

# FEED THE FUTURE UGANDA INCLUSIVE AGRICULTURAL MARKETS ACTIVITY

## EARLY EVIDENCE OF SUCCESSFUL LAYERING IN RESILIENCE ZONE

### SUMMARY

This brief is part of a learning series by the Feed the Future Uganda Inclusive Agricultural Markets (FTF IAM) Activity. The brief shares lessons learned from FTF IAM's experience in implementing market-driven interventions that build on the successes of humanitarian organization in the resilience zone.

Layering in this brief is the process by which FTF IAM is shaping and building on the work of other programs, such as peer organizations, humanitarian organizations, and government interventions, using a market systems development approach. At inception, FTF IAM conducted an assessment to understand how the markets in these zones operate and the associated constraints.

Before implementation, the Activity engaged existing actors to map out areas that the Activity would contribute to by incentivizing private sector to invest in establishing commercial operations in the resilience zones. FTF IAM's private sector partners layered within the Activity's resilience zone by working with existing structures like organized farmer groups and networks of village agents utilizing existing aggregation facilities constructed by the World Food Program (WFP) and the Government of Uganda (GOU)..

### About FTF IAM

The Feed the Future Uganda Inclusive Agricultural Markets Activity (FTF IAM or the "Activity") is a six-year market systems development activity (2019-2024) funded by the United States Agency for International Development (USAID) and implemented by DAI Global, LLC in partnership with TechnoServe Inc. (TNS) and MarketShare Associates (MSA). The purpose of the Activity is to increase incomes and improve the livelihoods of households through agricultural-led inclusive economic growth, targeting 38 FTF districts in Northern, Western, and Eastern Uganda. The Activity contributes to the Global Food Security Strategy (GFSS) Uganda Country plan goal of reducing hunger, malnutrition and poverty and the USAID/Uganda Country Development Cooperation Strategy (CDCS 2016-2021) goal of strengthening Uganda's systems to accelerate inclusive education, health, and economic outcomes.

FTF IAM works through market actors to build capacity and enable them to respond to opportunities in the agricultural sector. The approach empowers local actors, especially the private sector, government, and producer groups, building their capacity and de-risking the use of new business models and technologies. FTF IAM places women, youth, and other marginalized groups at the core of its strategies and focuses on creating efficiencies in market functions that have sustainable impact on the agricultural sector and the country.

**Target Audience:** Development partners and humanitarian organizations in Uganda who want to understand how to engage with the private sector and support their investments in the poorest regions of Uganda. Agri-businesses interested in working in the Karamoja region and the refugee settlements.

## Overview of the Resilience Zones

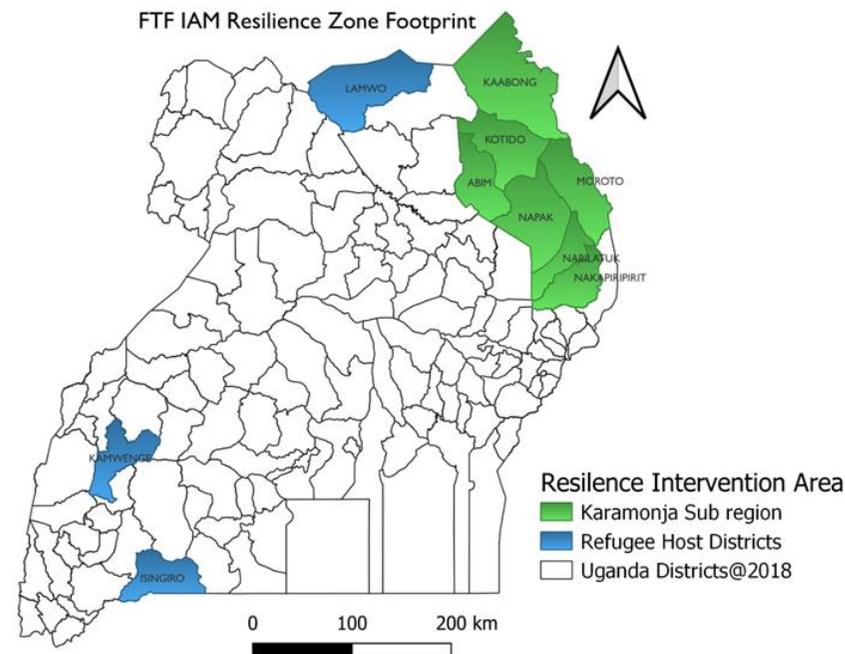
**Karamoja:** Situated in the Northeastern part of Uganda, Karamoja is a region characterized by high food insecurity and malnutrition. The region faces recurrent climate-related shocks, such as prolonged mid-season dry spells and drought, and erratic rainfall that causes floods and water logging in some areas. Farmers in the sub-region have limited access to quality inputs and agribusiness support services are lacking due to poor infrastructure, insecurity, and weak commercial relationships with agribusinesses outside the region.

