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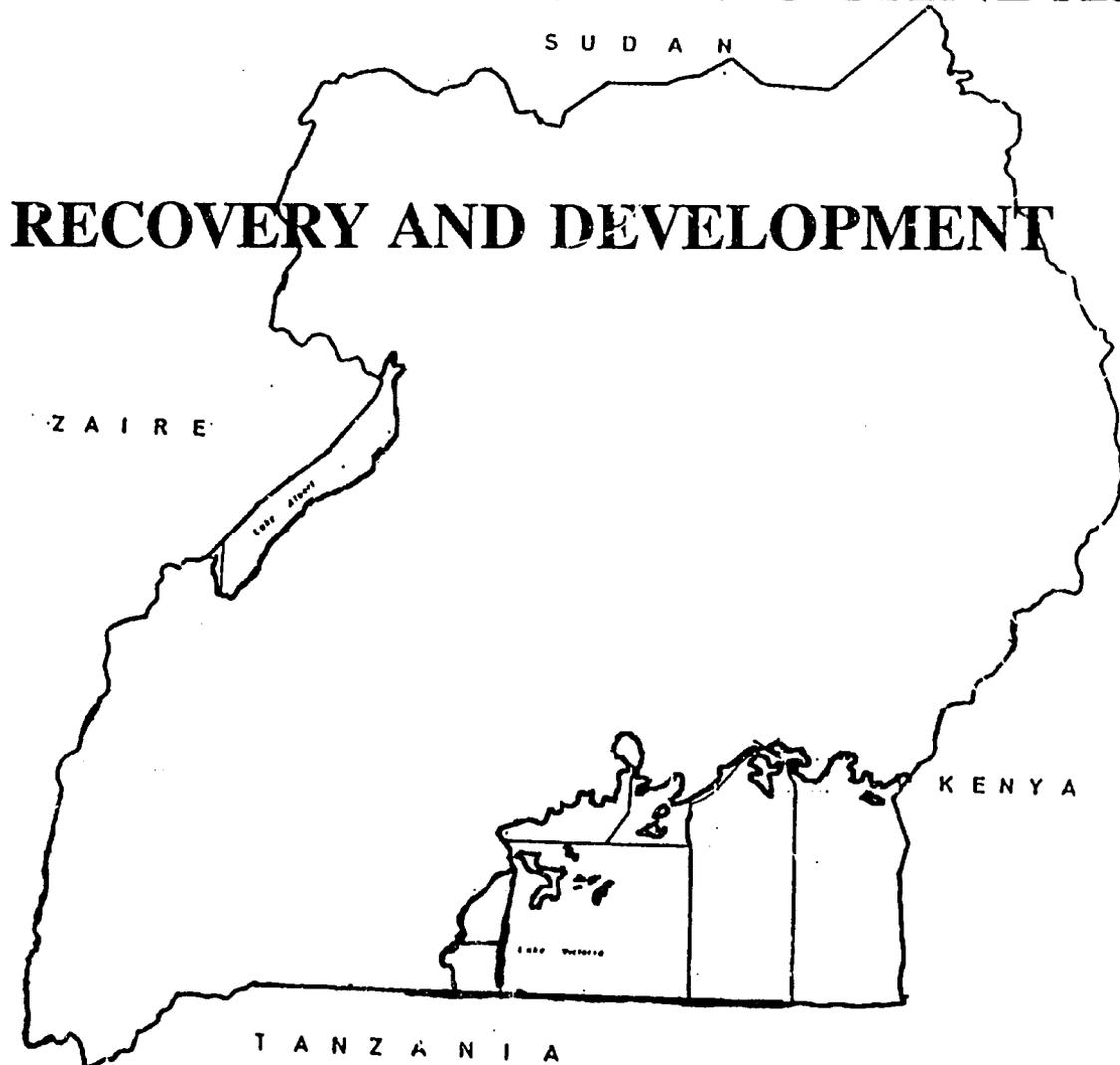
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## **Executive Summary**

### **Market Towns in Uganda: Recovery and Development**

1. The study was designed and executed by Virginia Polytechnic Institute and State University under the in SARSA Cooperative Agreement with the United States Agency for International Development and was carried out during four weeks in October and November 1989.
2. The purpose of the study was to identify and promote measures through which Uganda's market towns can fulfill their potential of improving the quality of life for Uganda's citizens.

# MARKET TOWNS IN UGANDA:



A Study for USAID Conducted Through the SARSA Cooperative Agreement

Virginia Polytechnic Institute and State University  
March 1990

# **UGANDA'S MARKET TOWNS:**

## **RECOVERY AND DEVELOPMENT**

This report has been prepared by the Virginia Polytechnic Institute and State University under the SARSA Cooperative Agreement with the support and cooperation of the Ministry of Local Government of the Government of Uganda, USAID/Kampala, and USAID/RHUDO/ESA. The SARSA Cooperative Agreement (DAN-1135-A-00-4068-00), is a project of the United States Agency for International Development, Office of Rural and Institutional Development, Bureau of Science and Technology.

The views and interpretations in this report are those of the principal investigators and should not be attributed to the United States Agency for International Development, or to any other institution that has supported this work.

The Uganda Market Towns Study was jointly funded by USAID/Kampala and USAID/RHUDO/ESA on behalf of the Government of Uganda, and was carried out between mid-October and mid-November, 1989.

The study was designed and executed through the Settlement and Resource Systems Analysis (SARSA) Cooperative Agreement, in which Clark University, the Institute for Development Anthropology, and Virginia Polytechnic Institute and State University participate. SARSA is a project of A.I.D.'s Bureau for Science and Technology, Office of Rural and Institutional Development, Division of Regional and Resource Development. The SARSA project concentrates on issues related to rural regional income generation and natural resource management, and over the years has carried out research projects exploring various aspects of the market town area development process.

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## **Executive Summary**

### **Market Towns in Uganda: Recovery and Development**

1. The study was designed and executed by Virginia Polytechnic Institute and State University under the in SARSA Cooperative Agreement with the United States Agency for International Development and was carried out during four weeks in October and November 1989.
2. The purpose of the study was to identify and promote measures through which Uganda's market towns can fulfill their potential of improving the quality of life for Uganda's citizens.
3. The study was initiated as a result of requests from USAID/Kampala and USAID/RHUDO/ESA on behalf of the Government of Uganda. Agencies of the Government of Uganda suggested several market towns for study. The two study towns, Kayunga and Wobulenzi, were selected on the bases of the ability to carry out the study in the short time available and the degree to which the study towns were representative of Uganda's market towns.
4. During the study, surveys were conducted of town business establishments, agricultural traders and transporters, and farm households. An inventory of functions and facilities was conducted in each of the towns. Also, the researchers traveled the southern, western, and eastern parts of the country to observe market town operations.
5. During and since the early 1970's Uganda's economy went from being one of the healthiest and most promising in sub-Sahara Africa to one of the worst.
6. Most of Uganda's population lives within about 150 kilometers of Kampala, especially to the north and east. Also included in this area is the old British capitol of Entebbe to the south. Uganda's major airport is located at Entebbe. A number of medium-sized cities and towns serve the population in this area, along with numerous market towns. Small market towns serve the rest of the country.
7. Because of extremely high inflation in Uganda money values at any point in time have little meaning. As a result, survey instruments were structured, and information is presented, in terms of proportions or ordinal measures rather than money values.
8. The market towns of Wobulenzi and Kayunga are not too far apart geographically, but are different in terms of history, particularly their recent history, and current circumstances.

Wobulenzi was the center or certainly near the center of the fighting in the mid-1960s, and still shows some physical scars of the warring and people in the area often spoke of the impact of the warring on their lives. Wobulenzi's population is estimated to be approximately 2,800, but it serves an estimated 158,000 people. It is in the center of, and certainly important for, the commerce of the Luwero Triangle in the central part of southern Uganda.

Kayunga is a somewhat larger area, 5,300 people, serving a nearby population of 207,000. The town itself grew from four sheet-metal buildings housing four Asian families in 1940 to its prominence today. At one time it was the last point in its direction reached by an all-weather road, and it was necessary to go through Kayunga to travel between Jinja, Uganda's second largest city, and Kampala.

9. The principal findings that emerge from the study of the two market towns are:

- The economics of cash crops is such that there is less concentration by farm households on cash crops than on subsistence crops.
- Coffee is by far the most important cash crop, and coffee prices are low.
- Farm family incomes are low and regional "base income"--income from exports from the region--is low.
- Vehicle repairs and other roadside services are sources of export income and important in market town economies.
- Market towns are only marginally involved in activities related to onward or extractive marketing of agricultural commodities from their surrounding areas.
- Agricultural-specific inputs such as pesticides and fertilizers are supplied through market towns but demand for these products is depressed at the current time.
- Market towns supply a wide variety and substantial quantity of other farm inputs in the form of services whose availability and quality are enhanced by non-agricultural commerce as well.
- Market towns are important wholesale suppliers for rural and village shops.
- The major economic function of the market towns is the supply of consumer goods and services, both locally produced and brought in from outside their service areas. The largest part of these consumer goods and services is supplied by local household-firms.

