

A yellow triangle with a black border and a pattern of small black dots, pointing towards the top-left corner.

ISF

Argidius Foundation Food Systems
Framework
Uganda Country Study

June 2021

Purpose and background of this document

- **In January-February 2021, ISF Advisors developed a food systems framework for the Argidius Foundation, to help it better understand food systems and use as a decision-making framework to decide if, where and how to engage with food system SMEs**
 - The food systems framework developed provides an overview of the definition, structure, stages and outcomes associated with food systems, the role and needs of SMEs within those systems, and the types of support available for those agri-SMEs
 - A public version of this food systems framework is available via the Argidius Foundation [website](#)
- **This document represents one of two country studies whose primary aim was to test the food systems framework in a particular context in order to validate the framework**
 - Two countries were selected for the country studies, Colombia and Uganda, representing two priority regions for Argidius Foundation (Latin America and East Africa) and representing countries in which Argidius Foundation has and has not yet had a significant presence (Uganda and Colombia, respectively)
 - While the primary purpose of the country studies was to test the framework, the insights from the country studies may provide value to external audience as well, which is why we have created public versions of both country studies
 - The Colombia country study can also be found on the Argidius Foundation [website](#)

Content

The food sector in Uganda

SMEs in the food system

Agri-SME needs

Agri-SME support ecosystem

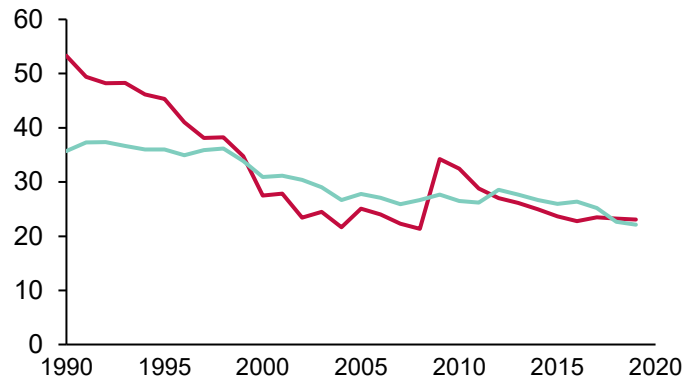
Annex

The food sector in Uganda: Summary of key messages

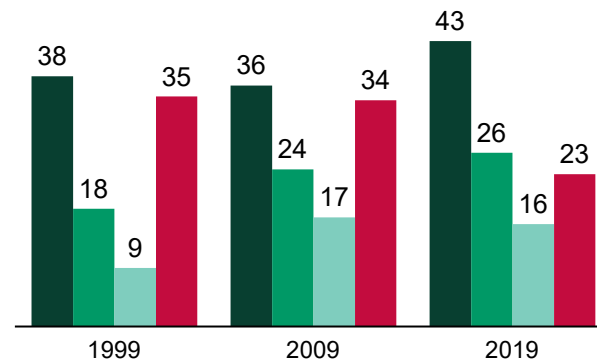
- **Food systems – especially relatively fragmented smallholder farming – play a crucial role in Uganda**
 - The agriculture industry accounts for 23% of GDP, 50% of all exports, and 72% of employment, overwhelmingly on small farms under 2 hectares. The majority of rural households rely on agriculture as the main source of income
- **Uganda has grown into a surplus agricultural exporter, driven by growth in regionally exported food crops**
 - The shift towards regionally traded products creates clear opportunities for impact as these FVCs are growing faster than others, present more natural roles for SMEs, and offer clear impact for poverty reduction (e.g., farmer access to markets) and employment generation (e.g., additional off-farm value-additive activities)
- **The predominance of informality in Ugandan food systems creates potential unique opportunities for agri-SMEs**
 - Informality in the upstream (farming) presents an opportunity for SMEs to link these more informal enterprises with larger formalized businesses (e.g., as aggregators or processors)
 - There is also an opportunity broadly to support the many informal agri-SMEs as they move along the spectrum of formality
- **Exports, population growth, urbanization, and growing wealth is expected to drive transformation of FVCs**
 - Food value chains transforming from traditional to transitioning stage create opportunities for SMEs, as lengthening value chains (from rural production to urban consumption) and demand for processed goods create midstream opportunities
 - Such transitions can create particular opportunities for Uganda's large and growing youth population
- **Food systems activity differs according to the type of food value chain, of which we recognize four: domestic, export oriented, input dependent, and mixed**
 - The length, size and complexity of food value chains, and thus the implications for SMEs, differ by their relation with trade and their processing opportunities and needs
- **The most relevant opportunities for agri-SMEs occur in the midstream segments of FVCs that are consumed domestically or traded regionally, or which are traded globally but as niche markets**
 - For foods with no processing, the midstream value additive activities – and opportunities for SMEs – typically include aggregation, grading, storage, and transport
 - Processed FVCs have the additional processing activity, which tends to have relatively high proportion of value-add

The food and agriculture sector plays a major role in Ugandan employment despite a decline in GDP contribution

Ag & fisheries contribution to GDP¹
(value as % of GDP)



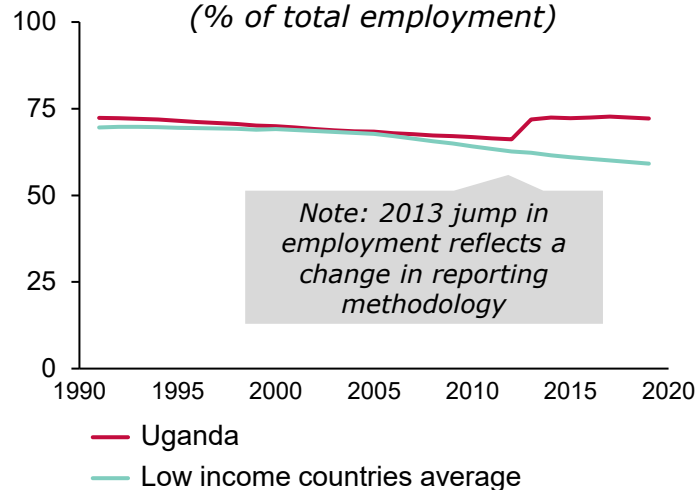
Ag & fisheries contribution to GDP, comparison to other sectors¹
(as % of GDP)



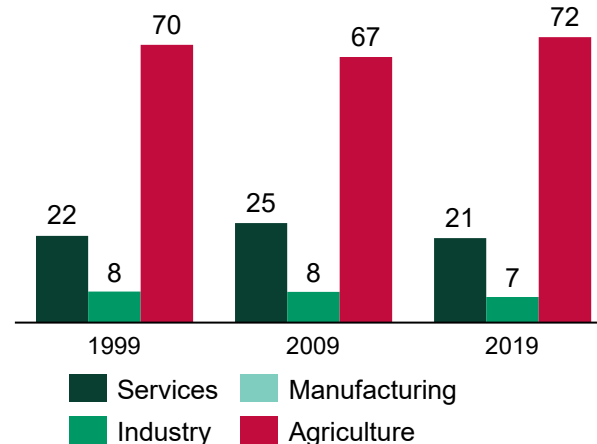
Discussion

- The agriculture industry **accounts for 23% of GDP, 50% of all exports, and 72% of employment**, overwhelmingly on small farms under 2 hectares; the vast majority of rural households rely on agriculture as the main source of income
- The agriculture industry **grew at 3.8% p.a. between 2015 and 2020, below the overall average growth of 5.4% p.a.**, due primarily to stagnating agricultural productivity while other sectors (e.g., services, industry) grew
- The vast majority of agricultural activity (~82%) takes place on small farms** which are often poorly (or not at all) connected to markets, and/or are subject to power imbalances vis-a-vis other sector stakeholders; this is particularly true for the poorest Ugandan households
- The relatively high contribution of agriculture to GDP and employment suggests **opportunities exist for further increasing the proportion of value add in the mid- and downstream food systems**
- Supporting food systems in Uganda is therefore a major way of contributing to positive livelihoods opportunities**, and given the strong growth of non-agricultural sectors, **a major opportunity is connecting the high number of mostly small farmers to markets**

Employment in ag & fisheries¹
(% of total employment)



Employment in ag & fisheries, comparison to other sectors¹
(% of total employment)



Notes: Agricultural GDP accounts for upstream farming activities only (i.e., excludes mid- and downstream food system activities). Employment estimations do not distinguish between industry and manufacturing according to ILO calculation methodologies
Sources: 1. World Bank, 2021; 2. Third National Development Plan, 2020; 3. GFSS; ISF analysis

Agricultural production is highly fragmented, presenting unique opportunities for downstream SMEs such as aggregation and bulking

Average Household Farm Size¹

	Net Land Operated*	
	2005/06	2015/2016
Share of HH farmland < 2 ha (%)	74.7%	82.8%
Mean Operated Farm Size < 2 ha (ha)	0.80	0.73
Mean Operated Farm Size > 2 ha (ha)	4.5	3.3
National Mean Farm Size all HH (ha)	1.7	1.2
<i>Central Region Mean Farm Size (ha)</i>	<i>1.5</i>	<i>1.1</i>
<i>Eastern Region Mean Farm Size (ha)</i>	<i>1.8</i>	<i>1.0</i>
<i>Northern Region Mean Farm Size (ha)</i>	<i>2.4</i>	<i>1.9</i>
<i>Western Region Mean Farm Size (ha)</i>	<i>1.5</i>	<i>1.0</i>

While more recent data is unavailable, market feedback indicates that this fragmentation trend has continued over the past 5 years at a similar pace

Discussion

- Ugandan agricultural production has **become increasingly fragmented over the past two decades, which divergences from a consolidation trend seen in some neighboring countries (often driven by government programs encouraging consolidation, as in Rwanda)**. This is due in large part to rural population pressure, complex land tenure laws, and inheritance customs
- While the government has made efforts to further professionalize the farming sector and encourage larger commercial farming, the broad consensus is these **small scale farmers will continue to dominate production across most key crops (a few rare exceptions, such as tea, exist)**
- Due to this fragmented nature, **farmers are likely to be a poor client base for agri-SMEs focused on the input supply and pre-production stages of value chains**; only 16% of Ugandan farmers used purchased inputs of fertilizer or pesticides in 2017¹
- The same dynamics** that make these upstream producers difficult business partners for pre-production agri-SMEs **present opportunities for midstream agri-SMEs**
- The fragmented and geographically diverse set of agricultural producers limits the potential for economies of scale that large agri-businesses rely on to gain competitive advantages and **creates opportunities for SMEs to fill the gap in between small scale producers and larger businesses further downstream**
- In particular, the fragmented nature of Ugandan production creates opportunities for agri-SMEs such as **aggregators and bulkers in the midstream segments of value chains**

Notes: * Net land is actual farm size, counted only once even if cropped more than once a year
Sources: 1. World Bank, 2018; UBOS, 2019; ISF analysis

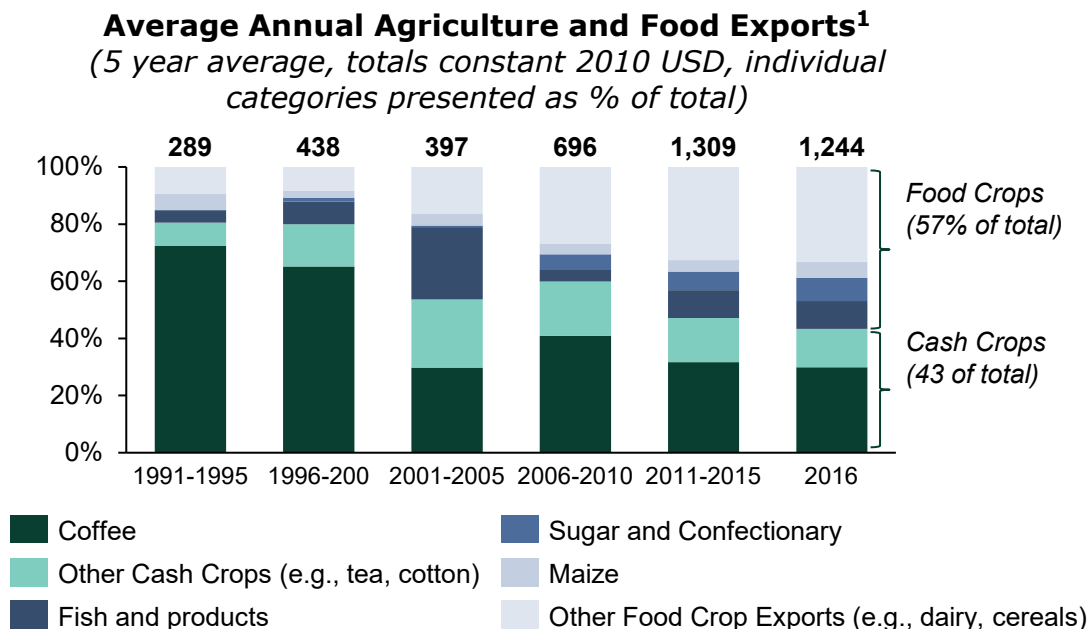
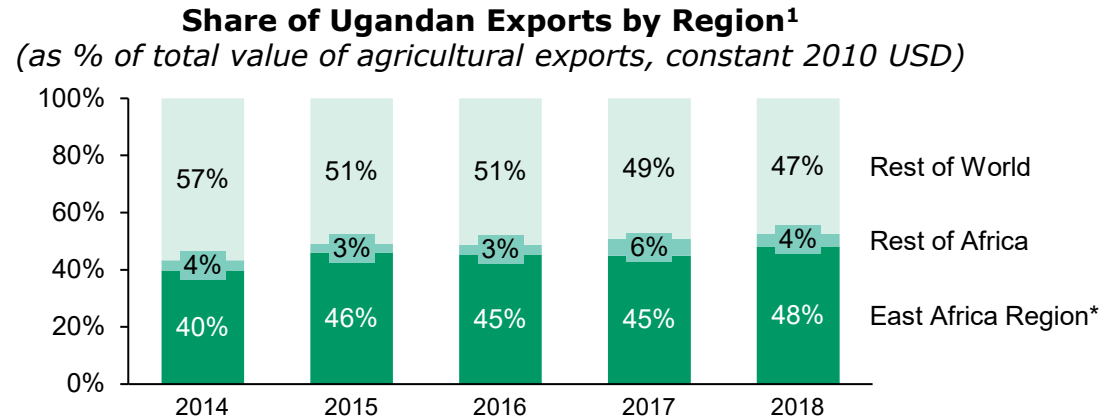
Upstream food value chains face various structural challenges that creates a relatively inefficient system of production