**Refugee settlements:** Nakivale in Isingiro District, Rwamwanja in Kamwenge District, and Palabek in Lamwo districts are three of Uganda's 13 rural-based refugee settlements, which host over 200,000 refugees and asylum seekers. Refugees are dependent on food rations and are allocated small pieces of land (0.25-0.50 acres). Refugees also lease land from neighboring communities to increase their production. Overall, this limits their production capacity. This is exacerbated by limited access to financial services, quality agri-inputs, and output markets.

As a result of these chronic and acute shocks, together with limited land sizes and nature of settlements in the Karamoja sub-region and refugee settlements respectively, there are many humanitarian organizations that work with community groups to build resilience—often providing free and/or highly subsidized products and services. The presence of humanitarian organizations crowds out the private sector who find it increasingly hard to break-even, making it hard for market development organizations and private sector to penetrate the area.

However, due to a marked reduction in humanitarian aid in the recent past, market-driven interventions with the potential to open opportunities for private sector entry are increasingly taking shape. The humanitarian organizations have done substantial work in the regions, providing a foundation for the private sector to build on.

Figure 1: FTF IAM Resilience Zone Footprint



## Starting Private Sector Engagement in the Resilience Zones

Humanitarian and development organizations established a framework for farmers and farmer groups to increase their production, as well as established a network of agents and storage facilities for farmers to use. FTF IAM built on the pre-existing humanitarian initiatives, establishing partnerships with private-sector entities poised to invest in the resilience zones. The Activity incentivized the private sector by linking them with local leadership, development, and humanitarian organizations and by co-investing in the entry costs.

FTF IAM partnered with two aggregation firms, Okeba Uganda Limited and Grainpulse Limited, to facilitate grain aggregation. Additionally, five ag-input companies, Home Harvest Uganda Limited, Yield Harvest Uganda, Oasis

Uganda Limited, Byeffe Foods Limited, and Consult Agriquery Solutions (CONAS) participated in last-mile ag-input distribution and Kotido Central Vet Care (KCVC), provided agrovet services to farmers. The subsequent endeavors are outlined below, originating from humanitarian organizations, and carried forward by the private sector partners of FTF IAM.

FTF IAM consulted with existing market actors to understand the constraints in the market, as well as discuss the roles of each actor and the potential role the Activity would play in supporting the private sector to establish themselves in the resilience zones. FTF IAM also facilitated regular stakeholder meetings to provide a platform for continual communication allowing each market actor to share updates on their respective activities. This facilitated real-time discussions and problem-solving regarding the challenges encountered during the collaboration. The initial stakeholder meetings enabled the private sector to identify business-oriented entities for collaboration to leverage resources and to build on already existing structures (e.g., trained farmer groups) that can produce for the market and agents within the communities. In the following sections, this brief provides two cases of layering that FTF IAM implemented on the ground.

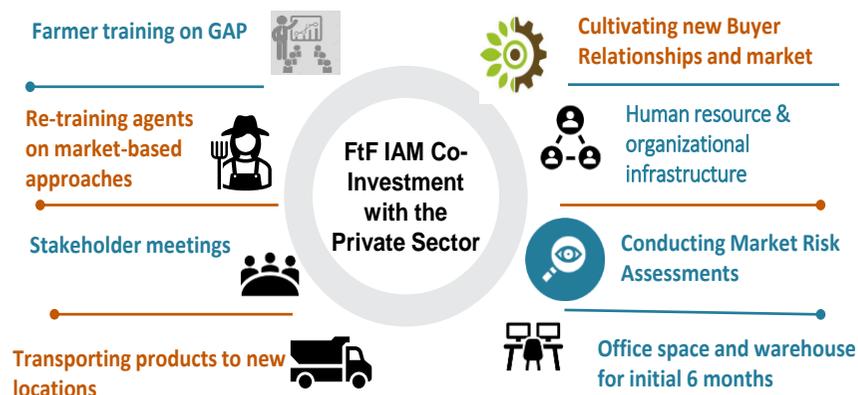


Photo: FTF IAM • A smallholder farmer preparing the land for cultivation in Karamoja, North Eastern Uganda

## Building on Existing Local Seed Businesses

Humanitarian and development organizations have supported the establishment and capacity-building of farmer groups, enabling them to organize and cater to market demands. One noteworthy instance is the Integrated Seed Sector Development (ISSD) Project. This initiative empowered farmer groups to produce Quality Declared Seed (QDS), facilitating their transition into Local Seed Businesses (LSBs). LSBs have cultivated the necessary social cohesion to collaborate effectively and produce QDS for sale. They have also established a network for seed marketing, particularly targeting cooperatives and local farmer groups. However, the LSBs encountered challenges in solidifying connections critical for enhanced production and commercialization. These challenges encompassed aggregating demand for agri-inputs, accessing foundation seed, and securing credit for production.

