RURAL INFRASTRUCTURE AND
AGRO-INDUSTRIES DIVISION

Country *case studies*

Africa

AGRIBUSINESS PUBLIC-PRIVATE PARTNERSHIPS

A country report of Uganda

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Grace Twinamatsiko

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PUBLIC-PRIVATE
PARTNERSHIPS

A country report of Uganda

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Preface

It is recognized that high levels of investments are required to unleash the potential of agriculture for sustainable development and poverty reduction in developing countries. However, in recent decades, many countries have decreased their relative budget allocations to the agricultural sector, yet at the same time, the expected increase of private sector investments and the associated efficiency improvements have not been forthcoming. The high risk (actual and perceived) of doing business in agriculture often deters private sector participation in agrifood sector investments. Against this backdrop, public private partnerships (PPPs) are being promoted as an important institutional mechanism for gaining access to additional financial resources, sharing risks, and addressing other constraints in pursuit of sustainable and inclusive agricultural development.

While various forms of collaboration between the public and private sector have existed for some time, there is limited systematic information available about the current experiences and best practice for using PPPs to initiate agricultural programmes. In addition, despite a surge of interest in PPPs in the agricultural sector in recent years, there remains significant variation in the type of partnerships involved; and poor documentation of the real potential for PPPs to deliver on commonly stated objectives associated with rural employment and income generation, food security and increased agricultural competitiveness.

In 2010, FAO initiated a series of appraisals of PPPs implemented in 15 countries in Africa, Asia and Latin America. The primary objective was to draw lessons that can be used to provide guidance to member countries on how to partner effectively with the private sector to mobilize support for agribusiness development. On this basis, a specific sub-set of PPPs were selected which conformed to two key criteria: each PPP must involve an agribusiness enterprise; and a formalised relationship between specific public and private partners must be in place. There should also be an expectation of positive societal impacts as a result of the partnership.

Seventy individual case studies have been profiled and details provided on the circumstances that led to their formation, management and performance to date. The partnerships analysed cover different topics and intervention areas and involve different types of arrangements and actors. Particular attention was given to the identification of specific roles and functions for each of the partners, including roles in governance, implementation and monitoring. Key results of the study include identification of the factors that influence success or failure in the development and implementation of PPPs, and best practices for creating an enabling environment for increased investment in agriculture through the PPP mechanism.

FAO is publishing this series of case studies of agribusiness PPPs as a contribution to enriching knowledge and sharing information on this type of mechanism for informed decision making on investment promotion for engendering agrifood sector development.

Executive summary

Agribusiness development in Africa is not easy. The agricultural services sector is under-developed, farm size is smaller than optimal, and business investment climates are not conducive to private sector investment.

Public private partnerships (PPP) are important institutional mechanisms and a solution to mitigating the risks faced by agribusiness enterprises. It is a good time to develop agribusiness PPPs in Africa. Many ministries of agriculture have prepared and endorsed strategic plans that call for closer working relationships with the private sector in order to increase competitiveness, value-addition, and employment.

However, it is challenging to translate general principles into practical guidance for the technical officers of ministries of agriculture and ministries of the agribusiness sector. It is thus necessary to learn from ongoing, but advanced agribusiness PPPs. To this end, studies have been commissioned in several regions of the world.

In Africa, five countries were selected where the PPPs that promote agribusiness were reviewed. The purpose of the reviews was to learn how these PPPs were created and managed. Uganda is well-suited to be included in these African countries since it has agriculture as its economic backbone, and Uganda's public policy focuses on agribusiness development. The Government of Uganda has embarked on enhancing PPPs to develop the agricultural industry. To this end, Uganda has experienced progress in the sector and overall economy.

This country appraisal looked at the development and implementation of agribusiness PPPs, both through literature reviews and interviews. Four public-private partnerships were studied in different sub-sectors: sunflower, fruit, seed supply, and oil palm processing. With the exception of the palm oil production partnership, the public-private partnerships studied in this report were between a single public actor and a single agribusiness enterprise. To concretize the partnerships, memorandums of understanding (MoU) were used.

The BIDCO Uganda Ltd/ Vegetable Oil Development Project (VODP) partnership was an agreement between VODP (which is the government representative under the arrangement) and BIDCO (oil refineries which are a consortium consisting of three different entities i.e. BIDCO Uganda, Oil Palm Uganda Limited and Wilmar). The main purpose of the arrangement was to develop the palm oil production in Uganda.

The arrangement between Derekop and Uganda Industrial Research Institute (UIRI) was a business incubation programme to nurture Derekop's capacity as a fresh fruit processing business. This is part of a wider mandate of UIRI, under the Ministry of Tourism, Trade and Industry to boost industrialization and local entrepreneurship through research, innovation and local businesses.

The Farm Inputs Care Centre (FICA)/NARO arrangement was between these two parties and was a seed supply agreement that centred on providing licensed seed varieties to FICA by NARO. Their purpose was to sell the seeds to the public. These PPPs owe their success to the liberalization policy adopted by the Government of Uganda as part of the World Bank Structural Adjustment Programme implemented by third world countries.

The purpose of the Mukwano/ NAADS partnership was to boost sunflower production in Uganda. The partnership allowed Mukwano and NAADS to share roles. Mukwano was able to boost its input (sunflower production) and hence output. NAADS was able to provide quality services (equipment, training, seed material, organization and other goods to farmers) in order to boost agriculture.

In all cases, the PPP arrangements achieved stated purposes and outcomes. These outcomes included: increased domestic vegetable oil production; reduced poverty; increased farmer incomes and employment by involving smallholder growers; increased seed market production, and more food processing. Other outcomes were an increase in farmers' incomes and employment, access to credit and improved technologies, increased production, profit, investment, and value-addition.

This was not without challenges, however. The biggest risk was the failure of the parties to deliver as per commitments. Therefore, it is important that PPP arrangements provide measures on how to handle

such eventualities. Furthermore, it is important to ensure that all parties participate in the monitoring, development, and planning stages of the arrangement.

There are general procedures and guidelines for implementation and risk management. However, there should be a fast tracking of procedures for dealing with delays, issues and features and risks that are unique to each PPP. For instance, in the case of Derekop, the arrangement indicates that the two parties will jointly carry out R&D every 6 to 12 months. Whereas some new products have been developed, other products like tomato juice have not been produced due to the lack of unified decision by the government on whether tomato should be classified as a fruit or a vegetable. This is despite the fact that Derekop has identified tomato as an available product for the market and is willing to process juice out of it.

The roles and contributions by both parties should be clearly explained. More importantly, implementing officials should have clear guidelines on the MOU and its implementation. Some implementing officers in the case studies were not well aware of the details of the MOUs they were overseeing. These officers had no records on the MOU, no information on the progress of the arrangements.

The study seems to indicate that in certain cases, depending on the scale of the investment required and the level of goodwill between the public and private sector, the activities can begin while the formal arrangement is being designed. This is especially the case when both actors are not required to deviate from the existing operations or mandates. In sum, lessons can be drawn from the Ugandan experience, in order to guide similar future engagements by Uganda and other African countries.

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Acronyms

AGRA	Agricultural Green Revolution Africa
APEP	Agricultural Productivity Enhancement Programme
CAADP	Comprehensive Africa Agriculture Development Programme
CFB	Call For Bids
COMESA	Common Market for East and Southern Africa
DANIDA	Danish International Development Agency
DRC	Democratic Republic of Congo
DSIP	Development Strategy and Investment Plan
EIA	Environmental Impact Assessment
FDI	Foreign Direct Investments
FICA	Farm Inputs Care Centre Limited
GDP	Gross Domestic Product
GoU	Government of Uganda
IFAD	International Fund for Agricultural Development
IFC	International Financing Company
KOPGT	Kalangala Oil Palm Growers Trust
MAAIF	Ministry of Agriculture Animal Industry and Fisheries
MDGs	Millenium Development Goals
MOFPED	Ministry of Finance, Planning and Economic Development
MTTI	Ministry of Tourism Trade and Industry
NAADS	National Agricultural Advisory Services
NaCRRI	National Crop Resources Research Institute
NARO	National Agricultural Research Organization
NCST	National Council of Science and Technology
NDP	National Development Plan
NIP	National Industrial Policy
OPUL	Oil Palm Uganda Limited
OPV	Open Pollinated Variety
PEAP	Poverty Eradication Action Plan
PMA	Plan for Modernisation of Agriculture
PPP	Public Private Partnership
PRSP	Poverty Reduction Strategy Paper
SACCOs	Savings and Credit Cooperative Societies
SOADP	Seeds of Africa Development Programme
UBOS	Uganda Bureau of Statistics
UIRI	Uganda Industrial Research Institute
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
VODP	Vegetable Oil Development Project
M&E	Monitoring and Evaluation
MIGA	Multilateral Investment Guarantee Agency
MoU	Memorandum of Understanding
MSMEs	Micro, Small and Medium Enterprises
MSPs	Multi-stakeholder platforms
PPDA	Public Procurement and Disposal of Public Assets Authority
R&D	Research and Development
SWOT	Strength-weakness-opportunity and threats analysis
UDB	Uganda Development Bank
WBDR	World Bank Development Report

Chapter 1
Introduction

1.1 PROBLEM STATEMENT FOR OVERALL APPRAISAL

Two of the major constraints on agribusiness development in Africa are the high risks of doing business in the agricultural sector and the scale of investments required. These constraints are further compounded by the underdeveloped agricultural services sector, smaller than optimal farm size, and business investment climates that are not conducive to private sector investment.

An important institutional mechanism for mitigating the risks facing agribusiness enterprises – both productive enterprises and service providers – is public private partnerships (PPP).

The time is opportune to accelerate efforts to develop agribusiness PPPs in Africa. Many ministries of agriculture have prepared and endorsed strategic plans that call for closer working relationships with the private sector in order to increase competitiveness, value-addition and employment. Nevertheless, translating general principles into practical guidance for the technical officers of ministries of agriculture, and ministries of commerce and finance that deal with the agribusiness sector, is challenging. It is thus necessary to learn from ongoing, but advanced agribusiness PPPs. To this end, studies have been commissioned in several regions of the world.

In Africa, five countries have been selected in which similar studies have been conducted. The main objective of the studies was to review PPPs designed to promote agribusiness in African countries and learning how they were established, managed, and implemented.

The final expected output of the study is a published guide on how to design PPPs in agribusiness in Africa. Uganda, like most African countries, has agriculture as its economic backbone. Uganda has deliberately adopted a public private partnership as a national strategy to increase competitiveness, value-addition and employment, which helps agribusiness development.

About 85 percent of Uganda's population lives in rural areas and depends on agriculture for its livelihood, more than half of which is practised at subsistence level. The employment and incomes generated from these farmers' agricultural activities are critical not only for eradicating poverty and enhancing their quality of life, but also for generating demand for manufacturing industries products. Yet, land and labour productivity is low and the incidence of poverty, especially in rural areas, is high. Nearly half of the population lives below the poverty level and faces food insecurity.

Against such a backdrop, agribusiness development has been a major focus in Uganda's public policy. To address the fragile and unattractive business nature of the agricultural sector, the Government of Uganda (GoU) has embarked on enhancing PPPs to develop the agricultural industry. To this end, Uganda has experienced progress in the sector and overall economy. Lessons can be drawn from the Ugandan experience, in order to guide similar future engagements by Uganda and other African countries.

Agribusiness PPPs in Uganda are conducted in many ways. Some examples include involving: donors or multinational partners; government institutions such as National Agricultural Research Organization (NARO) and National Agricultural Advisory Services (NAADS), multi-stakeholder platforms; special funds by the Government of Uganda (GoU) that enhance agricultural development through PPPs (like the Presidential Innovation Award/Fund); through Savings and Credit Cooperative Organizations (SACCOs) and the Uganda Development Bank; through the recent adoption of a systematic approach of controlling the development of PPPs including agribusiness PPPs which is through the formation of the PPP policy.

These government approaches have helped the agricultural sector to grow. The sector has grown with an increase in income, investments, and exports. Also, the PPPs can lead to employment and poverty reduction. The PPPs help with innovation and research for competitiveness, arrangements between governments, the private sector and development organizations, and all pooling of resources for implementation of development-oriented activities under these arrangements in order to further agribusiness development in Uganda.

1.2 PURPOSE OF THE COUNTRY APPRAISAL

The purpose of the study is to:

1. Appraise the national development context, trends and policies as influencing the relevance of and need for agribusiness PPPs in Uganda;
2. Characterize and appraise specific agribusiness PPPs in the country; and
3. Understand specific issues that need to be considered in the development and implementation of agribusiness PPPs.

Both literature review and interviews were used as methods for appraisal of case studies during the study. Priority attention was given to: review of strategy, policy and planning documents; investment appraisals and reports; reports and communications materials from chambers of commerce and other private sector associations; and relevant reports from universities and research institutes.

The people who were interviewed included: relevant policy makers, public sector technical officers, private investors and entrepreneurs, bankers, and development partners. Study findings will help develop the comparative perspective needed to translate general principles into sound, practical guidance for the technical officers of ministries of agriculture – as well as those in ministries of commerce and finance that deal with the agribusiness sector.

1.3 BRIEF OVERVIEW OF THE COUNTRY CASES

Four public-private partnerships have been studied in different sub-sectors: sunflower, fruit, seed supply, and oil palm processing. With the exception of the oil palm production partnership, the public-private partnerships studied in this report are between a single public actor and a single agribusiness enterprise. To concretize the partnerships, memorandums of understanding (MoU) were used. Some of these arrangements had complementary agreements.

The BIDCO Uganda Ltd[1]/ Vegetable Oil Development Project (VODP) partnership is an agreement between VODP (which is the government representative under the arrangement) and BIDCO (oil refineries which are a consortium consisting of three different entities i.e. BIDCO Uganda, Oil Palm Uganda Limited and Wilmar).

The roles of each are different. BIDCO Uganda was charged with manufacturing and producing goods for the market. Oil Palm Uganda Ltd (OPUL) ran the oil refinery in Kalangala that is near the plantations. Wilmar was responsible for the initial set up and management of the plantations. The International Fund for Agricultural Development (IFAD) was instrumental in ensuring that the development of this sector was done on a PPP basis. The main purpose of the arrangement was to develop the oil palm production in Uganda. The PPP was implemented in two locations: Kalangala and Jinja districts.

The arrangement between Derekop and Uganda Industrial Research Institute (UIRI) is a business incubation programme to nurture Derekop's capacity as a fresh fruit processing business. This is part of a wider mandate of UIRI, under the Ministry of Tourism, Trade and Industry to boost industrialization and local entrepreneurship through research, innovation and local businesses.

The Farm Inputs Care Centre (FICA)/NARO arrangement was between these two parties and was a seed supply agreement that centred on providing licensed seed varieties to FICA by NARO. Their purpose was to sell the seeds to the public. These PPPs owe their success to the liberalization policy adopted by the Government of Uganda as part of the World Bank Structural Adjustment Programme implemented by third world countries. The PPP is implemented in the Kampala, Masindi, and Kasese districts.

The purpose of the Mukwano/ NAADS partnership was to boost sunflower production in Uganda and is implemented in Northern Uganda, in the Lango region. The NAADS realized that the private sector, with its specialization, experience and competence, tended to be in better position to provide technical services in the development of the agricultural sector. Government extension officers tended to have general knowledge on various agricultural aspects. The partnership allowed Mukwano and NAADS to share roles. Mukwano was able to boost its input (sunflower production) and hence output. NAADS was able to provide quality services (equipment, training, seed material, organization and other goods to farmers) in order to boost agriculture.

The arrangements were successful although they were not without challenges. Jobs were created, production was boosted, and incomes were improved. Nevertheless, there were difficulties with insufficient funds, with parties keeping their parts of the agreement, and conflicting opinions among implementing officers. These experiences provided sufficient basis for drawing lessons for future consideration in similar or other partnerships in Uganda as well as in similar countries.

[1] From now on referred to as BIDCO.

TABLE 1
Overview of Uganda Agriculture PPP Cases

Agribusiness PPPs	Mukwano	Derekop	FICA	BIDCO
Sub-sector	Sunflower /seed	Fruit processing	Seed	Oil palm
Location	Lira/Lango region	Kampala	Kampala, Masindi, Kasese	Jinja, Kalangala
Objective	Partnership between NAADS and Mukwano group of companies to boost sunflower production in Uganda.	Partnership between UIRI and Derekop for a business incubation programme to nurture Derekop's capacity as a fresh fruit processing business.	Seed supply agreement to provide licensed seed varieties from NARO to FICA to multiply and selling them to the public.	Agreement between Vegetable Oil Development Project and BIDCO oil refineries Kenya to develop oil palm in Uganda.
Partners Involved				
Private sector	Mukwano Group of companies	Derekop Limited	Farm Care and Inputs Ltd	Oil Palm Uganda Ltd - BIDCO - Wilmar
Public sector	NAADS	UIRI	NARO	VODP - IFAD

Source: own research, 2011

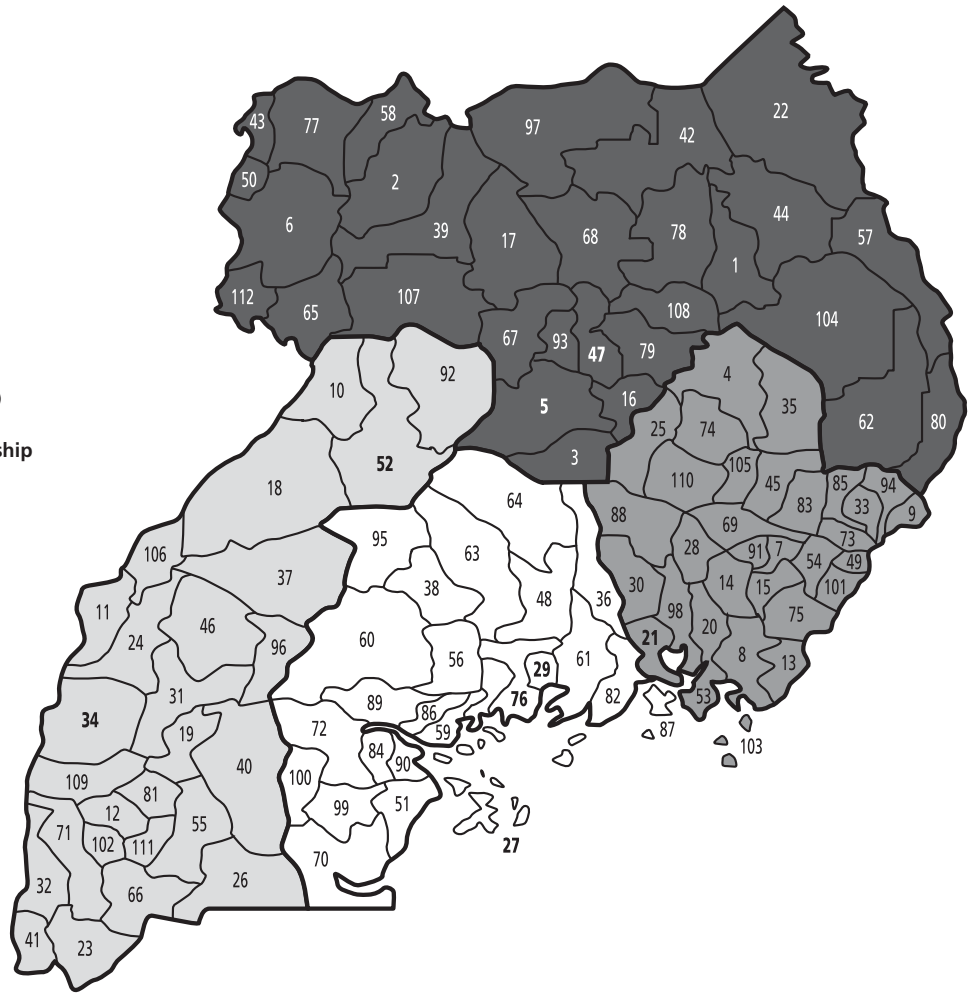
FIGURE 1
Map of Uganda showing studied PPPs location

VODP/ BIDCO Partnership
27 Kalangala -plantation & crude oil plant
21 Jinja - refinery

DEREKOP/ UIRI Partnership
29 Kampala- plant

FICA/ NARO Partnership
29 Kampala - facility
52 Masindi – farms
34 Kasese - farms
76 Wakiso - NARO (NACCRI research centre location)

MUKWANO/ NAADS Partnership
47 Lira – farms and plants
5 Apac - farms



The table below summarizes the basic information of these PPPs regarding location, objectives, and partners involved.

1.4 GEOGRAPHICAL LOCATION OF THE PPPS WITHIN THE COUNTRY

The map below indicates the specific locations where the partnerships are implemented. Districts are marked by corresponding figures. The location of Jinja oil processing factory under BIDCO was strategically placed along Lake Victoria for easy delivery of palm crude oil from the Kalangala district (which is an island). The location of Mukwano/NAADS partnership was already given since Mukwano was already based and operating in this region. Lira is among the agricultural zones selected under the agricultural zoning policy for the production of Sunflower, among other value chains. The Derekop/UIRI partnership is within the UIRI incubation facilities since it provides the facilities offered by the Government, thus determining the partnership location.

1.5 STRUCTURE OF REPORT

This report has seven chapters. The first chapter includes the problem statement for the overall appraisal, the purpose of the country appraisal, the rationale for both the country selection and the second chapter gives background of Uganda's development context. This chapter provides an overview and trends, policy statements, strategic documents and commitments related to agribusiness development. It also relays engagement with the private sector, the scope and nature of public-private cooperation in the agricultural sector, and a brief overview of the country cases.

The third chapter describes PPP arrangements along with the public and private partners and beneficiaries involved. It emphasises agribusiness investment and development of agribusiness enterprises purposes; beneficiaries, nature of benefits; financial support to beneficiary agro-enterprises; public sector incentives; and commitments or other benefits for private partners that are providing support to beneficiary agro-enterprises. This third chapter also explains the roles and functions provided by each of the partners, and how the agreements were formalized.