Challenges	Description
Land tenure insecurity	<ul style="list-style-type: none"> Tenure security is hard to achieve given traditional legacies and weak governance; the share of total arable land used for farming is high, most of which being undocumented and often with overlapping land rights
Predominance of smallholdings	<ul style="list-style-type: none"> Over the decade from 2006 to 2016, the share of all household farms that were less than two ha in size rose from 75 percent to 83 percent
Exposure to climate change shocks	<ul style="list-style-type: none"> Uganda is among the most vulnerable and simultaneously least adapted countries to climate change, and increasingly frequent climatic shocks pose a heavy toll on rural livelihoods and the economy
Limited enabling services	<ul style="list-style-type: none"> Agricultural production is weakly supported by services such as entrepreneurial training, R&D, regulation of agricultural inputs, and reliable weather information. Only 4% of all Ugandan farmers use a full package of production enhancing technologies
Lack of quality storage	<ul style="list-style-type: none"> Uganda has a shortage of standard and modern storage facilities which leads to use of poor-quality storage. Uganda's post-harvest losses range from 30 to 40 percent for grains and other staples, and 30 to 80 percent for fresh-fruits and vegetables
Limited access to finance	<ul style="list-style-type: none"> Agricultural production is constrained by limited access to agricultural financial services, with inefficiencies and lack of coordination from public funding sources, development partners, and financial institutions

Discussion

- Given the challenges of land tenure insecurity, the predominance of smallholdings, and the exposure to climate shocks, **farmers are generally difficult business partners for more formal parts of the economy** such as processors and traders. This is a typical situation for food systems in the traditional and early transitioning stages
- There is a **resulting need (and opportunity) to:**
 - Connect these farmers to markets**, bringing benefits to farmers (e.g., better market access, demand security, ability to invest, etc.) as well as to the economy (e.g., generating trade revenues, boosting food security, and creating off-farm employment opportunities)
 - Improve farm productivity**, increasing production volumes and creating more products for domestic food security and foreign trade. There is a **need for a more vibrant market for goods and services provided to farmers**, which will have a large impact on former production and efficiency once properly supported
- Given the fragmented and localized nature of farming, SMEs are well-placed to connect farmers to markets to respond to both of these needs

Uganda's rise as a surplus regional food exporter has created opportunities for agri-SMEs in regionally-focused value chains



Discussion

- Uganda's position as a **surplus agricultural exporter is driven by growth in regionally exported food crops (e.g., maize, dairy)** rather than in its historically globally exported cash crops (e.g., coffee, tea)
- Trade with other East African countries is growing most quickly** due in part to trade agreements within the EAC, despite imperfect implementation of trade policies (e.g., sporadic closure of borders, protectionism), while the AfCFTA is expected to create even more opportunities for regional trade
- Global trade is typically associated with relatively little domestic value add activities (e.g., lightly processed coffee exported and roasted abroad) and increased consolidation of midstream processes due to economies of scale, **thus limiting opportunities for SMEs in globally traded commodities**
- Regional trade is broadly associated with a wide range of potential benefits for SMEs** due to the increased value additive activities required throughout the domestic value chains
- The shift towards regionally traded products **creates clear opportunities to support agri-SMEs as these FVCs:**
 - Are **growing faster** than others
 - Present more **natural roles for SMEs**, and
 - Offer clear impact for **poverty reduction** (e.g., farmer access to markets) and **employment generation** (e.g., additional off-farm value-additive activities)

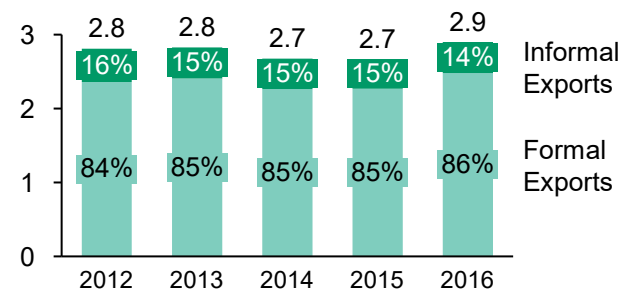
The predominance of informality in Ugandan food systems creates potential unique opportunities for agri-SMEs

Percentage of agricultural land operated without legal documentation, 2018¹
(as % total agricultural land used)

% of total parcels with no legal document	% of total parcels with legal documents
70.3%	29.7%

The Ugandan government acknowledges the following documents as proving formal ownership of land: title deed, customary certificate of ownership, a certificate of occupancy, a certificate of hereditary acquisition, and a rental or lease contract

Total exports (sector agnostic)¹
(USD billions, % of total)



The Ugandan Bureau of Statistics estimates that **informal agricultural exports account for 30-40% of total informal exports**

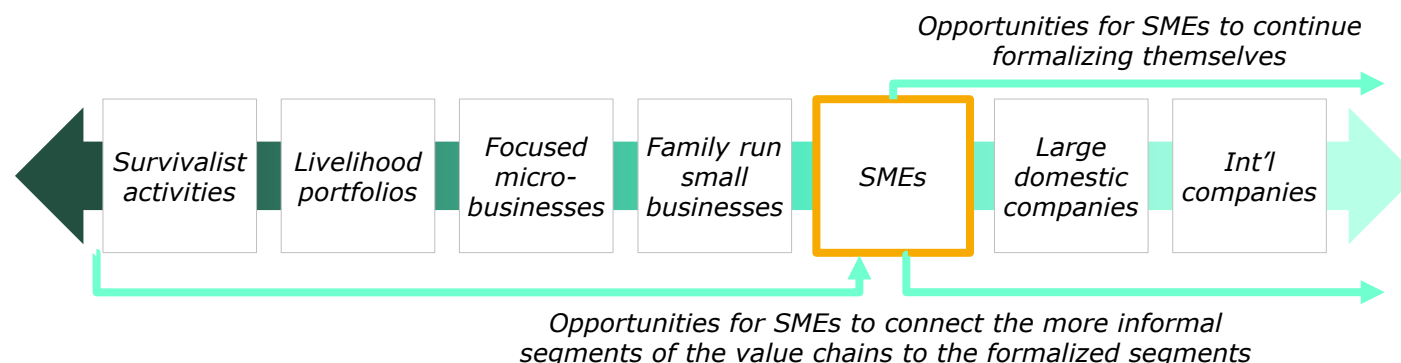
Discussion

- Definitions of 'informal' activities vary depending on value-chain segments and sector; for instance **informal producers can be viewed as those without legal documentation of land ownership** while **informal trade is defined as exports not recorded by official government record keeping**
- Most farms are **small and lack formal land ownership, resulting in difficulty accessing credit** due to limited/no collateral as well as a **disincentive to invest in their farms**
- In addition, small farm sizes means the **transaction values (low) and transaction costs (high) are not attractive to businesses selling goods and services** to these farmers
- Conversely, **informality in the upstream production segment presents an opportunity for SMEs to link these more informal enterprises with larger formalized businesses** as middleman (e.g., as aggregators or processors)
- Beyond providing links to informal markets, **agri-SMEs themselves are often informal, particularly when the incentives to remain so outweigh the incentives to formalize**
- There is thus an **opportunity broadly for SMEs to be supported as they move along the spectrum of formality**
- A clear example of this can be seen in **agricultural trading**, where various macro trends in Uganda (e.g., increased regional trade, multilateral trade agreements) are expected to create **significant needs for SMEs to formalize, a potential opportunity to provide impactful support**

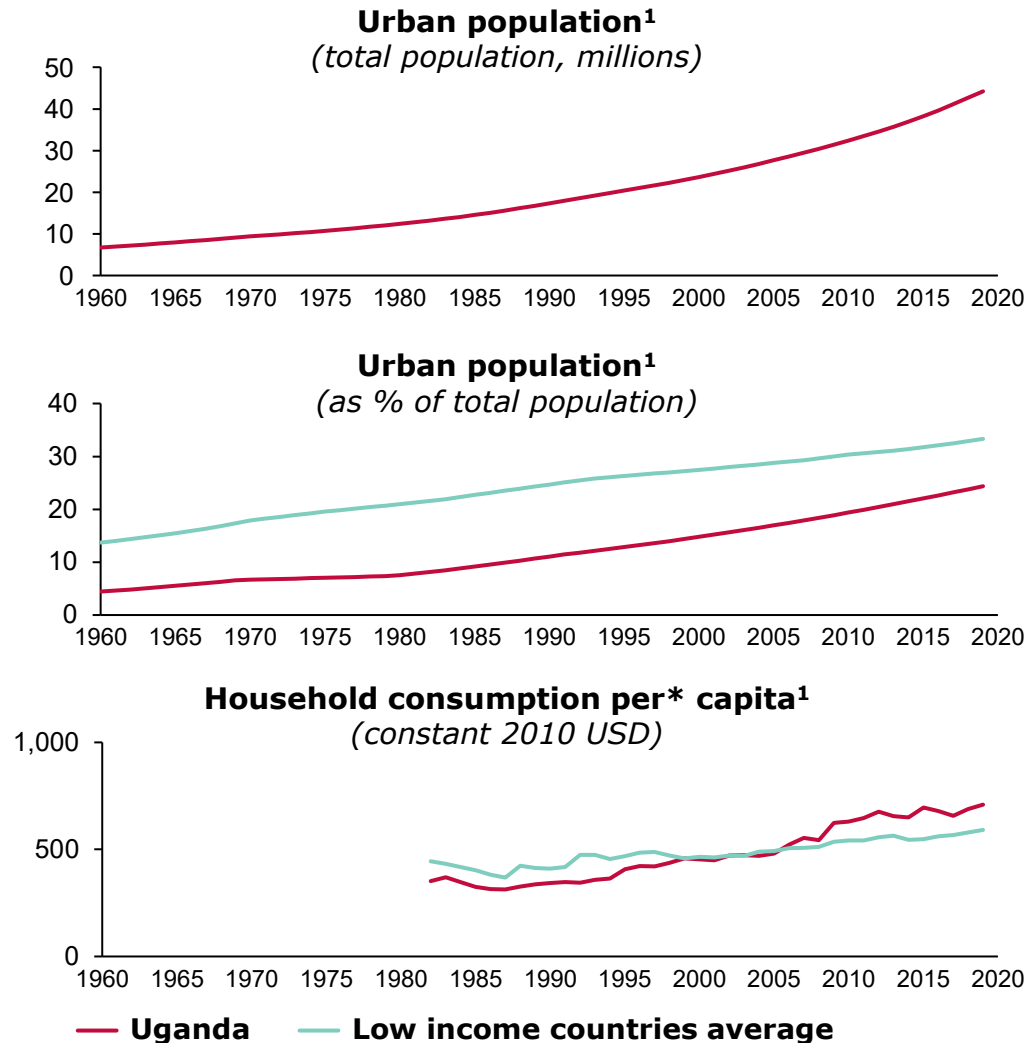
Informality

The 'hybrid' economy

Formality



Population growth, urbanization, and growing wealth is expected to drive transformation of FVCs, presenting opportunities for SMEs



Notes: *No data for household consumption available for Uganda prior to 1982
Sources: World Bank Indicators, 2021; ISF analysis

Discussion

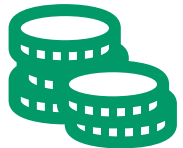
- Uganda has one of the highest birth rates in Sub-Saharan Africa (SSA), and one of the fastest population growth rates (3.3%), which puts **enormous pressure on already strained natural resources; by 2050, Uganda's population is expected to rise to 102 million people** (more than double the current population)
- According to the World Bank, Uganda's annual urban growth rate of **5.2% is among the highest in the world and is expected to grow to 22 million people by 2040**, from 6.4 million in 2014. Nonetheless, Uganda's rate of urbanization is low, also when compared to other low income countries, showing rural development to be an important priority for the country
- Rising population, urbanization, and wealth indicate that **local demand for food products will rise significantly**, creating opportunities for **further developing domestic FVCs and transforming them from traditional to transitioning**
 - Food value chains **transforming from traditional to transitioning stage creates opportunities for SMEs**, as lengthening value chains (from rural production to urban consumption) and demand for processed goods create mid-stream opportunities

Transitioning FVCs and increased support for SMEs could create additional opportunities for Uganda's large youth population



Youth Population

- **76%** of the Uganda population **are below 30 years old**
- **35%** of the Uganda population are **15-29**
- The **mean national age is 15** years old
- **80%** of youth aged 15-29 **live in rural areas**



Youth Employment

- **64%** of youth aged 15-29 are **employed in some form**
- **92%** of the youth in employment are **working poor**
- **65% of all unemployed persons** are youth 15-29
- **54%** of youth 15-29 are **employed in agriculture**, compared to **31%** for those **aged 31-64**
- **78%** of youth 15-29 **work informally** (i.e., engaged without written contract) and **often temporarily**



Youth Initiatives

- **Multiple youth-targeted initiatives are in place**, some of which are specific to agriculture
- In particular, the **National Strategy for Youth Employment in Agriculture** prioritizes strengthening the **enabling environment**, **supporting agricultural extension**, and **supporting youth entrepreneurship**

Discussion

- Uganda has relatively **high prevalence of youth**, most of whom are **residing in rural areas**. Youth account for the **majority of unemployed in the country**, and when employed are often done so **informally and temporarily**, and often moving between rural and urban areas in search of work
- **Developing FVCs for domestic and regional trade and supporting SMEs within those value chains creates opportunities for employing youth, for whom opportunities in agriculture and food systems are currently limited** due in part to factors such as lack of available land, lack of access to capital to purchase land and invest in farm equipment, the general unattractiveness of farming economics, and lack of non-farm jobs in rural areas
- Additionally, **transitioning FVCs and increased non-farm SME activities** represent **opportunities for urban youth that currently face limited non-agricultural prospects**

Literature defines food value chains as broadly falling into three main stages; these can be at different stages within one FVC

TABLE 12.1 Synthesis of features of the food economy for different stages of food value chains (FVC)

Characteristics of the food economy	Traditional FVC	Transitional FVC	Modern FVC
Urban share in food market	Low	Medium	High
Share of grains and staples	High	Medium	Low
Seasonality	High	Medium	Low
Food service sector	Small	Modest	Large
Reach FVC	Local	National	Global
Product cycle	Local niche	National commodity	Differentiated product

Source: Authors.