- Market towns are important outlets for local agricultural produce, perhaps more important at this time than markets outside the market town areas.
- Local businesses are generally owned locally.
- Market towns are important as nearby locations for non-agricultural investment and employment opportunities for farm households.
- Many, perhaps most, households in the market town areas, including farm households, conduct their business affairs as household-firms and as diversified businesses. They operate in multiple sectors, multiple sub-sectors, and in both farm and town or village locations, regardless of the place of residence.
- The market towns offer a wide array of consumer goods and services, both locally produced and brought in from outside the region. The diversity of goods and services available is larger where the market and overall level of economic activity are greater.
- The principal locally-produced goods sold in the market towns are agricultural products. Most of the services supplied in the towns are labor services. Most of the open-air and market stall--informal sector--businesses deal in local goods and services.
- The market towns have large numbers of open-air and market stall small businesses.
- Substantial numbers of existing firms in the market towns, especially smaller enterprises, have been established in the past 3 to 5 years.
- Considerable investment over the years has been made in both farm and town enterprises, with marginal resort to formal credit facilities. Depositor services may be as important to future investments as credit services.
- The principal market for the towns is the households in the hinterland. Overall level of economic activity in the market towns may be constrained because: a) the poor condition of farm-to-town roads makes costs of getting to town very high, and b) farm household incomes are low and purchases are made in small quantities on a day-to-day basis. Both factors favor purchases from nearby village shops rather than in town.
- Infrastructure deficiencies in the market towns raise the cost of doing business and thus constrain economic activity and development.

- There is very low level of government management and administrative capacity in general in the market towns. There is virtually no active support by government of business development.
- Expectations of government reconstruction assistance, especially in the Wobulenzi area, may be serving to dampen self-reliance and self-help initiatives, particularly collective action.

10. Meaning to the findings is found in the economics concepts of regional basic income, economic multipliers, economics of agglomeration, economic diversification and portfolio management, and the marketing functions of assembly, sorting, bulking, debulking, and assorting.

11. Following are the relative overall priorities of interventions for Wobulenzi and Kayunga, and for towns throughout Uganda.

- 1) Strengthen local public management.
- 2) Farm-town infrastructure (roads and transportation fleet);
- 3) Measures to foster, encourage, and support the local private sectors directly; and
- 4) Internal market town infrastructure.

12. Specific interventions for Wobulenzi and Kayunga include, a) instigation of a town council policy stance favorable to business, b) business management and entrepreneurship training for local businesses, c) investment and improvement of town streets and roads, and d) provision of secure lockups near town centers for small, open-air businesses.

13. The report recommends a national Market Town Development Program to address the recommended intervention priorities from 11 above. Recommendations for interventions implemented at the national level include:

- capacity building in local government;
- improvement of rural roads;
- improvement of bicycles;
- review of laws and administrative practice affecting local and interregional business;
- improved deposit services in towns and rural areas;
- promotion of private sector involvement in export marketing of agricultural products from Uganda; and
- market town and rural area development research support.

Recommendations for interventions nationally supported and locally implemented are:

- increasing local government capacity to take local initiatives;
- instigation of local policies and practices favorable to all local businesses, particularly the informal sector;
- business development training programs;
- business and transportation coordination; and
- town infrastructure and services;

# UGANDA MARKET TOWNS STUDY

## Chapter 1. Introduction

### A. Purpose

Uganda today is the twelfth poorest country in the world. Its per capita income of \$230 in 1986 represented an average annual decline of 2.6 percent over the previous 21 years. The political and social turbulence that brought with it widespread physical destruction, institutional erosion, and economic deterioration during most of those years is well known.

Uganda's economy is today even more heavily dependent on agriculture than in the past. The agricultural sector is the source of 65 percent of Uganda's GNP and 60 percent of government revenues. Moreover, 90 percent of the population resides in rural areas where agriculture directly or indirectly accounts for the majority of household income. Eighty percent of the national labor force is engaged directly in agricultural production or in agricultural businesses.

The present government has undertaken measures resulting in impressive economic gains as a result of relative political stability and security over the past three years. Uganda's extremely low per capita income suggests, however, that in addition to programs aimed at rehabilitation and accelerated production, explicit programs may be needed that address the expansion of employment and income.

Until the early 1970s Uganda possessed an efficient and growing market town system that served increasingly as a dynamic mechanism for converting agricultural potential into widespread, expanding, and broad-based enterprise and employment opportunities. A healthy system of market towns does this by providing critical types of economic functions within relatively easy reach of farm households. The functions frequently provided by market towns include:

- structuring market networks for collection, assembly, processing, and onward sale of agricultural commodities;
- producing and distributing farm and agricultural marketing inputs;
- supplying consumer goods and services to households in the region;
- other economic functions that the surrounding rural area will support; and
- a locus of some government administrative functions beyond administration of the town itself, that also serve the region.

As farm households prosper, market town functions expand, leading to economies of agglomeration that foster an even broader array of economic activities. The process by which farms and towns each support development of the other by serving as ever-expanding markets and suppliers for each other is the most fundamental dynamic of rural development in areas where household farming predominates.

The process of rural development in such areas is first halted then reversed when growth of the agricultural base, the market town or both is undermined. Like other urban areas in Uganda, market towns were not spared the devastation of the past two decades. Today Uganda's market towns are crippled by a deteriorated infrastructure, limited administrative authority, ineffective planning and management, low revenue generating capacity, insufficient resources, and an underdeveloped private sector.

This report provides suggestions for revitalizing Uganda's market town system. The field study reflected in the report was brief and concentrated on only two market town areas. Accordingly its principal objectives were modest:

- to assess the current and longer-term role of market towns in the economic development of their regions, especially in terms of opportunities for private sector expansion, and to suggest priorities for interventions to facilitate that expansion --based on two study cases;
- to identify specific development intervention opportunities for two pilot market towns based on their unique characteristics and those of their surrounding areas;
- to recommend, for consideration by the Government of Uganda, the outlines of a program for market town area development that can be submitted to international assistance agencies for funding.

Thus, the ultimate purpose of this effort was to identify and promote measures through which Uganda's market towns can fulfill their potential. That potential includes: to support agricultural expansion; to provide the environment and stimulus for a rapidly growing non-farm private sector; to contribute to an orderly and productive national urbanization process; to multiply employment and income earning opportunities in rural areas; and to play a major role in national economic recovery and growth.

## **B. Method**

The study team was at work in Uganda for approximately four weeks, of which about two weeks were available for field surveys in the selected market town areas.

The team was provided with a list of five candidate market towns. After two days of site visits, two of these were selected for the pilot study. The criteria for candidate market towns included that they:

- be located in areas of significant agricultural potential;
- have large agricultural populations in their hinterlands;
- be well connected by road to other urban centers;
- have active private sectors; and
- have demonstrated comparative advantages as market centers for their areas.

In selecting the two towns and their surrounding areas for study, the study team imposed additional criteria. These included that the towns:

- be within reasonable proximity of Kampala, so they could be visited during the two days available for initial site visits and so the research teams studying separate towns could assemble frequently to compare notes;
- be in different Districts, have different overall characteristics, and be neither booming nor in early stages of post-hostilities recovery, so they offer a better basis for generalized observations;
- be small enough to study in depth in the brief period available, yet large enough to be clearly significant in their regions; and
- have surrounding areas dominated by smallholder production, so farm-with-town interactions would reflect broad-based economic markets.

Wobulenzi and Kayunga (the latter encompassing also the crossroads town of Bukoloto) were selected as the pilot market town study areas. The two market town areas were studied simultaneously by separate field teams. Different types of specialists participated in each field team at different times. This, and almost daily meetings among members of the teams, enabled the research in both places to benefit from the full range of disciplines and experience available. Field surveys attempted to cover virtually all types of business in the towns with some additional special emphasis on those businesses that served agricultural marketing. Field surveys included:

- an inventory of town functions and facilities;
- a survey of fixed business establishments;
- a survey of market stall and open air enterprises;

- a survey of agricultural traders;
- a survey of transporters; and
- a survey of farm households.

The emphasis in the survey work was on characterizing the linkages between market town enterprises and farm households engaged in producing the major agricultural commodities of the region. Put otherwise, the emphasis was on the production and farm-town trade through which income is generated and multiplied in the market town area.