The fourth chapter details circumstances that led to development of PPP partnerships; main drivers; main reasons by the drivers to convince senior managers and partners about the value of the arrangements; procedures and criteria to identify and assess market opportunities; target agribusiness enterprises to be assisted; negotiation methods and timeframe; how the levels, nature, and timing of partner contributions were determined; as well as how expected costs, revenues, and returns on investment were estimated for the target agribusiness enterprises.

The fifth chapter explains management and operations including roles of each partner in strategic and day-to-day management and implementation materials, technology and services procurement and delivery; new expertises; managerial procedures for out-sourcing and sub-contracting; performance monitoring and appraisal mechanisms; main risks mitigation; challenges faced by public and private sector officials and managers during implementation; and main problems in maintaining partnership relationships.

The sixth chapter shows the performance and development outcomes. The last chapter presents the conclusions of the study.

Chapter 2
Background and overview

2.1 COUNTRY DEVELOPMENT

Uganda has made significant progress in social and economic development over the past two decades. Uganda is moving towards sustainable growth and poverty reduction. Its macroeconomic environment has become more stable.

The Government of Uganda has adopted various national strategies to address development challenges. For instance, the Poverty Eradication Action Plan (PEAP) has been implemented over the past decade. The National Development Plan (NDP) is a long-term strategy to tie together various policy frameworks, and to address the challenges that constrain social and economic development in the country.

Whereas Uganda is importing more processed foods, exports are still dominated by primary commodities from the agricultural sector (such as bananas and coffee), indicating that the country's consumption patterns are changing faster its production techniques.

2.2 SECTORAL OVERVIEW AND TRENDS

From 1987 to 2005, agriculture in Uganda performed well, growing at an average of 3.8 percent, which was faster than population growth at that time. Agriculture thus contributed to the success of Uganda's poverty reduction efforts in the 1990s. With respect to other countries (in the region and worldwide), Uganda's long-term agricultural growth trend is impressive (World Bank, 2006). In 2007, Uganda's agriculture contributed 31.1 percent of economic growth, compared to Kenya's 22.7 percent.

Uganda had an impressive record of sustained economic growth and stability over the last two decades. GDP growth rates have been sustained at an average of over 6 percent per annum, with single digit annual inflation rate. The proportion of the Ugandan population living below the poverty line reduced from 56 percent in 1993 to 31 percent in 2006. This is good progress by standards of any developing country, and far above the Sub-Saharan Africa average of 2.4 percent.

This performance also demonstrated the success of the policy framework adopted and maintained by Uganda: a good macroeconomic policy environment and clear progress with stabilization and market liberalization and privatization. Uganda is likely to achieve the Millennium Development Goals (MDG) to halve poverty by 2015, although the GoU acknowledges that without a comprehensive NDP the absolute number of those living in poverty will have increased.

According to Uganda's Development Strategy and Investment Plan (DSIP), agriculture is the most important sector of its economy. It contributes up to nearly 20 percent of GDP, accounts for 48 percent of exports (UBOS, 2008), and provides a large proportion of the raw materials for industry. Of the agricultural GDP, it is estimated that crops, livestock, fisheries and forestry contribute 67 percent, 16 percent 12 percent and 4 percent respectively. It provides 68 percent of total employment and the bulk of raw materials for the largely agricultural based industrial sector (UBOS 2003). Food processing alone accounts for 40 percent of total manufacturing. The sector employs 73 percent of the population aged 10 years and older (UBOS, 2005).

However, more recently the performance of the sector has been less impressive than expected. Real growth in agricultural output declined from 7.9 percent in 2000/01 to 0.1 percent in 2006/07, before recovering to 1.3 percent and 2.6 percent in 2007/08 and 2008/09, respectively. This rate of growth has been below the population growth rate of 3.2 percent, implying that the per capita agricultural GDP has been declining. It is also far short of the 6 percent growth target for the agricultural sector set by African Governments under the Comprehensive Africa Agriculture Development Programme (CAADP) and to which Uganda signed a commitment in 2010.

Furthermore, the performance trends of the various sub-sectors overtime varies. Whereas overall agricultural growth increased from 1.6 percent in 2003/4 to 2.6 in 2005/6, cash crop production reduced from 7.3 percent to 1.7 percent over the same period. On the other hand, food crops increased from -1.5 percent to 2.9 percent while livestock and fisheries reduced from

TABLE 2
Growth trends in the agricultural sector

Sector	2003/4	2004/5	2005/6	2006/7	2007/8	2008/9
Agriculture	1.6	2.0	0.5	0.1	1.3	2.6
Cash crops	7.3	5.5	10.6	5.4	9.0	1.7
Food crops	-1.5	-0.2	-0.1	-0.9	2.4	2.9
Livestock	4.7	3.0	1.6	3.0	3.0	3.0
Fisheries	9.6	13.5	5.6	-3.0	-11.8	-0.1
Forestry	- 6.5	4.1	2.0	2.8	3.2	
Industry	8.0	11.6	14.7	9.6	9.1	3.8
Services	7.9	6.2	12.2	8.0	10.2	9.4

Source: Background to the Budget 2008/09 FY, MoFPED June 2008; UBOS, Statistical Abstract, 2009.

4.7 percent to 3.0 percent and 9.6 percent to -0.1 percent respectively over the same period.

Internationally, there is a new recognition that agriculture plays a powerful role in poverty reduction. According to the World Bank Development Report (2008) agricultural growth has a comparative advantage in reducing poverty.

About 85 percent of Uganda's population lives in rural areas and depend on agriculture for their livelihoods. The employment and incomes generated from their agricultural activities are critical not only for eradicating poverty and enhancing quality of life but also for generating demand for manufacturing industries. Yet, land and labour productivity is low and the incidence of poverty, especially in rural areas, is high. Nearly one-half of the population lives below the poverty level and faces food insecurity. The challenges of food insecurity and poverty are compounded by the health crisis and environmental degradation that Uganda is facing. Uganda has lost 26 percent of its forest cover in the last two decades, a reduction from 4 924 million hectares in 1990 to 3 627 million in 2005 and a current 2 percent annual reduction.

In confronting these socio-economic challenges, the agricultural sector has a lead role to play. However, with its current low productivity status, the agricultural sector can do little to improve the socio-economic situation (USAID, 2001). For the agricultural sector to have the economic impetus needed to eradicate poverty, ensure food security, and protect the environment, it would have to be significantly transformed. The current dominant subsistence-oriented farming systems would need to be changed to a more market-oriented production based on knowledge, greater specialization, exchange, and economies of scale. Such transformation cannot be achieved without using modern technologies to improve seeds, to fertilise, to protect crops, and to better manage water and agronomic practices (USAID, 2003).

Over the last 15 years, the GoU has been implementing macroeconomic and civil service reforms to improve the people's income, food security, and socio-cultural welfare. These reforms include privatization, liberalization, decentralization and good governance. In this regard, GoU developed a Poverty Reduction Strategy Paper (PRSP), the Poverty Eradication Action Plan (PEAP 1997, revised in 2000 and 2004). The target was to reduce the number of people living in absolute poverty to 10 percent by the year 2017. The Plan for Modernisation of Agriculture PMA (2000) was developed to institute the PEAP in the agricultural sector. The PMA is a multi-sectoral holistic strategic framework, aimed at transforming subsistence farmers (who constitute 75 percent of the farming community) into market-oriented commercial producers.

The implementation of these policies and strategies has led to a significant improvement in the population's welfare. For example, the per capita income has increased from US$200 in 1986 to US$235 in 2002 (UBOS, 2003) and the percentage of people living in absolute poverty reduced from 57 percent in 1986 to 35 percent in 2001. However, despite these achievements, a big percentage of households, particularly in rural areas, remain poor. In fact, the percentage of people living in absolute poverty rose to 38 percent in 2003. The people in the agricultural sector were most affected. This calls for an adjustment of some of

the policies and strategies being implemented in the agricultural sector.

Research shows that Uganda has the potential to enhance its agricultural production by increasing land and labour productivity. Enhancing the competitiveness and profitability of agriculture is imperative for economic growth and poverty eradication in Uganda. To achieve such growth, agricultural production needs to be diversified to ensure value-addition through agribusinesses development. Farmers and agribusinesses need improved access to medium to long-term rural finance. Furthermore, transaction costs need to be reduced through lowering transport costs from farms to primary and secondary markets.

The GoU appreciates the role of agriculture in economic growth and poverty reduction. The NDP has agricultural and business development and rural infrastructure development as priorities. Rural economic growth and employment creation, with a focus on agriculture and agro-processing, is also important.

In the past, Uganda's main sub-sectors that formed the main export base included cotton, coffee and tea. However, there has been a steady increase in non-traditional exports and growth in various sectors such as fish and fish products, flower, tobacco, hides & skins, simsim, and maize. This expansion is an encouraging sign of economic transformation.

This change has partly been a result of the GoU's deliberate effort to boost production in other non-traditional sectors through its Zonal Agricultural Production, Agro-processing and Marketing policy where it identifies and prioritizes select enterprises with comparative and competitive advantages. It advocates a holistic and integrated approach to link and harmonize all related priorities of: increased production and productivity (on sustainable basis); value-addition and quality assurance; sustainable access to markets; poverty eradication for individuals and households; and export promotion for increasing national income, and national level economic growth.

Uganda was mapped into ten agricultural production zones as follows:

I. **North Eastern Dry lands** – Moroto, Northern Kotido and Eastern Kitgum (gum arabica, simsim, apiculture, goats/skins, beef cattle hides, ostriches, sunflower)
II. **North Eastern Savannah Grasslands** – Pader, Kitgum, Eastern Lira, Katakwi, Northern Sironko, Northern Kapchorwa, Nakapiripirit, Southern Kotido (apiculture, beef cattle/hides, goats/skins, simsim, cassava, pulses, sunflower)
III. **North Western Savannah Grasslands** – Adjumani, Western Nebbi, Arua, Moyo, Yumbe, Northern Gulu, Northern Apac, Western Lira (spices, tobacco, apiculture, cotton, pulses, simsim, robusta coffee)
IV. **Para Savannahs** – Eastern Nebbi, South-Western Gulu, Western Masindi (spices, fisheries, cassava, apiculture, beef cattle/hides, goats/skins, cotton)
V. **Kioga Plains** – Kayunga, Kamuli, Iganga, Northern Bugiri, Tororo, Northern Busia, Southern Mbale, Pallisa, Kumi, Soroti, Kaberamaido, Southern Lira, Southern Apac (fisheries, apiculture, maize, pulses, beef cattle/hides, cassava, goats/skins)
VI. **Lake Victoria Crescent** – Kampala, Mukono, Wakiso, Eastern Mpigi, Eastern Masaka, Eastern Rakai, Kalangala, Jinja, Mayuge, Southern Bugiri, Southern Busia (robusta coffee, fisheries, spices, floriculture, horticulture, vanilla, cocoa, dairy cattle)
VII. **Western Savannah Grasslands** – Hoima, Kiboga, Southern Luwero, Mubende, Kibaale, Kyenjojo, Kabarole, Kamwenge, Southern Kasese (robusta coffee, tea, apiculture, maize, bananas [brewing], beans, beef cattle/hides)
VIII. **Pastoral Rangelands** – Eastern Masindi, Nakasongola, Northern Luwero, Central Kiboga, Southern Mubende, Western Mpigi, Western Masaka, Western Rakai, Sembabule, Eastern Mbarara, Southern Ntungamo, Northern Bundibugyo (beef cattle/hides, dairy cattle, goats, spices, apiculture, citrus, pineapple).

This mapping is relevant to the PPPs in this study. Apart from sunflower and horticulture, the concentration on seed sector development has a direct impact on the production levels and quality in the entire agricultural sector. The use of technology through incubation and research enables overall competitiveness of these sub-sectors. The oil palm sub-sector development further indicates growth in the agriculture sector, outside the zone boundaries.

2.3 SCOPE AND NATURE OF PUBLIC-PRIVATE COOPERATION IN THE AGRICULTURAL SECTOR OF UGANDA

The private sector in Uganda is mostly comprised of Micro, Small and Medium Enterprises (MSME), which contributes 20 percent of the GDP.

The number of the registered businesses in Uganda was 25 000 in 2007, with the majority (11 003) located in the central region of the country. Of the firms across sectors, those in the industry constituted 17.7 percent, and were mainly engaged in beverages, sugar, textiles, building materials, footwear, packaging, and food processing.

Although the private sector has grown rapidly between 2001 and 2007, growth has been concentrated in small firms with low value-addition. Larger firms with high value-added per employee did not increase as fast. The service sector (telecommunications, hospitality and trade) is the fastest growing sector in Uganda (13 percent per year).

MSMEs employ over 1.5 million people of the total non-farm workforce. These people work in retail trade, education, and restaurants, and account for the bulk of total employment in new firms. With the exception of education, the rapid growth in enterprises was focused on low-value services and is, therefore, unlikely to significantly transform the economy.

The economic conditions and the business climate in Uganda are difficult. The World Economic Forum's Country Competitiveness Index 2009 ranks Uganda 108 out of 133 countries. Many other African countries rank better (Tanzania 100, Kenya 98, Namibia 74, Botswana 66, South Africa 45) indicating that those countries have better investment and business environments.

In Uganda's case, the biggest constraints to growth include: weak public sector management and administration; inadequate financing and financial services; inadequate quantity and quality of human resource; inadequate physical infrastructure; gender issues, cultural practices, and perceptions; low use of science, innovation, and technology; inadequate supply and limited access to critical production inputs.

In 2010, Uganda adopted a policy framework for PPPs for better management of economic resources, especially in the development and delivery of public infrastructure and service delivery. The PPP Unit was funded and based at the ministry to coordinate and support government departments during the implementation of PPP projects. It was the centre of excellence and expertise in PPPs. The unit assisted other Government departments in operational work on project management and procurement, and kept an overview of the policy and practical issues in relation to PPPs.

The Ministry of Agriculture Animal Industry and Fisheries (MAAIF) is charged with the development of the agricultural sector. The PMA is the guiding policy whose main objective is poverty reduction through agricultural commercialization with various interventions.

Public-private cooperation in Uganda is implemented on various fronts and at various scales of magnitude. It engages all major actors in the economy, the public sector, private sector and academia. Looking at scale, very large public-private co-operations usually involve donor funding and very large (usually international) organizations. To enhance competitiveness of the agricultural sector, NARO carries out research in agriculture and, through NAADS, partners with the private sector in the agricultural sector to improve seed varieties, new breed varieties, and climate change.

Multi-stakeholder platforms (MSPs)[2] are another avenue for public-private cooperation in the agricultural sector. Services and public goods are being delivered through MSPs for agricultural sector development. These platforms solicit input and support from all relevant sectors in order to implement such services.

The GoU has a deliberate investment policy to enhance delivery of services in the agricultural sector in a sustainable manner. For example, the government funds innovation in public institutions such as the Makerere University and credit provision through SACCOs and Uganda Development Bank. A typical example is outreach programmes such as the Innovation Systems and Clusters Programme which facilitates innovative clusters between the private sector (the businesses that generate ideas, organizations such as development partners that offer funding and other support forms), public sector (relevant government departments that offer funding and infrastructure and policy support) and academic institutions (which develop and transfer technologies, skills and knowledge). The beneficiaries are the businesses majority, mostly in the agricultural sector.

2.4 POLICY AND STRATEGY FRAMEWORK

A number of national policies and strategies want to enhance agribusiness and agro-industry development. These policies especially focus on agribusiness PPPs.

[2] MSPs are technically facilitated inclusive sectoral forums established for meaningful dialogue and joint action. One example is the OSSUP oil seed platform facilitated by SNV Netherlands Development Organisation.

TABLE 3
DSIP budget for value-addition sub-programme including PPPs (US Dollars)

Components	2010/11	2011/12	2012/13	2013/14	2014/15	Total
Profitability information for enterprise selection	3 060	3 366	3 703	4 073	4 480	18 682
Dissemination of market information	9 240	10 164	11 180	12 298	13 528	56 411
Public private partnerships for market access	12 700	13 590	15 449	16 494	18 443	76 676
Business Development services	10 000	11 000	12 100	13 310	14 641	61 051
Challenge fund for agro-processing	10 000	11 000	12 100	13 310	14 641	61 051
Total	45 000	49 120	54 532	59 485	65 734	273 871

Source: DSIP; Exchange Rates used are as at May 2011

The National Development Plan (NDP)[3] stipulates the country's medium-term strategic direction, development priorities, and implementation strategies. Through the NDP, the GoU recognises the importance of PPPs. It ensures macro-economic stability and establishes the best practises of the private sector into the public sector systems. The Government plans to develop a policy framework to guide PPPs.

With regard to enhancing the competitiveness of the agricultural and agribusiness sectors, the NDP's second objective seeks to increase access to and sustainability of markets by, increasing PPPs in agricultural value chains. The NDPs emphasize strategic commodities. The NDP's third objective involves creating an enabling environment for competitive investment in agriculture.

In order to achieve sectoral goals indicated under the NDP, agriculture investments are guided by the Plan for Modernization of Agriculture (PMA)[4]. The plan's main objective is poverty reduction through agricultural commercialization. The PMA was designed as a multi-sectoral approach to agricultural development. It is based on the recognition that some of the investments that are needed to make a difference in agriculture lie outside the mandate of the Ministry of Agriculture Animal Industry and Fisheries (MAAIF). The seven interventions under the PMA include agricultural research, advisory services, rural finance, agro-processing and marketing, rural infrastructure, agricultural education, and sustainable natural resource management. The PMA is a type of implementation tool used to achieve the NDP's agricultural goals.

Implementing the PMA was more difficult than envisaged because of problems in coordinating the activities of 13 ministries and agencies. As a result, the seven interventions under the PMA (agricultural research, advisory services, rural finance, agro-processing and marketing, rural infrastructure, agricultural education, and sustainable natural resource management) were not all implemented to the extent envisaged during formulation. While the National Agricultural Research Organization (NARO) and the National Agricultural Advisory Services (NAADS) made progress with Acts of Parliament supporting their implementation, the other PMA pillars lagged behind. As NAADS implementation expanded to cover most districts by 2005, glaring gaps had emerged in the areas of rural financial services, agro-processing and marketing.

To ensure that the Government achieved its development goals, the Government has development-oriented agreements and initiatives among African and donor countries. One outstanding initiative is the CAADP Compact. Uganda's Development Strategy and Investment Plan (DSIP)[5] is the main document for the CAADP Compact. This plan complements the NDP and PMA.

Under this plan, the Government is committed to maintaining agriculture-led growth as a main strategy in achieving a competitive, profitable, and sustainable agricultural sector. The main focus is on enhancing production and productivity; improving access to markets and value addition; creating an enabling environment; and institutional strengthening in the sector.

The DSIP budget caters to private sector funding to boost enterprise development, agro-pro-

[3] National Development Plan (NDP), (2010/11-1014/15).
[4] Plan for the Modernisation of Agriculture (1997).
[5] The Agriculture Sector Development Strategy and Investment Plan (DSIP) (2010/11- 2014-15)

cessing, agri-business; value-addition and PPPs. The CAADP is at the heart of efforts by the African governments under the AU/NEPAD initiative to accelerate growth and eliminate poverty and hunger among African countries. Its main goal is to help African countries reach a higher path of economic growth through agriculture-led development. This goal would eliminate hunger, reduce poverty and food and nutrition insecurity, and expand exports.

The DSIP is an indication that the Public-Private Funds work together to enhance development through partnership between the public and private sectors. It has target budget lines for PPPs. As seen in Table 3, the plan indicates US$76 676; US$61 051; US$61 051 for PPPs for market access; business development services; and a challenge fund for agro-processing respectively. This increase with every year indicates an expectation of growth in PP relations, agribusiness enterprises, and industrialization of the agricultural sector.

The GoU has adopted a PPP policy[6] which was approved by parliament on 10 March 2010 as a tool for the provision of public services and public infrastructure. The application of PPP in providing public services and infrastructure is expected to bring: a better utilization and allocation of public funds; a more efficient development and delivery of public infrastructure; better quality public services; and increased economic growth and FDI. The Government promotes and encourages the various forms of PPP in implementation of the NDP, Medium Term Expenditure Framework, and annual budgets.

The choice between public and private provision of the public service, public infrastructure and related services is expected to deliver better value for money. The choice of PPP partners should be through a consistent, transparent system of competitive tendering. By adopting the PPP, the Government showed a commitment to increase private sector investment and participation in public infrastructure, and provide public services.

In addition, the PPP is important for fiscal moderation and controlling public debt, since budget commitments regarding infrastructure and services provided under PPP arrangements are known in advance. However, PPPs impose a commitment on future budgets. The Government therefore, requires that any commitment arising from the PPP projects be subject to approval by the Ministry of Finance, Planning and Economic Development (MOFPED). This ensures that the PPP arrangements are affordable, provide value for money, and commitments are within the debt management limits. The MOFPED is in charge of issuing regulations and operating procedures to guide in the engagement of the private sector in the PPP arrangements.

The MOFPED has a unit (the PPP unit) charged with advising Government on PPPs. This ensures that best practices are widely employed. The PPP Unit also supports government departments and agencies in assessing projects, choosing the best possible partner, negotiating agreements, and monitoring them. The Government expects all components of the public sector to make use of resources available at the PPP Unit when implementing PPPs.

The objectives of the MOFPED policy are to:

i. put in place an enabling environment that stimulate investment in public infrastructure and related services;
ii. encourage private sector investment and participation in public infrastructure and related services where value for money can clearly be demonstrated;
iii. streamline the PPP procurement process; and
iv. clearly articulate accountability for outcomes.

The National Industrial Policy 2008 and the National Budget Speech 2010/11 are complementary policies. The first policy outlines a number of strategic choices that the Government has taken into consideration (the level and type of market intervention, the growth and investment implications, the nature and the extent of PPPs). This policy prioritizes strengthening PPPs to help the private sector boost the economy.