Key opportunities for agri-SMEs

TABLE 12.2 Synthesis of features of structure and conduct for different stages of food value chain (FVC) transformation

Characteristics of structure and conduct	Traditional FVC	Transitional FVC	Modern FVC
Structure			
Spatial length FVC	Short	Long	Long
Intermediation length FVC	Short	Long	Short
Value-addition	Low	Medium	Large
Concentration	Moderate	Low (parastatals; large number of small and medium-sized enterprises)	High (private large-scale food industry firms)
Conduct			
Quality differentiation	Low	Low	High
Quality and safety standards	Few	Public	Private
Technologies	Labor-intensive	Labor-intensive	Capital-intensive
Contracts	Spot markets only	Spot markets dominate; emergence of contracts	Spot markets small; contracts dominate

Key opportunities for agri-SMEs

Discussion

- **Different parts of the same FVC can be in different stages of maturity;** for instance, in Ugandan **export-oriented cash crops** value chains **highly fragmented production from SHFs co-exists with highly consolidated and modern mid- and downstream markets**
- The main drivers of **transition through the stages for Ugandan FVCs** include the **growth of domestically/regionally traded food products, population growth and urbanization** leading to changes in downstream demand, and the evolution of businesses models and systems **towards more formal enterprises**
- **Transitioning value chains represent a crucial opportunity for agri-SMEs** (and MSMEs) as informal and individual-based activities (highly prevalent in traditional FVCs) are **replaced by enterprises conducting value additive activities, but consolidation is still relatively quite low** (thus mitigating the impact of larger enterprises)

Source: Reardon, Thomas and Bart Minten, (2021), "Food Value Chain Transformation in Developing Regions," Agricultural Development: New Perspectives in a Changing World. Keijiro Otsuka and Shenggen Fan, IFPRI ; ISF analysis

The length, size and complexity of food value chains differ by their relation with trade and their processing opportunities and needs




Food value chain categorization	
Relation with trade	Processing
Domestic The entirety of the value chain from the upstream to the downstream is contained within an economy	
Export-oriented Where upstream and/or midstream activities are mainly oriented towards exporting a food product (both regionally and globally)	No processing Food products that require no significant processing and are consumed in their original state (e.g. cassava)
Import-oriented Food products where no significant upstream production is taking place and where local demand is met through imports	
Mixed Refers to food products where there is an almost even split mix of imported, exported and domestic food products	Processed products Refers to food products that undergo processing to be refined/transformed to be fit for consumption (e.g. tea and coffee) and those that require the mixing of inputs to create processed foods (e.g. cookies and sausages)

Discussion

- Food value chains tend to vary in complexity depending on where specific food products exist along two dimensions, their **relation with international food value chains** and a product's **processing needs**
- Given Uganda's lack of vibrant market for farm inputs, SMEs are most likely to be **present in the farm inputs and midstream segments**
 - As Uganda farmers currently are not large buyers of inputs, FVC midstream are the main opportunity for SMEs in Uganda
 - For foods with **no processing**, the midstream value additive activities – and opportunities for SMEs – typically include **aggregation, grading, storage, and transport**
 - Processed FVCs** have the **additional processing activity**, which tends to have relatively high proportion of value-add (e.g., coffee processing is estimated at 29%, versus 21% for farming, 18% trading and 10% collection/aggregation)
 - Globally-traded FVCs** tend to be **dominated by larger companies due to high capital-intensity and significant economies of scale** that emerge from the complexity of global trade (e.g., developing global partnerships, knowledge of regulations across borders, need for access to more complex financing products). These enterprises often integrate vertically (including directly engaging with farmers/coops), limiting opportunities for SMEs
 - There are **more opportunities for agri-SMEs in FVCs that are consumed domestically or traded regionally**, or which are traded **globally but as niche markets**

These 10 major food value chains are representative of the broader domestic, regionally exported, and globally exported segments

Value chain	Reasons for analysis
Cassava	<ul style="list-style-type: none"> 38% of total agricultural land in Uganda is dedicated to the cultivation of these crops, which are consumed as staple food items domestically Bananas (often intercropped with other crops) and beans are both grown by roughly half of all agricultural households in Uganda
Beans	
Plantains / Bananas	
Maize	<ul style="list-style-type: none"> These products represent the primary drivers of increased regional food exports for Uganda In particular Maize, which is grown by over 55% of agri-households, is both a staple domestic crop as well as a key regionally exported product Dairy has grown in importance due to increased domestic consumption and regional demand
Poultry	
Beef and Dairy	
Coffee	<ul style="list-style-type: none"> Despite the increased importance of regional exports, coffee, tea, and cocoa continue to represent a significant proportion of exports in terms of value (~25% of all exports) These industries, in particular coffee, are specifically targeted for domestic development by the recently announced Third National Dev. Plan Niche global export crops such as avocados and dried fruits represent a potential growth area for SME impact
Tea	
Cocoa	
Niche Global Exports	

Mapping of prioritized value chains				
		Processing		
		No processing	Light processing	Heavy processing
Relation with trade	 Domestic	Cassava		
		Beans		
		Plantains / Bananas		
	 Regional export oriented		Maize	Beef and Dairy
				Poultry
	Global export oriented		Coffee	
			Tea	
			Cocoa	
			 Niche Exports	

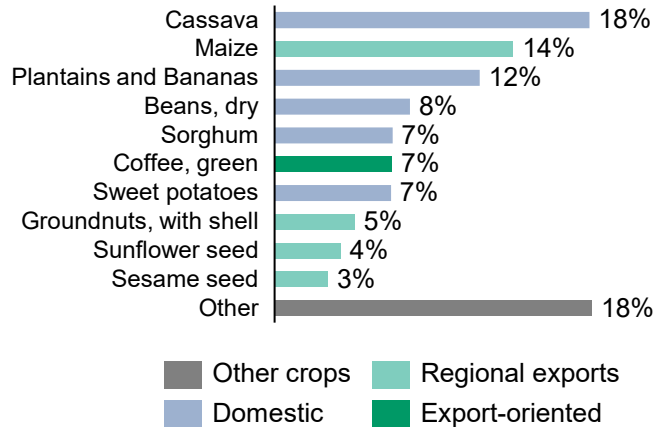
★ Most relevant for presence of agri-SMEs

Notes: Agricultural land utilization rates excludes land used to raise livestock
Sources: FAOStat, 2021; NDPIII, 2020; Comtrade; ISF Analysis

While the upstream segments of the food systems remain fragmented, the mid- are slowly beginning to transition to a more modern state

Upstream

Proportion of agricultural land dedicated to food crops¹



- Almost all major crops grown in Uganda, regardless of export destination or domestic consumption, are grown by geographically disparate smallholder farmers
- While crops production varies by region (e.g., Cassava is grown mainly in Central, Northern, and Western regions), traditional production practices remain similar across most products
- Within sub-Saharan Africa, Uganda has one of the lowest adoption levels of improved seeds, inputs, or mechanized traction; in 2014 only 16% of farmers purchased fertilizer or pesticide
- The fragmented nature of farming, as well as low input utilization, implies a difficult market for agri-SMEs selling inputs to producers

Midstream

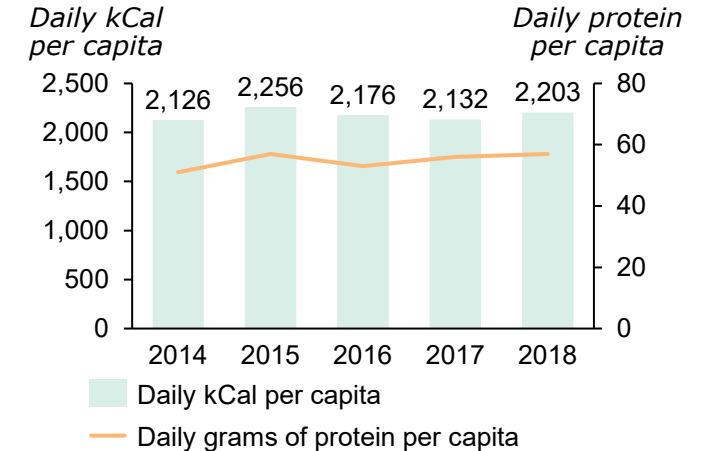
Changes in manufacturing value add by food and drink processing²

	% of total mfgt. value add (%)	2011 – 2016 CAGR (%)
All food and drink processing	57%	5.5%
Sugar processing	14%	14.9%
Beer	10%	-6.5%
Coffee processing	9%	7.5%
Tea processing	7%	1.8%
Edible oils and fats	4%	6.1%
Other food items (e.g., maize, meat)	13%	N/A

- Growth in food processing reflects more regional and domestic demand for value-additive food items and crops such as sugar, maize, and meat
- Food processing activities (5.5% CAGR) are growing faster than the overall manufacturing economy (4.8% CAGR), signaling a continued shift from traditional to transitioning value chains
- A growing processing sector creates opportunities for SMEs as aggregators, processors, exporters, and more

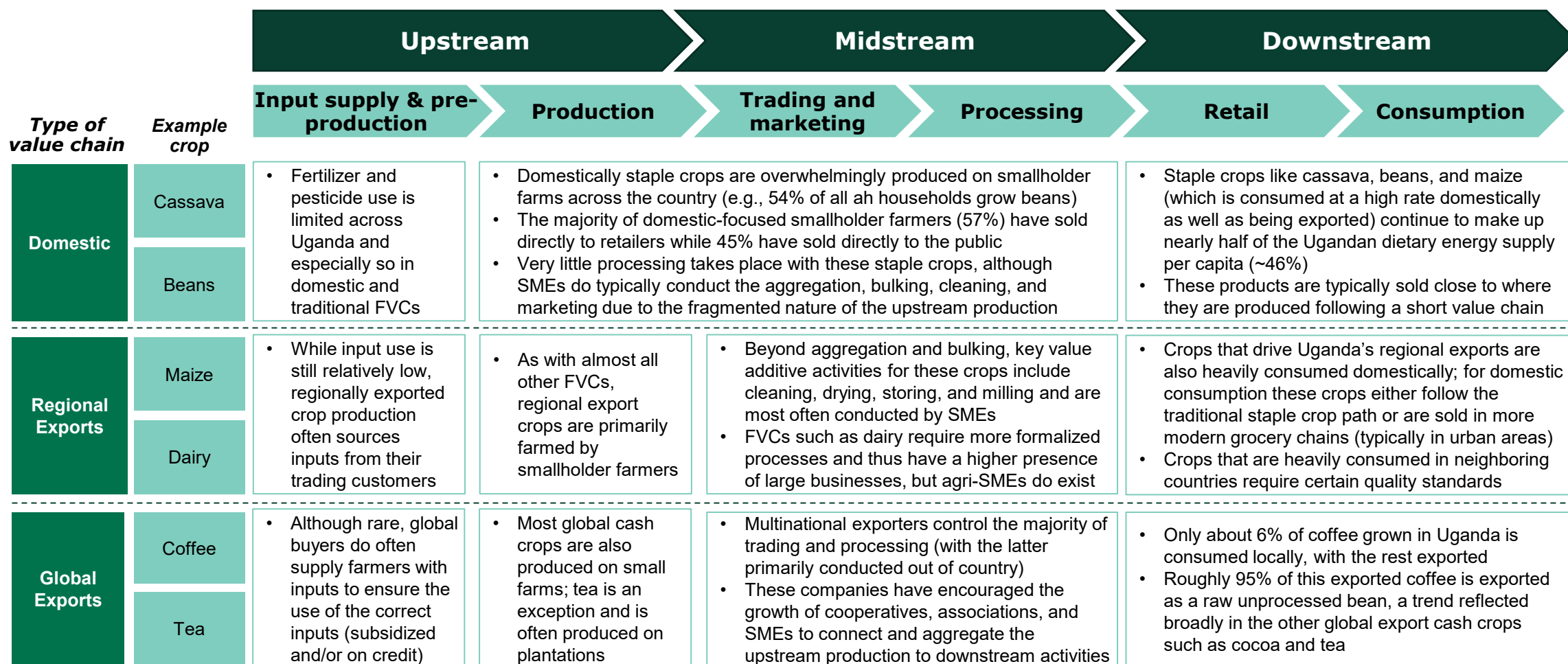
Downstream

Shifts in daily kCal and protein per capita³



- While some macro trends indicate increasing demands for more processed and complex foods, the majority of the population remains rural-based and subsisting on traditional products such as starchy roots and cereals
- Despite this, the daily intake of protein per capita is slowly increasing, in line with qualitative feedback indicating a growing market for processed and animal products
- In addition to population growth and urbanization, consumption patterns in Uganda point towards a growing domestic market, and resulting opportunities for SMEs

Domestic and regional export focused value chains present the most relevant opportunities for agri-SMEs



Content

The food sector in Uganda

SMEs in the food system

Agri-SME needs

Agri-SME support ecosystem

Annex

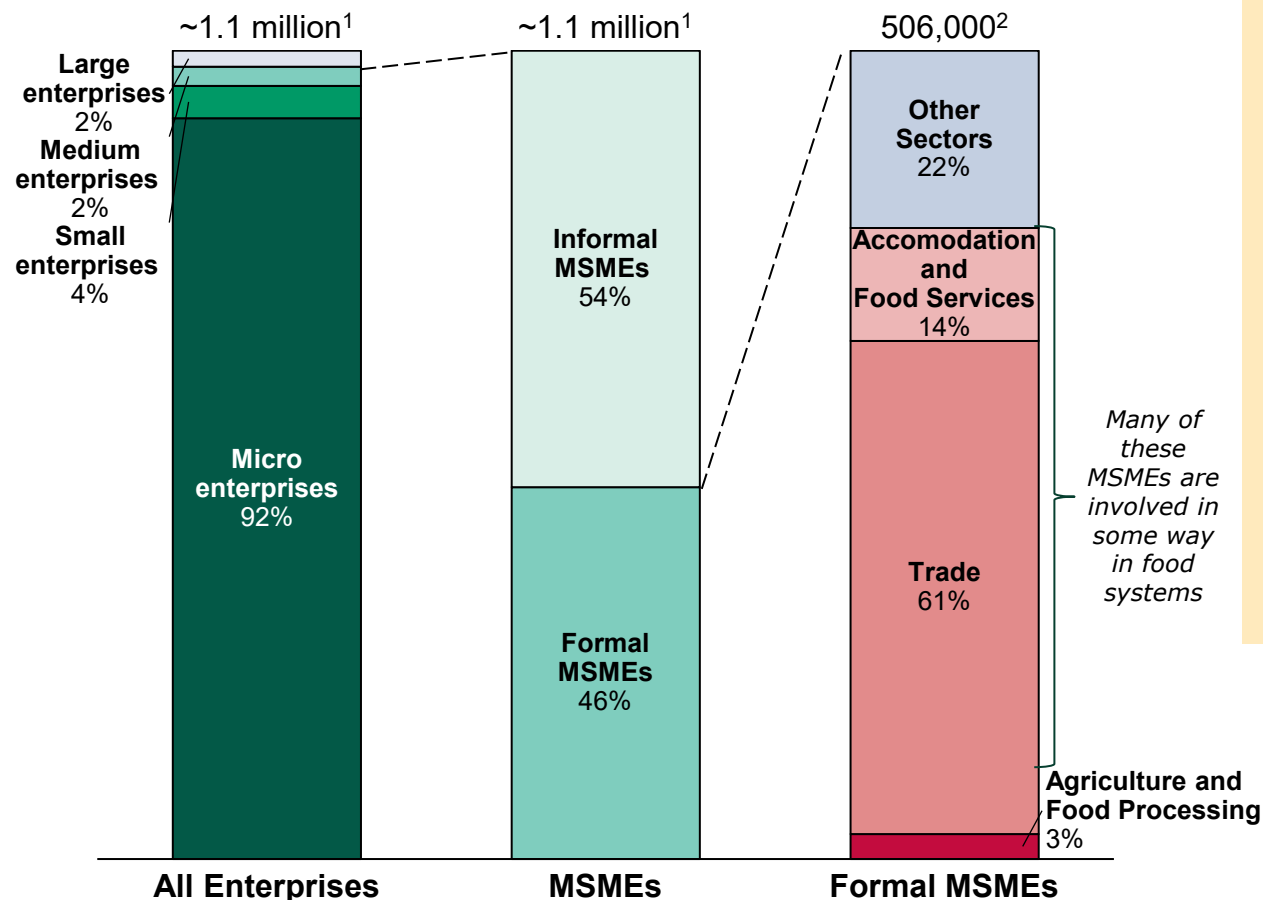
SMEs in the food system: Summary of key messages