More than 300 interviews were conducted in and around each of the towns, as the breakdown among surveys below indicates. The time and resources committed to the study prevented the development of a formal, statistically valid sampling frame and samples. The survey strategy was to carry out enough interviews of the respective groups to reinforce other observations and to provide some basic trends. Because of the limited statistical validity of the sample and the problem with money values discussed below, questions were mostly asked in qualitative rather than quantitative terms.

<u>Survey</u>	<u>Number of Interviews</u>	
	<u>Wobulenzi</u>	<u>Kayunga</u>
Businesses in fixed establishments	52	45
Open air and market stall businesses	30	53
Transporters	11	24
Agricultural traders	18	18
Farm households	<u>199</u>	<u>171</u>
Totals	310	311

Field staff from the Department of Agriculture in the respective towns were hired and trained to administer the respective survey instruments. The survey results were tabulated and analyzed during the period of the study in Uganda. The results of this analysis were compared and combined with comments of survey respondents and with field observations of the researchers to determine opportunities for interventions that would stimulate further agricultural production, further farm-town trade and further development in the region.

Because the potential and regrowth of the market towns is primarily in the capacity of the private sector to respond to markets and to economic opportunity, the major focus of the study is on the condition of the private sector and the impediments it faces. However, the recommendations of the study are for public interventions -- public policy and programs -- and so the focus in those sections of the report are heavily on the roles of government and its capacity to perform them.

### **C. Structure of this Report**

The next chapter of this report provides a brief review of the unique Uganda development context. This material is included for the benefit of readers not familiar with the special context of recovery and development in Uganda today.

Chapters 3, 4, 5, 6, and 7 provide descriptions and analyses of the Wobulenzi and Kayunga market town areas based on the field survey work. These chapters discuss the market town functions of agricultural marketing, agricultural input supply, consumer goods supply and other public and private sector economic activities in turn as performed by the two study market towns. Chapter 8 summarizes the findings for the two study towns and recommends specific interventions for them.

Chapter 9 proposes a national market town development program based on the previous chapter's findings. It provides observations on the current status and future potential of market towns in Uganda derived from the two case studies, and general priorities for market town interventions that the program seeks to address.

Appendices 1, 2, 3, and 4 contain tables displaying the tabulated findings of the field surveys with regard to farm households, agricultural marketing channels, facilities and services in the market towns, and town businesses, respectively. Appendix 5 contains reproductions of the survey instruments.

### **D. A Word About Money Values**

In the past two-and-a-half years Uganda has undertaken numerous currency adjustments. These have included introduction of New Uganda shillings at 1/100 the value of the former currency and a series of devaluations totalling a 2,300% decline in the official value of the new shilling against the U.S. dollar. In the past 12 months the Uganda shilling has been officially devalued nearly 130%. During the market town study a 70% devaluation to an official exchange rate of UShs.340 = \$1.00 took place.

These currency adjustments have been accompanied by fiscal and regulated price adjustments which, in combination with world market forces, have also yielded considerable fluctuations in relative prices of goods. Moreover, the prices of many commodities are governed by a parallel exchange rate that fluctuates daily. At the same time payments for many types of production and services are governed by the fixed official exchange rate, and still others are governed by mechanisms directly responsive to neither.

In general, survey questions that require respondents to provide money value estimates do not yield reliable information, especially when a brief period of field work precludes employing verification techniques. The study team concluded there

was no ready way to attach useful meaning to the money values provided. As a result, survey instruments were structured, and information is presented in this report, in terms of proportions or ordinal measures rather than money values.

## **Chapter 2. The Uganda Development Context**

### **A. The National Economy: Past and Present**

In the early 1960s, Uganda's economy was considered the healthiest and most promising among the sub-Saharan countries of Africa gaining independence at that time. By the end of the 1960s the country had achieved a sound economy based on internal, regional, and overseas trade. The agricultural sector provided national food self-sufficiency, inputs for several agricultural processing industries, and exports to neighboring countries and overseas. Uganda was the third largest coffee producer in the world, ranked sixth in cotton production, and was also a major producer of tea and tobacco. Coffee, cotton, tea, and tobacco accounted for 90% of foreign exchange earnings at the turn of the decade.

The expanding industrial sector served domestic intermediate and final markets, and was expanding its exports of textiles and other goods. There was an excellent infrastructure of communications facilities and road, rail, and lake transport installations and equipment. The large scale hydro-power plant at the Owen Falls dam in Jinja was another major asset. Uganda's income per capita rose by 2.5% per year between 1963 and 1970, and its GNP grew at twice that rate over the same period.

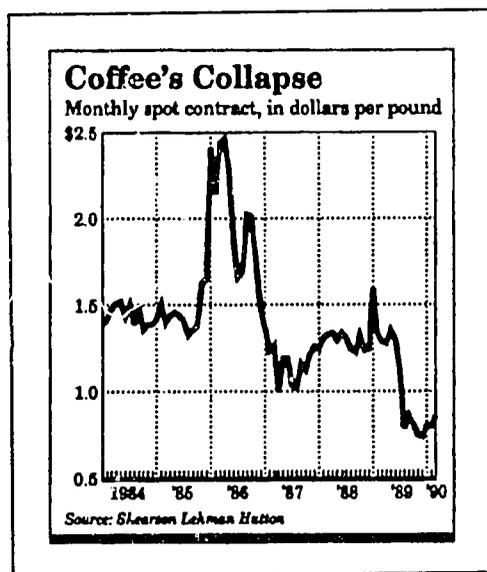
A long-term social, physical, and economic decline began in Uganda in 1971 with the military takeover of Idi Amin in January of that year. Amin's leadership ushered in an era of human rights violations, capricious policies, race-based expulsions, economic neglect, squandering of foreign exchange, high levels of military expenditure, breakdown of law, abandonment of public sector responsibility, and war. That era, which brought with it negative annual rates of growth sometimes reaching nearly -10% in certain sectors, extended without respite until 1986. Some of its characteristics linger still. Its consequences haunt Uganda's recovery and development efforts today.

The era of turbulence left Uganda with a shattered industrial plant, minimal commercial facilities, and deteriorated infrastructure. The agricultural sector suffered severely, partly owing to the overall economic regression and partly as a direct consequence of war-related destruction in highly productive agricultural zones. In the area known as the Lower Triangle, for example, there was widespread destruction of farm property and human life. As a consequence, many farms or portions of farms were abandoned and quickly reverted to forest, often after nearly a century of productive use.

Starting in 1971, and over the following decade and a half, large numbers of Ugandans (estimates range between 500,000 and 1,000,000) fled into voluntary exile.

Included among them were the most educated and talented of the population -- those who stood the best chance of creating successful new lives for themselves elsewhere. In 1972 Uganda's Asian and European communities, then the backbone of its entrepreneurial class, were expelled on short notice. The impacts of these emigrations were reinforced by internal conditions that discouraged entrepreneurship and forced the creative energies of most of the population into basic survival. The result is a legacy severely deficient not only in investment resources, but as well in investment skills and overall entrepreneurial know-how.

The severe contraction in Uganda's export base over the past 20 years, combined with declining terms of trade in coffee, its single remaining major export, has left the country with a heavy foreign debt burden just when heavy imports of capital goods are essential to reconstruct its productive base. Presently, coffee accounts for 95% of Uganda's foreign exchange earnings. The country realized only 36% of planned coffee revenues in 1988 due to a precipitous decline in world prices that was worse in 1989. There are no signs of significant price recovery in the foreseeable future. It is estimated that outstanding foreign debt amounts to 350% of export earnings, and that Uganda spends about 60% of its export earnings to service that debt.



Source: The Wall Street Journal February 14, 1990.

The events of the past, their impact on Uganda's present situation, and the government's efforts to deal with those impacts have created severe monetary instability. Those problems are expressed in the form of unpredictable operative

exchange rates, rapid inflation, and fluctuating relative prices. Uganda has a fixed official exchange rate that must periodically be adjusted downward because of the high rate of inflation (see the last section of the previous chapter). The high rate of inflation is engendered by many things in the society. These include defense requirements, low levels of production associated with war damage, insufficient foreign exchange to import needed capital goods, transport bottlenecks, and expansion of domestic credit.

This has spawned a widespread parallel currency market available to virtually anyone with hard currency. This results in further instabilities in the economy. In October 1989, just prior to the most recent official devaluation, the parallel market rate was three times the official rate. In the weeks after the devaluation, it was less than twice the official rate, but climbing overall. The devaluation was accompanied by special adjustments in the controlled prices of some goods that altered their terms of trade with other goods. This was an effort to ease the inflationary impact on the prices of certain goods and reduce the foreign exchange drain associated with others. The most recent previous monetary jolt had occurred just several months earlier.