The 2010/11 National Budget, whose theme was "Strategic Priorities to Accelerate Growth Employment and Structural Transformation for Prosperity" has four budget priorities: to promote science, technology and innovation to facilitate value-addition and employment; to enhance agricultural production and productivity; to develop the private sector; and to improve public service delivery.

The Government is trying to promote science and technology to enhance private enterprises technological capacity for greater employment creation. The Uganda National Council of Science and Technology (NCST) and the Uganda Industrial Research Institute (UIRI) have been

[6] Public-Private Partnership Policy of 10/03/2010

strengthened to promote technology and to translate research and development results into practical products and processes, using the business incubation model.

The Government continues to support UIRI. The Government has established four multi-purpose value-addition centres across the country and has expanded its Small and Medium Enterprise outreach programme. An allocation of US$511.7 million has been provided to UIRI to set up a Science Unit. The Makerere University has also received an additional US$2.1 million for engineering and technology research and development. Furthermore, US$7.6 million has been provided for salary enhancement for scientists.

Chapter 3
Characterization of partnership arrangements

The purpose of this chapter is to explain how PPPs were promoted and how the negotiation and implementation process was launched. This chapter describes the stated purposes of the partnerships, the beneficiaries and the nature of benefits, and the financial support and other incentives applied. It also aims at detailing the roles and functions of partners and methods through which the agreements were formalized.

3.1 PARTNERSHIP BENEFITS, PURPOSES, AND PARTNER CONTRIBUTIONS

The PPP focus is on increasing incomes and employment for farmers through increased access to technology (improved inputs and lowering barriers to entry). Stated purposes tend to be in line with the overall mandate of the organizations involved, such as increasing industrialization, improving competitiveness and profitability.

Although not a stated outcome, market access is a prerequisite for the PPP to be effective. However this seems to be the role of the private sector (i.e. marketing the products or services), while the role of Government appears to be to provide public goods.

The BIDCO/VODP partnership is an arrangement between the Vegetable Oil Development Project (VODP) of the Government of Uganda (GoU) and BIDCO Oil Refineries Ltd, a private limited company and leading marketer of edible oils, soaps, and hygienic products in East and Central Africa. This Agro-business PPP is the largest in the country with a total contribution of US$132 million, and it is considered the first investment in large-scale plantation in Uganda.

Through this partnership, the actors seek to increase domestic vegetable oil production in Uganda. Vegetable oil imports (mostly palm oil and its derivatives) were very high (about US$100 million), in spite of the country's suitable climatic conditions for the production of a range of oil crops. The partnership thus aimed at increasing availability of vegetable oil in the country and reducing imports. The partnership also aimed at reducing poverty and increasing farmer incomes and employment by involving smallholder growers in oil palm production. The partnership should also promote private sector agro-industrial investment through the introduction of industrial oil processing mills with high environmental credit.

The partnership should be implemented in the Kalangala District, which is an island on Lake Victoria where the palm plantations and the crude oil plant run by OPUL are situated. The other location is the Jinja District (where the oil processing plant is located).

The parties involved are the GoU through VODP and BIDCO. The VODP was approved by the Government of Uganda in 1997. The overall objective of the project was to increase household cash income among smallholders by revitalizing and increasing domestic vegetable oil production in partnership with the private sector. The project has three very different sub-projects: (i) to introduce commercial oil palm production on the Bugala Island, Kalangala district in Lake Victoria (ii) to develop traditional oil seeds in northern, eastern, and mid-western districts of Uganda, and (iii) to research and develop (R&D) essential oil crops, piloted in a variety of districts.

The implementation of the palm oil sub-project was affected by a number of delays, as a result of which oil palm planting on smallholder farms only began in 2006. In contrast, the other two sub-projects have been active for 11 years. Originally, the total project cost was to be US$60 million, consisting of an IFAD loan of US$20 million, US$33.1million of co-financing from the initial private sector partner (Mukwano), US$3.8 million from the Government of Uganda and US$3.1 million from the beneficiaries, the Kalangala Oil Palm Growers Trust (KOPGT). However, due to an increase in the scale of the Oil Palm Subproject,, the reallocated private investor (BIDCO) and the Government increased their contributions to US$120 million and US$12 million respectively, bringing the total cost to about US$132 million.

BIDCO is headquartered in Kenya and has manufacturing operations in Kenya, Uganda and Tanzania, from where it is able to distribute its products to more than 14 countries in Africa. It has thus been able to become the largest and fast-

est growing manufacturer of vegetable oils, fats, margarine, soaps and protein concentrates in East and Central Africa. BIDCO aims at achieving the largest market share for edible oils in Africa by the year 2030.

BIDCO Uganda is creating a fully integrated edible oil business in Uganda, with an investment of over $130 million spread over a period of five years. When setting up the plantation schemes on Kalangala Island, BIDCO implemented the project in partnership with the Wilmar Group of Malaysia which is one of the largest operators of oil palm plantations in the world. On that island, BIDCO is creating the largest oil palm plantation in Africa which will eventually cover over 40 000 ha of plantation.

To complement the oil palm plantation and the crude oil plant on the island, BIDCO Uganda has the largest edible oil complex in Uganda. The BIDCO Jinja oil refinery and Oil Palm Uganda Limited (OPUL) is a subsidiary of BIDCO. It runs the processing plant and the plantations in Kalangala Island through producing and selling the products with a contribution of US$120 million.

The refinery has a capacity of over 300 metric tonnes per day and can produce and pack both liquid oils and fats. The complex also houses a laundry soap-making plant and an automated plastics plant. The plant serves both the local and international markets. Jinja's prime location makes it easier for BIDCO to export to the greater lakes region which includes: Rwanda, Burundi, Eastern DRC, and Southern Sudan.

The benefits of the partnership are:

a. The farmers of Kalangala Oil Palm Growers Trust (KOPGT), who own 10 percent shares within OPUL, have a stable market for their raw materials and can access credit through the above-mentioned Trust. They also have access to farm subsidized technologies and equipment and services such as farm clearing at lower prices and on credit. Farmers have access to good quality, subsidized inputs from BIDCO. The partnership creates employment: indirectly for 25 000 farmers and directly for 10 000 employees, such as those working in the refinery. Additionally, rural infrastructure got an investment.
b. According to the private sector, they hoped to make a tax contribution to government revenue US$5 million and also contribute to reducing vegetable oil imports by US$40 million.
c. Food security is also improved, through providing alternative cash crop/oil palm to farmers and thus replacing the sale of food crops with cash crops for incomes.
d. The partnership also contributes to import substitution and export diversification to regain the status that Uganda had in the 1960s and early 1970s as a net exporter of vegetable oils.
e. The partnership also aims to improve the population's health of the population. Vegetable oils are essential for the well-being of the human body. The current per capita consumption of vegetable oils in Uganda is estimated at 3 kg/year which is far below the recommended average of 7.5 kg.

The two partners of the Derekop/ UIRI partnership are Derekop (a private fruit-processing company) and Uganda Industrial Research Institute.

The main purpose of the partnership is to promote agro-processing in Uganda, as a strategic contribution towards Uganda's industrial growth and development of the agricultural sector.

In the partnership, Derekorp benefits from incubation services offered by Uganda Industrial Research Institute (UIRI) (based at the UIRI premises in Kampala). Derekorp thus works in collaboration with the Uganda Industrial Research Institute, providing it with a hygienic fruit and vegetable processing plant, and training and technical support to ensure that the best possible products reach the consumer. Derekorp's partnership with Technoserve has also helped to link farmers by using a value-chain business model to increase the production and reliability of fruit suppliers in rural and urban markets.

As the public sector partner in the partnership, UIRI is the Uganda Government's leading agency for industrialization. UIRI was established by an Act of Parliament under the auspices of the Ministry of Tourism, Trade and Industry (MTTI). It is the country's main vehicle for implementing strategies aimed at transforming industry in Uganda. It is geared toward technology development and transfer; business development; industrial services; as well as pilot plants and prototyping. Its mission is to improve capacity and competence of the private sector by undertaking viable industrial production processes, and increasing the sector's ability to produce high-quality marketable products through enhanced research, training and technical know-how.

Derekorp Limited is an innovative agricultural processing private company engaged in value-

addition to fruit and vegetables. Its products are made from 100 percent natural fruits and vegetables organically grown by Ugandan farmers. Its products include: fresh juice, juice concentrate, jams, sauces and smoothies with no added preservatives or artificial colour ingredients. Derekop's products use the juice from pineapples, papaya, local passion fruits, tangerines, watermelons, mangoes and hybrid passion fruits.

The benefits of the partnership are:

a. Derekop benefits from the incubation services offered by the government with an expected monthly gross income of US$13 100. Derekop has increased output and profitability. The total output per day/processing capacity is 1 860 units of pulp; the input/processing capacity of farmer output is 1 ton of fruit; monthly investments of US$10 480; and a 25 percent return on investment.
b. Derekop benefits from the functional processing plant, and the necessary utilities such as laboratory, electricity, water, and technical experts.
c. The partnership was expected to give the firm a competitive edge and boost growth and sustainability
d. The overall objective of this partnership was to increase industrialization and value addition of primary commodities while providing overall social and development outcomes such as employment (direct and indirect) and increased incomes.

The partners involved in the FICA/NARO arrangement include Farm Inputs Care Centre (FICA) Ltd, a private company that deals in the production, processing and marketing of certified high-quality seeds in Uganda; and the National Agricultural Research Organization (NARO) which is the apex body for guidance and coordination of all agricultural research activities in the national agricultural research system in Uganda.

Regarding the main purpose of the arrangement, FICA partnered with NARO to produce new seed varieties by NARO that could be bought and licensed with exclusivity to FICA for breeding, distribution, and commercialization. NARO aims at ensuring increased farmer access to good quality seed material and expanding the seed market since it is mainly a research institution with little capacity to bulk and distribute seed.

FICA was incorporated in Uganda in 1999. This was at a time when the seed industry had just been liberalized after many years of operation under government monopoly. Through the Uganda Seed Project FICA has diversified its business portfolio to include other agro-related competitive products under the concept of one-stop agricultural input supply centre. To date, FICA has introduced Ugandan maize varieties officially in Kenya and Tanzania where they have been released to the market. Other varieties are under performance trials in Malawi in advanced stages of release. These initiatives are intended to create a wider market for Ugandan maize varieties, through direct export in the regional market, thereby increasing income for Ugandan farmers.

The company owns no varieties, but acquires them from the National Agricultural Research Organization (NARO). FICA's key business opportunities include: Certified Hybrid Maize (Longe 6H, Longe 2H, UH 6303 and UH 615; Certified OPV Maize (Longe 4 & Longe 5); Certified Cotton Seed; Certified Barley Seed; Certified Sorghum Seed; Rice (Nerica 1 & 4); Beans (NABE 4 & K132); Soybean (NAMSOY 2N and MAKSOY).

With regard to production units, FICA produces seed on its own farms (20 percent) and contract growers (80 percent). FICA Seeds has developed many good contract growers in the Western and Eastern parts of the country. They are currently over 600 contract growers for the different seeds. The majority are located in Masindi and Kasese. The contract seed growers are predominantly medium to large scale farmers who grow seed on contract and these have land ranging from 40–150 acres.

The following are key groups of contract seed growers for FICA:

Masindi District- Kigumba

There are two categories of farmer groups. One group operates on the Kigumba farm as a block. This group has 126 members. The second group has 75 members who have their own private land where they grow seed on contract.

Masindi District- Kisindi

These are medium to large-scale commercial farmers growing seed on contract with FICA. There are 25 farmers in total, each with capacity to produce seed on land measuring between 50–150 acres. They usually grow maize seeds, both hybrid and OPV varieties.

Kasese District- Basajja Kweyamba

These are farmers that own plots of land for farming in the irrigation scheme. They grow seed

for FICA on contract. There are 167 members. They have grown seed every season because they have access to water through irrigation.

NARO is a public institution established by an Act of Parliament on 21 November 2005. NARO has a council as its governing body. The NARO also has specialized committees. There is a secretariat for its day-to-day operations with a semi-autonomous public agricultural research institute under its policy guidance.

NARO's mission is derived from the Plan for Modernisation of Agriculture (PMA). The goal of NARO is "To enhance the contribution of agricultural research to sustainable agricultural productivity, economic growth, food security and poverty eradication through generation and dissemination of appropriate technologies, knowledge and information." The Objective of NARO is to coordinate all aspects of agricultural research in Uganda. NARO's mission is to generate, adopt, and disseminate appropriate and demand-driven technologies, and information through an effective, efficient, sustainable, decentralized and well co-ordinated agricultural research system.

The public agricultural research institutes are semi-autonomous research management entities. They are guided by the policies of the National Agricultural Research Organisation and provide agricultural research services. Their semi-autonomy relate to the implementation of their programmes, allocation and management of resources in accordance with their approved annual programmes, and budget as approved by the council.

The public agricultural research institutes fall into two categories. These are: ***National Agricultural Research Institutes,*** which manage and carry out agricultural research of a strategic nature and of national importance; and the ***Zonal Agricultural Research and Development Institutes***, which manage and carry out agricultural research for a specific agro-ecological zone.

The benefits expected from this partnership include:

a. Through this partnership, partners, especially the government, hoped to provide benefits not only to FICA, but also to the entire seed market/players like farmers and similar traders as FICA who would have better access to improved, quality seed material.
b. FICA did not have elaborate systems or structures with precise long-term strategies or targets. However, general expected benefits included: increased output and hence profitability; expanded markets; and other social currently target development outcomes such as employment of 30 direct employees (permanent and contract) and 200 farmers.
c. The focus of the benefits in this partnership also includes specific benefits such as increased market share as well as averting customer bias (public perception that they were promoting genetically modified varieties that were dangerous to health). This is due to the fact that as liberalisation of market meant that the multinational company (MNC) for which FICA was breeding and bulking seed could distribute their own product causing FICA to lose out to competition while profits went to the MNC who owned the product licenses.
d. Increased access to a wider range of varieties from NARO. These varieties were of even better quality.

The Mukwano/NAADS partnership was between The Mukwano Group of Companies which consists of privately-owned limited companies involved in the development and promotion of oil seeds and The National Agricultural Advisory Services (NAADS), a program of the Government of Uganda, put in place to increase the efficiency and effectiveness of agricultural extension service.

The main purpose of the partnership was to increase productivity and profitability of sunflower production through farmer organizations and linking farmers to markets. Implementing the partnership would enable farmers organizations to produce good quality sunflower produce with direct market provided by Mukwano, enabling farmers to become a more visible and integrated part of the value chain.

The partnership covered six sub-counties of Lira, (in Amac, Adekwok, and the sub counties of Ayer, Acaba, and Iceme).

The increased access to better technologies for farmers such as improved seed varieties, farm machinery, and better agronomy skills meant better output, employment, and increased, steady incomes. The availability of a good and steady supply of seed material ensured continued production of vegetable oil and profits to the business as well as enhances competitiveness of the sunflower sub-sector; thus, standardization of production in terms of quality-produce, value-addition, and processing extension service needs.

The NAADS was the government representative in the partnership. The NAADS is a program

of the Government of Uganda, put in place to increase the efficiency and effectiveness of agricultural extension service. It is a semi-autonomous body formed under the NAADS Act of June 2001 with a mandate to develop a demand-driven, farmer-led agricultural service delivery system targeting the poor subsistence farmers. It also focuses on women, young people, and people with disabilities. Its development goal is to enhance rural livelihoods by increasing agricultural productivity and profitability in a sustainable manner. NAADS is one of the seven components under the Plan for Modernization of Agriculture (PMA), which is the planning framework of the government for the transformation of subsistence agriculture to market oriented for commercial production.

The NAADS programme provides agricultural extension services through far-reaching reforms and innovative service delivery approaches. The NAADS works in pursuit of the national development framework of Poverty Eradication Agenda. The NAADS' overall supervision is vested in the Ministry of Agriculture Animal Industry and Fisheries (MAAIF). The programme was officially launched in March 2002. It is a 25-year programme, with an initial phase of 7 years. NAADS is currently implemented in 79 districts and 710 sub-counties.

In contrast, the Mukwano Group of Companies has a part of its operations in sunflower oil extraction with a plant in Lira. Currently, the plant has an output of 24 500 tonnes per annum. The national demand is currently estimated at 70 000 tonnes. Currently, there are over 45 000 out growers, and Mukwano has plans to increase this number to 60 000 out growers. The total cultivation area should span close to 200 000 acres by end of 2011. Mukwano has so far injected more than Shs24b (US$12 million) into developing the cultivation of sunflowers, soybeans, and maize in the Lango region and the rest of northern Uganda.

The company provides seeds, advance cash, implements such as tarpaulin, empty bags, and technical service to the farmers and buys the entire crop produced with those materials. Its out growers programme now has farming households in the districts of Lira, Otuke, Oyam, Kole, Alebtong and is spreading elsewhere. Warehouses, an oil mill, and a maize mill are in place in Lira Town for the produce. Mukwano Group of Companies' reason to invest heavily in sunflowers, soybeans, and maize production is that they have an expanding soap and oils industry and they are also focusing on animal feeds and seeds production. Also, Northern Uganda is perceived to be the best source for the raw materials. At the moment, the Mukwano Oil Mill in Lira extracts crude oil which is transported to Kampala for refining. The company plans to put up an oil refinery right in Lira and its current target stands at a total output of 18 000 tonnes of oil production per day. It has an input/processing capacity of farmer output of 60 000 tonnes of produce of hybrid sunflower, thus satisfying 34 percent of Mukwano's total oil demand in the market.

There are several benefits of the partnership:

a. With a crushing capacity for 300 MT of sunflower per day, Mukwano provides an opportunity for increased farmer access to improved technology; advisory services and linkage to the established agro-processing facility and market. Currently, 250 lead farmers have accessed technology kits for demonstration and training.
b. The company also provides a reliable direct market for farmer's produce, hence providing an avenue to profit and earn a stable income from farming.
c. The partnership, it was hoped, would boost the company's profit from production and sale as well as the farmers.
d. The other expected benefits included: setting up a 200 tonnes input per day-capacity oil mill for processing the produce; in addition to employment and increased incomes for farmers who would benefit from commercial farming of sunflower with Mukwano as direct market. These numbered approximately 500 at the time of the partnership.

In all cases, the increase in incomes and employment especially of farmers and other actors in the respective sub-sectors were benefits. Increased rural incomes addressed rural poverty. About 80 percent of Uganda's population is in the rural areas and they practice subsistence farming. Roughly 35 percent of the population is unable to meet their basic needs such as shelter food, water, clothing and medication.

There was an increase in access to improved technologies and inputs such as seed / planting material, advisory services and improved agronomy skills, machinery, and fertilizers. Derekop also indicated access to technology, skills and utilities by the business. This value-addition and linkages, according to the respondents, gave the sector a competitive edge and boosted growth. The overall objective was to reduce poverty.

3.2 NATURE AND LEVELS OF FINANCIAL SUPPORT, CONCESSIONS, OR OTHER SERVICES

The nature of services provided by both private and public partners are in various forms of funds/cash, assets such as land, technical assistance and services such as advisory and other extension services, in addition to concessions.

The government partner usually made the larger contribution if translated into actual revenue/finances, but they delivered it in various forms rather than direct cash.

Financial support tended to be in various forms – the government support came in the form of budget allocation to advisory agencies, research institutions, and business incubators, or concessions such as land. In the case of the private sector, it's most often a reallocation of their already existing business finances (the scale ranges from about US$10 000 to US$120 million). Financial support is linked to the capacity of the business project to absorb the support.

In the case of the VODP/BIDCO partnership, the GoU has contributed with US$12 million for the provision or purchase of land, railway siding, supporting infrastructure (e.g. electricity, water, roads and ferry services to the island), and of taxes for the project as well as credit line for the farmers through KOPGT. The contribution of the private sector is estimated in about US$120 million.

The contribution of the GoU included the concession of 40 000 ha of land on lease hold basis (10 000 ha on the island and 30 000 ha in various parts of the country). This included the land for setting up the plantation schemes and the processing plants. The GoU also grants exclusive production rights/protection against competition on the oil palm sector development project. Furthermore, it provides funding for farmers (i.e. setting up the plantation schemes and ensuring they produce enough supply for the KOPGT processing plant). For such services, BIDCO is compensated by the government on a re-imbursement basis.

Whereas both the private sector and the government offers technical expertise and advisory services to the farmers, the private sector carries out training of trainers while the government handles the entire process of delivering the actual training of the rest of the farmers by the trained trainers.

The private sector offers inputs at subsidized prices to farmers such as fertilizers, machinery and farm-maintenance services like land clearing. The private sector's contribution was also to set up processing plant (OPUL) to produce crude oil out of the oil palm fruit produced by the farmers, oil refinery in Jinja to produce finished products for the market by refining the crude oil from OPUL as well as set up and manage the plantation scheme in Kalangala.

In the Derekorp and UIRI case, the UIRI/government did not make any direct financial contribution toward the private sector. However, it provided in-kind contribution, such as the processing plant/incubation centre/facilities, physical assets, technical expertise and other necessary logistics as needed by Derekorp during production and when conducting business. For instance, when Derekorp needed more fruit supply from farmers, or machinery such as blenders, a request is made and purchases or procurements made by UIRI on behalf of Derekorp.

Derekorp's contribution was to operate and manage the production at the plant. The private sector funded some of their daily basic production processes and inputs such as marketing, purchase of inputs, payment for utilities such as electricity and water that are availed by UIRI. This was done through a regular advance of a percentage of Derekorp's profit to UIRI to cater for support given to Derekorp.

UIRI provided the technical training to Derekorp/ incubatee at an initial stage and also continued to provide the necessary training needed by staff during the operations of the business. It also contributed office and storage space, shared an intercom, internet services, and security of all assets with Derekorp. The major contribution of UIRI was the provision of the entire technology /machinery and equipment/processing plant and other necessary infrastructure or utilities like water, electricity, lab facilities and reagents for testing products. It is also expected to provide two full-time technical staff attached to Derekorp although currently only one has been attached and is paid approximately US$700 per month. These staff people mainly deal with aspects of research, innovation and product development.