- **MSMEs play a major role in Uganda, accounting for ~98% of all enterprises**
 - MSMEs generate about ~90% of total non-farm employment and approximately 20% of GDP (although some estimates claim MSMEs contribute up to 75% of GDP when both formal and informal sectors are considered)
 - The vast majority (92%) of all companies are micro-enterprises, which are often informal enterprises with unique and distinct challenges and needs. SMEs account for ~6% of all firms (~65k)
- **Agriculture and food processing SMEs make up a relatively small proportion (~3%) of formal enterprises**
 - However, the 'trade' and 'accommodation & food services' sectors account for ~76% of all formal MSMEs; while no further detail is provided on the activities of MSMEs in these sectors, it is believed that many of these companies are involved with some form of food-systems related activities, such as processing, trade or retail
- **SMEs are most prevalent in transitioning value chains focused on domestically consumed and regionally exported products that require value-additive activities beyond the farm and in-country**
 - Food value chains that are domestically consumed and regionally traded (there is a large degree of overlap between the two) have a relatively high prevalence of SMEs and account for the majority of both cropland used and export value across all agricultural products
- **Niche global export value chains (e.g., dried fruit, avocados) also have a high rate of agri-SME activity**
- **From seven main categories of most prevalent agri-SMEs within these types of FVCs, we identify aggregators, traders, food processors, and cooperatives as most relevant impact potential**
 - These segments provide the greatest direct (employment) and indirect impact (poverty alleviation) potential at the largest scale

There are approximately 1.1 million MSMEs in Uganda, of which many are either directly or indirectly involved with food systems

Distribution of firms in Uganda by categories, 2019

of enterprises



DISCUSSION

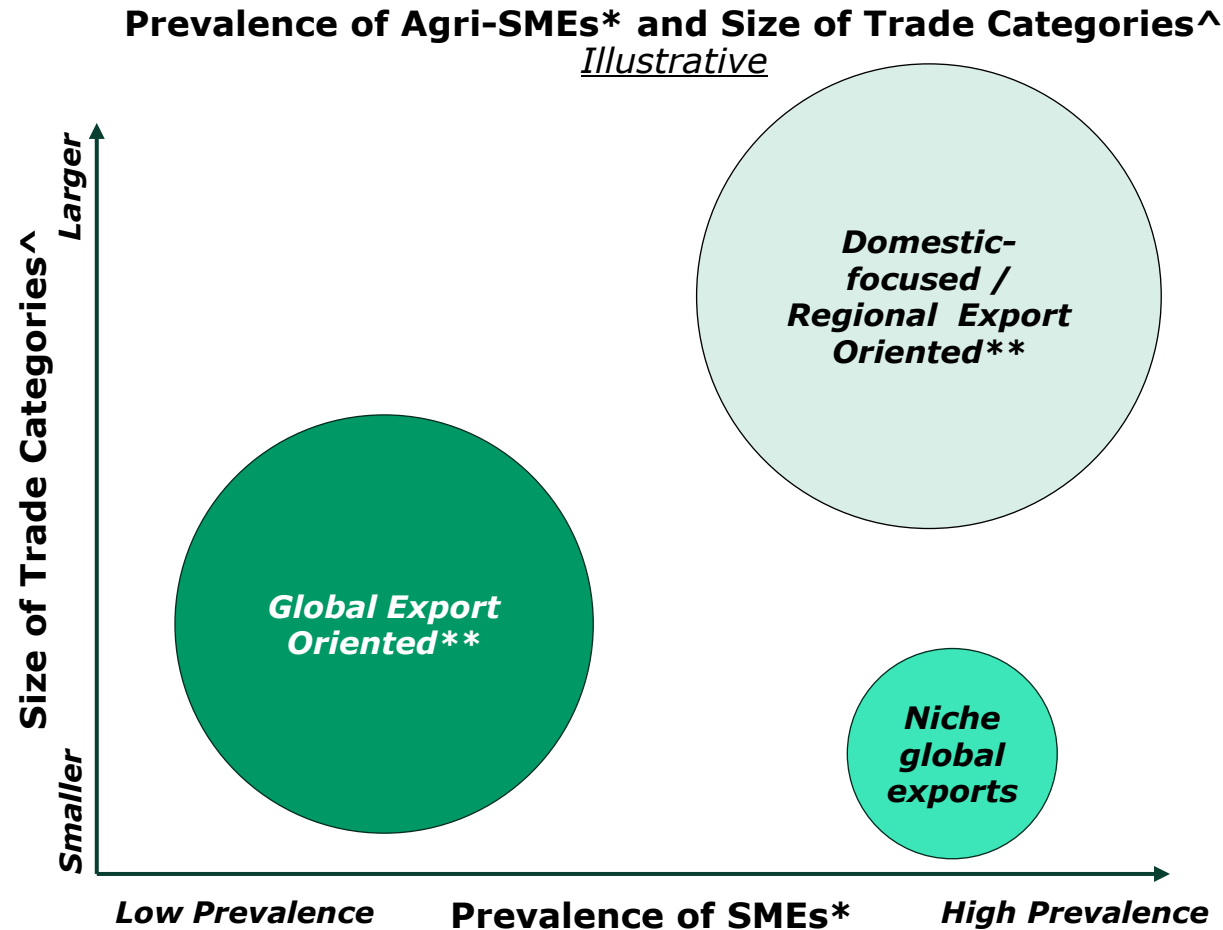
- MSMEs are crucial to the Ugandan economy representing **~98% of all firms**, generating about **~90% of total non-farm employment** and approximately **20% of GDP** (although some estimates claim MSMEs contribute up to 75% of GDP when both formal and informal sectors are considered)^{1,3}
- While **clear sector-specific data for MSMEs is difficult to find in Uganda**, a 2010 UBOS report broke down the formal MSME landscape by industry sector
 - The agriculture, fishing, and food processing-specific MSMEs accounted for **~3% (~15k) of the ~500k formal enterprises**
 - However, the **trade and accommodation & food services sectors account for ~76% of all formal MSMEs**; while no further detail is provided on the activities of MSMEs in these sectors, it is believed that **many of these companies are involved with some form of food-systems related activities**
 - While data is even more sparse on informal SMEs, primary feedback indicates that the **food-systems related segments account for a similar proportion of the total MSMEs**

What is considered an SME in Uganda?³

Enterprise size	# of employees	Total asset value (millions of shillings)
Microenterprises	<5	<10 million
Small enterprises	11 to 49	>10 million; <100 million
Medium enterprises	50 to 100	>100 million; <360 million
Large enterprises	>100	>360 million

Sources: 1. Uganda Business Impact Survey 2020; 2. Proportion of formal MSMEs in each sector from the Census of Business Establishments (COBE), UBOS 2010-11 report were applied to overall 2019 MSME numbers; 3. Uganda Micro, Small And Medium Enterprise (MSME) Policy, 2015; ISF Interviews; ISF analysis

Feedback indicates that SMEs are most prevalent in domestic / regional products and niche global



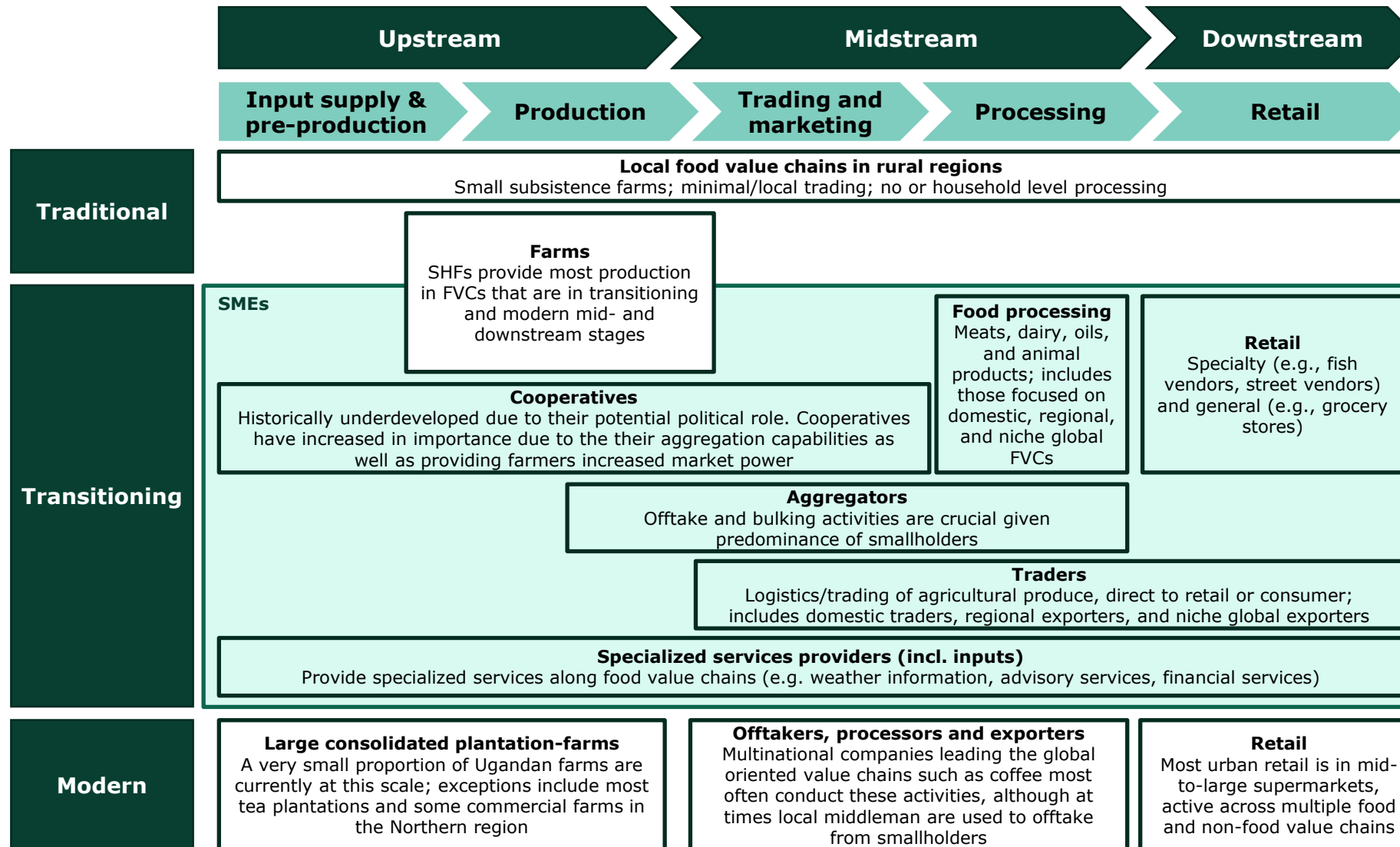
Discussion

- While limited data exists on value chain-specific SME prevalence within the food system, feedback indicates that **SMEs are most prevalent in transitioning value chains focused on domestically consumed and regionally exported products that require value-additive activities beyond the farm and in-country**
 - There is a large degree of overlap between food value chains that are domestically consumed and regionally traded, thus they are considered together in this analysis
- Niche global export value chains (e.g., dried fruit, avocados, chili peppers) **are less modernized and consolidated than typical globally traded cash crops (e.g., coffee) and thus have a higher rate of SME activity**. The smaller size and value of these niche markets reduces the competitive advantage of large consolidated players, and create opportunities for SMEs
- Multinational companies and large enterprises have been able to consolidate more in the globally exported cash crops segments**. Many large MNCs have vertically integrated, interacting directly with SHFs or farmer organizations, reducing opportunities for SMEs to play a significant midstream role in trading and processing directly, or as a middleman between large corporates and smallholder producers

Note: * Prevalence of agri-SMEs reflects illustrative prevalence of SMEs within each value chain segment based on market feedback; ^ Size of trade categories represents an illustrative view of cropland dedicated to each crop within the broader segment; ** Size of circle indicates illustrative view of export value (based on Comtrade data) of each value chain segment

Sources: FAOSTAT; Comtrade; ISF analysis

SMEs are located in the segments that fall under the transitioning stages of food value chains



Discussion

- The particular **challenges and needs** agri-SMEs in Uganda face vary significantly across these 7 main categories
 - As a result, a strategy of supporting agri-SMEs will differ depending on **which type(s) of agri-SME to support**
 - Supporting multiple or all types will likely require a **broad range of interventions** to cater to different needs, challenges and dynamics
- On the following pages, we evaluate these SME types by their potential **impact on poverty alleviation and employment generation, and scale,**

This scoring exercise focuses further analysis on those SME segments that supporting will have the highest impact across key categories

Evaluation Category	Purpose of evaluation	Scoring rationale	Discussion
Employment	<ul style="list-style-type: none"> Evaluates the direct impact of supporting the specific agri-SMEs 	<ul style="list-style-type: none"> Number of people that are currently or (crucially) could be employed in the future by this kind of agri-SME Particular emphasis on generating employment of vulnerable population sub-segments 	<ul style="list-style-type: none"> While valuable to contextualize the different segments of SMEs across Uganda, this evaluation is not meant to be a comprehensive scoring of all SME segments Rather, the scoring system provides a rationale and framework for narrowing focus onto a few key segments in order to understand potential impact across a few key categories Each category of evaluation measures the support for agri-SME segments at varying levels, from the direct impact of support (employment) to the macro level of support implied by the scale of SMEs
Poverty reduction	<ul style="list-style-type: none"> Evaluates how support of agri-SMEs indirectly improves the broader system 	<ul style="list-style-type: none"> Degree to which agri-SMEs contribute to poverty reduction, through indirect actions such as connecting farmers to markets and improving food security by expanding and making more efficient FVCs Particular emphasis on reducing poverty of vulnerable population sub-segments 	
Prevalence of SMEs	<ul style="list-style-type: none"> Measures the potential macro-level impact, as low prevalence rate could lead to low overall impact even if individual agri-SMEs have high employment and poverty reduction impact potential 	<ul style="list-style-type: none"> Prevalence of type of agri-SME and likelihood for this presence to grow 	

Agri-SMEs in Uganda vary in terms of their potential impact

		Employment	Poverty reduction*	Prevalence of agri-SMEs
Recommended Target SMEs	Aggregators	Creates incremental job opportunities for those not in existing production roles	Connects farmers to markets and expanded / improves efficiency of FVCs	High prevalence of SMEs necessary to interact with fragmented upstream
	Traders	Creates jobs across value chains and geographies	Potential to create fast growing companies, important role in productivity, creates formal jobs	High prevalence of domestic/regional SMEs, often interface with large agri-traders
	Food Processors	To meet growing domestic and regional demand, processing can create new jobs	Increases value-add in-country; satisfies food demand; impacts urban poverty	Currently relatively low prevalence but expected to grow in line with demand
	Cooperatives	Employment growth is not the main mission of coops	Proven effective at connecting farmers to markets and thus increasing incomes	Historically low prevalence, but recent growth and government support
	Farms	Can help shift from unpaid family labor to paid labor on more commercial farms	Unlikely to raise rural wages, may decrease labor intensity of farming	Vast majority of farms are small family farms rather than SMEs
	Retailers	Growth in domestic consumption (esp. urban) creates retail employ't opportunities	Can improve market efficiency and food security, especially in urban areas	High prevalence of SMEs in rural retail; urban retail controlled by larger retailers
	Specialized services providers	Can create new jobs; labor intensity depends on business model	Effective models can increase yields and income for farmers and create new industries	Overall limited scale, although innovative providers (e.g., digital) are growing