All of this undermines entrepreneurial incentive and deters investment. Investment, however, is also deterred by other factors. The memory of two decades of turbulence, reinforced visually by the common sight of the hulk of an abandoned facility, has made both domestic and foreign investors particularly reluctant to sink capital into large or even medium scale fixed assets. Moreover, most fixed assets owned by expelled former residents of Uganda are now in the care of the Abandoned Properties Custodian Board, with legal title unable to pass to new hands. Until unclouded title can be obtained, potential and current users of these assets are reluctant to invest in improvement or rehabilitation. This has rendered most of these properties unproductive or under-productive, and often they remain unmaintained and rapidly degenerating.

Despite recent favorable GNP growth, living standards continue to decline in Uganda, most severely for fixed income earners. As a result, many employees, especially those in public service, are forced to depend more and more on outside activities to make ends meet for themselves and their families. This has the effect of further reducing productivity and of undermining efficiency, effectiveness, and responsiveness of the very institutions upon which broad-based recovery and development depend.

Against this backdrop the current government is attempting to accelerate recovery and development. It is trying to create an environment conducive to private sector expansion, to move toward a more market-based economy, and to encourage trade. To this end many initiatives have been taken and many more are being formulated. A sampling of these includes:

- import, foreign exchange, and price policies aimed at broadening the base of both traditional and non-traditional agricultural exports as well as crops for domestic consumption;
- programs to increase the availability and quality of farm inputs;
- rehabilitation of selected highways;
- reform of the composition and performance standards of the military establishment, and other efforts at national reconciliation and stabilization;
- drafting of an investment protection act aimed at increasing investor confidence;
- measures such as creation of the Resistance Council system aimed at decentralizing administration and giving more voice to local perceptions of need;
- efforts to expand the commercial vehicle fleet and railway rolling stock, and strengthen transport sector institutions;
- programs to rehabilitate industries producing essential commodities;
- programs to rehabilitate public utilities, especially electricity and water.

These and related initiatives have already begun to yield production gains. Perhaps even more important, the actions of the current government, combined with the encouraging signs of economic progress, have given many Ugandans reason to be more hopeful than in the recent past. This slowly but steadily spreading confidence in the future is itself a powerful force for accelerating recovery and development.

## **B. Market Towns: Past and Present**

Uganda's market towns are part of an overall pattern of urban development in the country that, while still very much recovering from the regressive effects of the past two decades, is essentially a legacy of the colonial period. The British established Entebbe as the colonial capital, and struck out from there to exploit the agricultural and industrial resources of their colony. After independence, the capital was shifted to Kampala, some 20 miles to the north. Beyond that, the colonial spatial pattern remained more or less intact.

Most of the urban population lives within about 150 kilometers of Kampala, especially to the north and east (plus Entebbe to the south). This area encompasses

secondary cities such as Mukono and Jinja in the industrial heartland that stretches eastward to the Owen Falls hydroelectric facility. It includes large towns such as Mityana to the west and Iganga to the northeast with economic bases closely tied to agriculture-related activities, and many market towns and smaller urbanized settlements.

As one goes beyond the 150 kilometer radius, distances between settlements are greater, settlement sizes are smaller, and levels of economic activity in the settlements are more subdued. Settlement under colonial control moved out gradually from the larger urban centers as pests and other conditions of hardship were conquered. Settled areas were increasingly sparse as land suitable for coffee, tea, and other preferred colonial export crops diminished. This history and geography, as well as the state of conflict and degree of recovery, is reflected in the few vigorous market towns and other urban centers to be found in the farther reaches of the country today.

However, in the east, in the vicinity of the railroad and the Kenya border, the level of urbanization and economic activity is greater than elsewhere outside the 150 kilometer radius. This is because of better transportation linkages, cross-border trade, and better soil and water resources than in most other areas. In more distant areas such as the far northeast, north, and west, agro-climatic conditions lend themselves to more extensive farming and ranching pursuits and have relatively fewer people in settlements.

In sum, market towns in Uganda now reflect a combination of influences: the colonial legacy, agro-climatic conditions, agricultural comparative advantages, transportation and trade advantages, the level of past (and in some cases, present) hostilities, and the amount of time that has elapsed since cessation of hostilities. The two market towns examined in this study are both in the favored zone within 150 kilometers of Kampala.

During the colonial period networks of towns, often based on pre-colonial trading centers, were developed for administrative purposes and to serve the needs of cash crop agriculture and the people engaged in it. Basic infrastructure and social services were introduced in the towns, and marketing boards and farmer cooperatives established facilities there.

In time, with expansion and deepening of the commercial economy, these towns came to serve a wide variety of additional economic functions. Expansion of the economic functions of market towns was accompanied by their expanding roles as administrative and public service centers as well. Post offices, telephone services, police stations, schools, churches, dispensaries or hospitals, water supply systems, sanitation services, and administrative offices of a growing colonial bureaucracy were all common features of market towns.

Private sector services also, such as cinemas, banks, hotels, bars, restaurants, machinery repair, personal services, and so on catered to a growing and increasingly commercialized clientele. In due course market towns developed sufficient economic mass so that their populations became a significant market for food crops grown in the area, and the towns naturally came to serve as regional centers of social interaction as well.

The effects of destruction, deterioration, and economic regression seen throughout the country are evident as well in Uganda's market towns and rural regions. Public institutions are flaccid, public infrastructure is deteriorated, private infrastructure is under-utilized, local government is hobbled by inadequate resources and technical capacity. The prevailing atmosphere in market towns, as it is in their surrounding farmlands where the priority goes to subsistence rather than to commercial agriculture, is more one of managing from day to day than of entrepreneurial vibrancy.

While market towns in Uganda perform some of the same functions today that they may have in the past, they do so with much lower efficiency and on a scale that is far reduced. Further, some of the functions that may have been provided by the towns in the past, are no longer as important in those locations today. Levels of output for many marketed crops in market town hinterlands is lower than in the past, and agriculture's terms of trade with manufactured consumer goods have been steadily worsening.

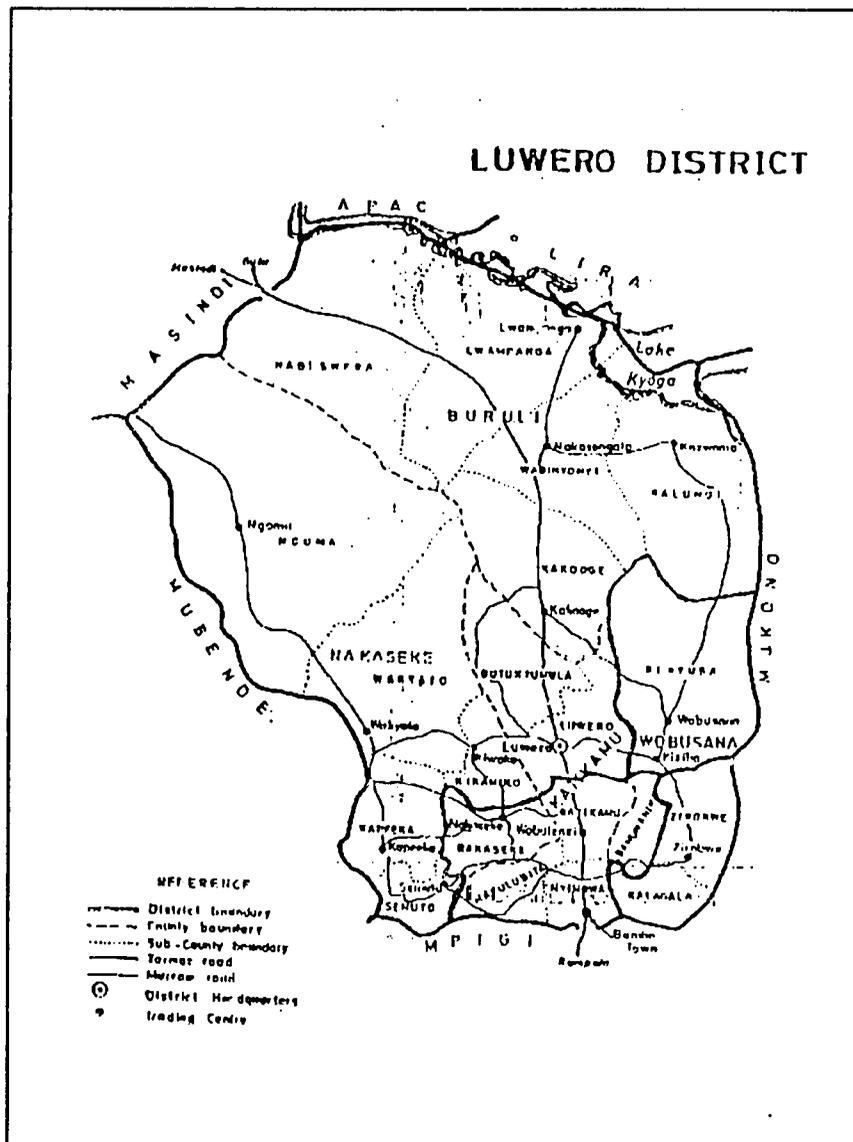
The forces of early colonial development and of subsequent destruction and stagnation are forces that swept the nation. Similarly, the major forces that will lead to the recovery of the market towns will be national in their scope and influence. It will be important for the private sector in each of Uganda's market towns, assisted by the local public sector, to be in a position to take advantage of every favorable change that emerges as Uganda rebuilds its economy and its society. This is the context in which this study was carried out and in which its recommendations are made.