Other services provided by UIRI include marketing promotions in collaboration with Derekorp, e.g. facilitating exhibitions, logistics to carry out marketing (such as vehicles and not cash). It also provided technicians to do maintenance and repair plant machinery.

Concessional elements of the arrangement are such that during the five year period of the partnership and incubation, Derekorp had exclusive rights to the specific plant operations and equipment and no other business could be used to share the same facilities with Derekorp.

At the end of the partnership period, however, the private sector was expected to have accumulated enough assets to operate outside the government facility on its own without government assistance. This is the reason for the incubation process and support, to make the business self-sustainable by helping it build its capacity in preparation for exit.

In the case of the NARO/FICA partnership, NARO's contribution was also in the form of assets and services to FICA as opposed to direct cash contributions. NARO as a research-centred organization was involved in developing, improving and supplying quality breeder and foundation seeds and other agricultural products. In addition to this, it offers technical assistance and advisory services to FICA on how to multiply the seed using the recommended procedures to ensure continued good production. It also offered five square miles of land on lease as well as the facilities belonging to the Uganda Seed Project.

Concessional terms were offered to FICA for every variety purchased from NARO (except for the public varieties) with exclusive commercial rights. FICA continuously pays 25 percent of its profits as royalties to NARO. FICA's contribution was to buy the seed for bulking/multiplication and ensure it reached the market.

In the NAADS/Mukwano arrangement, NAADS offered extension services like trainings and awareness-creation among farmers about the growing of the sunflower hybrid seed on a commercial basis to supply to Mukwano as a direct market, in addition to training in agronomy practices relevant to the crop. It also offered funding to Mukwano as reimbursement for input services offered like specialized training in the production of the sunflower hybrid, and inputs such as seed materials and farm equipment. NAADS also provided funding of US$0.3 million given in two phases as a matching grant. This was given on a reimbursement basis under which Mukwano implemented of the activities of the arrangement and was later refunded by the Government.

Mukwano contributed the set-up and management of a processing plant, offer specialized training in sunflower hybrid production, and provided inputs such as seed materials and farm equipment.

It should be noted that there are a number of public sector incentives, commitments or other benefits contributed by Government for private partners. Various incentives are offered by the Government through the Uganda Investment Authority such as a tax exemption on agricultural machinery from which these and similar partnership can benefit.

BIDCO received general incentives such as the investment guarantee and special investment incentives such as land allocation, non-competition clauses and tax benefits as well as waiver for taxes on agro-inputs.

Derekorp did not indicate any public sector incentives, commitments or other benefits for private partners that are providing support. Concessional elements of the arrangement were that during the five year period of the partnership/incubation, Derekorp had exclusive rights to operate the specific plant and equipment and no other business could share the same facilities with Derekorp.

FICA benefited from five square miles of land on lease hold basis as well as the facilities belonging to Uganda Seed Project. They also benefited from the tax incentives on agricultural inputs like seed materials, machinery, and easy access to agricultural loans by financial institutions.

NAADS offered extension services like training and awareness-creation among farmers about the growing the sunflower hybrid seed. It also offered funding to Mukwano as a US$0.3 million reimbursement for input services given in two phases as a matching grant. This was given on a reimbursement basis.

It should be noted that general concessions exist for stimulating investment in agriculture. For example, capital allowances for investment in agriculture, as per the national budget 2009/2010. The GoU provided a total of US$20 million (10 million at the Uganda Development Bank (UDB) and 10 million at the Central Bank as a guarantee) to enable investments in the agricultural sector. This meant that farmers could access affordable loans and be able to lease machinery through the assistance of the UDB. Various incentives were offered by the Government through the Uganda Investment Authority such as a tax exemption on agricultural machinery.

3.3 ROLES AND FUNCTIONS OF PARTNERS

The roles and functions of the private and public sectors were clearly established. Although all the roles are complementary to one another, the government played a pivotal role in ensuring the success of the partnerships especially in the initial stages of the arrangements. For example in three of the cases, the government played the coordination role that involved either identifying the gaps/needs for the partnership. These gaps

were usually based on achieving national developmental objectives (such as boosting exports, industrialization, improving incomes, and creating employment) and bringing together the necessary partners that have the resources/means to achieve these objectives, i.e. development partners and businesses.

In the VODP/BIDCO partnership, the consortium/BIDCO was responsible for: managing and maintaining the processing plants and ensuring production as agreed, participating in the pricing committee activities, supplying inputs to farmers and on-farm services as they were needed by the farmers.

The consortium also established a nucleus estate where the recommended agronomic practices were followed to the letter. This nucleus estate was a training ground for the farmers. In order to develop skills of beneficiaries/farmers, the private sector set up a training centre that was accessible to the farmers. To infuse value-addition, the private sector was a source for good quality seedlings/planting material for farmers and the nucleus estate was a source of services such as land clearing because they provided equipment which benefited the farmers. Market access to the farmers' produce was another of the contributions by the private partner.

The Government sector and VODP functions under the MAAIF included: monitoring and evaluating the KOPGT and BIDCO performances from which M&E reports were produced; to constantly provide extension services to farmers to ensure that the right amount of supply was delivered for the running the processing plant; to convene a Pricing Committee; to provide the necessary infrastructure for the project (such as roads, ferry service, electricity and water); and to fund oil palm research activities.

The Pricing Committee, which is constituted by representatives from all the PPP arrangement parties, was convened every season with the objective of setting prices for the oil palm produced by the farmers. The Pricing Committee compared international prices, the costs of production both locally and in other oil palm producing countries, and with other countries like Malaysia (where the private sector is organized so that farmers get fair prices and consequently income from their produce).

Under the UIRI/Derekop arrangement, the functions of Derekorp are: to manage and operate the plant and production as well as market the products to the market; to accumulate assets in preparation for exit at the end of the incubation/ partnership period; to carry out research and development jointly through identifying and suggesting necessary research areas and issues to Derekorp that need to be undertaken or implemented and to conduct joint monitoring and evaluation.

On the other hand, the functions by UIRI include: mentoring and technical training and service delivery as well as research and development; supervising all production at the plant; monitoring and evaluating the partnership and the plant/business performance; carrying out research and development; and providing necessary inputs required by Derekorp for the operation of the business that the private sector is not in position to acquire.

For the case of the FICA/NARO partnership, the roles and functions of FICA included: purchasing and bulking/multiplying seed material from NARO; marketing/commercialization of the varieties; submitting the detailed quantities of the crop varieties every season in writing to NARO; informing NARO of the amount of the multiplied variety distributed or if it was sold out, the recipients of such a varieties, and the prices at which the varieties were supplied.

On the other hand, the role and function of the NARO included: developing and supplying breeder and/ or foundation seed to FICA as well as grant exclusive rights to FICA to multiply, market and distribute the agreed varieties within or without the boundaries of Uganda. The NARO also monitored the multiplication process by visiting the farms to ensure that the private sector was following the recommended procedure and that the seed did not lose its value in the multiplication process.

Mukwano's roles and functions under the NAADS/Mukwano partnership included: technical/specialized training (training on the new variety, how to grow it and obtain the maximum yield). This was done by Mukwano's 10 member team of full-time employees. The employees were included Extension Service Managers and Extension Coordinators. These also monitored the farmers' produce to ensure that the right variety was grown with sufficient yields and with the right practises. Other roles and functions included: promoting the variety and its production among the farmers as well as sufficient supply of the produce by the farmers. Mukwano also had to ensure that the produce was delivered to the plant sites and that the right value/ price was paid to the farmers. Financial contribution by Mukwano included funds of US$500 000 over the two-year period of the partnership.

Mukwano also set-up and managed the

operations of a 200 tonnes per day-capacity oil mill/facility for processing the produce as well as participating in joint monitoring and evaluation.

The roles and functions of NAADS included: mobilizing farmers at sub-county levels throughout the Lango region; sensitizing / promoting of the new sunflower variety to be adopted and produced by the farmers; training on agronomy practices and other advisory services; monitoring and evaluating the program through the district level departments; and delivering the district monitoring report.

As explained above, the various aspects of the roles by each partner varied based on the capacity of each partner and approach in developing the related sector.

3.4 FORMALIZATION OF AGREEMENTS

In all cases, the partnerships were formalized through the signature of a Memorandum of Understanding (MOU), that is, between VODP and BIDCO; Derekop and UIRI; FICA and NARO; Mukwano and NAADS.

However, in the case of VODP-BIDCO partnership, two supporting agreements were signed. The first one was between the GoU and IFAD and the second was between OPUL and the Kalangala Oil Palm Growers Trust which were complementary to each other and essential in ensuring that the project achieved the development of the whole oil palm value-chain and sub-sector with complete backward and forward linkages.

The agreement between Mukwano and NAADS also had a complementary agreement. Mukwano partnership with NAADS supported the partnership on the Agricultural Productivity Enhancement Programme (APEP) which was a DANIDA-supported programme in partnership with Mukwano.

Chapter 4
Development of partnership arrangements

The purpose of this chapter is to explain how PPPs were promoted and how the negotiation and implementation process was launched. This chapter also considers time frame, circumstances leading to the development of the agreements, and main drivers. It explains methods and processes used in determining the various aspects of the arrangements such as roles, benefits, returns on investment.

4.1 CIRCUMSTANCES LEADING TO PARTNERSHIP DEVELOPMENT

One of the major observations was that the circumstances leading to the development of these agro-business PPP arrangements were different. For example, some PPPs needed to develop a new sub-sector or resulted from policy changes such as liberalization to expand the seed sector including the need to develop trade through research and development and incubation. However, the PPPs were directed at achieving similar outcomes, such as an increase in productivity and profitability, and employment and income of farmers. The circumstances in the case of arrangements involving medium or relatively smaller agri-businesses are mainly infrastructural, such as providing appropriate technology fixed assets which was often their biggest challenge.

In the case of VODP-BIDCO arrangement, the GoU tried to promote the development of the domestic oil palm sub-sector to increase domestic vegetable oil production. The Government realized that vegetable oil imports were very high (US$100 million), mostly from palm oil and its derivatives. Palm oil is also a high-yielding crop with over six times more oil per unit than any other known oil crop. Upon identifying some areas where palm oil can be successfully grown, the GoU prepared a project and attracted a private sector partner to collaborate.

The Government realized that the private sector was necessary to ensure sustainability of the palm oil project. The private sector would encourage more smallholder/contract farmers to participate in producing oil crops. As a result, these poor rural farmers can enjoy benefits such as employment, increased and stable income, and a market for their produce. Consequently, the government can make headway in achieving its public objectives.

The development of the palm oil sector on a large scale in Uganda was a pioneer project full of uncertainties. Moreover, palm oil growing is a long-term process that takes an average of up to 14 years to stabilize as a viable business. Given that the government was unable to entirely fund the project, there was a need to share both the costs and the risks. IFAD helped fund the palm oil sector in Uganda.

However, IFAD's contribution was tied to the condition that palm oil development in Uganda was done as a public-private partnership, involving a private sector partner. After the first selected firm failed to start the project, Uganda selected BIDCO oil refineries as its private sector partner in palm oil development. The consortium which constituted BIDCO Uganda, OPUL and Wilmar, was formulated to implement the agreement between VODP and BIDCO.

The government set the condition on the partnership with the private partner that the farmers (through the KOPGT) would share 10 percent of the costs. This share represented the value of the smallholders' land investment in OPUL. This share would act as a credit line for the farmers growing oil palm in Kalangala Island. The remaining 90 percent of the costs were run by the private partner.

The UIRI-Derekorp arrangement is different. UIRI is an arm of the government under the Ministry of Tourism, Trade and Industry. Its mandate is to promote a strong and competitive industrial sector. One of the strategies was to achieve this through business incubation.

The focus was on agro-processing. The five areas of processing include meat, paper, fruit and vegetables, peanuts and mushrooms. UIRI takes on incubatees with business ideas or small businesses that need to expand and supports them either from within UIRI premises or without. Therefore, Derekop (which deals with processing fresh fruit and producing fresh pulp) was an

appropriate partner. UIRI's mandate was to promote industrialization through agro-processing using the business incubation strategy to promote local entrepreneurship capacity in the agro-business sector. UIRI provided facilities, processing plants, and office space for a period of five years.

Derekop incubate realized that processing juice from fresh tropical fruit grown locally by Ugandan farmers was a business opportunity. Before this, juice was being sold informally, mostly in polythene bags and other unhealthy packaging, on streets.

The facilities offered by Derekop gave an opportunity for low-cost production. It was important for both parties to have an interest in the partnership (even when they were not the initiators of the partnership) before imitating any form of partnership.

The partnership between FICA and NARO was stimulated by the liberalization of the seed sector by the government of Uganda in 1996. FICA was founded in 1994. It is a company that deals with a large range of agricultural crops and inputs like farm equipment and fertilisers. Before liberalization, the government had monopoly over the sector's seed trade and distribution under the Uganda Seed Project. The government sold seeds directly to the buyers. Therefore, there was no space for the private sector to do business in the seed trade. FICA, at the time, produced and sold seed material licensed to a multinational company that had exclusive rights to the varieties (FICA was in a vendor relationship).

With the seed sector liberalization, the government aimed at increasing good quality seed availability for farmers and seed businesses and consequently expand and make the sector more competitive. Upon liberalization, it was not possible for a company that wanted to go into the trade to trade in their own seed material (developed by them), since all existing material was under government ownership. Liberalization meant that even multi-national enterprises could directly market their products. This further reduced the prospects of FICA, who was not trading its own varieties but whose property rights were now vested in a competitor.

Consequently, in order to obtain and trade in its own varieties over which it had exclusive commercial rights, FICA sought to partner with the government to obtain material. The PPP between FICA and NARO, therefore, was at first more circumstantial than by choice. The Government's keenness to open up the market meant that each company was free to purchase, own, multiply and market their own variety.

The period that FICA would have needed to invest in and conduct research in the development of seed varieties for the market would have been very costly and could have taken up to ten years. NARO had already done research in this area and had a number of varieties that were available to the enterprises to buy. NARO also had the research capacity that FICA lacked. Thus, FICA decided to enter into an exclusive license arrangement with NARO. NARO owned the technology and Intellectual Property rights, and FICA owned the commercial rights.

The recurrent cost of research to keep the varieties consistently pure was also another reason prompting FICA to enter into partnership. It was costly to employ full-time research personnel, establish facilities and fund the entire research. On the other hand, NARO got full-time researchers and necessary infrastructure to facilitate this. NARO was able to produce and supply FICA with whatever breeder or foundation seed varieties were required and monitor them at multiplication stages. The availability of material from the government and the government's willingness to supply to FICA and private sector greatly supported the partnership.

Mukwano, under its long-term strategy of economic development programme, had partnered with the United States Agency for International Development (USAID) under its Agricultural Productivity Enhancement Program (APEP). They did a demo project on sunflower new hybrids in order to boost sunflower production in the Lango region and support a processing plant to be set up. A partnership with NAADS, therefore, proved important in achieving this since NAADS was located in all sub-counties including those that had not been involved in sunflower production. Mukwano lacked capacity to influence the production effectively and in a shorter period. NAADS therefore, as part of the arrangement with Mukwano, offered support in promoting, mobilizing, and financing (as a matching grant) sunflower production in this region.

These roles were in line with the NAADS' mandate under the PMA strategy for the agricultural sector development. The agricultural extension services included technical advisory services and research. NAADS' reasons for the partnership were more strategic and based on experience and performance of NAADS as a whole.

The PMA strategy of the MAAIF had three components, including NAAD. Each component had a role in supporting farmers to produce efficiently. NAADS first increased production. Over time, they tried to fix the market gap as farmers increased production but lacked markets for their produce. The enterprise components that dealt with markets and advised farmers on what to produce and what was on demand in the market acted slowly. As a result, farmers were exploited by market intermediaries and other agri-business actors in the respective value chains.

Pro-active strategizing meant bringing on board strategic private players. These would bridge existing gaps in the value chain linkages by providing direct market for farmers' produce. NAADS worked on enhancing sunflower production. Mukwano, as a private business, was also looking to expand its sunflower processing operations and needed NAADS help in expanding production of its hybrid variety in the Lango region to increase supply from farmers. These two linked interests by the government and the private sector made the partnership an appropriate approach.

It was at this point that Mukwano expressed interest to NAADS in partnering to which NAADS agreed. However, to formalize the process, NAADS made a public call for proposals from interested agri-business enterprises to partners with and Mukwano was selected as the private investor.

The circumstances leading to the development of PPP arrangements are usually divergent, such as a need to develop a new sub-sector or resulting from policy changes such as liberalization to expand the seed sector including need to develop trade through research and development and incubation. The PPPs are directed at achieving similar outcomes such as increasing productivity and profitability, and employment and income of farmers. The circumstances in the case of arrangements involving medium or relatively smaller agri-businesses are mainly infrastructural.

Although there were various players contributing toward the development of the collaborative arrangements, there were specific main drivers in each case.

The need for partnership and actual drivers behind the development of the arrangements is usually by the top management level in the case for the private sector. On the government side, the main drivers were the top level management and concerned government departments such as the National Crop Resources Research Institute (NaCRRI), VODP, and UIRI.

The development of the palm oil sector was a government initiative and the VODP project was established by an Act of Parliament. However, during the development of the actual partnership to be implemented, the VODP was the main driver. VODP worked together with IFAD and BIDCO representatives.

The Project Coordinator for VODP was responsible for ensuring coordination and contact between the three parties. She ensured that the stakeholder meetings and negotiations between the Ministry of Finance Planning and Economic Development (MOFPED), IFAD and World Bank country representative and BIDCO General Manager were constantly conducted and decisions were made in consultation with one another. There was a 20 member committee with representatives from all stakeholders who constantly met to discuss issues of the arrangement. The Coordinator also had the documents finalized and the partnership signed. The government directly negotiated with the investors, received the bids, evaluated them and made the decision to take on the private company BIDCO.

Although IFAD was part of the partnership development, the World Bank initially handled the development of the arrangement on behalf of IFAD by facilitating/brokering the agreement with government. Other IFAD and World Bank roles included jointly evaluating the viability of the project and of the partnership; providing the necessary information about the crop; how to best organize farmers for maximum production so that they have a voice and 10 percent shares with OPUL.

IFAD and the World Bank also provided information on environmental considerations and on the PPP could work best. World Bank withdrew after the environmental assessment. BIDCO developed recommendations and redrew a more comprehensive proposal based on experience and in relation to government's proposed plan. BIDCO negotiated with the stakeholders the PPP could work best.

For the case of Derekop, the selection procedure for partnerships involved the UIRI Executive Director, whose role was to receive applications from potential incubates and select the most viable, appropriate project idea. The Executive Director also signed the partnership document.

From then on, it was the Director of the Fruit Processing Department who handled the development of the arrangement. He was responsible

for guiding the Derekop incubatee in the analysis of the business plan and aligning it with UIRI's objectives and expectations. He was also responsible for drafting the MOU document, assigning the necessary UIRI technical officers attached to the business, ensuring that the facilities and support committed by UIRI toward the business were in place prior to the operation of the business. The Director of the Fruit Processing Department also ensured that the partnership document was signed.

NACRRI Cereals Department, the General Manager of FICA and Director General of NARO developed the arrangement between FICA and NARO. The General Manager of FICA followed up every step of the arrangement with roles such as establishing contact with NACRRI cereals department, conducting consultation meetings with company lawyers to ensure that the partnership did not place the company at a disadvantage and attending stakeholder meetings with NARO. The Cereals Department was responsible for processing partnership documents, conducting stakeholder meetings with FICA, and ensuring that the agreement was signed by both parties.

The NAADS Managing Director and Technical Services Manager and the Managing Director of Mukwano were the main drivers of the development of the partnership with Mukwano. Mukwano's role was to identify the need for partnership by increasing sunflower production in the Lango region, and then approach NAADS for support. Mukawano's other role was to participate in consultative and negotiation meetings with the government and sign the agreement. On the other hand, the NAADS Technical Services Officer had to carry out analysis and ensure that the contribution of NAADS was in line with NAADS objectives and goals. The Officer also coordinated meetings with both parties and ensured that the document was signed.

Generally, the private sector is profit-oriented and determined, willing, and interested in the arrangement since it will advance their businesses. In contrast, the public sector also has the top management who can steer the partnerships as part of their jobs and are interested in ensuring that these partnerships work.

It is important to avoid delays in implementation due to having to convince either side of the benefits of engaging in such an arrangement. However, the public sector seems to have a bureaucratic system for developing arrangements including small-scale partnerships. Although this is important to ensure success of the arrangements, it tends to cause delays ranging from six months to as long as five years. However, in at least one case it was a private sector firm's inability to deliver that caused the delay.

4.2 ARGUMENTS FOR THE ARRANGEMENTS

In the Mukwano, Derekop, BIDCO, and FICA cases, it was the senior managers of the businesses who identified the need and thus enabled quicker decision-making and partnership buy-in. The government parties were carrying this out as part of their institutions' mandates. This, in a way, implied a reduction in bureaucracies that required drivers to convince senior managers (public and private) as well as partners (about the value of the arrangements) which would have stalled development of these arrangements.

The selection of BIDCO by VODP and IFAD was a re-call after the first successful bidder had failed to deliver. There were very high import levels by the country, the US$ 120 million of foreign direct investment, employment for the population, a boost in industrialization, government revenue, and stimulation of investment-generating activities for farmers as the level of agribusiness and enhancement of commercial farming. This partnership enabled investment in some of the remotest areas, such as Kalangala, since one of the conditions in the partnership by the government was the establishment of plantation schemes and processing plants in designated areas like Kalangala and Masese.

Due to the perceived high risk of the agriculture sector and the large gestation period of 14 years, few large investors were interested in carrying-out large scale business in this area. Visits by the government committee to Indonesia, West Africa were arranged in collaboration with private sector.