To address these challenges, FTF IAM stepped in by facilitating ties between LSBs and the National Agricultural Research Organization (NARO) for

foundation seed. Moreover, it orchestrated connections with reliable agro-dealer networks to ensure access to quality, affordable agri-inputs for farmers in remote areas. FTF IAM further established links with credit service providers to finance production and off-takers to providemarkets.

Prior to FTF IAM's work, the World Food Program's efforts focused on enhancing producer organizations' marketing capabilities and setting up aggregation centers. Nevertheless, these groups struggled to actively seek markets, which could be attributed to issues such as insufficient volume aggregation due to delayed cash payments, as farmers preferred direct sales to traders for immediate liquidity, or a lack of trust within the groups<sup>1</sup>.

FTF IAM's intervention addressed these hurdles by connecting producer groups with off-takers. These off-takers invested in producer organizations' supply chains by delivering quality seed and extension services. They introduced an agent-based network that enabled producer groups to aggregate their produce and access necessary inputs. The effectiveness of this intervention was evident both during and after the program's co-support.



Photo: FTF IAM • Longaro Mixed Agro Produce Dealers, i Community-Based Farmer Organization, Longaro village, Longaro parish, Sidok County in Kaabong district, North Eastern Uganda

## Established Network of Village Agents

Humanitarian and development organizations have supported the establishment of village agent networks. Village agents provide basic extension services to farmers, link farmers to agro-services, an agrodealer network, and, in some cases, serve as aggregators for output markets. Different organizations offer differing incentives to village agents. Some organizations pay allowances to village agents or facilitate the village agents as they engage with the farmers, while others pay on commission basis. However, village agents are yet to develop a mindset of sustaining their work through the services they offer.



**The hub model provides a higher value proposition with a diversity of products from various agribusinesses and accompanying support services like financial and extension services.**

<sup>1</sup> Hill, R., Maruyama, E., Olapade, M., & Frölich, M. (2021). Strengthening producer organizations to increase market access of smallholder farmers in Uganda. *Agricultural and Resource Economics Review*, 50(3), 436-464. doi:10.1017/age.202

Catholic Relief Services (CRS) promoted the Private Agricultural Service Providers (PASPs) model in the Karamoja region to advise farmers on quality input use, and to increase access to quality inputs and/or basic vet services to improve livelihoods and improve crop production. PASPs are yet to provide their services on a commercial basis, partly due to the lack of market linkages for sourcing agri-inputs. In Southwestern Uganda and within the Rwamwanja Refugee settlement, Okeba Uganda Limited, a premium off-taker company, has engaged Local Market facilitators (LMFs), Okeba's version of village agents, to support farmer training, seed distribution, field monitoring, and aggregation of produce among the farmer groups they engage with in the refugee communities. LMFs are given a commission for the produce aggregated. However, the LMFs still expect Okeba to facilitate them in the course of their work.

**Private sector experiences as they engaged in the field with the farmer groups included:**

- FTF IAM private partners have engaged over 80 agents, both in the Karamoja subregion and the refugee zones, who serve over 6000 farmers. The agents have linked farmers to agro-dealers and aggregated produce from the farmers for sale to output markets. A few agents have successfully engaged as private businesses going on to become agro-dealers. However, most of the agents are yet to develop a business mindset and still expect the private-sector actors to take care of some of their expenses. Agents' business capacity needs to be enhanced to help them do their work profitably, have a business mindset, identify new opportunities for income generation, and increase the scale of their work.
- The private sector engaged with farmer groups as producers as well as customers purchasing agri-inputs. The existing farmer groups' capacity needed to be enhanced for the groups to engage as business

entities, establish relationships with input and output markets, and other service providers (e.g., financial service providers).

During these engagements, FTF IAM and the private sector companies hold regular update meetings and consultations to discuss how best to engage and address challenges arising in the collaboration. This has enabled all market actors to have clarity on their respective roles.



**Agents have demonstrated that they can earn more than 3 million Ugandan Shillings in a season.**



Photo: FTF IAM • Esther Mbayo, a facilitator of the women farmer group in Rwamwanjan refugee settlement, Western Uganda, supported by Okeba Uganda Limited, demonstrating to group members how to take care of Iron Rich Beans.