Notes: * Poverty reduction includes both direct and indirect reduction (see previous slide for further explanation)

Source: 1. ISF analysis

DISCUSSION

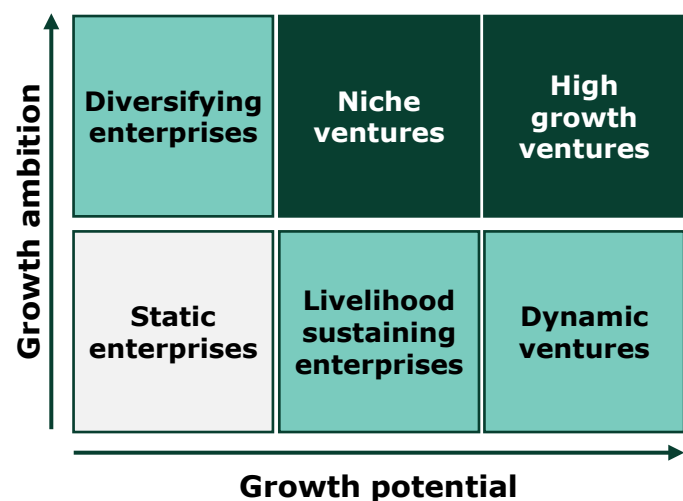
- Broadly speaking, the prioritized SME categories fall into one of two types: **those that are connecting markets and enabling broader growth (aggregators and cooperatives)** and those that are **progressing and innovating the food system** based on this enablement (**traders and food processors**)
 - Supporting **aggregators and cooperatives** typically results in significant indirect poverty alleviation and market growth
 - Traders and processors** require more innovative business model support, which could result in significant transformative and transferable learnings that can be replicated in other contexts
- Most development support across the food system is focused on farming, early stage SME support (e.g., incubators), and late stage investments, **but there is a lack of support for these prioritized SME segments in the 'middle' stages of enterprise development**, such as consolidating commercial operations following launch

Legend: level of potential impact

Low  High

SMEs in these categories fall into a number of segments of agri-SME types that vary depending on their growth potential and ambition

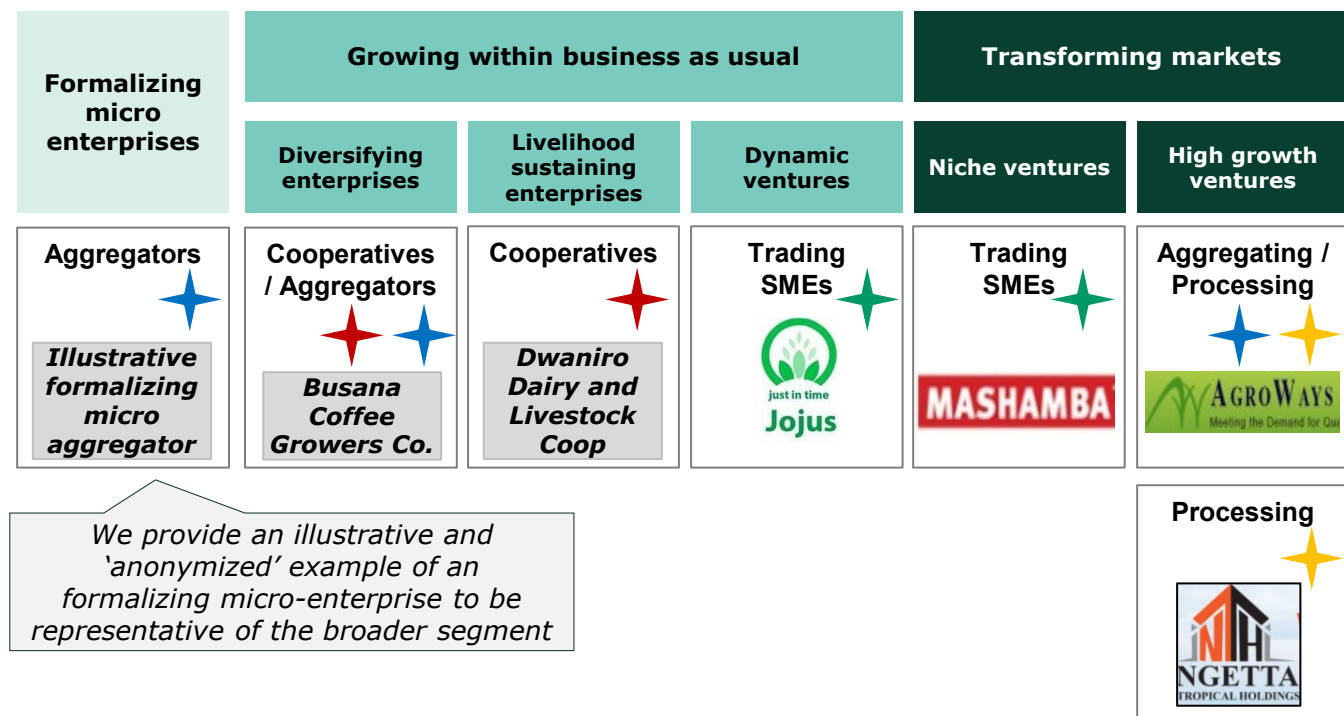
Types of agri-SMEs



Legend

Growing within business as usual

Transforming markets





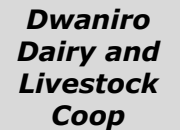
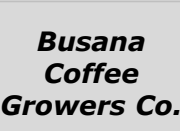
We provide an illustrative and 'anonymized' example of an formalizing micro-enterprise to be representative of the broader segment

★ Cooperatives ★ Aggregators ★ Processors ★ Trading SMEs

We provide an overview of **illustrative SMEs from each of the four prioritized agri-SME categories** to provide an indication of their **impact potential and support needs**




While not exhaustive, we believe these profiles are **generally representative of the broader segments**

Those organizations closely interacting with fragmented smallholder farmers are likely to have potential for high poverty alleviation impact

		Company name	Value chains active	Business model	Impact potential	Support needs
Growing within business as usual	Formalizing micro enterprises	 Illustrative formalizing micro aggregator	<ul style="list-style-type: none"> Maize, other cereals (e.g., millet, wheat) 	<ul style="list-style-type: none"> Individual agents traverse villages on bicycles and small vehicles procuring maize at farm gates or markets, then sell to larger millers or urban traders 	<ul style="list-style-type: none"> Play a crucial step in connecting fragmented farmers to market, have opportunity to drive market efficiency if able to scale and formalize 	<ul style="list-style-type: none"> Financial and capacity support to scale as well as technical support and training to go through formalization process
	Dynamic ventures	 Jojus	<ul style="list-style-type: none"> Maize, beans, lentils 	<ul style="list-style-type: none"> Sources produce between wholesalers (~60%) and network of local smallholders (~40%); trades on domestic market as well as regional exports 	<ul style="list-style-type: none"> Growth potential in the domestic/regional export markets, with diversified sourcing strategy in transitioning food value chains 	<ul style="list-style-type: none"> Governance and human capital support to continue growth, particularly in the regional export channels
	Livelihood sustaining enterprises	 Dwaniro Dairy and Livestock Coop	<ul style="list-style-type: none"> Dairy products in the Kiboga district 	<ul style="list-style-type: none"> Offers aggregation, bulking, distribution, and various support services to dairy farmer members (e.g., financial services, marketing, farmer training) 	<ul style="list-style-type: none"> Offers key services and market access to 500+ dairy farms operating in a value chain with high potential for additional value additive activities 	<ul style="list-style-type: none"> Increased training capacity for training of farmer members to ensure quality standards are met prior to aggregation/bulking
	Diversifying enterprises	 Busana Coffee Growers Co.	<ul style="list-style-type: none"> Robusta coffee beans, primarily in the Central region 	<ul style="list-style-type: none"> Registers farmers, aggregates and transports coffee beans to large scale exporters (primarily multinational), ensures farmers are paid 	<ul style="list-style-type: none"> Supplies key services, including ensuring on time payments at market rates, to 500+ members farms 	<ul style="list-style-type: none"> Technical support and technology capabilities to enable more efficient registration of farmers as well as more timely payments to producers

 Cooperatives
  Aggregators
  Processors
  Trading SMEs

Transforming market business models tend to drive innovation and economic growth across various value chain segments

		Company name	Value chains active	Business model	Impact potential	Support needs
Transforming markets	High growth ventures		<ul style="list-style-type: none"> Domestically / regionally traded oil seed products 	<ul style="list-style-type: none"> Sources and aggregates seeds (primarily sunflower) from individual farmers and farmer coops that it then processes into cooking oil sold domestically and regionally 	<ul style="list-style-type: none"> A high growth enterprise that operates across multiple regions, sources from 55+ farmers groups, and produces value additive products in a growing value chain 	<ul style="list-style-type: none"> Financing to expand processing capacity as it grows its farmer cooperative input base
			<ul style="list-style-type: none"> Maize and other grains 	<ul style="list-style-type: none"> Purchases maize from farmer groups and sorts, cleans, and grades prior to selling to domestic / regional traders Also stores grain for depositors using a warehouse receipt system 	<ul style="list-style-type: none"> Ensures maize farmers are able to access key value-additive services that allows entry to domestic and regional market Provides warehousing for key food value chains 	<ul style="list-style-type: none"> Financing to expand warehousing capacity Human resources and financing to ensure upstream supply meets quality standards even before reaching this aggregation stage
	Niche ventures		<ul style="list-style-type: none"> Avocadoes, chili peppers, fresh fruits 	<ul style="list-style-type: none"> Sources niche export products primarily from SHFs and exports fresh produce to international markets (~60% to the UK, ~30% Middle East, ~10% mainland Europe) 	<ul style="list-style-type: none"> Part of a growing niche export market that taps into fragmented upstream sources and bypasses larger multinational exporters to go straight to target markets 	<ul style="list-style-type: none"> Support on receiving certifications (e.g., quality) on national and international level to ensure market access remains uninterrupted

Source: ISF analysis

 Cooperatives
  Aggregators
  Processors
  Trading SMEs

Content

The food sector in Uganda

SMEs in the food system

Agri-SME needs

Agri-SME support ecosystem

Annex

Agri-SME needs: Summary of key messages

- **In general, agri-SMEs in Uganda face challenges similar to agri-SMEs globally, across all five of the major areas used in recent SAFIN research**
 - Agri-SMEs struggle with access to finance, mainly due to the persistence of the large informal sector and lack of official records and administrative capacities to access financing
 - Agri-SMEs struggle to find and engage with qualified individuals to fill key senior and technical positions
 - The broader businesses environment can be burdensome and risky for entrepreneurs and growth-oriented SMEs, from lack poor physical infrastructure to lack of effective contract enforcement mechanisms
 - Agri-SMEs often have difficulty accessing both domestic and regional markets as a lack of strategic and technical knowledge hampers ability to navigate cumbersome tax and quality regulations
 - The fragmented nature of upstream production and the food system more broadly creates difficulties for agri-SMEs relying on consistent product quality (e.g., global SME traders) to access markets
- **The four specific types of agri-SMEs most relevant for potential impact have a number of distinct needs, reflecting their unique positions in food value chains**
 - Aggregators require formalization support and risk-reducing financing instruments to address their key challenge of access to finance (specifically working capital)
 - Food processors face a lack of consistent supply as well as limited technical expertise, creating opportunities to provide supply planning support, supplier networking support, and training programs dedicated to food processing standards
 - Traders require formalization support and matchmaking facilities for highly qualified personnel to address their key challenges of access to finance and access to talent respectively
 - Cooperatives' key challenges include lack of access to finance and weak institutional support from the public support ecosystem, resulting in support needs of institutional advocacy and ecosystem building

We map agri-SME needs against five main categories

Key enablers for agri-SME growth



Agri-SMEs in Uganda in general face a range of challenges across these five categories

Area	Challenges	Support needs
Access to finance	<ul style="list-style-type: none"> • There is a general lack of 'investable' or 'bankable' agri-SMEs due in large part to the persistence of the large informal sector, limited capacities and a lack of records needed for financing • On the supply side generic MSME financial products are insufficiently tailored for Agri-SMEs • There is a weak focus of public investment on de-risking the sector and fiscal policy disincentives agricultural credit lending 	<ul style="list-style-type: none"> • Pre-diligence and investment readiness training • Better tailored lending products to the sector
Access to talent	<ul style="list-style-type: none"> • Agri-SMEs struggle to find and engage with qualified individuals to fill key positions, such as attracting talent for senior positions (CFO, COO, CMO, etc.) and technical positions (e.g., accountants) • Founders and managers tend to be untrained to manage the controlled growth of the company 	<ul style="list-style-type: none"> • Placement models/ insourcing and outsourcing • Leadership training • Strengthen governance practices
Ecosystem of support	<ul style="list-style-type: none"> • Starting formal businesses in Uganda can be cumbersome, discouraging entrepreneurs • Contract enforcement is generally lacking across the agri-SME sectors, making both starting and running any enterprise difficult • Poor physical infrastructure puts external pressures on agri-SMEs 	<ul style="list-style-type: none"> • Entrepreneurship support and incubation services • Increased contract enforcement • Infrastructure mitigation support
Access to knowledge	<ul style="list-style-type: none"> • SMEs lack strategic and technical information about the markets where they operate, limiting their ability to develop innovative products that are able to compete in domestic and international markets • Tax, quality, and export regulations are difficult to navigate for SMEs without specialized expertise 	<ul style="list-style-type: none"> • New product development protocols • Regulatory compliance support, including documented guides
Access to markets	<ul style="list-style-type: none"> • There is a limited public sector investment and focus on enhancing market access • The fragmented nature of upstream production and the food system more broadly creates difficulties for agri-SMEs relying on consistent product quality (e.g., global SME traders) as these rely on the enabling functions of organizations further upstream • Agri-SMEs face difficulties in achieving domestic and international certifications in order to access markets due to cumbersome processes and inconsistent upstream supply 	<ul style="list-style-type: none"> • Public policy advocacy • Sourcing strategy support • Certification and regulatory compliance support

There are some specific challenges and needs faced by prioritized agri-SME categories