The founder of Derekop identified the need for the PPP when he visited UIRI and saw the plant. The government agencies carried out the PPP as part of their institutions' mandates.

In the case FICA, it was the senior managers of the businesses who identified the need for a PPP. In the case of the government, parties carried this out as part of their institutions' mandates (supporting the growth of a liberalized seed sector).

For Mukwano, it was the senior managers of the businesses who identified the need for a PPP. The government parties carried out the PPP as part of their institutions' mandates. NAADS was under pressure to demonstrate the impact of its activities in improving farmers' incomes through access to markets.

To ensure that public interests are covered, it is important that the partnership be evaluated prior to implementation or even formalization since there is clearly a difference in private and public interests and consideration of one over the other renders the partnership's benefits partial. It is also important to have top level officials and managers fully convinced about the value of the partnership, as this increases its chances of sustainability and it ensures that the decision makers operate in favour of its success.

4.3 IDENTIFICATION AND ASSESSMENT OF MARKET OPPORTUNITIES

In all four cases, partners applied for a range of procedures and criteria to identify and assess market opportunities. BIDCO and VODP carried out a baseline survey. BIDCO, being a Kenya-based company, also based on its experience in Kenya to estimate the market in Uganda, especially since they had already been exporting their products to Uganda. A study was carried out by internationally-reputed consultants to look into the requested incentives by the private investor in their bid document. Bids for the oil palm component were advertised nationally and internationally by the GoU to identify a private investor to co-implement the project by setting up a nucleus estate and a mill.

The bid document indicated the infrastructure to be built by the government under this project. The implementation initially had some setbacks. The initial top bidder/investor, Kakira Sugar Works (1985) Ltd. was awarded the tender at the beginning of 1998. However, they did not deliver as expected and the award had to be cancelled at the end of 1999. The second bidder was BIDCO Oil Refineries Ltd. of Kenya that was then invited for negotiations in February 2000. The initial process was a public tender.

Derekop made the market survey and realised that there was no business in producing fresh juice. Most fresh juice was produced along the roadside informally or in small eateries. The juice was usually unhygienic packaging like polythene. The founder had lived abroad and was aware of consumer and international trends.

FICA was an established business prior to the liberalization of the seed sub-sector and, therefore, had a good understanding of the opportunities and challenges that would arise after 1996. The government agencies NARO and NACCRI were responsible for agriculture and also had plans based on the Government's long-term agricultural strategy that showed the prospects/demand for seed.

Mukwano was the pioneer in large-scale commercial sunflower production and processing. Market research/analysis was done and is continuously done through the sales and marketing team which is comprised of territory sales executives, regional sales managers, sales and marketing managers, and general marketing managers. Mukwano used its well-established distribution centres/network to estimate potential market range. These distribution channels were in all the main towns in Uganda and in the main towns of Rwanda, DRC, and Southern Sudan. Mukwano also considered the country's huge population of over 28 million people as a basis for estimating potential market. Derekop carried out a market needs assessment and found that there was sufficient market for their product.

4.4 NEGOTIATION PERIODS

It is important to note that negotiation periods vary depending on the scale of the implementation/project, and impact and could vary from as short as six months to as long as five years. For instance, the VODP-BIDCO partnership negotiations lasted three years. The negotiation instruments included: viability reports and analyses; benchmarking visits; stakeholder and committee meetings and negotiations; baseline surveys; benchmarking from other countries experiences. Negotiations for the Mukwano-NAADS arrangements were conducted through stakeholder meetings and consultations, and were based on government budget allocations.

The NAADS areas of operations and objectives were also taken into consideration. This was done in a six-month period. Consultative meetings between the parties as well as stakeholder meetings were convened over a two-year period to develop the FICA-NARO partnership. In the case of Derekop, negotiations took eight months and were done through negotiation meetings and the standard selection process for incubatees under UIRI support. This process involved selecting one of one most suitable applicants (incubatees) from a number of applicants.

Based on findings, it is usually the public partner that caused delays due to their lengthier systems of operation and protocol. Some delays lead to the private sector abandoning the arrangement before it was formalized. Other delays were caused in the selection of applicants.

Although delays in negotiations can delay benefits from the partnership, they also ward off potential wasting of resources and failures in achieving benefits. This also ensures that both parties agree. The most common approaches in negotiation include consultative stakeholder meetings and benchmarking trips.

4.5 METHODS FOR DETERMINING PARTNERSHIP CONTRIBUTIONS, EXPECTED COSTS, REVENUES AND RETURNS ON INVESTMENT, AND PUBLIC PRIVATE BENEFITS

The basis for determining the levels, nature and timing of partner contributions vary depending on the scale of partnership, among other considerations. In some cases, partner contributions were pre-determined by the government sector as part of the selection criteria for choosing the private partner (as in the case of Derekop/UIRI partnership). In other cases, both parties agreed on their respective contributions through various means (as in the case of Mukwano/NAADS partnership).

In the case of VODP and BIDCO, various avenues were considered to decide the nature and timing of partner contributions. The government objectives had been set and some contributions and terms drawn by the government as part of the government's plan for the sector's development prior to inviting the private sector on board. The other method was that BIDCO drew up a plan/proposal that was presented to government detailing the private sector's contributions and those expected from government and other relevant players that might be involved in the arrangement. Other avenues of decision-making in this regard included stakeholder and committee meetings/negotiations. These were attended by a 20 member-committee from Ministry of Finance Planning and Economic Development, Vegetable VOPD, BIDCO, the Permanent Secretary-Ministry of Finance, the Minister of Finance who sat in consultative and negotiation meetings for all the three years. A baseline survey and benchmarking trips to other countries to learn from their experiences were conducted. The VODP was responsible for taking the government officials from the government on a benchmarking trip to have them learn and comprehend the benefits of a similar arrangement and sector development in Uganda.

In the case of UIRI and Derekop, contributions were determined based on UIRI mandate, MTTI, and Government objectives that UIRI intended to achieve. The government budget allocations and financial analyses were considered since UIRI is a government institution that depended on government support. For Derekop, the roles are standard roles that are pre-determined by UIRI as criteria used for all subsequent incubatees. The incubatee does not have much freedom to choose. NARO's mandate (research in seed and not distribution) as well as government objectives formed the basis for determining partner contributions in addition to consultative meetings between NARO and FICA.

Again, the basis for this included; stakeholder meetings and consultations; government budget allocations; as well as NAADS areas of operations based on fund allocations and parliamentary budget approval along government agricultural strategy objectives. Stakeholder meetings and consultations; government budget allocations; as well as NAADS areas of operations based on fund allocations and parliamentary budget approval along government agricultural strategy objectives were all instrumental in the appropriate determination of contributions in the arrangement between Mukwano and NAADS.

The experience of BIDCO in other countries like Malaysia where the company had been operating provided a good base to estimate expected costs, revenues and returns on investment in Uganda. Therefore, estimates were based on financial analyses, analyses based on the experience and practise in other countries (such as Kenya, India, and Malaysia) and the business plan by BIDCO. A baseline survey was conducted by VODP and BIDCO.

It is estimated that the project has a 13 year payback period during which time it is expected to stimulate other economic activities in the country due to the anticipated multiplier effect. Furthermore it is expected to provide rural employment to 6 000 people, benefit around 14 000 farmers directly as out-growers. At peak production, the expected incomes will be Ush. 2.5 million (US$1 250) per hectare per year. And at full scale, the project will produce about 140 000 tonnes of crude palm oil and 14 000 tonnes of palm kernel oil annually; saving about US$60 m in foreign exchange that would be used for importation. It was an already more established procedure in the case of Derekop in which case this was done through a business plan (which assumed the provision of capital investment such as plant and equipment), and forecasting and market assessment based on the expected contributions by UIRI already communicated to applicants prior

to signing the MOU, e.g. UIRI was to provide the plant and other resources and thus were not included. The only inclusion was the inputs like fruits and costs for utilities like electricity, water that UIRI would provide.

Revenues were based on sales plans, with other costs based on purchases from farmers and the 5-year subsidized operational costs. Mukwano and NAADS, on the other hand, had expected costs, revenues and returns on investment agreed upon during stakeholder meetings and consultations in addition to forecasts and analyses done. Mukwano, as a successful business, has its annual and long term plans that included the costs and expected revenues from collaborative arrangements. Also the APEP had prepared estimates for the growth of the sunflower sector including impact on farmers.

In order to estimate the expected private and public benefits, financial analyses and projections were done. The government also did a study of market potential in Uganda and had consultative meetings between VODP and BIDCO. These, in addition to viability reports and baseline survey were done to assess potential private and public benefits. Studies were also done by the World Bank, IFAD and commissioned consultants. In Derekop's case, expected private and public benefits were estimated against government and its objectives being met as well as business forecasting and planning. The private sector was keen on conducting marketing research that could complement the public sector's need for baseline surveys. This provides a good basis for both private and public partners to gauge both private and public benefits. For agribusinesses that were in business prior to the partnership, they benefitted from using their existing strong marketing network to assess new market potential.

4.6 APPRAISAL OF ENABLING ENVIRONMENT ASPECTS

Policy aspects of the enabling environment impacting on the success of the arrangements broadly benefited all. For instance, the size of the population, the government's protection of investors, the emergence of the East African Community, growth rates of GDP, political stability and well as fiscal incentives offered for investment into agriculture contributed to an enabling environment. Preferential "environments" tended to be created for larger-scale investments and mainly involved tax breaks, access to large tracts of land, and other investor perks that were negotiated on a case by case basis. In the BIDCO case, statements by the government seemed to suggest that similar allowances could be made for arrangements of similar orders or magnitude (i.e. investments to improve livelihoods).

BIDCO benefited from 25 years of corporate tax concessions, and 12 years of VAT deferral on the produce of the project as incentives to enhance its cash flows and attractiveness to the private sector investment. This was a pioneer project in the agriculture sector with a long gestation period. As the project had a long gestation period, it was expected to have taxable revenues only from the 13th year. Therefore, in real terms the corporate tax concession for 25 years would apply for the remaining 12 years only and is to sustain interest in the project during the first 13 years and to make the investment attractive.

Other considerations included an Environmental Impact Assessment which was approved by the National Environmental Management Agency (NEMA). As with all large investments, the government supported BIDCO for the application for the Multilateral Investment Guarantee Agency (MIGA) as provided for under the Uganda investment authority guidelines. Under this arrangement, the private investor paid the annual premium for the MIGA guarantee. MIGA is an arm of the World Bank, to which Uganda is a member. MIGA offered protection on receiving the premium, against non-commercial risks, which included: expropriation, currency transfers, breach of contract, and civil strife.

In addition to the unique provisions of the UIRI government funded industrialization policy, Derekop also benefited from the government signature to protect investors, political stability and well as fiscal incentives offered for investments in agriculture as described in this document. A number of aspects played out in favour of FICA, the most significant being the Seed Act. The others were the tax incentives/waivers on agricultural inputs especially seed materials and fertilizers.

There was no Value Added Tax on such agro-inputs. The liberalization of the seed sector was perhaps the single most important aspect that triggered the partnership and guaranteed its success and continuity especially since the government's aim was to support the development and expansion of the seed sector with a strong involvement of the private sector. For Mukwano's case, the government funded extension programme was a key enabling environment factor. The return of peace in the northern parts of Uganda also helped.

4.7 DETERMINING THE PARTNERS' ROLES IN STRATEGIC AND DAY-TO-DAY MANAGEMENT AND IMPLEMENTATION

The roles of each partner in strategic and day-to-day management and implementation of the BIDCO and VODP arrangement were made during the three-year long discussion meetings in which each party negotiated what they could do. However, most of it was pre-determined by the government when they initially drew the project. The arrangement had in place an implementation plan, an annual work plan, and a budget and M&E plan. The partnership was reviewed against these by the government monitoring committee headed by the Director General of MAAIF, while BIDCO has its own monitoring committee that audited performance and activities and had quarterly review meetings for partners.

In the case of Derekop, these were already pre-determined by UIRI as part of the selection criteria of the programme for every incubatee. The roles were based on pre-existing UIRI incubator agreements that included they would provide support, physical facilities access, and the sharing contribution to operational expenses. The MOU, in the case of FICA, was a copy that all businesses entering partnership with NARO in this field use and indicates roles of each party. This was, however, done after a series of multi-stakeholder consultative workshops and meetings conducted by the government to define the partnerships between the private sector and the government. Finally it was done through an MoU. As in other cases, Mukwano and NAADS held meetings for consultations after the arrangements were approved to draw and agree on annual work plans and specific activities, which role each partner should play.

The steps were followed for approval by senior managers of the public and private partners. Subsequent formalization of the arrangements varied in each case.

In the case of BIDCO, the time frame for the whole process up was five years, although for BIDCO specifically spent three years on negotiation. In 1997, the government, for the first time, advertised for bids for the Palm Oil Development Plan and BIDCO was among the private investors that submitted their proposal. The GoU negotiated with the first best bidder who, however, failed delivery after two years. In 1999 the government suspended the bid. The reason that the first bidder was selected was that the company had agreed to the government plan for a 3 500 ha plantation which, in BIDCO's view was insufficient for the project's sustainability, based on their experience in the industry and expertise in the business.

In 2000, BIDCO, which had been the second best, was invited by the government and the World Bank for negotiations and to consider the offer. BIDCO accepted on condition that the government considered development of 10 000 ha instead of 3 500. For the next two years, 2001-2002, BIDCO, the World Bank and the GoU met to analyze and review the proposal document submitted by BIDCO and set out terms for each party, and the entire partnership. During this time, the World Bank contracted a consultant to assess the proposal of BIDCO, including the conditions it had set forward if the project was to succeed such as increase in land from 3 500 to 10 000 ha and the entire project's viability. However, at this point, it was still up to the government to determine the way forward. It took one more year to streamline these recommendations into the project document and in 2003 a Memorandum of Understanding was signed between VODP and BIDCO.

For Derekop, the MOU was signed and the partnership was in operation after eight months from the time of submission of proposal to UIRI. The incubatee submitted an application (all year round various prospective incubatees submitted applications to be adopted onto the business incubation programme) and in it presented the business idea and plan to the Executive Director UIRI who selected it over others based on the UIRI set criteria.

In order to be selected, businesses must be registered with the Registrar of Companies. However, in the case of Derekop, they only had a business idea; the business idea must be in agro-processing and it must be owned by a Ugandan. The reason for this is to develop home-grown industries and local entrepreneurs. The business should have capacity to engage in the local and international markets. There should be evidence of the need for significant technology. The business must be capital intensive in terms of its use of technology.

The partnership is an opportunity to infuse technology and value-addition into local/indigenous business sector and generally influencing industrialization, hence enabling UIRI work towards it objectives. The Executive Director of UIRI then held a consultative meeting with the Director of the relevant processing department and from then on, it was handed over to him/her to manage and see to its implementation. The Director then had discussion and consultative

stakeholder meetings with the incubatee to develop a business plan in line with UIRI expectations and also discussed the details and roles and issues in the MOU. The agreement was then signed by the Executive Director of UIRI and the incubatee/ owner of Derekop.

In the case of FICA, once the seed sector was liberalized, FICA started its collaboration with NARO which went on for two years before formalising it through an MOU. Upon liberalization of the seed sector, NARO carefully drew an MOU guide for the private sector with the help of a lawyer. A customised version is what FICA General Manager and NACRRI Director, Cereals Department signed (on behalf of the Director General of NARO as a whole). It took two years to formalize the partnership although the collaboration between the two parties went on two years before the partnership was formalized/signed. This would seem to indicate that in certain cases, depending on the scale of the investment required and the level of goodwill between the public and private sector actors, actual activities can commence in parallel to the formal arrangement, especially when both actors are not required to deviate from the existing operations or mandates.

First, however, FICA approached the government with a request to purchase seed material from NARO and to discuss the partnership expectations. FICA involved the services of a lawyer to ensure that it was not on disadvantage, to which the government responded and after reaching a compromise, the MOU was signed.

The partnership between NAADS and Mukwano took six months of negotiations, which were considered by NAADS as a relatively short period given that the company was already established and had the necessary capacity to support the partnership unlike in other cases. Mukwano approached NAADS with a request for partnership in expanding the production of hybrid sunflower introduced by Mukwano and NAADS. Sunflower was one of the priority areas of operation. The first step to formalize the partnership was for NAADS to make a public invitation for proposals to other similar interested private companies interested in the partnership to justify the arrangement with Mukwano by following official Government procedure. Mukwano was selected. Stakeholder and consultation meetings were held to discuss contributions of each partner, other expectations and issues of implementation. Upon conclusion, the MOU was signed.

Various tools were used to support the negotiation and planning processes. For the BIDCO/ VODP case, the formal tools used included: a business plan; business viability reports; market survey indications; projections of economic impacts (e.g. employment and farmer income improvement); participatory rapid appraisals (visited farmer groups, community leaders, and district officers); and focus group discussions.

The Derekop/ UIRI case included the UIRI mandate/MTTI/government objectives; government budget allocations; financial analyses; planning meetings; business plans; budgets with projections on market, profits, and costs.

The FICA/NARO case included planning, negotiation and review meetings convened between the private and public sectors. Financial and market analyses; budgets projections including costs, profits and other projections. Planning and review meetings were the specific tools applied in the Mukwano/ NAADS case.

Chapter 5
Management and operations

This chapter looks at the management and operations aspects of the partnerships such as roles of each partner in strategic and day-to-day management and implementation of the arrangements; the resources involved; the expertise required; managerial procedures; M&E mechanisms; risks involved; challenges and problems encountered.

5.1 PARTNER ROLES

The actual roles of each partner in strategic and day-to-day management and implementation of the arrangements differed from the planned roles and are, still the same except for a few cases. For instance, inflation constantly caused escalation of costs, NAADS and Mukwano had to conduct more meetings than planned to re-negotiate to the acceptable bracket of up to 15 percent.

It is part of NAADS PPP guidelines that in case of changes in prices, costs and other variables that may cause losses to the private partner, amendments or compensations and increases in government funding/contribution will be effected only to a deviation range of 15 percent. NAADS also indicated that for the duration of the partnership, no review of the partnership was conducted as such there were no significant changes in roles noted. In all the cases, the general roles and contributions in the arrangement and those in the day-to-day implementation and monitoring were indicated as the same.

Although in some cases the private and public sector seemed to offer similar roles, more often, the private sector support was very necessary as it was more specialized and they as business people were regarded as more knowledgeable with a relatively higher level of expertise. For instance, in the cases of Mukwano and BIDCO both parties offered extension services.

Mukwano personnel were more knowledgeable and had specialized knowledge and training in the new sunflower variety as their major area of business. The NAADS officials were extension workers who had general expertise in agricultural extension services. The private sector had built their experience in this area and invested in research, training, and trade in these particular areas. Therefore, where both parties offered similar contributions and played similar roles, they were not unnecessary duplications but complementary.

In the specific case of the BIDCO/ VODP partnership, the role of VODP in the strategic day-to-day management and implementation of the arrangements included participating and convening the pricing committee. The pricing committee (involving all the parties) met every two months to determine prices of the palm oil. BIDCO bought farmer produce to ensure fair prices and good income for the farmers. This depended on the international prices in Malaysia and India where the company also operated and international palm oil prices existing in the period during which the committee met to decide.

The cost it took BIDCO to import the fruit to Uganda was considered. The price at which that farmer in the exporting country would be paid should correlate with what Ugandan farmers were paid for their produce. They also included: the meeting cost of extension advice to the farmers; initial financial support for the farmers' organization KOPGT; meeting the cost of the 10 percent shareholding in the BIDCO subsidiary Oil Palm Uganda Limited for farmers; providing production credit to oil palm farmers; monitoring and evaluation of the partnership; improving infrastructure such as roads, ferry service, electricity and water; funding palm oil research activities; providing land for the private sector to implement the project.

On the other hand, BIDCO's role included: providing subsidized inputs and input services to farmers; providing fertilizers, equipment, seed, land clearing at a cost; participating in the committee on pricing; offering extension services (same as the government only that theirs was more specialized - what to grow and how to achieve maximum yield; supplying inputs like good quality seed, supplying fertilizers to farmers and on-farm services as they are needed by the farmers); managing the processing plant and ensuring it was functioning and producing; establishing a nucleus estate in Kalangala; establishing a palm oil plant for

processing crude oil near the estate; establishing a nucleus estate where the recommended agronomic practices were followed.

This nucleus estate was a training ground for the farmers. Other services included: setting up a training centre which was accessible to the farmers; providing general technical know-how for the whole project since oil palm is a new crop in Uganda and technical knowledge about the crop is limited; providing a direct market for farmers' produce by setting up a primary palm oil mill on the island for milling all the oil palm fresh fruit bunches from the nucleus and the farmers; setting up a refinery in Jinja that would refine the crude palm oil from the crude palm oil mill into final products; and marketing the final products.

Both parties, BIDCO and VODP, jointly participated in the monitoring and evaluation process of the arrangement. A government monitoring committee was headed by the Director General of MAAIF. It was noted that although the government's contribution to the training of trainers conducted by BIDCO was a matching grant given on reimbursement basis at the end of the activity at regulated periods, there were often delays in payment beyond the agreed time.

In the case of Derekop/UIRI partnership, the anticipated roles and the actual roles also remained the same. Both parties participated jointly in product development and R&D in which they identified and produced a new product every 6 months to 1 year; monitoring and evaluation; as well as joint delivery initial marketing strategies through marketing logistics as identified by Derekop.

The role of Derekop included: monthly joint evaluation of the programme; purchasing material and other inputs such as fruits through UIRI and distributing products to the market; daily maintenance of the production process; managing and operating the plant and production as well as marketing the products to the market; accumulating assets in preparation for exit at the end of the incubation/partnership period; maintaining books of accounts; marketing the finished products; paying all government taxes and percentage of profits due to UIRI as agreed in the MOU; having continuous and economic use of the plant facilities; and maintaining a very clean working environment.