## Chapter 3. Wobulenzi and Kayunga Market Towns and Their Areas.

### A. Wobulenzi

#### 1. The Town and Its Hinterland

Wobulenzi is the largest town in what is referred to as the Luwero Triangle. Some of the fiercest fighting during the first half of the 1980s took place in the surrounding area, and as a result considerable devastation was suffered there. Wobulenzi is situated about 30 miles north of Kampala on the Kampala-Gulu road, and services the sub-counties of Katikamu, Nakaseke, Makulubita, Nyimbwa, Bamunanika, and Kikyusa. Its hinterland lies within an average radius of about 15 miles.



Census figures show the population of the town of Wobulenzi to have been 2,782 in 1980. The population of the Wobulenzi area, including Wobulenzi town and its six sub-counties was about 158,000 in 1980, and is estimated by local officials to be about 199,000 at present. The following table summarizes 1980 census figures for the six sub-counties of the area.

#### 1980 Population

<u>Sub-County</u>	<u>Male</u>	<u>Female</u>	<u>Total</u>
Katikamu	14904	14977	29881
Nakaseke	17226	16650	33876
Makulubita	10705	10409	21114
Nyimbwa	11597	10823	22420
Bamunanika	7921	7615	15536
Kikyusa	<u>17989</u>	<u>17101</u>	<u>35090</u>
Total	80342	77575	157917

Wobulenzi's situation on the tarmac road that continues far north to Gulu offers the town the potential to benefit from being on a primary national transportation corridor. However, there are several other towns along this corridor over which Wobulenzi at present has limited comparative commercial advantage. The bulk of its current economic activity appears to be associated with the people of its own agricultural hinterland.

Soils in the vicinity of Wobulenzi are mainly sandy clay loams and sandy loams. There are two rainy seasons, from March to May and from August to November. The average monthly rainfall varies from 62 to 136 millimeters. Small scale producers of crops and livestock predominate in the area, with slight variations in the importance of different crops in each sub-county. Livestock are kept, but do not count among the major commercial farming activities, which generally include crops of an intensive nature. The principal farm commodities produced in the area are beans, cassava, coffee, maize, and bananas.

#### SIZE OF FARMS

<u>Number of Acres</u>	<u>Number of Farms</u>	<u>Percent of Total</u>
Fewer than 2	16	8
2-5	79	40
6-10	58	29
11-20	28	14
21-40	10	5
More than 40	<u>8</u>	<u>4</u>
Total	199	100

Farms in the Wobulenzi area are small as the table above for the 199 surveyed farms indicates.

The Wobulenzi area suffered considerable destruction during the war years, as well as the physical and economic deterioration associated with two decades of turbulence. As a result there is considerable farm acreage that after a few years of neglect has returned to forest and now represents a potential resource for expanded agricultural production.

## 2. The Town Economy

### Overview

The Wobulenzi town inventory (details in Appendix 3) suggests an ample variety of economic activities. A clue to the general level of business activity and competition is provided by the preponderance of general merchandise retailing stores.

These stores are usually small, with a smattering of various goods, milled grains, spices, soaps and detergents, ghee, ground nuts, saucepans, sisal ropes, baskets, eggs, and so on. Most had the same merchandise presented in the same fashion at the same prices. There was little apparent attempt to differentiate one retail store from another or to compete for customers in any way, though that may occur in ways that were not apparent to the study team. The development literature reports that such things as personal service, credit, accuracy of scales and interpersonal relationships are sometimes the basis of retail firm differentiation in some Third World settings and that may be the case in these towns.

### Businesses in Fixed Establishments

Fifty-two businesses in fixed establishment were surveyed, selected from every commercial street in Wobulenzi and, to the extent possible, from each category of business found there. The businesses surveyed are reported in the following table.

#### Businesses in Fixed Establishments Surveyed

<u>Type of Business</u>	<u>Percent of Sample</u>
Retail Store	48
Service Establishment	29
Wholesale & Retail Combined	8
Others--combinations of above	<u>15</u>
Total	100

Nearly half the surveyed owners of businesses in fixed establishments live in space behind the shop. More than a quarter live elsewhere in Wobulenzi, and the final quarter live outside the town. Observation and interviews suggest that some of the shop owners who live on the premises are not serious merchants, but are renting living quarters that happen to have a shop in the front.

The following table shows the number of years the surveyed businesses have reportedly been in operation. Nearly 55% of these businesses are five or fewer years old, and nearly a quarter have been started in the past two years. Reports of the length of time businesses have been owned by the present owners closely matched the pattern of the number of years the businesses had been in operation, suggesting that businesses do not change hands as going concerns.

Years Business in Operation

<u>Number of Years</u>	<u>Percent of Sample</u>
Fewer than 2	23
2 - 5	31
6 -10	19
11-20	19
21-30	<u>8</u>
Total	100

The operators of these businesses have made a substantial investment in the economy of Wobulenzi in terms of both working capital and property. In 61% of the businesses in fixed establishments, the owners own other businesses as well. Three quarters of these other businesses are farms or livestock operations of some sort. The other quarter encompasses a wide variety of enterprises. About 35% of the business owners own the building from which the business operates. About half of all building owners also own other buildings. In 77% of the cases where the building is rented by the business operator, the landlord resides in Wobulenzi or is a farmer in its hinterland.

Two-thirds of all buildings owned by the fixed businesses surveyed were purchased from business profits or from savings from other work. Only seven percent were financed through a bank or other financial institution.

Businesses in fixed establishments reported employing between two and ten people in full-time equivalents, with a median of two. This implies a total of 452 full-time equivalent jobs, including owners, in businesses in fixed establishments in Wobulenzi. This figure bespeaks a level of activity among these businesses that is rather low.

Operators of businesses in fixed establishments indicated that the problems hindering "operation, profitability, and expansion" of their businesses most were of two principle kinds: lack of funds for investment and working capital, and a lack of demand. Clearly the latter is related to the generally depressed incomes of farm households as a result of depressed prices for coffee and other agricultural commodities and of reduced off-farm earning potentials.

### **Open Air and Market Stall Businesses**

Twenty-nine open air and market stall vendors in Wobulenzi were surveyed during the study. One third of these operated in the open air and two-thirds operated out of market stalls, selling primarily fresh produce and associated commodities such as smoked fish, small household articles, and snacks. Many of these operators are also farmers who sell their produce directly to final consumers at higher prices than they could get otherwise. About 55% of these operations employ only the owner; 31% employ an additional worker, and 14% employ two or more additional workers. Based on the sample surveyed, employment in Wobulenzi in this type of vending is not nearly as significant as employment in fixed establishments.

In response to questions about their problems, several concerns were prominent. A major problem for these vendors is a lack of overnight storage facilities. Many indicated they must transport unsold merchandise back to their homes each night, resulting in greater risk and higher effective costs of operation, as well as other inefficiencies. Market stall vendors also complained of "illegal" or non-tax or fee paying open air sellers outside the established marketplaces.

Many of the open air and market stall operators aspire to have more permanent operations in fixed establishments. Some operators in fixed establishments indicated that they had once been open air vendors.

### **3. Concluding Observations on Wobulenzi**

The recent history of destruction in the Luwero Triangle, including much of the area served by Wobulenzi, appeared to be a dominant influence on the thinking and behavior of people in the Wobulenzi area. In addition to the impacts on the agriculture of the region, other aspects of the economy, specifically privately owned establishments and infrastructure, were directly affected.

Farmers and townspeople constantly told of their great personal and property losses and of their sense that they are deserving of special help from the government and any foreign donor. It is possible that this pervasive sense of being owed by Government inhibits local initiative for self improvement and self help.

## B. The Kayunga Market Town Area

### 1. The Town and Its Hinterland

Kayunga, located 40 miles northeast of Kampala, is situated on a short tarmac spur off a main road linking Kampala with Jinja and points north and east. The tarmac spur continues as a murrum (lateritic dirt) road north to Galiraya at Lake Kyoga. Kayunga's satellite town of Bukoloto is located at the juncture of the spur and the main road. Kayunga-Bukoloto, as well as serving as a market town for its own hinterland, benefits to some degree from its location for trucks carrying commodities destined for either Kampala or Jinja and points beyond, or going the other way. It benefits also from the market and transportation service advantages of its crossroads location.

