance of the chain and the individual businesses in the chain. A lack of better-organised supply chains seems to be a fundamental constraint to market access for businesses in Uganda. Therefore, more sustainable inclusion of rural micro and small enterprises in markets would be possible if support agencies would more explicitly promote approaches that enhance 'end-to-end' or 'chain' improvements.

These were key findings and recommendations in a pilot activity carried out by BSMD to establish a dry oyster mushroom supply chain that has smallholder farmers and MSEs as key partners, with the objective of serving a small supermarket in the U.K. The case study highlights key findings, lessons learned, and recommendations, from an intervention approach that relied on the commercial incentive and collective capacity of the MSEs and farmers in establishing the chain.

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## 9. Dried Fruits Supply Chain

A business often pursues generic growth while there are many other growth strategies that could suit its particular situation and objective, and could be less expensive, risky, or cumbersome. An agency arrangement, franchising, and technology licensing are such alternative growth strategies that have particular advantages for small businesses. These strategies are not seen to be promoted and employed in Uganda. This case study describes a pilot that aimed at developing a technology licensing model as a business expansion strategy for Amfri Farms, as well as creating new opportunities for rural enterprises.

Amfri Farms' objective was to become an important player in the international market for dried fruits. Their strategy was to specialise and concentrate their activities towards marketing and export. In order to increase their supply base and to release internal capacity towards improving their marketing and export activities, Amfri chose to develop and pilot a technology-licensing model as a business growth strategy. Particular to this pilot, was the development of two quality manuals for processors and farmers in Amfri's supply chain, which combined requirements for the EUREPGAP, HACCP, Organic and Fair trade as well the accompanying certification procedures.

The pilot demonstrated that technology licensing can be an excellent alternative to generic growth and it does provide a very good and secure mechanism to create new business opportunities for rural enterprises.

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## 10. Mango Supply Chain Development

There are many farmers around Iganga District in Uganda, with about half a hectare of land; at present, they earn perhaps USD 4 per day for their families by growing cotton and rice on this land. If they could grow and sell organically certified mangoes instead, their income would triple within 3 years; and as the trees mature, their income could increase five-fold or more in the coming years.

However, like the farmers in Iganga, many farmers have difficulties selling their produce, often because of weak linkages with traders and other buyers within their small local business network. In typical examples, trade is done with different buyers on a one-off basis when the products are harvested. The risks inherent to this practice for farmers as well as buyers are substantial because market requirements are not communicated and

thus prices, qualities and quantities are not agreed on beforehand.

The Mango Case Study is a report of what happened in the process of linking the farmers with a buyer, who, based on a commercial win-win situation, is willing to develop a long-term relationship and provide crucial support to farmers. The lessons learned from this experience are documented in the case study, and based on the experiences a guide titled "Access to Markets through Long Term Business Partnerships" was prepared to assist farmers groups to proactively seek and access a stable market for their produce.

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## 11. Tourism trail

In Uganda, there are many interesting cultural sites as well as arts and crafts that are produced from local materials by small businesses that still use traditional techniques. These "Hidden Treasures" would be very interesting for tourists to visit, particularly those that are located along the routes to the major national parks. Tourists and tour operators, are often not aware of these places and the local business people have not been able to market their services and products in an effectively.

The Tourism Trail was an initiative aimed at developing a tourist guidebook that included a profile of these enterprises, their products, and services. The ultimate objective was to stimulate mutual beneficial business linkages between the rural enterprises and the more established companies in the tourism industry like hotels, restaurants, art and crafts traders, and tour operators in order to provide a broader tourist experience for the tourists.

A guidebook "Hidden Treasures" was drafted and a market assessment done, which showed the viability of the tourism trail.

This pilot was commissioned by BSMD in collaboration with Infopoint Uganda Ltd and Churchill Safaris and Travel Ltd.

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## 12. Meet the Buyer

Meet-the-Buyer is an event organised to enable foreign buyers and local suppliers to meet and establish business linkages. The event seeks to make specific buyer and seller requirements compatible so that mutually beneficial long term business relationships can be established involving an exchange of goods and services from local MSEs, and business support or services from the buyers.

The event includes a Meet-the-Buyer **stand** where suppliers can meet buyers on a one-to one basis, and a Meet-the-Buyer **forum** where buyers from selected sub sectors exchanged views and information with a cross-section of MSEs.

This was a piloted service to address the lack of

affordable strategic business services e.g. facilitation to link with export markets and market information, as well as operational business services, both of which are which is seen as key constraints to MSE development and growth.

A synthesis of the discussion between buyers and a cross section of MSEs and support agencies in Uganda noted a number of key points:

- Market-based business partnerships should be established
- To remain in business, all members of the supply chain have to maintain good relationships
- All businesses need to appreciate their specific roles and place in the supply chain

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## 13. Business to Business Exhibition

The Uganda Business to Business Exhibition was borne out of the realisation that for small businesses in Uganda, access to information is a critical constraint. The 2004 exhibition with the theme "Partnerships for business" was a three-day event featuring exhibitors from a wide range of categories including Microfinance, Equipment and Tools, Packaging, Export market development services and Business Consultancy services. The services and products at this exhibition targeted small businesses from exporters to farmers and from shopkeepers to manufacturers. The event was organised by three private companies: a Business Development Consulting company, FIT Uganda Ltd; a commercial broadcasting radio station, Central Broadcasting Services Ltd; and a public relations and event organising company, Vantage Communications Ltd.

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## 14. Monitoring and Evaluation guidelines in agri-business and agri-supply chains

*TO BE PUBLISHED SOON*

A major challenge for the businesses in the agro sector and their supporting agencies is a lack of systematic records and information that supports decision-making and long-term profitable performance of MSEs in the sector.

A monitoring and evaluation guide has been developed in response to this information and performance-tracking gap, in particular for small businesses involved in agri-supply chains serving local and international markets and the support agencies targeting improved economic livelihood. The guide considers information collection and analysis in five key areas: Production, productivity and Household Income; Marketing for small businesses in agribusiness; management and organisation of MSEs in the agribusiness; Household level impact of agribusinesses; and supply chain performance information for agribusinesses.