The role of UIRI included: supervising daily production and all facilities to ensure quality and that procedures were followed; allowing technicians to maintain and repair machinery; ensuring security of personnel and assets; having two technical staff available full time to Derekop for continuous training and development; mentoring and providing technical training; participating in trade fairs and promotional activities to support Derekop; providing security services and personnel on a daily basis; providing necessary inputs required by Derekop for the operation of the business that the private sector was not in the position to acquire; having a joint monthly monitoring and evaluation.

In the case of Derekop, the arrangement indicated that the two parties jointly carried out R&D every six months to one year. Whereas some new products were developed, others like jam have not yet got into production due to unavailability of the right machinery. Other products such as tomato juice have not been produced due to the lack of a unified decision from the government whether tomato should be classified as a fruit or vegetable. Derekop has identified the tomato as an available product for the market and is willing to process juice out of it.

In the case of FICA/NARO, the anticipated and actual roles did not differ. The roles of FICA included: bulking and multiplication of the seed material; purchasing material; distributing, commercialization and marketing of the material. NARO's roles included: research by the NACCRI cereal department in developing seed varieties; supplying to FICA and licensing the material; offering technical advice on the multiplication/bulking of the material; monitoring and evaluating the multiplication processes such as planting at the farms; and handling the material at the FICA facility to ensure continuity in purity of the same variety.

The NARO indicated that royalties due to them from FICA had never been paid and so far nothing has been done about it. There seems to be insufficient vigilance in following up of agreed partner roles in this aspect of the case to ensure that royalties were paid.

In the case of Mukwano/NAADS partnership, the actual roles were mostly the same as anticipated. The role of Mukwano included: extension services like equipment, seed material, fertiliser, specialised training and advisory service; provision of a reliable market for the farmers' produce; managing, maintaining and funding the oil processing plant; funding of US$500 000 over the two year period of the partnership; providing specialised extension services which included technical and specialized training, training on the new variety, how to grow it and obtain maximum yield.

The farmers' produce was monitored to ensure that the right variety was grown with sufficient yields and with the right practises; ensuring its promotion and sufficient supply of the produce by the farmers; ensuring that the produce was delivered to the plant site and that the right price was paid to the farmers; setting up and daily running/management of the operations of a 200 tonnes per day-capacity oil mill/facility for processing the produce; providing a direct market for farmer's produce and marketing the finished products (there was a 10 member team of extension full-time workers comprised of an extension service manager and extension coordinators).

The role of NAADS included: offering funding as a matching grant of approximately US$350 000; mobilizing farmers through at sub county levels throughout the Lango region; promoting the new sunflower variety to be adopted and produced by the farmers; training on agronomy practises and other advisory services; monitoring and evaluation of the program through the district level departments and delivery of the district monitoring report.

In large scale cases like BIDCO/VODP and the Mukwano/NAADS partnerships (especially when it was a totally new sub-sector), procurement was on a much larger scale compared to smaller ones like Derekop/UIRI arrangements. In all cases, the government input was relatively large or even more than the private sector, such as infrastructure, land, finance and even research. This was also due to the fact that the larger enterprises had enough capital to make substantial capital and other contributions and these mainly were done by them following company procedure and not being tied to or conditioned by the arrangement.

However, in the case of smaller-scale partnerships, procurement was minimal for various reasons. For instance, in Derekop's case, the enterprise was almost totally dependent on the government partner for its growth and was bound to its procedure. In the case of FICA, there was not much requirement for such procurements due to the nature of the partnership and the system of implementation.

Monitoring and evaluation was not adhered to with sufficient consistency. As a result, there was not adequate information on the day-to-day and general performance of partnerships, monitoring and evaluation process were not conducted as regularly as indicated in the agreements. However, when done, results from monitoring and evaluation exercises were reviewed and changes were made based on these findings. Most of the partnerships held joint monitoring and evaluation meetings with representatives for both public and private partners. This was important and enabled the solicitation of solutions and sufficient updates of progress and challenges faced all sides in the implementation of the partnerships.

5.2 PROCUREMENT AND DELIVERY OF RESOURCES, SERVICES AND NEW EXPERTISE UNDER THE ARRANGEMENTS

The arrangements involved activities for which resources such as materials, technology and services needed to be procured and delivered. Whereas most of the private sector, except Derekop, followed their company procurement procedure, the government partners also followed the standard government procurement procedure and there were no particular procedures on procurement under the partnerships.

In the case of BIDCO, materials, technology and services procured included: construction of a crude oil milling plant at Kalangala, refinery at Jinja, Masese and preparation of a nucleus estate; purchasing machinery for the plants; importing seed material, fertilizer, farm equipment; and constructing a training centre for farmers. BIDCO also contracted the Malaysian firm that had plantation expertise.

UIRI provided the plant and equipment and additional machinery such as mixers/blenders that were not originally provided in the plant. Other services were procured under the incubator arrangement as part of operational costs that were shared. Supplies in terms of fresh fruit were procured from farmers. In the case of FICA/NARO, the anticipated and actual roles were the same. The roles of FICA included: bulking/multiplying of the seed material; purchasing the material; distributing, commercializing and marketing the material. On the other hand, the role of NARO included; research by the NACCRI cereal department on developing seed varieties; supplying to FICA and licensing the material; offering technical advice on the multiplication and bulking of the material; monitoring and evaluating the multiplication processes such as planting at the farms, handling at the FICA facility to ensure continuity in purity of the same variety. Mukwano procured hybrid seed imported from South Africa which had higher yield. Other procured material included; inputs for farmers, such as fertilizer and farm machinery (tractors and implements like machetes and hoes). Mukwano also constructed a processing plant/oil mill equipped with processing

machinery; and undertook road maintenance for the road leading to plant premise due to delays by the district.

For the most part, the private sector was very keen on developing skills. Specialized technical input was infused within the production process to ensure quality production. This seemed to be driven by their profit maximisation motive which was also the reason for engaging in the arrangement in the first place. The government recognised this need as was the case with Derekop. However, this was specifically to achieve particular public goals such as industrialization and value-addition in indigenous businesses. On the other hand, NAADS did not seem to have any particular emphasis on the need to directly concentrate on upgrading skills of the government extension personnel involved in the implementation of the arrangement. NAADS instead relied on the private sector as the more capable party to do this.

Due to limited locally available expertise among the public from whom to recruit personnel in palm oil production, BIDCO recruited degree holders/ fresh graduates from Makerere University and other diploma holders from other institutions. BIDCO then trained them from "scratch" in all the aspects of the project. Expatriates from Kenya, India and Malaysia were brought in to train, nurture, and mentor these new recruits for the first years of the project implementation.

The recruits are gradually taking over the positions and roles/responsibilities of the expatriates. This was done entirely using company revenue. Two technical officers from of UIRI were provided to assist Derekop in technical production areas like machinery operation and maintenance, and laboratory procedures like sample testing to ensure quality. Once selected by UIRI for the partnership, Derekop started operating within the incubation facility at UIRI premises which have been used by other incubatees before.

The machinery/ technology for facilities were those already in existence at UIRI and these were the processing lines availed to the private sector for operation. Other inputs were provided in the same channels. FICA procured the following under the arrangement: a full-time expert breeder; two farm managers from Zimbabwe as FICA was not able to find locally available indigenous skilled personnel using company revenue. Training was achieved through in-kind sponsorship from Agricultural Green Revolution Africa (AGRA) and Seeds of Africa Development Programme (SOADP) under Rockefeller.

According to Mukwano, no procurement was done as this was up scaling of existing expertise that was part of its usual activities and procured internally by the company. Activities of the partnership involved extension work on the part of the government that were part of their mandate and as such, no additional procurement was indicated. The collaboration for extension service outreach was a form of expertise required that was part of the pre-existing expertise within the partnership partners.

5.3 MANAGERIAL PROCEDURES FOR OUT-SOURCING AND SUB-CONTRACTING

The need for new or more resources, expertise or services under the arrangements necessitated some aspects of out-sourcing and sub-contracting and as such this was done under particular managerial procedure and with BIDCO, internal company procurement procedures were used while VODP used the regular government procedures of sub-contracting which is the "Call For Bids" (CFB). The contracts are forwarded to the committee after which the procurement committee handled the purchases based on the PPDA guidelines. There was no clash in procedure or requirements that emerged.

The Public Procurement and Disposal of Public Assets Authority (PPDA), is the regulatory body for public procurement and disposal in Uganda. It was established through the Public Procurement and Disposal of Public Assets Act No.1 of 2003. PPDA is a new procurement authority in Uganda that is meant to streamline the means of handling public business and it lays out guidelines and parameters within which government institutions conduct business and other transactions.

Derekop, however, did not identify any significant out-sourcing or subcontracting done with regard to the partnership arrangement. The procedure for supply of input or provision of new machinery like blenders was such that Derekop formally submitted a request for the necessary items which the UIRI directly procured, purchased and delivered to Derekop after identifying a suitable supplier. Although FICA did not identify any significant out-sourcing or subcontracting done with regard to the partnership arrangement, it used contract farmers based in various parts of the country for seed multiplication.

Other than using NAADS as an external extension service provider, Mukwano has not had to conduct any significant subcontracting outsourcing and the only outsourcing done has been

with the transporters who are paid directly by the site coordinator to transport seed from the site coordinator store to the processing plant. The fee depended on the prevailing rate at the time.

5.4 PERFORMANCE MONITORING AND APPRAISAL MECHANISMS

Various performance monitoring and appraisal mechanisms were used. BIDCO and VODP had an implementation plan, an annual work plan and a budget and M&E plan. The partnership was reviewed against these by the government monitoring committee headed by the Director General of MAAIF. BIDCO has its own monitoring committee and auditing performance and activities as well as quarterly review meetings for partners.

So far changes implemented as a result of the monitoring processes have to do what was learned during implementation. For instance, whereas the original plan under the CFB was to allocate 1 ha to each farmer, it was discovered that this was unrealistic and the limitations eliminated for the purposes of being more productive. To date, the land allocated to each farmer ranges from less than an acre up to 10 ha per farmer.

On the other hand, the farmers' credit provision/availability plan was that farmers would use their land titles to access credit. However, results indicated that most of the farmers were simply squatters or did not have formal titles to their land. Those who did were sceptical to hand over their titles as liability. The alternative solution provided was to include a letter from the Local Council authority confirming the individual's settlement in the area for a lengthy period. The oil crop/farm was used as collateral. In the event that the farmer failed to pay back, the farm would have been claimed as compensation. This enabled the partnership to be implemented and production to continue.

Although Derekop and UIRI did not indicate a specific mechanism such as a work plan or M&E plan, it indicated that the joint evaluation was conducted by the two parties basing on the specifications of the MOU itself. An evaluation form was issued by UIRI and filled in by Derekop. It was then evaluated by representative from UIRI and Derekop.

Monthly and quarterly progress reports to UIRI and round table discussions with representatives from UIRI and Derekop were held promptly. There have been changes effected as a result of the monitoring and appraisal processes. After the realisation that Derekop was very reliant on the institute, it is being encouraged to be more self-reliant. The monitoring and appraisal processes helped develop the business' self sufficiency. One of the ways has been to encourage and change collaboration systems and manage links with other businesses and groups especially farmer groups/suppliers during which Derekop had to negotiate business on their own with partners. They couldn't over rely on the mediation role by UIRI. It also helped ensure that procedure and expectations were maintained (such as hygiene during production processes to ensure quality production).

FICA did not indicate that they were using a monitoring and appraisal mechanism, NARO conducted analyses of the various MOU results and as a result of this changes were and are still being implemented. For example, NARO has conducted a series of stakeholder meetings with actors in the seed sector and a new MOU is being drafted to be adopted by the public and private sector players when establishing PPPs.

In the case of Mukwano/NAADS, a work plan was developed and this was jointly monitored by the two parties. NAADS, however, indicated that it did not conduct a review of the partnership during the period of its implementation. The NAADS later conducted and had evaluation reports of the partnership as part its general evaluation and appraisal reports.

5.5 RISKS IDENTIFIED AND MITIGATED

As expected of any development activities between two or more parties, the implementation of these arrangements involved risks. All cases indicated some similar main risks such as political interference, or failure of any of the partners to deliver as per their commitments in the arrangements. Some of the risks were not necessarily identified at the start of the implementation and have been dealt with using various solutions during the course of implementation such as the case of Mukwano.

A strength-weakness-opportunity and threats analysis (SWOT) and a risk assessment were conducted for the arrangement between BIDCO and VODP at the start. The potential risks identified included: land failure to yield the produce; failure of the plant (OPUL and BIDCO); failure of the farmers to adopt production of the crop once introduced. These risks were mitigated by carrying out awareness and sensitization exercises and involving the participation and contributions of the local authorities, existing farmer groups, and district officials at the plan-

ning and implementation stages. These were done for other stakeholders.

Since this was a pioneer project in Uganda, there were a lot of uncertainties and general public opposition. The level of acceptance was a big risk with regard to negative attitudes and perception. The general view that emerged at the start was that it was an environmentally unfriendly project as indicated by the environmentalists and that this was an exploitative move by the foreign investor. Along with this was the risk of refusal by land owners to give up land to be bought by the government for implementation of the partnership.

The solution to mitigate such interferences was to conduct an Environmental Impact Assessment (EIA) exercise whose recommendations were carefully followed. Most of the acceptance risks were related to information and as such, a lot of information was given to the public especially through the media. The World Bank pulled out after the EIA. Since palm oil was a new crop introduced for large scale production, there was a risk that the crop would fail to have large yields. However, this risk was reduced since comprehensive research on the crop was carried out. The farmers were trained in the best agronomy practises. The best seed variety and fertilizer was also imported.

For Derekop, the machinery and plant failed to function since Derekop was an institution from the 1980s. UIRI provided technical officers charged with maintenance, operation, and repair of the machinery. Also among the risks identified, was the private partner's over-dependence on the Government. Derekop had to adjust and negotiate business dealings on their own with partners without over-relying on the mediation role by UIRI.

FICA identified political interference as a major risk. FICA had no assurance that the same provisions of the Seed Act would continue in future government policy. Another risk was the failure of partners to deliver and no solutions were offered.

In the case of Mukwano, there was the risk that the farmers would not guarantee a continued supply of their fruits produce to Mukwano. This would jeopardise their entire production process. This was dealt with by drawing contract agreements with each farmer in which they agreed to supply their produce to Mukwano. They agreed to not simply switch to another similar enterprise in the event that a competitor emerged and was interested in developing a similar arrangement with the farmer.

Nevertheless, this did not stop the eventual occurrence of this scenario when a competing company came into the region. Some farmers still did stop supplying to Mukwano but some of them switched to the competing enterprise, and others switched to a different crop together. Another risk was that the crop would fail Mukwano's solution was to cease production entirely in the affected areas.

5.6 SUPPLEMENTAL SUPPORT FROM OTHER PARTNERS

Despite the potential risks, the supplemental support received from other public and private partners (beyond those directly identified in the partnership arrangements) helped ensure the success of these arrangements. In all cases, the private partners received supplemental support from other public and private partners other than those directly in the partnership arrangements. These involved development partners, public sectors partners, and private partners. The levels and areas of support varied, ranging from research in seed varieties to infrastructure and extension services. The support partners also differed, ranging from academia to development partners.

BIDCO had support through a partnership that included the IFC (International Financing Company) to develop infrastructure in Kalangala, such as roads, electricity, railway, and water. For Derekop, Technoserve assisted in sponsoring (catering for logistics) a benchmarking trip for the management of Derekop to visit farmers. FICA had support from various organizations, such as the Cotton Development Authority and NAADS. The Rockefeller Foundation offered support in developing Maize – OPV Longe 4. With support from SG2000 and CIMMY, Maize – OPV Longe 5 (QPM) was developed by NARO under support of SG2000. The maize's purity deteriorated on the Ugandan market and again through NARO and CIMMYT a new stock called Obatamba was developed.

SARRI supported FICA in implementing its contract to produce the Sorghum Epurpur variety to supply to Nile breweries Uganda and Tanzania. The Makerere University Department of Crop Science and NACRRI assisted in developing a new NAM SOY and MAK SOY that is less susceptible to disease, has a short maturity period, and higher yields compared to earlier NARO soybean varieties.

In the case of Mukwano, NARO through SARRI and its other various centres in Kumi,

Kawanda carried out research on the compatibility of the hybrid sunflower with the Ugandan climate. Kawanda also researched the areas that the farmers were being encouraged to grow sunflower seeds for supply to Mukwano. NARO helped monitor its adoption, changes, and long-term research and adaptation-related aspects of the variety.

5.7 KEY CHALLENGES DURING IMPLEMENTATION

The implementation of these arrangements by the respective public and private sector officials and managers was not without challenges. The challenges affected the implementation and overall success of the arrangements. Most of the challenges occurred at primary levels of production. For example, the challenges of pests and diseases, some of which were not adequately solved through the arrangements such as in the Mukwano/NAADS case, and this cost the enterprise.

Other challenges include the technology and machinery problems at production level in the Derekop/UIRI. Some of the production lines had to be forgone due to breakdown or lack of the right machinery. Production has to be scaled down to a much smaller scale because the enterprise had to resort to smaller blending machinery as they waited for the appropriate machinery. This compromise affects the ability of both parties to achieve their objectives in the planned time frame of the arrangement.

All cases indicated limited funding as one of the most outstanding challenges. This continues to be a challenge for most of the agribusiness sector in the country. The challenge indicated by the private sector as limited infrastructure and funding was a challenge to the public sector too. This is because these public partners almost entirely depended on the government budget allocations which were not enough to enable the partnerships to achieve their objectives.

This was compounded by the other challenge expressed by the private sector which was delays in implementation caused by bureaucracy on the part of government. This effect spilled over to the production, and profitability.

The challenges encountered in the case of BIDCO/VODP partnership included: limited funding in implementation and limited infrastructure. The government did not yet have the promised land, an extra 40 000 ha, and BIDCO failed to achieve its target on time (i.e. building of the facility in 14 months as opposed to 12 months due to limited funding).

Derekop/UIRI challenges included: difficulty in smooth operation of the processing line due to old machinery and malfunctioning of some components of some parts/components of the processing line; the ongoing construction/expansion of the plant halted Derekop's production and compromised the company's target of breaking even in 2010.

Other challenges included an unstable supply of fruit as well as price fluctuations that affected production and costs. This was also partly due to the small number of farmers involved. Furthermore, being located within the UIRI premises, there was a restriction on working hours such that Derekop operated along official working hours (8am-5pm). This was a major limitation on output and general progress. Although this was indicated as a disadvantage, it did not necessarily put Derekop at a disadvantage in the market compared to their competitors whose operations were not restricted. It was heavily subsidised and thus had an "unfair low cost base" in relation to similar businesses.

Poor acceptance of the product in the target market affected sales and markets and an alternative market had to be sought. Whereas Derekop had targeted hotels and restaurants as a customer base, the demand for their product was not realised since hotels found it cheaper to produce their own fruit juice than to buy it despite the advantage of saving on energy, time and labour. Derekop thus resorted to having its own distribution points. The poor record system left insufficient previous information on the partnership to work with and is currently a major challenge for the relatively recent recruits into UIRI who oversaw the day-to-day implementation. They are thus setting up systems such as M&E plans, implementation plans, as well as re-collecting data.

One of the objectives was to produce a new product every 6 to 12 months, but so far some that have been developed, like Jam, have not yet got into production due to unavailability of the right machinery. Tomato juice has not been produced due to the lack of unified opinions on whether tomato should be classified as a fruit or a vegetable. Derekop has identified tomato juice as a viable product for the market and is willing to process juice out of tomatoes.

Derekop indicated that some of the new products developed for the market, like jam, have not yet been produced due to unavailability of the appropriate processing machinery. This was due to limited funding for investments in new required machinery by UIRI.

The delays in progress caused by decision-related issues or those related to the PPP objectives (incubation for fruit processing businesses for the case of Derekop) (such as divergent ideas/opinions like whether tomato is a fruit or vegetable) are an indication that there should be more time, dialogue and planning invested at the initial stages of developing these partnerships. However, arrangements that include R&D strategies in achieving objectives of the partnership should be embraced with flexibility.

Moreover, value addition is one of the cornerstones in enhancing agri-businesses in Africa which is the general aim of all these partnership. This is further compounded by the market failure which goes to show that there could have been inadequate market assessment during the initial stages of development of the arrangement.

In the case of the FICA/NARO partnership, slowness and bureaucratic interferences on part of government, deterioration of some varieties, pests like rats and rodents attacking the gardens, and farmers using wrong farming methods were cited as the main challenges.

In the case of the Mukwano/NAADS partnership, the officials charged with day-to-day implementation were the NAADS district officers, Mukwano extension service managers and plant/factory managers. The public sector lacked the necessary skills to complement the private sector's services and roles in the partnership. For instance, a virus attack on the hybrid in some sub-counties had no solution even with NAADS research capacity and links to NARO. The solution by Mukwano was to cease production in the affected sub-counties. Price fluctuations in raw materials and vegetable oil products on local and international markets affected Mukwano's profitability and this affected planning.

5.8 MAIN PROBLEMS ENCOUNTERED IN MAINTAINING PARTNERSHIP RELATIONSHIPS

Given that the partnerships involved parties from different sectors with varying systems and mechanism of operations, varying objectives, goals and perspectives, there were problems related to the maintenance of partnership relationships. There was a gap in the attitudes between the private and public sectors. This was so despite the agreement and willingness to work together in implementing arrangements that enabled each partner to achieve their goals. The link between the private and public sectors needed to be strengthened. The public sector needed to work at building confidence and trust of the private sector in the government and its public goals.

If the people continue to doubt the government's motives (transparency) and as well as its capacity to effectively deliver as promised and on time (bureaucracy), then they cannot do business with the government. Therefore, such partnerships were vital in developing the agribusiness climate in the country since, in most cases, neither partner had sufficient resources to achieve the desired objectives without the other.