SME Category	Area	Challenges	Support needs
Aggregators	Access to finance	<ul style="list-style-type: none"> Aggregators typically begin as informal enterprises with deep knowledge of their markets, suppliers, and customers but a lack of credit history, formal records, and collateral limits their ability to receive proper finance access 	<ul style="list-style-type: none"> Formalization support Risk-reducing instruments such as insurance and factoring
	Access to markets	<ul style="list-style-type: none"> Processors often cite the lack of consistent quality supply as a primary challenge, as the fragmented upstream production makes consistent processing difficult 	<ul style="list-style-type: none"> Supply planning support Connection to aggregators / suppliers Support for upstream 'enabling' organizations and enterprises
Processors	Access to talent	<ul style="list-style-type: none"> Technical expertise on agroindustrial and food processing is lacking in Uganda, limiting the ability of food processors to hire experienced employees 	<ul style="list-style-type: none"> Training programs on food processing and agroindustrial standards
	Access to finance	<ul style="list-style-type: none"> Trading SMEs face major obstacles including poor contracts enforcement, lack of records, and lack of de-risking instruments that limit their access to valuable financing 	<ul style="list-style-type: none"> Formalization support and investment readiness training Risk-reducing instruments
Traders	Access to talent	<ul style="list-style-type: none"> Trading SMEs cite a lack of highly-qualified personnel to develop the technological and administrative systems that enable service provision 	<ul style="list-style-type: none"> Matchmaking facilities for highly qualified personnel
	Access to finance	<ul style="list-style-type: none"> Cooperatives tend to have a lack of sufficient credit records and often do not have collateral (land and real estate) to offer as guarantees, limiting access to finance 	<ul style="list-style-type: none"> Risk-reducing instruments such as insurance and factoring
Cooperatives	Ecosystem of support	<ul style="list-style-type: none"> Ugandan cooperatives were historically limited due to their perceived political impacts, thus the broader public and private ecosystem of support is limited 	<ul style="list-style-type: none"> Institutional advocacy and support from private sector to address gaps in public sector support/policy
	Access to finance	<ul style="list-style-type: none"> Cooperatives tend to have a lack of sufficient credit records and often do not have collateral (land and real estate) to offer as guarantees, limiting access to finance 	<ul style="list-style-type: none"> Risk-reducing instruments such as insurance and factoring

Access to finance and **access to talent** are consistently cited as the most pressing issues faced by prioritized agri-SMEs

Finally, certain agri-SME challenges and needs will be specific to the value-chain in which the SME operates

ILLUSTRATIVE

SME type and FVC segment	Maize Aggregators / Processors <i>Midstream</i>	Niche Global Exports Traders <i>Midstream</i>
Challenge areas	<ul style="list-style-type: none"> • Access to finance • Access to markets • Access to talent 	<ul style="list-style-type: none"> • Access to markets • Access to knowledge • Access to finance • Ecosystem of support
Value chain specific challenges	<ul style="list-style-type: none"> • Maize aggregators and processors (often SMEs will combine these activities) often begin as informal enterprises trading locally in traditional value chains and face challenges accessing finance as they attempt formalize and expand capacity • These SMEs often are not able to access new markets, in particular regional export markets, due to cumbersome quality standard requirements from exporters and a lack of talent/knowledge in navigating these new potential channels 	<ul style="list-style-type: none"> • Inconsistent supply quality and volume is a primary challenge that restricts niche global SME traders from consistently accessing major markets such as Europe and the UK • The infrastructure support ecosystem presents major challenges for these SMEs, such as the lack of consistent cold chain logistics options which limits the export of fresh fruits and vegetables • Access to talent and knowledge in order to achieve and maintain international licensures and certifications is a major challenge
Needs	<ul style="list-style-type: none"> • Specialized financing facilities for currently informal enterprises making the adjustment to formalized • Specialized programs designed to support and facilitate the formalization transition • Training that focuses on creating skills necessary to aggregate, bulk, store, and lightly process maize at quality levels that meet domestic and regional standards 	<ul style="list-style-type: none"> • Training programs aimed at developing consistent supply strategies paired with networking and coordination support to link niche export SMEs to more consistent suppliers • Support services for 'enabling' services and enterprises further upstream to ensure more consistent supply • Networking support to more efficiently utilize existing cold chain logistics networks • Training that focuses on specific international certifications that are crucial to maintaining access to major markets

Content

The food sector in Uganda

SMEs in the food system

Agri-SME needs

Agri-SME support ecosystem

Annex

Agri-SME support ecosystem: Summary of key messages

- **While Uganda's ease of doing business score ranks roughly in the middle of regional rankings, it falls significantly below key neighbors Kenya and Rwanda**
 - Uganda also has a slightly lower Enabling the Business of Agriculture score than Kenya and Tanzania
 - Agri-SMEs depend on a supportive and predictable enabling environment to be able to start and scale their businesses
 - **Uganda's low rankings in ease of starting a businesses and registering property, two of the most crucial steps for entrepreneurial SMEs owners, represent a potential opportunity for third-party support.** These needs, however, are not specific to agri-SMEs but rather apply to all SMEs in Uganda
- **The Ugandan state has a large range of support mechanisms for MSMEs and agri-MSMEs specifically**
 - The Ugandan government passed the MSME Policy of 2015, acknowledging the importance of the MSME sector to the broader economic growth of the country and prioritizing various strategies to enhance MSME growth, including the refocusing of (M)SME support towards agri-industrial enterprises rather than the historical focus on farmers
 - Despite a robust governmental support system for agri-SMEs, this system relies significantly on public/private partnerships and leaves many of the innovative support mechanisms to private actors
- **Foreign aid by national and multilateral development organizations generally prioritizes support to both food systems and SMEs, given the significance of both in Uganda's economy**
 - While foreign direct aid in food systems has historically been focused on farming and food security, projects are increasingly concentrated on supporting enterprises across the value chain to support broader economic growth
 - There is an opportunity to partner with some of these organizations to further advance support for mid- and downstream agri-SMEs within Uganda as more emphasis is placed on agri-industrialization and value-additive activities
- **BDS organizations working within Uganda support agri-SMEs across the major SME needs areas, in particular access to finance, access to markets, and ecosystem support**
 - While most agri-SME needs are covered, there is an opportunity to increase support for access to talent
 - This relatively broad coverage across SME needs areas indicates a potential opportunity to support work across the food system with existing BDS organizations in Uganda

Uganda's enabling environment for conducting business is lacking in the crucial steps of starting a businesses and registering property

Ease of Doing Business Ranking

116th in the World Bank's Ease of doing business ranking

- Ease of doing business ranks economies from 1 to 190, with first place being the best. A high ranking (a low numerical rank) means that the regulatory environment is conducive to business operation

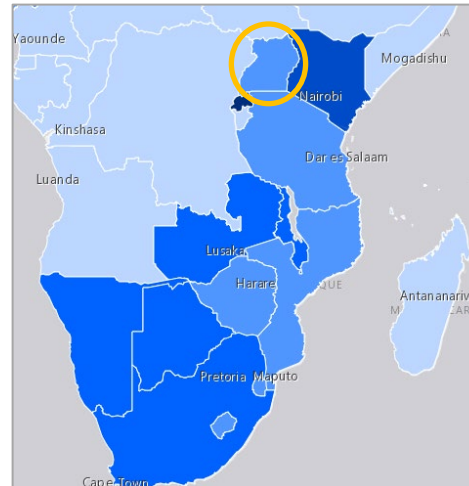
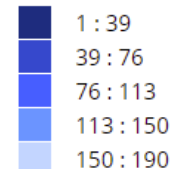
Highest rankings access to credit and enforcing contracts

- Uganda's highest rankings were for enforcing contracts (77), accessing credit (80), and protecting minority investors (88)
- It scored poorly on starting a businesses (169), trading across borders (121, and registering properties (135)

Relatively less attractive macro environment than key regional peers

- Uganda (116) ranks below Kenya (56) and Rwanda (38) but above Tanzania (141), Ethiopia (159), South Sudan (159), and the Democratic Republic of Congo (183)

2019-Ease of doing business index (1=most business-friendly regulations)



Discussion and implications

- The general ease of doing business environment is important to SMEs across all sectors as **these enterprises are typically heavily impacted by certain aspects of this metric** (e.g., starting a business)
- While Uganda's ease of doing business ranks roughly in the middle of regional rankings, **it falls significantly below key neighbors Kenya and Rwanda**
- Uganda's low rankings in ease of starting a businesses and registering property, two of the most crucial **steps for entrepreneurial SMEs owners**, represent a potential **opportunity for third-party support**

Uganda has a slightly lower Enabling the Business of Agriculture score than key regional neighbors such as Kenya and Tanzania

Enabling the Business of Agriculture – The World Bank



- The 2019 Enabling the Business of Agriculture (EBA) report examines whether government regulations and processes either facilitate or hinder agricultural activities
- The report provides data on eight quantitative indicators: supplying seed, registering fertilizer, securing water, registering machinery, sustaining livestock, protecting plant health, trading food, and accessing finance
- The EBA creates an aggregate score for each country on a scale from 0 to 100, 100 being the best ideal score

Uganda's performance on the EBA

- Uganda scored 52 with particularly high scores in criteria such as supplying seed, trading food, and access to finance
- The table below summarizes the relevant scores for those indicators associated with input providing (seeds, fertilizer and sustaining livestock) and food trading

Indicator	Uganda Score	Global Average	Regional Average*
Overall score (0-100)	52	61	41
Supplying Seed (0-100)	76	53	36
Registering fertilizer (0-100)	36	55	20
Sustaining livestock (0-100)	41	62	36
Trading food (0-100)	64	69	57
Access to finance (0-100)	80	61	48

Note: * Sub-Saharan Africa

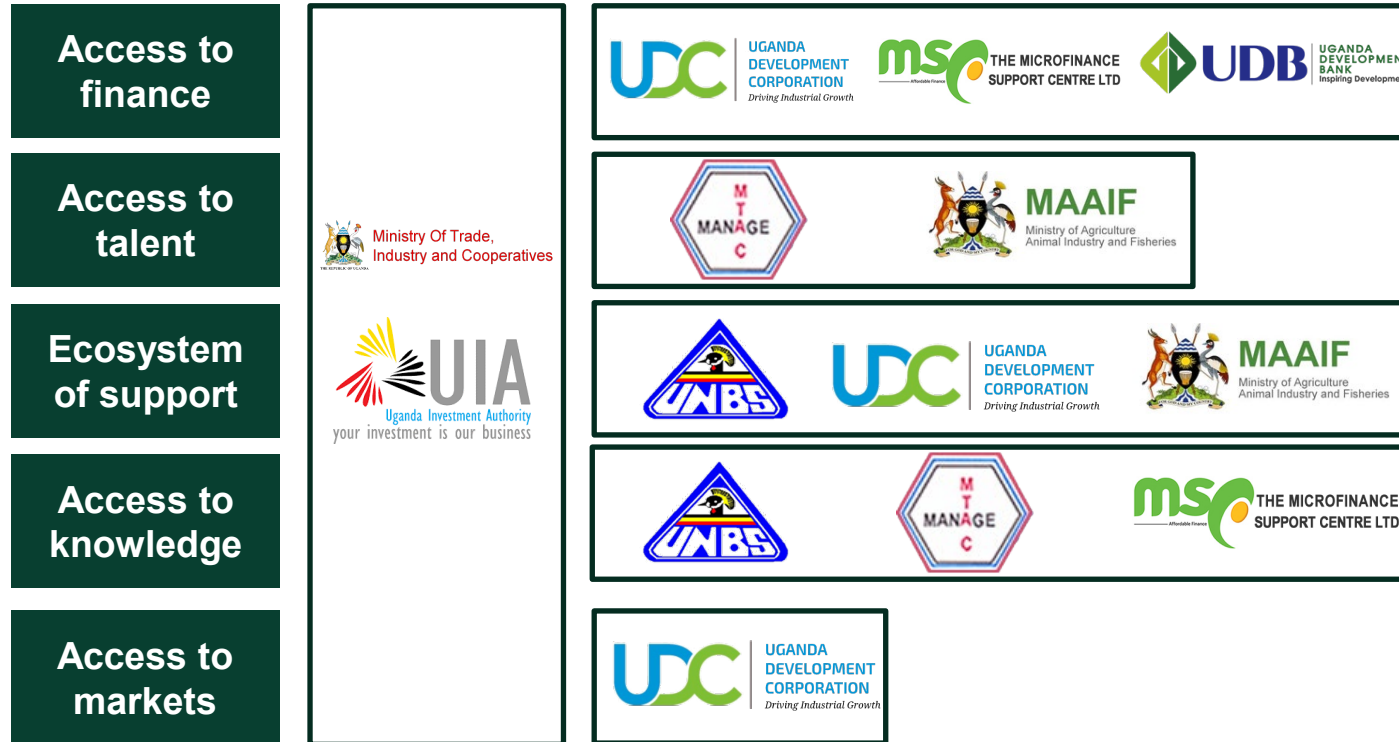
Sources: The World Bank, 2020; ISF Analysis

Discussion and implications

- Those indicators associated with **input provision** (seeds, fertilizer and sustaining livestock), **food trading, and securing finance** could serve as **indicators of the enabling environment for agri-SMEs** within Uganda
- While **Uganda's overall EBA environment is above the Sub-Saharan Africa average, it scores below key regional neighbors** such as Kenya (64 overall score) and Tanzania (57), driven primarily by lower score in registering fertilizer and sustaining livestock
- Uganda has **made recent advancements in enabling the trading of food by trying to standardize and publish certification needs** (e.g., phytosanitary certification fee schedules)
- Importantly for agri-SMEs, **Uganda scores highly on access to finance within the agriculture sector** due to **various public / private financing options available**, many of which are focused on financing SMEs

The Ugandan government developed a comprehensive MSME support policy in 2015, with agriculture as a key focus area





State entity support by (M)SME needs area



Discussion




- The Ugandan government passed the MSME Policy of 2015, acknowledging the **importance of the MSME sector to the broader economic growth of the country**
- **Agri-business support is a key priority item**, meaning that governmental agencies and ministries would refocus (M)SME support towards agri-industrial enterprises rather than the historical focus on farmers
- The importance of agriculture, the predominance of rural enterprises, and the stated ambition of the Ugandan government to increase food security and regional food exports have **created a robust governmental support system for agri-SMEs**
- Even so, this support system **relies significantly on public/private partnerships** and leaves many of the **innovative support mechanisms to private actors**
- We provide an **overview of state entities and their corresponding programming for SMEs in Uganda**

The key state entities overseeing the MSME Policy of 2015 offer the most direct and broad support to agri-MSMEs