## LESSONS LEARNED

FTF IAM collects lessons learned from interventions implemented in the resilience zones. These lessons would be valuable for any organization or development program with an objective to build a market system for livelihoods and services historically supported by direct support and humanitarian assistance programs. This brief highlights the following key lessons learned.

**The initial market assessment, conducted in collaboration with private sector partners** and engagement with existing market actors, was crucial for developing a shared understanding and business model suitable for the resilience zone. This should include a good understanding of the dynamics that affect economic activities in these zones. Programmes should avoid partnering with actors who have not fully appreciated the unique circumstances, and opportunities that exist in the resilience zones.

**Programs should identify leverage points created by humanitarian initiatives to formulate cost-effective business models.** Private-sector partners engaged groups as suppliers to reduce operational costs and the time associated with identifying and building the capacity of new farmer groups and agents, respectively. This approach mitigated the risk of failure for private sector commercial engagement with groups. There is enough room and challenges for both humanitarian and Market System Development (MSD) programmes to collaborate and resolve. A well crafted partnership with humanitarian agencies can increase opportunities for success.



Photo: FTF IAM • A Community Animal Health Worker in Action

**Facilitating regular one-on-one meetings between partners and existing market actors eased the entry** of private sector actors into the resilience zones. Development programs should prioritize relevant market actors within the business model and support the private sector in fostering business relationships. This collaborative approach enables all market actors to work toward the common goal of enhancing resilience, breaking down silos between them.

**Consistent engagement and collaboration meetings among key stakeholders within the resilience zones are essential** to avoid misunderstandings and lack of clarity regarding ongoing work and organizational roles. Continuous and heavy subsidies pose a hurdle for the private sector in developing a customer base. Development programs employing a market systems approach and humanitarian initiatives should collaborate to ensure lower market distortion. Letting the private sector to engage directly with government partners is critical in enhancing trust and understanding of the role private sector is playing in such zones.

**There were crucial gaps in knowledge and information necessary for market-entry planning.** These included missing data on production from previous seasons and average seed and input requirements per season. Additionally, insights into the level of women and youth participation in existing farmer groups were lacking. This absence of information made it challenging for the private sector to assess the capacities of the groups and the inputs required for initial engagement. More importantly programmes should invest sufficient time to help private sector partners to understand the unique challenges that exist in the resilience zones.

**There is still a need to establish linkages with financial institutions for working capital and financial skills development** (record management, financial planning, budgeting, etc.) for local SMEs and farmers. However, refugees face additional challenges, such as the lack of identification requirements for registration and the understanding that refugees are temporary residents, making it more difficult for them to access any form of credit. Finding innovative ways to build capacity and enhance ability of local Savings and Credit Corporatives (SACCOs) and Village Savings and Loans Associations(VSLAs) through technology and innovative grant mechanisms)to lend has potential reduce this challenge

**Local-market actors, who are exposed to high subsidies, have yet to fully embrace their role as businesses.** There is a low willingness to invest in their operations, such as transportation and meal expenses for farmer outreach events, with an expectation for development programs to cover these costs. An MSD program should collaborate with larger private-sector actors to shift the mindset of these market participants. For instance, individual agents in the Karamoja sub-region can connect with more than one private-sector actor to enhance the viability of their business. Private-sector actors can also increase investment by incorporating a small monthly fee for agents on top of the earned commission. Avoid private sector partners who come with ready made solutions and business models that are crafted to impress the donor.

## CONCLUSION

Resilience zones have experienced significant international humanitarian support over the years, gradually overshadowing the private sector. This phenomenon has weakened the functionality and resilience of market systems, hindering the full utilization of the capacities of the private sector, refugees, and smallholder farmers to engage profitably and inclusively in agricultural markets. However, humanitarian and development organizations play a crucial role in fostering the participation necessary to empower these communities as active players in the agricultural market system.

Assessments conducted prior to private sector involvement, discussions with existing development and humanitarian organizations regarding potential gaps, and the willingness of both groups to engage have paved the way for agreement on the roles of the private sector, FTF IAM, and other development and humanitarian organizations. Involvement in stakeholder meetings, where discussions focus on each stakeholder's activities and identify areas for improved communication and collaboration, has facilitated private sector entry into the resilience zones.

In challenging contexts, it is essential to build on existing capacities and structures, engaging with local actors, humanitarian agencies, local government, and national government agencies to create synergies and leverage resources effectively.



Photo: FTF IAM • A woman processing millet flour in Karamoja, North Eastern Uganda