There is also a problem of non-commitment from both the private and public sectors. This hinders future total commitment and trust from both sides as each envisages the risk of non-delivery from the other partner. It also impinges on the overall success of the arrangement.

For the case of BIDCO/VODP, delay in adhering to commitments has been one of the challenges. For example, the government has not yet provided the promised extra 40 000 ha of land. BIDCO has failed to achieve its target on time (i.e. building of the facility in 14 months instead of 12 months) due to limited funding. So far, only 8 000 ha have been utilized. The other very significant challenges included the negative publicity and perceptions on BIDCO in light of their earlier experiences of exploitation by earlier private sector enterprises. BIDCO also had bad press by the media and there was a negative attitude toward BIDCO from the general population. The people believed that the government unfairly offered the contract to BIDCO, since they were viewed as foreign investors who had come to exploit Uganda's economy and add little to it. Therefore the bidding process for proposals at the start, which was meant to demonstrate fairness in government dealings and selection, did little to help.

More information was put out for the public through vigorous awareness campaigns to inform the public on the advantages of the partnership and benefits to the population and economy as a whole. The government was slow to reimburse/refund extension services provided by BIDCO, but BIDCO accommodated this by waiting until the government got the funds.

In the Derekop/UIRI partnership, the public sector realised that over-dependence by Derekop on UIRI to do almost everything crippled the company's capacity to be independent and self-sustainable. Derekop was not prepared to exit the partnership (e.g. negotiation and mediating with potential business partners such as farmer

groups). As a solution, UIRI has decided to reduce its brokering role in creating business linkages and other similar initiatives on behalf of Derekop. This should enable Derekop to enhance its level of self-sufficiency, decision-making, and independence.

FICA found that the public sector was slow and bureaucratic. Implementation had been ongoing two years before the actual formalization of the MOU. On the other hand, NARO indicated that the private sector did not deliver some of its commitments such as paying royalties to the public sector as agreed in the MOU.

Another challenge was the negative attitudes/bias from both sides: government officials thought the private sector was only interested in profits and was not committed to achieving public interests. The private sector thought of government as bureaucratic, corrupt, and slow.

Competition from the government distributors (Uganda Seed Project) who were responsible for distributing the public material were hesitant to accept FICA to join the same trade. Until this point, they had a monopoly over distribution. Again NARO indicated that the private sector had not kept its commitment in paying royalties. The earlier MOU was somewhat less binding as it was not sufficient in enabling payments and didn't have strong conditions with regard to failure to pay.

To ensure a secure supply, FICA collaborated with other partners/organizations to develop new and better varieties. NARO is in the process of finalising a new MOU that is more binding as is to be between the private sector and NARO and not just the concerned department.

Indications by Mukwano were that whereas Mukwano had clear, quantifiable objectives that were easy to track, they felt that the role and objective of NAADS was so ambiguous and difficult to keep track of on a step by step, statistical basis. NAADS had little resource in terms of human resources/officials who were working with Mukwano extension service workers. NAADS found that there was limited collaboration and thus inadequate information to support evaluation and monitoring of the arrangement. No solutions were indicated.

Chapter 6

Performance and development outcomes

6.1 PERFORMANCE OUTCOMES

This chapter assesses the performance and development outcomes of the arrangements. This includes the increments to investment, revenues, rates of returns to investment, and employment. It also covers additional agribusiness investment. This chapter introduces innovations; market performance; medium-term prospects for commercial viability and sustainability; forward and backward linkages; improvements in rural income and employment; and long-term societal and developmental impacts.

In four out of five cases, the PPP was an investment into a private limited company which arguably subsidized that business through the support of projects within the private company itself. In one case, (Derekop) the private company was the project itself. This was different from the typical PPP where there was often an independent third entity or an SPV into which both the public and private partners made agreed contributions.

In most of the cases, there was a relationship between the partnership and the emergence of additional investments. This is not only by the enterprise but also by growth and development of similar or other businesses that are related to the partnership or enterprise. This also has a multiplier effect in terms of increasing the number of beneficiaries and overall development of the agri-business sector. These types of arrangements created strong linkages along the respective value chains. This was both at the smaller scale (such as Derekop), and at the larger scale (such as Mukwano). In the case of the Kalangala Island, the economic growth and development has risen such that the district is no longer among the poorest but among the fast growing in Uganda.

All cases registered increments in investments, revenues, rates of returns to investments, and employment, although at different scales. BIDCO realized an increment in indirect employment (farmers) from 2 000 to a current figure of 35 000 and direct employment from 500 to 5 000. Its revenue contribution to the government in the form of taxes amounted to US$21 million. BIDCO has been able to invest in and utilize all the 20 percent of the land promised by government for the plantation site (which is so far what has been given by the government) as well as 100 percent of the land given for the site to establish the processing plant at Jinja.

BIDCO did not indicate any additional investment/ business that had been stimulated. Nevertheless, since BIDCO mainly supplied the local and international markets there has been stimulation in the local investment such as retail business, both private traders and company retail outlets. BIDCO also did not indicate any process nor product innovations that had been introduced. However, according to the evaluation conducted by IFAD, there were various indications of innovations in the arrangement. The palm oil subproject was the first major PPP in Uganda and is also the first for IFAD. It had pioneered new forms of cooperation between the private sector, local and national government and farmer organi-

TABLE 4
Development outcomes under BIDCO/VODP PPP)

Component	Start	Current
Indirect employment; farmers	2 000	35 000
Direct employment	500	5 000
Tax revenue to Government	NA	42 billion (US$21 million)
Land utilization	10 000ha	8 000 ha (20% implementation of the plantation site) 100% on Jinja site established processing plant

Source: author compilation, 2010

zations. The PPP brought a major new investor to the country. Although the plantation mode of production was widely practiced in other countries, it was new to Uganda. The structure and functions of KOPGT were also very innovative, particularly the mechanisms for protecting farmers' interests vis-à-vis the nucleus estate.

The type of project intervention in the Traditional Oilseeds Subproject tested approaches to increasing agricultural production through improved seed supply, farmer extension, and cottage processing. A particular innovation was the incorporation of the development of food standards. Also novel – at least to Uganda – was situating these activities within a more integrated subsectoral approach. The subproject's main strength was in replicating and scaling up the approach to a large geographical area. Its ability to do this rested primarily on the strategy of working through local government structures that had the mandate, if not the resources, to cover a large number of districts.

The development of niche markets of high value essential oil crops for poor farmers was very innovative. There was little cultivation of essential oil crops in Uganda and most essential oils used by industry were imported. Specialized knowledge and contacts with international markets are only now being developed as a result of the project.

Derekop, on the other hand, noted increments as well. Direct employment increased from two to seven employees and from five to 30 farmers in the case of indirect employment. Sales increased from approximately US$5 000 to US$10 000. Given that it was adopted when it was a young business with no operations on the ground, Derekop has been able to purchase machinery such as blenders as also open up six distribution points through which its products are sold.

The operation of Derekop has enabled the paper industry, also an incubatee of UIRI, to cut its input costs and have its supply boosted by obtaining a free supply of pineapple crowns (waste product) used for making paper and paper products from Derekop. In addition, the piggery business owners currently collect and use the waste as animal feed at no cost. Under this partnership, there have been process and product innovations. The process innovation was the system of distributing fresh juice (with no additives such as preservatives) in specific outlets in better

TABLE 5
Development outcomes under the Derekop-UIRI PPP

Component	Start	Current
Employment	2 (direct)	7
	5 farmers	30
Sales	13 million units	20 million (US$10 000)
Extra machinery	NIL	Blenders
Outlets/distribution points	NIL	6 with sales of 4-6 jerry cans depending on weather; will sell about 4 in wet/rainy season and 5-6 in dry season 1 litre – 3 000 UG shillings (US$1.5) 1 cup – 1 000 UG shillings (less than a dollar)
	Target	
Supply	1 ton of fruits	
Total output per day	1 860 units of pulp	
Monthly invest	10 480 US$	
Monthly gross income	13 100 US$	
Return on investment	25%	
Capital required; machinery and packaging	420 000 US$	
Beneficiaries	5 697 farmer families and families (each with an average of 4)	
Employees	30 direct employees (permanent and contract), 200 farmers	
Break even	2nd year	

Source : author's compilation, 2010

facilities and packaging-coolers as opposed to the most common informal packaging (usually polythene). Product innovations include jams and tomato juice and other cocktails that involve more value addition.

FICA was able to clearly indicate an increment in turn over from $250 000 to $3 million. It registered an increase in indirect employment (farmers) from 60 to over 200 with an output rate of 2 000 tonnes per season as well as an increase in investment in other seed varieties from one maize variety in 2001 to five maize varieties and nine different crops in general. FICA also expanded investment to include dealings in other input products like farm implements such as pangas and other farm technologies, and fertilizers.

FICA introduced new varieties of material which were drought resistant and have shorter maturity lengths and higher yields. With regard to process innovations, there has been a change in the seed distribution processes. The distribution of seed to the market is now mainly under the control of the private sector and no longer done directly by the government through the Uganda Seed Project. This has enabled a wider distribution range in and outside Uganda and a general expansion and enhancement of the competitiveness of the seed sector.

Mukwano realized increments as well although there were some fluctuations. Farmer output increased from 32 000 tonnes in 2008 to 40 000 tonnes in 2009, although this was still 20 000 tonnes short of its target. Mukwano's market share increased from 9 percent to 35 percent while average income of farmers more than doubled from US$300 to US$712 per year. Employment increased from 500 farmers to 50 000 farmer families. However, the tax revenue to the government declined from $1.4 million to $500 000 due to a reduction in farmer production caused by entry of other competitors (agri-businesses) in the market.

Whereas there has been additional investment by Mukwano itself, there has also been additional investment within other businesses. There have been extra investments in other production lines and processing of other products: a US$500 million maize flour mill was established for maize processing and soy bean processing. Initially, Mukwano offered the farmers maize and soy beans to plant as rotational crops to maintain soil fertility. Although maize is more commonly encouraged because soy beans were found not to be very effective given that it too is an oil crop.

With the production of maize, Mukwano had to provide a direct market for the produce in order to encourage farmers to continuously use it for its fertility gains without being stranded with surplus. In addition, extension services and training was given. Mukwano currently processes maize and sells finished products to the local Ugandan market as a complementary business.

Marketing intermediaries and other value chain actors and related business were also among those that were stimulated. With the case of sunflower, Mukwano provided a direct market for the farmers' produce, ensuring lower transaction costs. However, it allowed for the operation of intermediaries with regard to soy bean and maize and this has created business opportunities for other others. Farmers who were dealing solely with producing maize and soy beans for Mukwano have benefited. There were over 12 animal industries in Kampala that bought seed cake from Mukwano and relied on its produce as a supply source. Whereas Mukwano initially had an average of 2-3 significant competitors, today there are over

TABLE 6
Development outcomes under the FICA –NARO PPP

Component	2001	Currently
Turnover	UG shillings 500 million (US$250 000)	UG shillings 6 billion (US$3 million)
Employment-farmers	60-80	Over 200
Investment	80% contract farmers paid to grow the seed	2 000 tonnes per season
Production	500-700 tonnes at 1 800-2 000 UG shillings/kg (US$ 1)	2 000 tones at 3 000 UG shillings (US$1.5)
Tax	Not available	
Varieties	1 maize variety	5 maize varieties 9 crops in general

Source : author's compilation, 2010

TABLE 7
Development outcomes under the Mukwano-NAADS PPP

Component	Currently	Target/targeted potential in the proposal/changes
Farmer production (input received from farmers)/output of oil	2008 - 32 000 tonnes 2009 - 40 000 tonnes	60 000 tonnes of hybrid sunflower/18 000 litres
		34% of Mukwano's oil demand in Uganda
% Supply of total oil market in Uganda		2008: 9% 2009: 33%
Incomes to farmers	300 000 shillings (US$150) per acre Average farmer (2-3acres): 600 000 UG shillings (US$300)	475 000 UG shillings (US$237.5) per acre Average farmer (2-3 acres): 1 425 million UG shillings (US$712.5)
Investment	24 billion Shillings (U$S12 million) for 40 000 tonnes Pays tax to local government at 200 shillings (less than half a dollar) per bag, thus – 2.8 billion shillings (US$1.4 million) in 2008 and 1 billion shillings (US$500 000) in 2009 (the small margin in 2009 is explained by the reduced production quantity due to competition and the fluctuation in prices in the market)	
Employment	500 farmers	Directly staff (full time and expatriate): 100 Contract and casual: 300 Farmer families: 50 000
Plant capacity	Planned 200 tons per day capacity plant	300 ton per day vegetable refining capacity plant- i.e. 9 000 tons per month, Currently operating at 6 500 tons per month
Tax	Pays tax to local government at 200 shillings (less than half a dollar) per bag, thus – 2.8 billion shillings (US$1.4 million) in 2008	1 billion shillings (US$500 000) in 2009 (the small margin in 2009 is explained by the reduced production quantity due to competition and the fluctuation in prices in the market)

Source: author's compilation, 2010

20 medium and small-scale processors in the main production zone alone.

Mukwano, with support from NAADS was able to boost sunflower growing/production in the area. This attracted similar businesses into the area due to availability of input. Additionally a large scale oil solvent extraction investment was recently established in Lira with a daily capacity of 200 tonnes. This is an example of the "crowding in" of more processors arising from the stimulus of increased production and availability of processing by-products. There has been a spin-off in process innovations (i.e. the expansion of the production cycle includes links to other value chains such as maize and soy bean). This makes the process self-sustainable in addition to the farmers' production becoming more profitable as they produce and earn all year round and without compromising food security.

It was observed that the process innovations were mainly concerned with improved avenues of market distribution whereas the product innovation has included development of entirely new products as is the case with FICA and Derekop. The addition of new products as in Mukwano's has also give rise to new value chains with potential for similar arrangements to be developed.

6.2 REDUCING RISKS OF THE BENEFICIARY AGRIBUSINESS ENTERPRISES

In the process of increasing investments and the general expansion of enterprises, various risks were mitigated and others created. Most of the risks created were related to gaps within the arrangement such as guaranteeing protection of the private sector by the government from new entrants whose operations were likely to affect the implementation of the arrangement. The necessary infrastructure and stronger controls in the market were provided to ensure that risks such as counterfeit production confronted. Most of the solutions to these risks are more within the mandate of the public sector than the private sector.

BIDCO indicated the same risks that were already mentioned. Being a new sector in Uganda, a pioneer project, there were a lot of uncertainties and negative perception by the public was a big risk. The general view that emerged at the start

was that it was an environmentally unfriendly project as indicated by the environmentalists and that this was an exploitative move by the foreign investor. Along with this was the risk of refusal by land owners to give up land to be bought by the government for implementation of the partnership. For this, a SWOT analysis was done. Publicity campaigns and awareness creation was also done. Since palm oil was a new crop introduced for large scale production, the risk of failure to yield was mitigated by carrying out comprehensive research on the crop and related issues, training farmers in the best agronomy practises, and importing the best seed variety and fertilizer to eliminate any possibilities of failure. Furthermore, the profitability risk was adjusted by increasing the land acquisition required per farmer from one to ten hectares at the request of BIDCO.

For Derekop, the inefficiency of machinery affecting production was a risk that was mitigated by purchasing a new blending machinery/mixers with help of UIRI to enable production and supplement the machinery. Failure to obtain a stable supply and good quality fruit for processing from farmers who may be reluctant to be contracted was another risk. The solution was to create initial linkages with farmers groups in various parts of the country that ensured a reliable supply.

One of the risks that has been made even stronger for FICA was that the partnership would break up due to potential policy changes. There was no certainty as to whether the future laws would continue with the liberalization policy and the partnership as is the current situation. There have been debates and arguments by the public and politicians advocating the government to take back or tighten control over the seed sector. The lack of certainty of continuous enjoyment of benefits accruing to licensing seed material is another risk created for FICA. The possibility of the introduction of fake seeds to the market is still eminent and could jeopardize the growth and competitiveness of FICA and other similar businesses. This is because at the onset of liberalization, some varieties still remained public material, and as such any individual could create and introduce a fake product on the market. The policy does not allow for strict restrictions that are strong enough to eliminate such possibilities. Those who trade genuine varieties eventually lose out or have their profits and markets compromised or marginalized.

In Mukwano's case, although the risk of experiencing reduced production due to competition from new and large entrants who can take over the supply base of Mukwano was still eminent, Mukwano now issues binding contracts to contract farmers to ensure a steady supply of produce amidst competition by securing farmer loyalty as a mitigation strategy.

6.3 EFFECTS OF POLICIES, LEGISLATIVE AND REGULATORY FRAMEWORKS ON BENEFITS

Whereas all the mentioned policies helped, they were the same policies that hurt the arrangement. However, these were issues that could be dealt with by adjusting the partnership details at initial development stages of the arrangements. Moreover, these are policies that are drawn for national scale benefits and cannot be altered to suit each individual partnership developed or individual players throughout the economy. Therefore, there is need for thorough, critical consideration of all possible effects of various policies when developing an arrangement to maximise its benefits toward the specific arrangement and minimise as much as possible any possibility of negative effects or obstacles caused by the same policy.

In the case of the BIDCO/VODP partnership, one of the outstanding policy issues had been related to land. The land policy in Uganda is such that most of the land is under private or individual ownership. Therefore, the government has had and will still have to buy the remaining land committed under the partnership. This has caused delays in implementation of the partnership as the government has to find individuals who are willing to sell their land and are in close geographical proximity to enable large scale production (government land alone is not sufficient).

On the other hand, the government commitment to protect investors and support investment is through partnerships such as this. Public sector incentives and commitments to the BIDCO itself include (as per agreement terms in the proposal/with government) 100 percent investment tax waiver, i.e. no corporate tax until BIDCO gets back its capital invested in the plantation. After this period, the tax on the Kalangala island plantations should be waived for the next 25 years. Therefore, there are 15 years to realise their capital invested (BIDCO to get back its money) and another 10 years of no tax on the plantations.

Derekop feels that its operational/production hours have been compromised and confined within the government's official working hours and eventually compromised output and produc-

tion capacity as compared to its competitors on the market. Derekop, whose funding is heavily dependent on UIRI, has uncertainties with regard to support from UIRI whose source of funding is dependent upon the national budget. This means that there is performance and support fluctuation.

Specifically this refers to funding being available on time as per planned activities. For instance, Derekorp is still waiting for funds in order to start processing and producing jam. In other cases, Derekorp has had to resort to use of smaller blenders while it waited for funds so that UIRI can get the appropriate larger equipment. For Derekop, it was also the government's industrial policy to pursue agro-processing through business incubation programmes. For FICA, VAT exceptions for agro-inputs cut costs for seed trade whereas licensing under the liberalization policy enabled the PPP and consequently the expansion and growth of FICA.

Mukwano found tax incentives very helpful in cost-cutting such as non-payment for VAT on agro-inputs like seed, and products like seed cake except for oil. Only a minimum of 200UG Shillings (which was less than US$0.5) per bag of produce had tax levied on it by the local government. This was acceptable, in Mukwano's opinion, since it helped provide public services and goods like infrastructure from which Mukwano benefitted. A decentralization policy in Uganda enabled the local governments to generate resources for local service delivery while supporting the expansion of the firm's activities and earning it political goodwill.

The liberal nature of the government policy and looseness of the partnership protection benefits have not helped in ensuring Mukwano's business security. This was due to the losses and decline in production caused by the arrival of a large competitor from Tanzania that came in with a different approach and different variety to offer to farmers. Some farmers have since abandoned sunflower production under Mukwano's arrangement due to confusion caused by this competition. Their loyalty was torn between the two big competitors. Evidently, since their arrival, the production and revenue was drastically reduced from 40 000 tonnes in 2008 to less than 25 percent of this production (i.e. less than 10 000 tonnes in 2009).

It is clear that one entrant caused a drastic change in the trend of production and compromised the growth and benefits built over time. Mukwano felt that the government should offer more protection such as in the case of BIDCO if it was to encourage sunflower development and the development of the enterprise. It has spent over 10 years in this sector and is a major development contributor, a representative of local great potential that needs to be supported.

Equally so, the legislative and regulatory framework did affect the success of the arrangements. For BIDCO, the 25 year tax exemption helped to minimize potential costs of production and gave them a monopoly. Derekop benefitted from the government signatory to protect investors, political stability, and fiscal incentives offered for investment into agriculture. Although tax exemption on raw materials for the vegetable oil industry helped reduce production costs, according to FICA, Uganda's seed regulatory framework is not as good as other countries within and outside the region. One of the requirements for exporting seeds to the international market is that a country should have an internationally accredited laboratory, which Uganda does not have. Therefore, FICA has incurred higher costs when exporting to its markets outside Uganda. For instance, when exporting to Kenya, produced seeds are subjected to inspection by experts from Kenya first for which the company pays.

6.4 IMPACT OF AGRICULTURAL SECTOR INSTITUTIONS

In all cases, the enterprises received assistance external to the arrangement which directly assisted in implementation of the arrangements. None of the enterprises indicated otherwise. These factors contributed to the success of these arrangements. There are more factors upon which agribusiness partnerships are dependent that are not necessarily considered within the arrangements. Partners need to have these in mind or at least have a more comprehensive view of the general environment in which an arrangement is to be implemented. Derekop received financial support from Technoserve to conduct visits to farmers who have been potential fruit suppliers to Derekop. In Kasese, the Mubuku Irrigation Scheme in the western region by the government has helped organize farmers thus enabling contracting of farmers for seed growing on large scale by FICA to supplement its supply for the growing market for which its own farms cannot suffice. Mukwano received support from NARO in research to adapt the hybrid in Uganda. It also participated promoting it. Although it took 24 months to succeed, the release of the approval

of the seed variety by the National Seed Certifying Authority under MAAIF helped kick-start the promotion program among farmers.