Entity	Description	SME need areas covered	Support and relevance for agri-SMEs
 Ministry Of Trade, Industry and Cooperatives	<ul style="list-style-type: none"> The Ministry of Trade, Industry, and Cooperatives runs the Directorate of MSMEs, a group established by the Uganda MSME Policy 2015 to oversee implementation 	<ul style="list-style-type: none"> Access to finance Access to talent Ecosystem of support Access to knowledge Access to markets 	<ul style="list-style-type: none"> Oversee implementation of 2015 MSME policy, of which agri-businesses and food manufacturing are identified as priority sub segments Established mechanism to disseminate technical, marketing, and businesses development information and training to agri-SMEs
	<ul style="list-style-type: none"> Uganda Investment Authority is mandated to initiate and support measures that enhance investment in Uganda and advise government on appropriate policies conducive for investment promotion and growth 	<ul style="list-style-type: none"> Access to finance Access to talent Ecosystem of support Access to knowledge Access to markets 	<ul style="list-style-type: none"> Supporting MSMEs is one of its six main objectives, with agriculture a key focus 'cluster' Offers business support, advisory and advocacy services to MSMEs, including agriculture sector Markets investment opportunities to investors Ensures local and foreign investors have access to information to allow further access to market
	<ul style="list-style-type: none"> The role of the Ministry of Agriculture Animal Industry and Fishery (MAAIF) is to create an enabling environment in the agricultural sector 	<ul style="list-style-type: none"> Ecosystem of support Access to talent Access to knowledge 	<ul style="list-style-type: none"> Responsible for enacting MSME Policy 2015 programs focused on developing infrastructural support for agri-MSMEs, networking between agri-MSMEs, and technical training for MSMEs Mandate is to create enabling ecosystem for agribusinesses, many of which are MSMEs
	<ul style="list-style-type: none"> An investment institution with the mandate to facilitate industrial and economic development through establishing subsidiary and associated companies, public-private partnerships, research, and financing 	<ul style="list-style-type: none"> Access to finance Ecosystem of support Access to markets 	<ul style="list-style-type: none"> Over half of the Uganda Development Corporation's projects have supported industrial agri-SMEs Provides capacity building, job creation, financing, infrastructure support, and training services to these businesses

Notes: Not an exhaustive description of state entity programming
Sources: ISF Analysis

More specific support is offered by smaller state agencies, primarily focused on access to talent, knowledge, and finance

Entity	Description	SME need areas covered	Support and relevance for agri-SMEs
	<ul style="list-style-type: none"> • The Microfinance Support Centre (MSC) facilitates access to affordable financial services and strengthens management capacities of microfinance institutions and SMEs 	<ul style="list-style-type: none"> • Access to finance • Access to knowledge 	<ul style="list-style-type: none"> • The MSC provides the policy framework for the provision of rural financial services, as well as business development support services to microfinance institutions and their respective clients, many of whom are agri-SMEs
	<ul style="list-style-type: none"> • A statutory body under the Ministry of Trade formulates and promotes use of standards and assures quality of local products to enhance export competitiveness 	<ul style="list-style-type: none"> • Ecosystem of support • Access to knowledge 	<ul style="list-style-type: none"> • Supports SMEs in acquiring quality assurance standards and product certifications, through education as well as providing the previously non-existing infrastructure • A lead agency in certain agri-SME projects found in the 2015 MSME policy
	<ul style="list-style-type: none"> • Management Training and Advisory Centre's (MTAC) core mandate is to promote enterprise development and sound management practices through training, advisory, entrepreneurship development services and business 	<ul style="list-style-type: none"> • Access to talent • Access to knowledge 	<ul style="list-style-type: none"> • The MTAC provides all of its core services to agri-businesses and entrepreneurs, which account for a major part of its support

Notes: Not an exhaustive description of state entity programming
Sources: ISF Analysis

Foreign organizations provide considerable support to both food systems and SMEs given the importance of both in Uganda's economy

Major foreign organizations working within Uganda's food system and / or SME support sector

Work directly impacts food systems





Work directly impacts SMEs (sector agnostic)







Discussion and implications

- Due to the importance of agriculture and food systems in Uganda's economy, **direct foreign aid often incorporates support in this space as a key strategic initiative** to further objectives such as poverty reduction, health and sanitation, and education
- **Foreign development organizations also recognize the importance of MSMEs in the broader Ugandan economic landscape**, pursuing projects across all sectors that focus on these enterprises
- While foreign development in food systems has historically been focused on farming, **projects are increasingly concentrated on supporting enterprises across the value chain** to support agri-industrialization and broader economic growth
- Organizations that have existing programs focused on agri-SMEs across the value chain include **USAID, the FCDO, AFD, and USADF**
- There is an **opportunity to partner** with these existing organizations to further advance support for downstream agri-SMEs within Uganda

Large multilateral organizations typically have a presence across the food system value chain and often interact with SMEs

Entity	Description	Support and relevance for food system / SMEs
	<ul style="list-style-type: none"> The FAO works in a coordinated manner with national counterparts in alliance with international foundations, agencies of the United Nations System and the private sector to achieve success in its priority areas 	<ul style="list-style-type: none"> The FAO focuses on 3 priority areas within Uganda, all of which aim to support and build resilient agriculture-based livelihoods: 1) increase production and productivity of agriculture, forestry and fisheries commodities, 2) developing agricultural knowledge and information, and 3) developing resilience to livelihood threats with emphasis on climate change
	<ul style="list-style-type: none"> The World Bank aims to leverage its financial knowledge and convening services to respond to the specific development needs of Uganda 	<ul style="list-style-type: none"> The World Bank's Uganda strategy focuses on supporting and implementing the government's vision of a society transformed from a "peasant economy to a modern, prosperous country by 2040" Specific to Uganda food systems, the World Bank focuses on increasing nutrient-focused food security across rural areas by supporting community-based nutrition services in smallholder households
	<ul style="list-style-type: none"> USAID supports Uganda's efforts to address weather-related impacts on agriculture through access to reliable climate data, development of effective climate policies, and research and education 	<ul style="list-style-type: none"> USAID's Partnering to Accelerate Entrepreneurship (PACE) Initiative aims to catalyze private-sector investment into early-stage enterprises, and identify innovative models or approaches that help entrepreneurs bridge the "pioneer gap" USAID has a strong focus on reducing food insecurity, improving nutrition, and raising household incomes, with an emphasis on connecting youth with opportunities to engage in the agriculture sector
 <p>Foreign, Commonwealth & Development Office</p>	<ul style="list-style-type: none"> The UK FCDO addresses major global challenges including poverty and disease, mass migration, insecurity, and conflict 	<ul style="list-style-type: none"> The FCDO's top priorities include: improving the quality of essential services and protecting the most vulnerable; increasing growth through investment in infrastructure, financial services, business development and trade; supporting recovery in the North; and improving maternal health and government accountability Recent relevant work includes supporting increased efficiency in cross border regional trade and cargo transit time in the export industry

Development organizations tend to focus some level of support in the agriculture and food space given its importance in Uganda

Entity	Description	Support and relevance for food system / SMEs
	<ul style="list-style-type: none"> • AFD: Supports inclusive, job-creating and environmentally-friendly development in Uganda • Proparco: a subsidiary of AFD focused on private sector development; currently operates 26 funds/projects within Uganda, 6 of which focus on food systems specifically 	<ul style="list-style-type: none"> • While AFD does not directly support food systems within Uganda, its focus on job creation and environmentally friendly growth through projects in the water, sanitary, and renewable energy sectors involves direct support for SMEs • Proparco invested in multiple development funds focused on agri-enterprises that are not yet mature, but have high potential in their sector
	<ul style="list-style-type: none"> • GIZ focuses on three main priority areas within Uganda: Renewable energies and energy efficiency, rural development and food security, and water and sanitation 	<ul style="list-style-type: none"> • The “One World – No Hunger” initiative is providing further support for projects promoting responsible and sustainable fisheries, nutrition-sensitive potato value chains and responsible land policy in Uganda • GIZ has a number of programs that indirectly touch on SME support through its economic development and employment segment
	<ul style="list-style-type: none"> • JICA's cooperation to Uganda is primarily focused on: 1) improving the environment to attain economic growth, 2) raising incomes in rural areas, 3) improving the living environment (health services and water supply), and 4) providing support in the northern region 	<ul style="list-style-type: none"> • JICA’s focus on income elevation in rural areas has a few key programs that focus on food systems. Including: a rice production promotion program, a animal husbandry promotion program, and a local agri-industries enhancement and promotion program
	<ul style="list-style-type: none"> • The U.S. African Development Foundation is an independent U.S. government agency established by Congress to invest directly in African grassroots enterprises and social entrepreneurs. USADF’s investments increase incomes, revenues, and jobs by promoting self-reliance and market-based solutions to poverty 	<ul style="list-style-type: none"> • The Uganda program has funded 160 enterprises and entrepreneurs and made ~\$25 million investments to date • The program focuses on agricultural producer cooperatives in marginalized areas, as well as Feed the Future sector alignment. In addition, there are investments in off-grid energy and youth-led enterprises • USADF currently has 22 active projects in the agriculture space

Large philanthropic organizations account for most of the volume of philanthropic giving that is available in Foundation Directory

Philanthropic landscape in Uganda

The Foundation Directory maintains a **global database of grantmaking philanthropic organizations** and their activities. While this is **viewed as the best source** to understand philanthropic activity, it is important to understand that the database, and thus the following statistics, **should not be taken as comprehensive**

- Of the ~\$1.4 billion in grants to Uganda since 2006 recorded in the database, **19% (~\$290 million)** has been directly focused on food and agriculture
- The database records **43 grantmakers actively operating** in Uganda
- Of those organizations captured in the database, the top 10 grantmakers account for **79%** of all grants made
- The top 5 in-country recipients listed in the data account for **65% of funds received**
- Major recipients in the dataset are mainly **larger research institutes** (e.g., National Agricultural Research Organization)

Top 10 Grantmakers active in food and agriculture

We provide brief profiles of the 4 most active organizations on the following slide

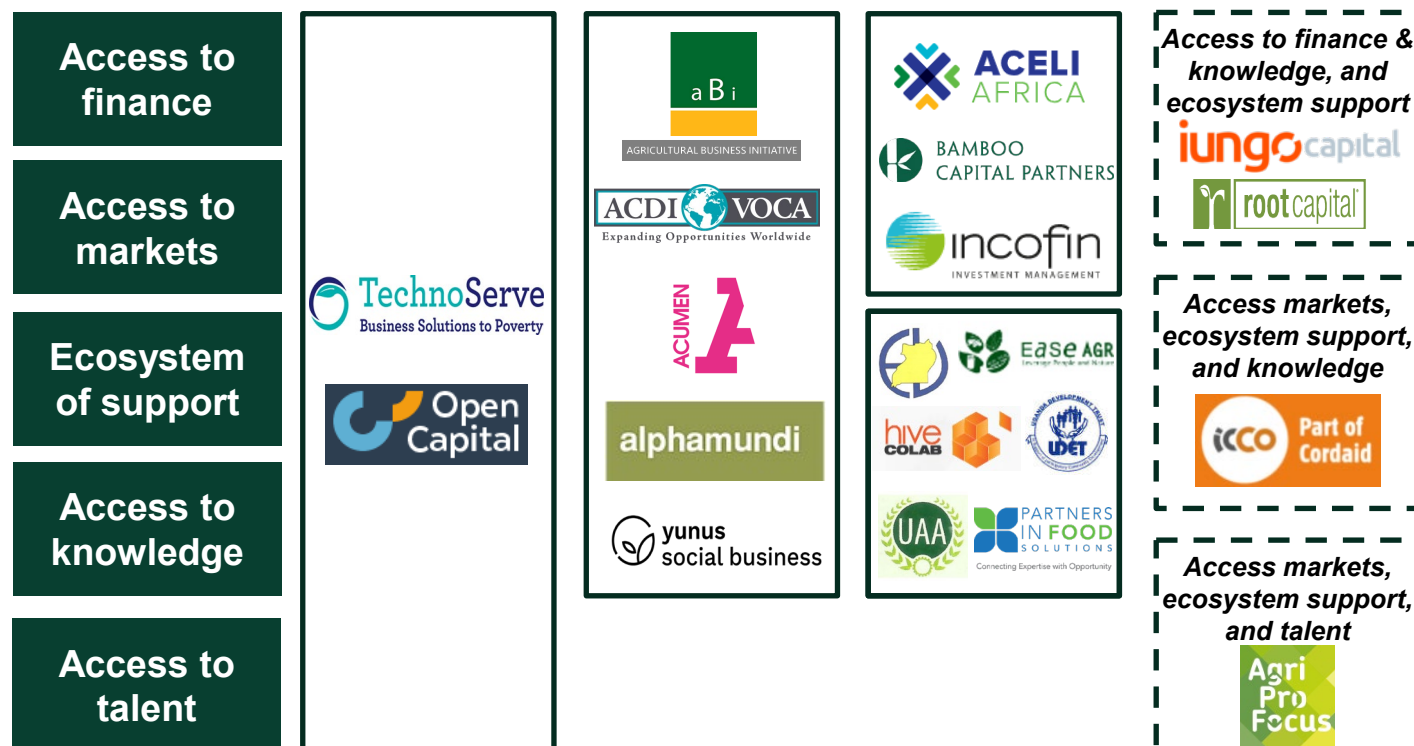


The most active philanthropic organizations in the Ugandan food systems are larger multinationals

Entity	Description	Philanthropic activities in Uganda relevant to food systems
	<ul style="list-style-type: none"> A private American foundation working globally in the food systems, health, energy, and technology sectors with a focus on achieving impact through innovative and emerging methods 	<ul style="list-style-type: none"> Works to increase sustainable production and supply of healthy foods across Africa, with Uganda as one of its five key countries it operates in Has supported 71 grants in Uganda since 2006 focused directly on the food system, accounting for 14% of its total activity in the country Grants typically are directed at research institutes (e.g., National Agricultural Research Organization) and implementers (e.g., TechnoServe)
	<ul style="list-style-type: none"> Works globally grant making, coalition-building, and encouraging strategic policy reform to impact various sectors including food, climate and energy, and the arts 	<ul style="list-style-type: none"> The entire international impact strategy is focused on improving access to local, sustainable, nutritious food using collaborative research and knowledge-sharing with smallholder farmers, research institutions, and development organizations Has supported 67 grants in Uganda since 2006 focused directly on the food system, with recipients including research organizations and BDS providers
	<ul style="list-style-type: none"> The largest philanthropic organization in the world, it provides significant support to nutrition and agricultural development; in the latter, provides private sector support to agri-SMEs to develop inclusive agricultural systems 	<ul style="list-style-type: none"> Has committed 48 grants focused on sustainable agriculture, food security, and nutrition since 2006, accounting for the highest value of grants distributed in Ugandan food and agriculture in the Foundation Directory database Focuses much of its grantmaking on research institutions in Uganda
	<ul style="list-style-type: none"> Fundamental mission is to challenge inequality by working across interconnected sectors around the globe, including natural resources, climate, technology, and civic engagement 	<ul style="list-style-type: none"> Committed 42 grants focused mainly on sustainable agriculture and civic participation through food-related programs since 2006 Seeks to build more robust civic engagement through a variety of means, including giving to research organizations in Uganda that seek to bridge the gap between agricultural producers and policy makers

BDS organizations within Uganda support agri-SMEs across the majority of SME needs areas

BDS organizations supporting agri-SMES by SME needs area








Discussion

- All of the 19 major BDS organizations with an agri-SME component in Uganda profiled **provide ecosystem support** as a core part of their mission, with all but one providing **access to knowledge** as well
- In addition, the majority of BDS organizations provide access to finance and markets, ensuring that most agri-SME needs are supported **across these organizations**
- Only TechnoServe, Open Capital, and AgriProFocus are currently engaged in the **access to talent space, indicating an opportunity to increase support** in this segment
- **Certain BDS organizations**, in particular Root Capital and TechnoServe, **work more with coops than others** that typically focus on more traditional SMEs
- The relatively broad coverage of most BDS organizations across SME needs areas indicates **there is an opportunity to support work across the food system**