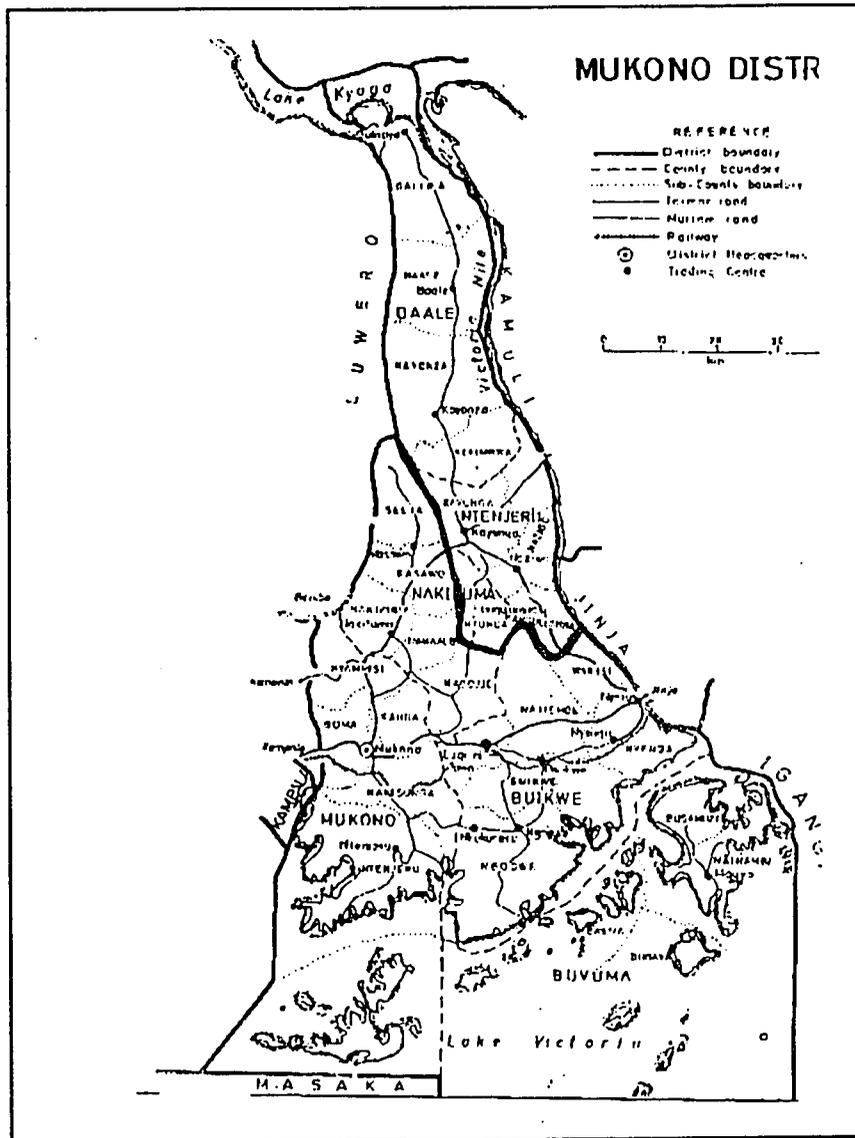
The Kayunga market town hinterland is bounded by the Nile river to the east and the Ssezibwa river to the west, and runs from the Mabira Forest in the south to Lake Kyoga in the north; thus, the area is about 20 miles wide and 50 miles long.

Census figures show the population of the town of Kayunga to have been 5,257 in 1980. The population of the Kayunga area, including nine sub-counties, was about 207,000 in 1980, and is estimated by local officials to be considerably more today. The following table summarizes 1980 census figures for the sub-counties comprising the market town area.

#### 1980 Population

<u>Sub-County</u>	<u>Male</u>	<u>Female</u>	<u>Total</u>
Kayunga	19885	19967	39852
Nazigo	13127	12694	25821
Kangulumira	13244	13252	26496
Ntunda	6536	5682	12218
Galiraya	4121	2879	7000
Baale	2919	2658	5577
Kitimbwa	12766	12472	25238
Busana	16763	17300	34063
Kayonza	<u>15599</u>	<u>15147</u>	<u>30746</u>
Total	104960	102078	207038

The Kayunga area encompasses two principal agricultural zones, a part of southern Uganda's "Fertile Crescent" in the south and a limited rainfall zone in the north, and a third zone which is transitional between the other two. Agricultural productivity and population density follow soil quality and rainfall patterns from south to north.



The area is dominated numerically (both numbers of people and numbers of farms) by smallholders producing the following principal commodities: cassava, coffee, bananas, beans, maize, and sweet potatoes. Territorially, however, larger farms/ranches concentrating on livestock production predominate. The importance of livestock in the area is inversely related to land suitability for crop production.

The size distribution of the surveyed farms reflects the number of larger farms and large ranches in the drier northern region served by Kayunga.

Large scale development did not take place in the Kayunga area until eradication of the "mbwa" and tsetse flies in the late 1940s. At that time the land was opened for settlement and there was an influx of settlers. Most new arrivals

came from the heavily populated areas of Buganda, particularly Bulemezi (Luwero District), Busoga, and Tororo District in Eastern Uganda.

#### Size Distribution of Farms Surveyed

<u>Acres</u>	<u>Number of Farms</u>	<u>Percent of Farms</u>
2 or fewer	17	10
2+ - 5	50	29
5+ - 10	29	17
10+ - 20	19	11
20+ - 40	12	7
> 40	<u>44</u>	<u>26</u>
Total	171	100

The period of 1950 to 1975 was a period of rapid economic development. Most of this development was in the rural areas, and depended on the production of several cash crops that came into prominence in succession.

The first of main period was for cotton and maize from the late 1940s to 1960. Cotton was grown throughout the area as the main cash crop. It was particularly important for the drier areas of north Kayonza, Kitimbwa, Baale, and Galiraya where no other cash crop would grow. Maize was frequently inter-planted with the cotton and was a complimentary source of cash. Maize was also grown on a large scale in Kangulumira and Nazigo sub-counties during the same period.

The second major cash cropping period was for bananas, from about 1955 to 1965. This crop was particularly attractive because of its role as a staple. A study of food supplies for Kampala City in 1967/8 reveals that over 32% of the total banana supply to the city came from Kayunga, Nazigo, Kangulumira, and Ntunda sub-counties.

The third main cropping period was for coffee, during the period 1960 to 1975. By the end of 1970 all available land in the southern parts of the region had been planted with coffee, but plantings of coffee were also attempted in the unsuitable areas of Kayonza and even Baale. The rise in coffee production following the maturing of the new coffee plantings, and their direct competition with bananas, led to a decline in banana production to such an extent that by 1975 bananas were no longer a major cash crop of the region.

Other cash crops and farm enterprises have come to the fore since 1975, following the near collapse of the cotton and coffee marketing systems as a result of Idi Amin's "Economic War." Among the new enterprises are horticultural crops, especially pineapples and tomatoes, livestock products, and other food crops such as

cassava and beans. The latter are particularly important for the dry parts of Kayonza, Baale and Galiraya where the cotton previously grown had been the only source of cash. An important characteristic of the new farm enterprises and crops is that the commodities are produced and marketed primarily by the unregulated private sector.

Kayunga town was built on the prosperity of the farming community in its hinterland. With only four buildings of sheet metal which housed four Asian families in the 1940's, the town has grown to over 400 permanent buildings, including several with multiple stories, and now occupies an area over two miles in diameter.

## 2. The Town Economy

The Kayunga town inventory counted 232 business in fixed establishments, 454 open air or market stall businesses for a total of 696 enterprises in the town. Detailed results of the inventory survey are presented in Appendix 3. On the whole there is a somewhat broader mix and better balance among the economic activities in Kayunga than in Wobulenzi. For example, general retailing occupies a less dominant position in Kayunga, and there is a wide assortment of vehicle servicing and spares supply enterprises. Further, as will be detailed later, the open air and market stall segment of the economy is more vigorous in Kayunga.

### Businesses in Fixed Establishments

Forty-five businesses in fixed establishments in Kayunga were surveyed. These fell into the categories indicated in the following table. Just over 75% of the owners of businesses surveyed live in Kayunga, and the remainder live elsewhere in the market town area.

#### Businesses in Fixed Establishments Surveyed

<u>Type of Business</u>	<u>Percent of Sample</u>
Retail	55
Service	31
Wholesale/retail	7
Manufacturing/others	<u>7</u>
Total	100

The table below shows that the pattern of age of businesses in fixed establishments in Kayunga is very similar to the pattern prevailing in Wobulenzi: about 55% of the businesses in the survey sample have been in operation five years or less, and only 8% have been in operation over 20 years. As in Wobulenzi, reports

of the length of time businesses have been owned by the present owners closely matched the pattern of the number of years the businesses had been in operation. The discussion relating to these findings in Wobulenzi applies in the case of Kayunga as well.

