

## **1 Introduction**

The Business Services Market Development Project Uganda (henceforth BSMD) is highly responsive and flexible in pro-actively developing market-based solutions to key business constraints at the micro and sector level. In doing so, it is addressing the core economic problem of weak business linkages and helping to embed micro and small businesses (MSEs), and small holder farmers within, rather than be excluded from, markets.

The overall goal of the project is to increase market access for MSEs and small holder farmers through the development and strengthening of supply chains that link the rural poor to urban, national and international markets. The purpose of the project is to promote the adoption of improved business practices that address identified constraints, in particular to supply chain formation in Uganda. It is envisaged that once strong and stable supply chains are established this will further also provide MSEs and small holder farmers' access to a wide range of business services and thus allowing them to improve their individual as well as the overall chain's competitiveness.

To achieve this, BSMD is undertaking action research activities as well as a number of specific studies to identify constraints that prevent the establishment of supply chains in Uganda; to develop alternative mechanism and "tools" to overcoming the identified constraints; and to demonstrate the benefits of effective and focused supply chains. This will then also contribute towards the overall understanding and development of the commercialisation of business services, their delivery mechanism 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.

The focus of BSMD is thus on acquiring and disseminating knowledge, rather than undertaking stand-alone project interventions.

Agriculture is the "backbone" of Uganda's economy. The agro sector greatly provides income for the MSEs in rural areas by supplying agro produce to the urban areas. On the whole, agriculture contributes 40% of Uganda's total GDP and about 75% of total exports<sup>1</sup>. The dominant mode of agriculture is however small holder farming with a few cases of commercial plantation agriculture. The small holder farmers own an average of three acres of land and using traditional technologies. Their major problem is access to markets and support services. The government of Uganda, under the Poverty Eradication Action Plan (PEAP), is currently modernizing Uganda's agriculture through the Plan for Modernization of Agriculture (PMA). Farming as a business is heavily promoted and has become one of the key messages frequently being mentioned by senior officials.

---

<sup>1</sup> Figures retrieved from State of Environment Report for Uganda 200/2001, Background to Budget Financial Year 2003/04 and UBOS: Statistical Abstract 2000 and 2003.

## 2 Business behaviour

BSMD is keen to further understand how lasting business relationships can be developed and maintained particularly in the agro sector in Uganda, through the development and promotion of codes of business conduct, so that advice can be given to sector stakeholders towards supporting or using these codes.

Since farming as a business is heavily promoted, the traditional agricultural subsistence production practices are moving towards commercial farming, while agro trade and processing are existing strong commercial activities. BSMD has been focussing its activities on the agro-business sector and recognised that there is a lot of mistrust and accusation of misbehaviour and malpractices within this sector. It appears that, as a result of this, most trade is done in one-off deals, especially at the farmers' level.

While small holder farmers and rural MSEs seek access to markets, they need to link up with other businesses, establish partnerships and develop strong, stable and competitive supply chains. Traders, processors, marketing companies and exporters who want to expand and improve their operations can tap into the huge capacity that is available at the small holder farmers and rural MSEs in rural areas. However, as long as businesses approach each other as competitors, hide crucial information and try to take advantage of each other in one-off deals, they both miss important market opportunities and tend to continue to operate in isolation and in a highly risky environment. Businesses instead can cooperate to compete by establishing and developing strong business relationships to build secure supply chains. However, it takes time and requires dedicated effort to build good relationships that have a sound base of trust, reliability, transparency, confidentiality, honesty, integrity, etc. Business relationships can be an asset, because they provide a channel for knowledge and advice, and market access so that MSEs can use their competences or link with other businesses, to supply a market opportunity.

## 3 Objective

The objective of this assignment is **to publish a document about the essential elements that build lasting business relationships and to provide recommendations towards the development and promotion of codes of conduct** that provide a supporting business environment for these relationships to thrive.

The document will specifically include:

- The advantages of long term relationships compared to one-off trading practices, addressing issues like the related transaction costs and risks incurred due to these practices, and some effects of these practices on securing supply and market opportunities, etc. Where possible use Ugandan and international examples to clarify particular issues.
- A description of the necessary building blocks in establishing and enhancing good business relationships, such as trust, reliability, transparency, confidentiality, honesty, integrity etc.
- A draft code of conduct for the agro-business sector, incorporating international examples and experiences. These codes should be applicable for all companies

within a particular supply chain but also between those that operate in different but related supply chains.