Note: Not an exhaustive description of BDS providers in Uganda
Sources: ISF Analysis

Most organizations focus on building ecosystem and knowledge support, while access to finance is also a key segment (1/4)

BDS provider	Description	SME need areas covered	Support and relevance for agri-SMEs
	<ul style="list-style-type: none"> ACDI/VOCA is a leading market systems practitioner that addresses food security, economic prosperity, and social inclusion 	<ul style="list-style-type: none"> Access to finance Ecosystem support Access to markets Access to knowledge 	<ul style="list-style-type: none"> Help Ugandan farmers and agribusinesses sustainably improve productivity, access markets, and feed a growing population Reaches agri-SME through cooperatives, farm groups, and private service providers
	<ul style="list-style-type: none"> Aceli aims to bridge the gap between supply and demand for capital for agri-SMEs 	<ul style="list-style-type: none"> Access to finance Access to markets 	<ul style="list-style-type: none"> Incentivizes incremental lending to the least served and most impactful segments of the agri-SME market by increasing capital supply, expanding addressable demand through technical assistance, and informing policy
	<ul style="list-style-type: none"> Acumen invests in entrepreneurs and early stage innovators tackling the problems of poverty 	<ul style="list-style-type: none"> Access to finance Ecosystem support Access to markets Access to knowledge 	<ul style="list-style-type: none"> Acumen facilitates increases upstream production through the integration of farmers into global supply chains In Uganda, it has funded training and market access for cotton, seed, and grain producers
	<ul style="list-style-type: none"> AlphaMundi provides debt and equity financing to scalable social ventures in strategic sustainable human development sectors 	<ul style="list-style-type: none"> Access to finance Ecosystem support Access to markets 	<ul style="list-style-type: none"> Provides debt and equity investments to agri-SMEs, primarily producers, to access finance and provide general ecosystem support; Uganda is one of 9 countries it operates in
	<ul style="list-style-type: none"> AgriProFocus is network that links different stakeholders in the agribusiness sector to support and influence private sector development in Ugandan agriculture 	<ul style="list-style-type: none"> Access to talent Ecosystem support Access to markets 	<ul style="list-style-type: none"> The network includes farmers and farmer coops, traders, input suppliers, processors, exporters, international agencies, knowledge institutions and government agencies Also provides business brokering and a learning platform






Note: Not an exhaustive list and description of BDS providers in Uganda
Sources: ISF Analysis

Most organizations focus on building ecosystem and knowledge support, while access to finance is also a key segment (2/4)

BDS provider	Description	SME need areas covered	Support and relevance for agri-SMEs
 BAMBOO CAPITAL PARTNERS	<ul style="list-style-type: none"> An impact investing platform which provides innovative financing solutions to businesses in emerging markets 	<ul style="list-style-type: none"> Access to finance Access to markets 	<ul style="list-style-type: none"> Invests in business models of farmers and agri-SMEs that support sustainable and inclusive agricultural value chains Supports the ABC Fund, which provides short-term trade finance solutions for agri-SMEs in Uganda
 EaSe AGR <small>Leverage People and Nature</small>	<ul style="list-style-type: none"> Agribusiness service provider helping farmers' cooperatives and agri-SMEs advance towards efficient production, higher income and commercial autonomy 	<ul style="list-style-type: none"> Ecosystem of support Access to knowledge 	<ul style="list-style-type: none"> Shares information with clients (across FVCs) regarding sector growth opportunities and insights from their experiences in order to transform them into profitable businesses, bringing in technical expertise on how to meet industry standards
	<ul style="list-style-type: none"> Enterprise Uganda is a public-private institution that promotes the development of SME's as the main vehicle for expanding production, providing sustainable jobs and enhancing economic growth 	<ul style="list-style-type: none"> Ecosystem of support Access to knowledge 	<ul style="list-style-type: none"> Offers entrepreneurship training, business advisory and services, information, business planning, marketing, technology, business linkages, and other services to assist growing SMEs While it has a sector agnostic approach, much of its efforts are directed to the agriculture space
 hive COLAB	<ul style="list-style-type: none"> Hive Collab is an innovation hub, collaboration space and incubator for the technology community in Uganda 	<ul style="list-style-type: none"> Ecosystem of support Access to knowledge 	<ul style="list-style-type: none"> Offers virtual incubation with consulting and mentorship programs to rural entrepreneurs and growth oriented SMEs, with a focus on agribusiness innovation and climate technologies
 iCCO Part of Cordaid	<ul style="list-style-type: none"> ICCO, now part of Cordaid as of 2021, focus on food and nutrition security, economic empowerment, and resilient and disaster-prepared communities 	<ul style="list-style-type: none"> Access to markets Ecosystem support Access to knowledge 	<ul style="list-style-type: none"> Provides growth-oriented businesses development support to agri-SMEs in Uganda, knowledge and skills training to boost long term growth, and provides networks and links to financial providers





Note: Not an exhaustive list and description of BDS providers in Uganda
 Sources: ISF Analysis

Most organizations focus on building ecosystem and knowledge support, while access to finance is also a key segment (3/4)

BDS provider	Description	SME need areas covered	Support and relevance for agri-SMEs
	<ul style="list-style-type: none"> Manages funds and investments in emerging countries, driven by a desire to promote inclusive progress 	<ul style="list-style-type: none"> Access to finance Access to markets 	<ul style="list-style-type: none"> Provides risk capital to sustainability focused producer cooperatives and agri-SMEs, such as ACPCU a coffee processor and exporter that is 100% owned by over 8,650 smallholder farmers across 20 cooperatives in Uganda
	<ul style="list-style-type: none"> An impact investment company that provides financial and technical support to promising SMEs in the East African missing middle while generating positive social impact 	<ul style="list-style-type: none"> Access to finance Access to knowledge 	<ul style="list-style-type: none"> Acts as both a co-investor and mentor to SMEs (~40% of portfolio is in agriculture) by engaging locally based angel investors, providing technical assistance, and deploying capital
	<ul style="list-style-type: none"> Open Capital is a management consulting and financial advisory firm that drives growth, enables investment, and builds markets across Africa 	<ul style="list-style-type: none"> Access to finance Ecosystem support Access to knowledge Access to talent 	<ul style="list-style-type: none"> Open Capital provides financing, consulting, access to talent, and public/private networks to agribusinesses – from smallholders to SMEs to multinationals- across FVCs in Uganda
	<ul style="list-style-type: none"> Root capital invest in the growth of agricultural enterprises so they become engines of impact that transform rural communities 	<ul style="list-style-type: none"> Access to finance Ecosystem support Access to knowledge 	<ul style="list-style-type: none"> Provides loans specially tailored to harvest and sales cycles, with a historical focus on the coffee industry in Uganda Provides training to strengthen financial management, governance, and capacity
	<ul style="list-style-type: none"> TechnoServe helps smallholder farmers and promotes sustainable agriculture 	<ul style="list-style-type: none"> Access to finance Access to markets Ecosystem support Access to knowledge Aces to talent 	<ul style="list-style-type: none"> TechnoServe helps smallholder farmers improve the quality and quantity of high-value crops with particular potential for improving incomes (e.g., a program to support Uganda's fruit farmers) Delivers training and support to local entrepreneurs to help them achieve their full potential

Note: Not an exhaustive list and description of BDS providers in Uganda
Sources: ISF Analysis

Most organizations focus on building ecosystem and knowledge support, while access to finance is also a key segment (4/4)

BDS provider	Description	SME need areas covered	Support and relevance for agri-SMEs
	<ul style="list-style-type: none"> The Agricultural Business Initiative (aBi) Trust is a multi-donor entity devoted to private sector agribusiness development in Uganda 	<ul style="list-style-type: none"> Access to finance Access to markets Ecosystem support Access to knowledge 	<ul style="list-style-type: none"> Supports market-driven SMEs across FVCs by providing technical and financial support for improved efficiency, value chain development (with a focus on value chain actors a), and connecting to financial providers
	<ul style="list-style-type: none"> A not-for-profit multi-stakeholder partnership and membership-based organization catalyzing sustainable investment and growth in the agricultural and agri-allied industry 	<ul style="list-style-type: none"> Ecosystem support Access to knowledge 	<ul style="list-style-type: none"> UAA influences policy-making, informs business decisions, encourages entrepreneurial activity, shares best practices, facilitates collaboration, and train stakeholders in common business processes
	<ul style="list-style-type: none"> Uganda Development Trust provides BDS to grassroots groups and SMEs engaged in businesses that are aimed at creating gainful employment and sustainable market outlets for smallholder farmers in Uganda 	<ul style="list-style-type: none"> Ecosystem support Access to knowledge 	<ul style="list-style-type: none"> Offers technical guidance to SMEs to build management systems through regular training, developing project implementation plans, participatory monitoring and evaluation systems They also link agri-SMEs to financial institutions for funding and assisting them to identify and procure appropriate infrastructure
	<ul style="list-style-type: none"> Addresses poverty from the bottom up with Philanthropic Venture Funds and the top down with Corporate Innovation 	<ul style="list-style-type: none"> Access to markets Ecosystem support Access to knowledge Aces to talent 	<ul style="list-style-type: none"> Yunus Social Business provides investment in infrastructure, a market through a co-exporting model, and training that makes farmers partners in all transactions

Note: Not an exhaustive list and description of BDS providers in Uganda
Sources: ISF Analysis

Engaging with the active community of impact investors focused on food systems is important to enable effective BDS delivery

Impact investing landscape in Uganda

Pitchbook maintains a database of global private equity, impact investing, venture capital, and M&A transactions. While this is considered the **primary way to attain impact investing data** in Uganda it is important to understand that the database, and thus the following statistics, **should not be taken as comprehensive**

- There are **27 active impact investors** working in food systems listed in the database
- Amongst those investors listed, there are **68 active investments** in the space
- The **top 5 investors** in the database account for **52%** of active investments
- **12** of the investors included are based in the US, **8** are based in Europe, and **3** are based in Uganda

Discussion

- Understanding the impact investing landscape, and especially the **needs and goals of impact investors**, is crucial to properly support the business development of agri-SMEs, as one of the end goals of BDS is often to obtain financing from these actors
 - **Understanding the barriers** that typically stop investors from financing an enterprise can more effectively ensure BDS is impactful



www.isfadvisors.org

Content

The food sector in Uganda

SMEs in the food system

Agri-SME needs

Agri-SME support ecosystem

Annex

Overview of SME growth profile segments

Classification	Description	Growth ambition (based on risk tolerance, problem solving, mindset)	Growth potential (based on market potential and product innovation)
High growth ventures	Highly innovative business models serving large addressable markets with a rapid growth trajectory, though the pace of growth is impacted by industry, market, and asset intensity. High-growth ventures are expected to scale beyond SME status	High	High
Niche ventures	Business models creating innovative products and services that target niche markets or customer segments, such as high-end premium markets or, conversely, small customer bases at the bottom of the pyramid. Typically have steady growth over time	High	Medium
Diversifying enterprises	Small family run enterprise that have seen minimal growth but are run by an entrepreneur that wants to grow. Unlikely to see desired growth through existing enterprise, so looks to diversify into new business lines to expand growth potential	High	Low
Dynamic ventures	Enterprises in stable ‘bread and butter’ industries deploying established business models for producing goods and services, with moderate growth paths over sustained periods of time	Medium	High
Livelihood sustaining enterprises	Small, family-run enterprises that are opportunity driven and on the path to increased formalization. These enterprises operate to maintain an income for an individual family and have slow and steady growth as they incrementally prove their product or service through traditional models.	Medium	Medium
Static enterprises	Small, family enterprise with no ambition to grow beyond their current status. Looking to maintain current income level for family, but not to grow the business or to innovate. Typically, informal and primarily employ only family members	Low	Low

Source: ISF Analysis; ANDE/ Collaborative for Frontier Finance

ISF’s research was informed by the views of a broad range of stakeholders

Organization	Name of contact	Interviewee title
Aceli	Richard Wangwe	Country Representative
Agilis Partners	Benjamin Prinz	Co-Founder & Managing Partner
Cordaid / ICCO	Lincoln Opio	Program Manager Economic Empowerment, Food Security & Sustainable Livelihoods
	Rosemary Namutebi	Program Manager
IFAD	Dagmawi Selassie	Program Manager
Iungo Capital	Roeland Donckers	Co-Founder & Managing Partner
Open Capital Advisors	Annie Roberts	Partner
	Crystal Mugimba	Project Leader
Opportunity Bank	Tim Strong	Head of Agricultural Finance
	John Magnay	Senior Agricultural Advisor - Africa
Oxfam	Emmanuel Ediau	Project Manager Business Development Services
Partners in Food Solutions	Robert Mawanda	Program Manager, Uganda Partners in Food Services
	Edwin Gafa	Program Manager, Uganda Partners in Food Services

Bibliography

1. Africa Agriculture Trade Monitor, 2019
2. Agritech Digital agriculture maps, GSMA, 2020
3. Annual Agricultural Survey Statistical Release, UBOS, 2020
4. Annual Agriculture Survey, UBOS, 2020
5. Census of Business Establishments, UBOS, 2011
6. Closing the Potential-Performance Divide in Ugandan Agriculture, World Bank, 2018
7. Comtrade Trade Data, 2021
8. Feed the Future Report, East Africa Regional Plan Plan, 2019
9. Feed the Future Report, Uganda Country Plan, 2018
10. Food insecurity as a supply chain problem. Evidence and lessons from the production and supply of bananas in Uganda, Ssenoga et al., 2019
11. Mapping the Impact Investment Space in Uganda, B-Space, 2016
12. National Agricultural Extension survey, Ministry of Agriculture, Animal Industry, and Fisheries, 2016
13. National agri-food systems and COVID-19 in Uganda, UNFAO, 2020
14. production and Consumption Data, UNFAO
15. Role of Government, ISF Advisors, 2020
16. Rural youth employment and agri-food systems in Uganda, FAO, 2019
17. Small Family Farms Uganda Fact Sheet, UNFAO, 2019
18. The Digitalization of African Agriculture Report, Dalberg Advisors, 2019
19. The portrait of Uganda's informal sector, Mugoda et al., 2020
20. The Role of the Informal Economy in City Growth, Cities Alliance, 2017

Bibliography

21. Transforming Uganda's agricultural sector for sustained economic growth, International Growth Centre, 2017
22. Uganda Business Survey, UN Capital Development Fund, 2020
23. Uganda Covid 19 Report, Heifer International, 2020
24. Uganda Food Balance Sheet Report, 2020
25. Uganda MSME Policy, Government of Uganda, 2015
26. Uganda Statistical Abstract, UBOS, 2017
27. Uganda Survey Report, FinScope, 2018
28. Uganda Third National Development Plan, 2020
29. Uganda Value Added Maize Alliance Project, USAID, 2017
30. Understanding the Demand for Financial, Agricultural, and Digital Solutions from Smallholder Households, CGAP, 2017
31. Value Chain Development in Uganda: Lessons Learned from the Application of the Participatory Market Chain Approach, Mayanja et al., 2013
32. World Bank, Uganda Databank, 2021
33. World Bank, Uganda Economic Update, 2013