#### Years Business in Operation

<u>Number of Years</u>	<u>Percent of Sample</u>
< 2 years	27
2 - 5 years	24
5+ - 10 years	20
10+ - 20 years	20
21+ - 30 years	4
> 30 years	2
no response	<u>3</u>
Total	100

In 60% of the surveyed businesses in fixed establishments, the owners own other businesses as well. Of these, 75% own farms nearby. Other types of additional businesses owned were rental property, another shop in town, and transportation enterprises. About 25% of the business owners own the building from which the business operates. In 40% of the cases in which the building is rented by the business operator, the landlord owns other buildings in town as well. "Farming" was the most frequently reported source of financing for both the businesses and the buildings. Other common sources of financing for both businesses and structures were savings, family, business earnings, and friends. Almost no one indicated any kind of institutional loans. Again, the patterns are similar when not virtually identical to those found in Wobulenzi.

#### Employment in Businesses in Fixed Establishments

<u>No of Workers in the Business</u>	<u>Percent of Sample</u>
1	48
2	24
3	13
4 - 10	13
> 10	<u>2</u>
Total	100

Businesses in fixed establishments reported employment figures as indicated in the table above. The median full-time equivalent workers employed was two, including the owner or operator. Extrapolating, this implies that somewhat more

than 500 persons are employed in businesses in fixed establishments Kayunga. Of those working in these businesses, 79% are townspeople and 21% are members of farm households.

### **Open Air and Market Stall Businesses**

The survey of open air and market stall operators in Kayunga covered 53 enterprises, of which 62% were one-person operations and 25% employed two people. Extrapolating from survey findings, it is estimated that slightly more than 500 persons are employed in these endeavors in Kayunga or roughly the equivalent level of employment as in the fixed establishment businesses. This is significantly different from the findings in Wobulenzi.

Nearly 60% of these enterprises have been launched in the last two years. While food and related vending is the most common of open air and market stall enterprises, tailors, general good merchandisers, tinsmiths, hair dressers, a wide variety of additional services, and even a wholesaler were found in Kayunga.

The problems and concerns of these operators in Kayunga were virtually identical to those found in Wobulenzi with the over-night security and transporting to and from home a prominent complaint.

### **3. Concluding Observations on Kayunga**

Kayunga and the area it serves appear to have been relatively free of direct physical devastation from the war and conflict. It is the economic havoc of several decades that has had the greatest impact on Kayunga. The area, which has had a very prosperous past based on both a cash crop and a self sufficiency agriculture, has returned to much more a subsistence agriculture where food security is a dominant consideration. The widespread production of cassava, discussed later, reinforces that perception.

#### **C. Economic Integration of the Towns and Their Hinterlands**

There emerges from the information about the businesses in these two towns a complex pattern of household economic diversification and integration within sectors, among sectors, and between farm and town locations. The pattern is also evident for the many farm households where off farm employment is common and where farm based non-agricultural enterprises are common.

In Wobulenzi 51% of farm households had at least 1 person working off the farm and about a third (32%) of the households had at least 2 persons working off the farm. The numbers in Kayunga were comparable for off-farm employment, 48%

and 19% respectively. The majority of the members of farm households that work off farm are self-employed. In the Wobulenzi area fully 52% of the farm households had non-agricultural enterprises on the farm, the most prominent of which was brewing. In Kayunga 25% of the farms had non-agricultural enterprises and the most common was brick making.

The pattern of integration of farm households in the larger economy is further reenforced by the information about the sources of capital that financed the purchase of the farms. Relatively little of those monies, less than 10%, came from formal financial institutions, and over a half came from the savings generated from other business or farming activities. This mirrors the pattern of financing for town businesses and buildings reported earlier.

## Chapter 4. The Role of the Market Towns in Onward Agricultural Marketing

### A. Agricultural Production and Marketed Production

The dominant agricultural commodities grown in each of the market town areas are beans, cassava, coffee, maize, and bananas. Though the relative importance of these were somewhat different in the respective areas, over sixty percent of the 370 farmers interviewed in both areas reported these as the major crops they grew.

The percent of farmers growing a particular crop is not an indication of the importance of the crop for cash income. For example, in both the Wobulenzi and Kayunga areas cassava is grown by close to 80% of the farm households interviewed. However, less than a third of the farmers in either region (29% in Wobulenzi and 18% in Kayunga) reported cassava as an income producer. Cassava, a particularly resilient crop, represents food insurance for farm households growing it.

In both areas coffee was the most frequently identified crop with sixty percent or more of the farmers reporting it as an important cash source. Beans, bananas, maize and cassava were also identified as important income sources to roughly 1/3 to 1/4 of the farmers in each of the areas. In addition, in the Kayunga area with its arid northern region most suitable to livestock, meat and milk were reported as important income sources for about 20% of the farmers. Survey results for the crops important in cash income are presented below. Except for the milk and livestock/meat in the Kayunga region, the ranking of importance of the several cash crops is identical in the two regions.

#### Percent of Farms Reporting Crop as Important Cash Source

<u>Wobulenzi: (199 farms)</u>		<u>Kayunga: (171 farms)</u>	
	%		%
Coffee	60	Coffee	64
Beans	34	Beans	29
Bananas	30	Livestock/meat	26
Maize	30	Bananas	23
Cassava	29	Maize	22
		Milk	19
		Cassava	18

On the whole farmers in both the Wobulenzi and Kayunga areas are faring poorly in terms of cash income from farming because of the weakness in the coffee market and the limited opportunities to produce and sell other crops. There is

considerable need for improving agricultural productivity generally and production of non-traditional exportable crops--crops besides coffee--specifically.

## **B. Extractive Agricultural Marketing and the Market Town**

For agricultural production to be turned into cash, the crops must be marketed. Some of that marketed production is consumed within the respective regions and some of it leaves the regions, going primarily to Kampala. In the process of the field work, conversations were held with many people involved in agricultural marketing including marketers and transporters.

The major movement of commodities out of the regions served by Kayunga and Wobulenzi is to the Kampala market. There was reported some movement of commodities from the Kayunga region to the Jinja market in eastern Uganda.

With the exception of milk, most of the agricultural commodities being handled, coffee, beans, matoke (bananas), cassava, maize, milk, and livestock, require little processing before shipping. Thus the major marketing functions near the farm gate in the production regions are bulking and transportation. Milk and meat are more perishable and the marketing of them is affected by that characteristic.

An examination of the marketing channels of each of the commodities gives some measure of the role of the market towns in the extractive marketing of agricultural commodities.

### **Coffee**

Despite its decline as an income earner to the nation, coffee is still the most important cash crop in both the Kayunga and Wobulenzi areas. All of the coffee, except a small amount for domestic consumption, is ultimately sold to the Coffee Marketing Board for export. There are several paths to the Coffee Marketing Board as the marketing channel diagrams in Appendix 2 indicate. A major distinction among the channels is whether they include private dealers along with the official, government controlled system, which includes the cooperative societies. Overall, there are more channels operating that include private traders than there are that do not use private traders.

The farm household survey instrument asked about the first level of buyers at the farm gate. The results indicate that dealing with private traders was as frequent as dealing with the cooperative societies. Interestingly, farmers identified the private traders as "illegal traders" even though we understand that private trading in coffee is not illegal. Frequently the response was "illegal traders for cash" or "private traders for cash".

The most important question with respect to coffee marketing and the marketing towns is whether there is a particular role for activities that are town centered in the marketing of the coffee. That is, what is the role of the respective towns in coffee marketing?

As the inventories of the towns indicate there are coffee processing factories in each of the towns. Kayunga has a private one as well as one operated by the Cooperative Union. Both of the towns have local cooperative society offices as well. However, there are a number of other coffee factories, both private and cooperative operated and cooperative societies throughout each of the regions. One very large private coffee trader encountered was also a farmer and lived and operated some ten miles outside of Kayunga.

Nothing could be distinguished from the marketing channels or from the interviews with farmers that indicated any particular flow of coffee through either of the towns such as might be the case if there was a major coffee broker in the towns. There were few of the fixed business establishments in the towns besides the coffee factories that indicated that they were coffee traders.

In Kayunga the Cooperative Union factory was virtually shut down because it had no coffee and the private factory was very busy. That distinction has mostly to do with the respective roles of the private sector and government in current coffee marketing rather than with anything associated with the town itself.

There was, the team concluded, little of the marketing of the coffee from the respective regions that depended on the presence of the towns.