- Comments, based on experience, on the time and effort (investment) needed to develop good trusting relationships.
- Discuss the incentives (commercial or otherwise) for companies to comply with the codes, and advise whether they should be voluntary or legally binding, and the contractual and legal implications both for the businesses in the supply chain and the support institutions mandated to develop, oversee, or enforce compliance with these codes.
- International experiences of where comparable codes of conduct have proven to be successfully adopted, and what has underpinned successful acceptance and compliance with these codes.
- Give recommendations on the specific roles and responsibilities of each of the following institutions, agencies or bodies, on how they can enable and promote the development of strong business relationships: Government of Uganda, donors, small enterprise development agencies (government and non-government), and other private sector organisations e.g. business membership organisations.

#### **4 Activities**

These activities will begin on 7<sup>th</sup> March 2005 with preliminary being in Uganda by a local consultant over a period of two weeks, and the actual research field work will begin on the 21<sup>st</sup> March 2005 upon the arrival of the international consultant. Activities will end on or before the 25<sup>th</sup> April 2005 on submission and final acceptance of the final publication by ILO. The activities to be undertaken include:

1. Familiarization with Ugandan situation through site visit, discussions with local consultant and reviewing available documents e.g. template contracts, research on local sourcing and case studies of successful supply chains. Finalise a work plan.
2. Develop an outline for the proposed research to gather key information about business relationships and current practices in Uganda, existing support organisations and initiatives, their role, capacity, and interest to support and promote a code of practice, and international practices and experiences.
3. Conduct in-depth interviews on existing business practices, and the importance and applicability of a code of conduct with key informants; private sector players including larger companies, traders and small holder farmers, Business Membership Organisations [BMO] (e.g. UMA, UCCIA, PSFU, etc...), Government agencies (e.g. Ministry of Justice and CADER, Commercial Lawyer's Association MTCS of the Ministry of Finance Planning and Economic Development [MFPED], Ministry of Trade Tourism and Industry [MTTI], Ministry of Agriculture, NAADS, etc...), donor and development organisations (e.g. World Bank, EU, USAID, Netherlands Embassy, SIDA, UNIDO, AT Uganda, CARE International, SNV, APEP implementers, etc...).
4. Document and analyse the findings in a concise draft report highlighting the existing practices, appreciation, applicability and compliance with codes of conduct, appropriate comparisons with international experiences, the elements of good business relations, and providing recommendations to key players on how best to enable application and compliance with the codes of conduct in supply chains and in the agro-business sector.

5. Facilitate a workshop to present the findings and discuss with the different target groups the validity of the outcome and actions they can take. The ultimate aim of the workshops would be to establish a work group that can initiate and lead processes to take the necessary actions forward. The target groups involved are the private sector and their representatives, donors, development and government agencies.
6. Prepare a press release and conduct a press conference in consultation with ILO FIT-SEMA.
7. Finalising both documents taking into considerations the outcomes of workshops.

**NB:** This assignment will be preceded by two other studies that will document and publicise local sourcing practices and successful supply chains in Uganda. The information from these preceding studies will be useful in enhancing understanding of the contractual and relational aspects between buyers and suppliers and should therefore be considered as potential valuable input. Parallel to this assignment, another assignment will also be carried out that will develop template contracts and a template Memorandum of Understanding for the agro sector in Uganda. This work should also be considered as valuable input for this assignment.

## 5 Outputs and time frame

<b>Outputs</b>	<b>Date</b>
1 Inception report including work plan and research outline.....	23 March 2005
2 Annotated outline for the research report and PowerPoint presentation of preliminary findings.....	06 April 2005
3 One half-day workshops to discuss the findings with support agencies and the private sector.....	07 April 2005
4 A press release and press conference.....	08 April 2005
5 Interim report containing all data collected and the initial analysis of research findings.....	08 April 2005
6. A final publication that includes draft codes of conduct for the agro business sector that can enhance establishment of long term relationships (21 pages - normal font and single spacing).....	25 April 2005

## 6 Qualifications of consultants required

The work is to cover the legal aspects of the agro business sector in Uganda and to provide recommendations to the support agencies as well as the private sector. It requires the following qualifications of the researchers:

- One international lead consultant with extensive experience in research and the application of codes of conduct to advice the government, development, and private support agencies.
- One national consultant with a legal background in commercial activity, specifically in the Uganda agro business sector, to provide the national perspective of the sector as well as the legal system in Uganda.