Concerning market share and profitability increase, only FICA could mention explicitly the performance level which was an average of 30-40 percent increase in market share. Mukwano only indicated that its current market share stood at 34 percent of the total market share. The issue of profits and breakdown was considered private in some of cases. It is important to note that BIDCO indicated that this venture was long-term and the first years involved initial stages of establishment in which significant changes may not be evident.

6.5 INDICATIONS OF FORWARD AND BACKWARD LINKAGES; IMPROVEMENTS IN RURAL INCOME AND EMPLOYMENT; AND LONGER-TERM SOCIETAL AND DEVELOPMENTAL IMPACTS

As is the case with medium and large agribusiness enterprises, the partners indicated the existence of medium-term prospects for commercial viability and sustainability.

BIDCO plans to set up good infrastructure such as roads to enable production and transportation. This would not only help the arrangement implementation but also boost the socio-economic environment of Kalangala in general. Derekop's medium-term plans include adding value to its waste from fruit processing so as to sell it as animal feed/cake. It plans to conduct training needs assessment by comparing produce from the different farmer suppliers and identifying the gaps especially in areas such as post harvest handling. In addition it aims at identifying a larger base of stable and organized farmer groups with the aim of ensuring sustainable and consistent supply of good quality produce. UIRI is currently expanding and building a new processing line to include standard and better packaging. This would boost branding and add more value and shelf life to the product so as to make the product more competitive. However the current processing line will remain and the two will run in synchrony. This will add a competitive edge to Derekop with competitive products of higher quality, and increased output. UIRI plans to concentrate more on virtual incubation. The argument here is that internal incubates tend to place too much reliance on the government then they may not be very vigilant since the placement in the UIRI facility insulates them from the necessary competition and business environment that they need to operate in for their businesses to mature rapidly and sustainably. This is contrary to the virtual incubates who operate outside the facility and simply receive support from UIRI. Each incubatee is given a stipulated period, usually an average of 3-5 years after which they exit and allow for a new incubatee to come in. This is the case with Derekorp as well.

However, based on the assessment of the fitness of the outgoing incubatee to continue its operations independent of support, it may be decided that the arrangement be extended to a time that UIRI and the private partner see fit for exit. This was the indication in the case of Derekorp. Derekop also plans to outsource marketing services since UIRI does not have this as its role in the partnership. This would increase Derekop's market share. It also plans to acquire more machinery especially in cases where the appropriate machinery is not available for processing the newly-developed products like the jams and tomato juices.

FICA's medium-term prospects include the acquisition of more driers to mitigate effects of wet weather during the harvest season and thus the destruction of seed due to dampening as well as the overall improvement of seed quality. This will ensure good products and sustainable production which is usually affected by weather. It also plans to acquire grading equipment and colour sorters to eliminate/detect whatever is not seed-improve standard/quality seed, thus ensuring better seed quality for the market. FICA also plans to invest in its own breeder to make its own seed and cease overdependence on NARO for seed and become more competitive in the long run. It will enable it to increase supply and satisfy market demand with more efficiency and wider coverage. To ensure that the MOUs are more effective and binding, NARO is in the process of developing an MOU that will be between the private sector business and NARO as a whole and not just the NARO branch that is directly concerned with the partnership as has been the case with FICA and other similar partnerships.

Mukwano, on the other hand, plans to extract residual oil from the oil seed cake, because it is losing 4-5 percent of oil in the cake. This would boost the animal industry by having better quality cake per seed input resulting in more income for Mukwano/processor and more value to farmers for their produce. However it will be doing this to catch up with a new entrant who has been solvent extracting for two years now.

The partnerships also contributed to strengthening of forward and backward linkages.

All cases and BIDCO particularly indicated that they created a market for farmer produce and raw material, improved quality of supply through improved access to better technologies like seed material, training, and equipment, among others. They also indicated that they were involved in product development and provided valued-added supply to the market through processing and export although no particular figures/statistics were given. BIDCO also indicated that farmers benefit in form of employment as contract farmers through providing market for their produce and employment on the nucleus estate, access to improved technologies like equipment, good seed material and other extension services like training for better produce hence better incomes. There were forward linkages through value-addition by processing, offers improved products to the market and business opportunity to traders and exporters. It indicated that Kalangala has moved from the poorest and most remote districts to top ten districts and the main reason is the oil palm production that has caused a spin-off of so many other improvements and economic activity.

Farmers have been offered an additional source of income through commercial farming with sure market and better price-quote prices, relate to subsistence farmers or fishermen and unpredictability of agriculture in addition to more jobs and employment as an alternative to fishing which was the main economic activity. As a result, there have been improvements in rural incomes and employment. BIDCO expects, in the longer term, to increase incomes, infrastructure development, and employment through job creation, general improvement in standards of living and health due to a healthier product.

In its three-year plan, Derekop expected to create a reliable market for farmer produce of up to a total of 5 697 farmer families, and access to improved agronomic practises through training, hence improved output and yields. It expects to produce more value-added juice products other than the concentrates and with standard packaging unlike the current mode of supply. Whereas this was a realistic target, Derekop expected to have done this by the second year, a target which did not materialize due to the interruption by the construction process by UIRI. It indicated that they created a market for farmer produce and raw material, improved quality of supply through improved access to better technologies like seed material, training, and equipment. They also indicated that they were involved in product development and provided valued-added supply to the market through processing and exports despite the fact that there were no specific statistical indications. To improve rural incomes and employment, Derekop hoped to increase market for the farmer supply and hence benefit 5 697 farmer families and provide employment to 200 farmers.

FICA's medium-term prospects included the acquisition of more driers to mitigate effects of wet weather during harvest season. The wet weather destroyed the seeds when they got damp. The driers will ensure good products and sustainable production which is usually affected by weather. FICA also plans to acquire grading equipment and colour sorters to eliminate/detect whatever is not seed-improve standard-quality of seed thus ensuring better seed quality for the market. FICA also plans to invest in its own breeder to make its own seed and cease overdependence on NARO for seed. This will help FICA become more competitive in the long run. It will enable FICA to increase supply and satisfy market demand with more efficiency and wider coverage. To ensure that the MOUs are more effective and binding, NARO is in the process of developing an MOU that will be between the private sector business and NARO as a whole and not just the NARO branch that is directly concerned with the partnership as has been the case with FICA and other similar partnerships.

FICA worked to improve: linkages: input supply for farmers contracted to multiply and grow the seed; provide markets for the same farmers' produce; provide inputs such as extension services and equipment for the farmers; assist with value-added seed and product to other seed trading enterprises; provide employment for the farmers on the company-owned farms and workers at the company facilities; create business opportunities and support to related business like banks, and warehouses. FICA expected that using rural contract farmers, and providing access to quality seed through commercial marketing channels, will greatly enhance farming enterprise sustainability and thus improve incomes.

Mukwano also indicated that they created a market for farmers' produce and raw materials, improved quality of supply through improved access to better technologies like seed material, training, and equipment. They also indicated that they were involved in product development and provided valued-added supply to the market through processing and exports. As with the rest of the cases, no specifics were indicated.

Mukwano expected to increase farmers' incomes by increasing employment in the extraction plant as well as improving standards of living in the long run. This indication was based on the current situation given that an average farmer can earn Shs 500 000 (US$250) from one acre and Shs 2.5 million (US$1 250) from 5 acres per season. This statistic regards the sunflower crop.

With regard to the environment, and long term societal and development goals, Mukwano expected that as more farmers take up sunflower and rotational crop farming, demand for land will increase. More vegetation, forests and trees will be cleared to create farming land. Mukwano planned to encourage farmers to plant trees around their farms to act as wind breakers, and to avoid climate change negative effects and tree/forest/vegetation destruction. This should rejuvenate the environment and protect against climate change (climate change mitigation) Mukwano also planned to set up nurseries to provide tree seedlings and trees for farmers to plant in their gardens. It is expected that farmers' incomes will be supplemented by tree growing. Mukwano plans to promote pine trees which are currently a commercially viable option in the tree planting business in Uganda.

Chapter 7
Appraisal and conclusions

7.1 OVERALL EFFECTIVENESS OF THE PPP ARRANGEMENTS IN ACHIEVING STATED PURPOSE AND OUTCOMES

Generally, the PPP arrangements have been able to effectively achieve stated purposes and outcomes although the specific details of theses purposes and outcomes vary, some of which were not or have not yet been achieved.

For BIDCO, the general purpose of the partnership was to increase domestic vegetable oil production and the availability of vegetable oil in the country. BIDCO also wanted to reduce poverty and increase farmer incomes and employment by involving smallholder growers in palm oil production. At the same time, BIDCO wanted to promote the private sector agro-industrial investment by introducing industrial oil processing mills with high environmental credit.

The purpose of the partnership between FICA and NARO was to increase seed market production. FICA and NARO also wanted to liberalize the seed market and the production of new seed varieties.

UIRI-Derekop partnership aimed to help the industrialization process in Uganda. Derekop promoted fruit processing. Other outcomes were an increase in farmers' incomes and employment, access to credit and improved technologies, increased production, profit, investment, and value-addition.

The extent to which such outcomes have been effectively achieved varies and in some cases targets have not been met at all. For instance, whereas sunflower production has been on a steady increase along with outcomes of consequent employment, production and supply, value-additional, profit, there has been a recent drop in production that has greatly compromised the outcomes of the partnership arrangement.

With regard to the case of palm oil, failure or slow implementation compromised the outcomes. The greatest setback in the effectiveness of the arrangement has been the provision of land for large-scale production and as such, only 8 000 of the planned 40 000 ha have been provided by government and utilized by the private sector. This compromised the level of increased employment, incomes and poverty reduction. Derekop had the lowest effectiveness in achieving outcomes, due to inappropriate market judgement and construction interruption during production which led to failure to achieve targets within the planned time frame and projections.

7.2 KEY ISSUES TO BE CONSIDERED IN DEVELOPING AGRIBUSINESS PPPS

Some unique instruments played important roles in the success of the arrangements. These included: a Pricing Committee under the BIDCO arrangement; matching grants for the Mukwano partnership; and percentages of royalties under the FICA partnership and the PPDA. Therefore, the nature and extent of baseline preparation and development of the PPP arrangement prior to implementation determines overall success of the partnership.

The nature of contributions and the capacity of partners to deliver are vital issues to consider when developing agribusiness PPPs. For example, in the case of the palm oil partnership, although government had promised more than 40 000 ha, it has been difficult to provide this land and to-date it has failed to obtain it due to issues such as the nature of land policy and ownership which has in turn delayed full implementation and timely delivery of benefits related to the arrangement. The capacity of the government to deliver such a contribution was an issue to be considered on reasonable terms.

The critical roles and mechanisms for ensuring success and effectiveness in achieving purposes and outcomes of the arrangement such as monitoring and evaluation are important when developing the arrangements. For instance, in the case of FICA, although the partnership requires that royalties be paid to NARO by the private partner, this has not been done. There was no indication of whom or what has been done or what provisions were laid down in the arrangement to cater for such eventualities or defaults. This compromises the effectiveness of an arrangement.

The nature or extent of bureaucracy involved in developing the partnerships can determine the

success of an arrangement. For instance, whereas it is important that measures be taken in ensuring that risk and failure rates are minimized, this bureaucracy may also delay achieving the goals of the partnership.

The scale of the arrangement and time frame of the agribusiness PPP is another key issue to be considered. Developing a new sub-sector such as in the vegetable oil project may require longer procedures and more resources to develop them. Smaller or medium- scale projects, such as in the case of FICA and Mukwano, may require less input.

The macro and micro-economic characteristics and demography of the country and sub-sector are also important when developing agribusiness PPPs. For instance, in order to effectively achieve the objective of expanding and developing the seed sector, the seed sector was liberalized. The government decided to allow for PPPs in this sector that involved as many private sector companies as possible under this arrangement (such as FICA).

7.3 LESSONS LEARNED ON SUCCESS FACTORS AND PITFALLS TO AVOID

Other supporting or related partnerships might impinge on the success of the arrangement. For instance, in the case of BIDCO, the agreement between BIDCO and VODP greatly impacted on that between KOPGT, VODP, and IFAD. The latter ensures that the backward linkage in the former is managed while the former provides assurance for the forward linkage in the latter. Therefore the government that is part of the two agreements should ensure that both arrangements are successfully implemented in order to achieve its overall project objective as for the oil palm sector.

The biggest risk was the failure of the parties to deliver as per commitments. Therefore, it is important that PPP arrangements provide measures on how to handle such eventualities. Furthermore, it is important to ensure that all parties participate in the monitoring, development, and planning stages of the arrangement. A case to consider is FICA-NARO arrangement in which royalties' payments by the private partner, although stated in the agreement, has not been effected and there is no information on follow up.

There are general procedures and guidelines for implementation and risk management. However, there should be a fast tracking of procedures for dealing with delays, issues and features and risks that are unique to each PPP. For instance, in the case of Derekop, the arrangement indicates that the two parties will jointly carry out R&D every 6 to 12 months. Whereas some new products that have been developed, other products like tomato juice have not been produced due to the lack of unified decision by the government on whether tomato should be classified as a fruit or a vegetable. This is despite the fact that Derekop has identified tomato as an available product for the market and is willing to process juice out of it.

The roles and contributions by both parties should be clearly explained. More importantly, implementing officials should have clear guidelines on the MOU and its implementation. Some implementing officers in the case studies were not well aware of the details of the MOUs they were overseeing. These officers had no records on the MOU, no information on the progress of the arrangements.

The study seems to indicate that in certain cases, depending on the scale of the investment required and the level of goodwill between the public and private sector, the activities can begin while the formal arrangement is being designed. This is especially the case for when both actors are not required to deviate from the existing operations or mandates.

7.4 HOW CAN BENEFITS FOR ENTERPRISES AND RURAL DEVELOPMENT BE FURTHER ENHANCED?

Deliberate policy requirements by the government when developing PPP arrangements should require agribusiness PPPs to be based in rural areas. Local farmers of farmer groups should be involved. A reasonable percentage of the employees should come from the local population.

One of the challenges noted in the implementation of the PPP arrangements was the lack of cooperation and the "closed nature" of the private sector. Despite the "red tape" behind creating the PPP arrangement, the private sector partners should understand the exact requirements of the PPP implementation. This requires clear measures and guidelines describing the nature relation and interaction between the parties especially during monitoring and evaluation.

Most rural populations do not benefit from PPP arrangements and may not offer the necessary cooperation needed for the success of the arrangements. Others rural populations are reluctant. Rural societies take a long time to embrace new developments. Such negative attitudes limit the extent of the impact of the arrangements in rural areas thorough sensitization of all beneficiaries is necessary for the success of the arrangements in the rural areas.

7.5 POTENTIAL FOR REPLICATION WITHIN COUNTRY AND ELSEWHERE, AND ESSENTIAL REQUISITES FOR REPLICATION

Within Uganda, the case of palm oil has relatively limited opportunity for replication within the same palm oil subsector due to specific important aspects of the arrangement. One of them is land. Given the nature of the land policy in Uganda, in which land ownership is mostly in the hands of private individuals, it is difficult to obtain a large amount of land for large scale production. When the land is available, the government requires a large amount of funds to purchase it from the private owners. These funds are often unavailable. However, a change in government policy would enable multiple similar arrangements. In other countries with favourable land policies, such arrangements would be more favourable and replicable.

The business incubation model of the arrangement is replicable within Uganda and elsewhere. This is because it is on a relatively smaller scale and involves small and medium businesses. Therefore, several enterprises can be supported simultaneously, not only within the government facility but also in non-resident businesses located in different parts of the country. For instance, UIRI incubates various businesses both inside its premises (such as Derekop) and outside its premises. The businesses vary in production such as paper, meat fruit processing.

The main requirement is that the business be within the production where the government processing facilities are placed. For instance, cosmetics productions or other kinds of businesses for which processing facilities are not available within the UIRI production subsector cannot be adopted. Thus, only those businesses involved in sectors such as meat, paper, fruit processing can be selected for incubation. The other main requirement is that the government be able to provide the largest contribution to the implementation of the partnership, since the government involves new business start-ups or small and medium enterprises that are in need of support.

The FICA-NARO and Mukwano-NAADS partnerships have a high potential to have another partnership. The FICA-NARO arrangement allows for similar partnerships to take place at the same time within the same sector without greatly affecting the arrangements of similar businesses. The FICA-NARO arrangement also requires relatively fewer input from both partners, since the government is providing a service that is already its mandate. A partnership also requires a liberalized environment for implementation since a governamental monopoly could minimize its operational potential.

7.6 POTENTIAL TOOLS FOR ACCELERATING AGRIBUSINESS INVESTMENT AND DEVELOPMENT

The cases that involve businesses that are vertically integrated (such as the palm oil PPP and sunflower PPP), provide less opportunity for involvement of other players in expansion and development. The cases that are horizontally integrated (such as Derekop and FICA) can attract agribusiness investment and linkages. Although Derekop has this potential, it is relatively on a small scale.

In the first case, the bigger part of the production or value chain is controlled by the enterprise. For example, the enterprise is involved in providing inputs and general extension services such as fertilizers, training, seed material, technologies, and machinery. The enterprise is also involved in the production, processing, and marketing and as such does not guarantee sufficient opportunity for other related business to be involved in its production processes.

However, such an opportunity may emerge as a result of growth in the related to activities by the enterprise. For instance, though Mukwano is a vertically integrated enterprise, its partnership with NAADS in stimulating hybrid sunflower production by farmers in order to accumulate supply for its production has generally contributed to a boost in produce in the region. This has attracted other similar businesses who are the current competitors (from an initial 3 to about 20).

On the other hand, large-scale vertically-integrated enterprises are able to control a bigger portion of the value chain. They are able to greatly impact development through the generation of large-scale employment. They can help rural farmers, boost agricultural production through increased and easy access to technologies, increase inputs and farmer credit or capital, and help markets and industrialization. This enhances incomes and standards of living of the population and the country's main economic sector and overall development.

The partnerships allows for agribusiness development through enhancing innovation and competitiveness as well as value-addition. This is the case of government investment in non-profit agribusiness development (such as research and

development and infrastructure). These aspects would otherwise be neglected by the private sector due to their expensive and non-profit–generating nature.

The cost-sharing arrangements under the PPPs enable entrepreneurship. In the case of Derekop, potential business people and viable business ideas were nurtured. Enterprises are also able to expand their production. They enhance competitiveness and development because the private sector is a source of business know-how.

In conclusion, PPPs offer opportunities for large scale growth. An arrangement in a particular subsector increases possibilities for inter-linkages across sectors. A typical example of this would be the Mukwano case.

A discussion with the Lira Bee Cluster Initiative (which is a conglomeration of SMEs, farmers and various actors in the apiary subsector) revealed that due to the growth of apiary in this region, agricultural production (which had decreased due to the rebel insurgency) has increased by 30 percent. Sunflower crops benefit greatly from PPPs. This seems to be a symbiotic scenario in which sunflower growers and oil seed firms (like Mukwano) benefit from good production. Beekeepers benefit from increased bee colonization due to good environments for pollination. Bee farmers have started engaging in agriculture of various crops, including sunflower, to boost the quality of their honey produce.

One of the strategic action plans of this cluster is to formalize an arrangement with Mukwano to set up their bee hives in Mukwano's sunflower fields. The bee hives will benefit from improved production and quality, and Mukwano will benefit from better crop yields and consequently more oil produce.

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Annex 1
List of respondents

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2	Ann Turinayo	Knowledge and Communication Specialist, IFAD
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5	Deus Muhwezi	Commissioner for Agribusiness, MAAIF
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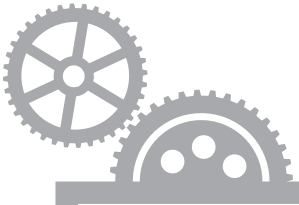
8	Dr. Godfrey Asea	Head, Cereal Research Program, NaCRRI
9	Hadija Meeme	Research Technician, Fruits and Vegetable Department, UIRI
10	James Kizito-Mayanja	Principle Market Analyst, Uganda Coffee Development Authority
11	John Wakikona	Agribusiness Officer, NAADS Secretariat
12	Joseph Rubarema	Director, Production Development, UIRI
13	Kodey Rao	Managing Director, Bidco Uganda Limited
14	Leontina Nayiga	Research Technician, Production Development Department, Food laboratory, UIRI
15	Narcis Rwangoga	C.E.O, FICA
16	Orono Otwenyo	Technical Advisor, PPP Unit, MoFPED
17	Penina Ngategize	Manager, Derekorp
18	Prof. Arsene Balihuta	Executive Chairman, Uganda Development Corporation
19	Reji Narayanan	Business Unit Manager, Mukwano Group of Companies
20	Robert Kintu	Director, FIT Uganda
21	Sarah Kabasinguzi	Policy Analyst, Policy department, PSFU
22	Stephen Emuria	Assistant Head-Engineering, UIRI
23	Steven Opeitum	Director, Development Finance, Uganda Development Bank
24	Tumweboneire Emmanuel	Director Production Systems, UIRI
25	Yusuf Kiwala	M&E Officer, NAADS Secretariat

Country *case studies*

Africa

AGRIBUSINESS
PUBLIC-PRIVATE
PARTNERSHIPS

A country report of Uganda



Public private partnerships (PPPs) are being promoted as an important institutional mechanism for gaining access to additional financial resources, sharing risks, and addressing other constraints in pursuit of sustainable and inclusive agricultural development. While various forms of collaboration between the public and private sector have existed for some time, there is limited systematic information available about the current experiences and best practice for using PPPs to initiate agricultural programmes.

In 2010, FAO initiated a series of appraisals of PPPs implemented in 15 countries in Africa, Asia and Latin America. The primary objective was to draw lessons that can be used to provide guidance to member countries on how to partner effectively with the private sector in order to mobilize support for agribusiness development. The outcome of FAO appraisals is presented in this series of Country case studies as a contribution to enriching knowledge and sharing information on PPPs mechanisms for informed decision making on investment promotion for engendering agrifood sector development.

Rural Infrastructure and Agro-Industries Division (AGS)
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