## **Beans**

Review of the marketing channels indicates that uniformly beans are not sold by most farmers to the Produce Marketing Board, the official government channel for such commodities, even if they end up there. They sell them to local bicycle traders or "tin-men" who buy in five gallon tin container quantities. A few farmers indicated that they had made arrangements to sell their beans to a school or restaurant.

The evidence from Wobulenzi indicating that direct sales to retailers account for 50 percent of sales, along with the direct institutional sales, suggests that the majority of the beans are being consumed in the region. There were plenty of dried beans for sale in the stores and markets in the towns and little evidence of wholesale trade in beans or of anyone dealing in large quantities for export from the region.

## **Bananas (Matoke)**

The marketing of bananas is the most complex and intricate of the commodity marketing systems. This is because of the role of matoke (a type of plantain) as a staple, because it is so widely grown, and because it is available at most times of the year. The southern part of the Kayunga region was reported to export significant quantities of matoke. This is a continuation, but at a much lower level, of its mid 1960's role as the major supplier of the Kayunga matoke market. On the other hand, the evidence from Wobulenzi reported in the marketing channels, indicates that most of the bananas grown there are also consumed there.

There was little evidence of bulking or wholesaling of matoke in either of the towns, though there were trucks of matoke leaving the regions for Kampala, particularly from Kayunga.

## **Maize**

Maize marketing at the farm gate seems to be very similar to that of beans. Several farmers indicated they had made some kind of continuing relationship with an institution such as a school. Most is sold to the tin-men or bicycle traders at the farm and appears to remain in the region for consumption there.

The hammer mills, one in Wobulenzi and five (5) in Kayunga, are for milling of maize meal for consumption within the respective regions. Again, most of the maize seen in the towns was either on trucks and buses going through the towns or in the maize mills or shops for local consumption. There was no evidence of dealing in maize for shipping out of the regions.

## **Cassava**

Cassava is handled as two products, fresh cassava and dried cassava for flour. The channels for the dried cassava are essentially the same as for the fresh except that in the latter case both millers and bakeries figure in the channels. Little cassava was being sold in the local market and little was apparently traded in the town. This perhaps reflects the widespread production of the crop with almost 80% of the farm households reporting that they grow it.

In Kayunga, particularly from the Kayunza area north of the town, pickup loads of cassava were regularly shipped out. As best we could tell from producer responses and from observation, most of the cassava that is shipped out of the region completely bypasses the towns in pickup trucks bound for Kampala.

## **Milk**

In Kayunga milk was one of the commodities identified by farmers as a significant source of cash income that "stopped" in town. Because of its perishability, there is some advantage to having milk cooled before it is shipped. There is a Dairy Cooperative cooling facility in Kayunga town to which milk is brought by the cooperative from collection stations, mostly in Baale in the northern region. The milk is cooled and then most is sold to transporters who ship it to Kampala or other distant destinations. The presence of the cooling facility in Kayunga does represent a significant extractive marketing function that is located in the town.

However, there is also a private milk trader operating out of Baale in a hired pickup truck. He transports uncooled milk directly to Kampala on a daily basis. Kayunga is likely at the time/distance limit of what is feasible with uncooled milk. The dealer was very aware of the urgency of getting his product to market and had to be begged to give even 5 minutes in a interview as the pickup stopped to discharge some passengers on the way through Kayunga.

The operation of the Dairy Cooperative collection and cooling facility in Bushenyi was observed on a trip to that area. Cooling of milk there is likely more important in the marketing of the milk produced in that more distant region than is the case in Kayunga.

## **Livestock/Meat**

The marketing of livestock and meat make quite explicit the distance/time and perishability issues in agricultural marketing. In general the only livestock slaughtered in either of the market towns is for local meat consumption because of the perishability of fresh meat. Both towns had abattoirs. Live slaughter cattle are shipped from the livestock areas to Kampala and other meat deficit areas and for the most part do not stop in the market towns.

## **Marketing Functions and the Market Towns**

Most of the long haul transportation of those commodities is carried out by pickup trucks or lorries - the latter mostly for the high bulk matoke. Most of the marketers are operating with a single truck, either hired or owned. Further, both Wobulenzi and Kayunga farming regions are within easy reach of Kampala by road with a truck on any day.

Under these circumstances the major bulking-assembly issue for any trader has to do with assembling a single load on any particular day. Because of the many small (single load) traders and because most of them can, with a little bit of advanced

notice, assemble a load in a village or roadside adjacent to a farming area, there is little incentive for anyone to organize a bulking/assembly function for multiple loads in the market towns.

During the 10 consecutive days spent in each, little evidence was found of bulking or assembly taking place in either town. The exceptions were for some of the milk in Kayunga and some of the coffee from both regions. Several commodity traders and transporters involved in marketing of crops into Kampala were interviewed and each reported that he made up his loads in the villages and not in the towns. Indeed, there were few transporters or traders of agricultural commodities involved in movement of goods out of the regions available to be interviewed in the towns. Most of those interviewed were involved in movement and trade within the regions.

It is concluded from all of this that the market towns have a minimal role in the extractive or onward marketing of agricultural commodities out of the regions they serve. In the case of coffee, other processing factories comparable to those in the towns are located outside the towns in rural settings. Thus the marketing functions that were carried out in the towns appeared only incidental to the presence of the town and could have been, and were, located elsewhere.

## Chapter 5. The Role of the Market Towns in Agricultural Input Supply.

### A. Input Suppliers in the Market Towns

The town inventories (Appendix 3) show a few agricultural or farm supply shops in the towns with three (3) in Wobulenzi and seven (7) in Kayunga. In principle the cooperative societies are also an important source of agricultural inputs, but there was little evidence of activity by them in agricultural inputs. Further, the few farm supply shops in evidence did not appear to be particularly busy nor did they have a wide array of agricultural chemicals or other inputs. Interviews and observation of the shops indicated that business was quite bad.

There is quite a number of other services and supplies readily available in the towns that are important agricultural inputs. The following table constructed from the town inventories indicate a few of the most obvious ones.

<u>Service or Supply Establishment</u>	<u>Wobulenzi</u>	<u>Kayunga</u>
Carpentry/Woodworking	1	12
Blacksmith/Iron Worker/Welding	2	5
Bicycle repairs	12	18
Hardware	6	--
Bicycle spares	4	15

Many of these services are equally important to other parts of the economy and society besides farming and their presence or level of service is based on more than their role in agriculture.

Bicycles, for example, are the most common form of farm transportation. It is also the dominant form of personal transportation in and around the towns and the villages. As the previous chapter on agricultural marketing indicates, bicycles and bicycle traders are very important in the movement of agricultural commodities in the regions. Bicycles are also one of the most common forms of transportation for hire in the market towns, whether for transporting goods or people.

This importance of bicycles in the rural economy is reflected in the availability of bicycle spares and repair businesses in the market towns. However, the level of availability of this important farm input is not just based on the demand for services from farmers but is also supported by townspeople and by businesses whose primary service is bicycle transportation.

It is clear that agricultural inputs and services that are farming specific are available but that business for such establishments is down. There are many other goods and services used by farmers and by other sectors of the economy, and at least some of these establishments appear to be doing fairly well.

### **B. The Demand for Agricultural Inputs**

The survey of farm households asked for information about the things that would increase the productivity of the farms. Because of the qualitative nature to the question no attempt was made to tabulate the answers. It was possible to gain an impression of the issues that farmers in the respective regions faced. Uniformly farmers in both regions indicated that they were using neither improved nor more labor intensive cultural practices or purchased inputs--practices they acknowledged they knew would increase their productivity. Some explicitly indicated that it was because the prices of the inputs were too high.

The economics of input use on the farm is influenced by both the price of the inputs and of the commodities being produced. Under the circumstances of existing coffee and other commodity prices and the current high price of purchased inputs, most of which are imported, it appears that farmers are not using much in the way of these inputs. Both the economic evidence and the reports by farmers suggest that the demand for agricultural inputs is down in these market town regions.

These farm level findings are consistent with the overall impression that agricultural production and farm incomes are depressed. If prices of inputs decline, prices of commodities increase, or both occur, there will likely be substantial increases in input supply activities in the market towns. No evidence was encountered to indicate that under favorable input use economics, there would be impediments to suppliers in providing the materials.

## Chapter 6: The Role of Market Towns in Supplying Consumer Goods

### A. Where Farm Household Purchases Are Made

Farm households are the major market for town-based merchants who sell consumer goods. The table below shows the responses of farm households to questions about the location of their purchases. Although the numbers in the columns do not sum to 100%, the way the questions were asked does mean that the columns can be summed. That is, the categories were mutually exclusive. A person who answered that they purchased all or most of their goods in the town did not at the same time indicate they purchased a few things there.

#### Locations of Farm Household Purchases

Amount	In Town		Nearby		Far Away	
	<u>Wob</u>	<u>Kay</u>	<u>Wob</u>	<u>Kay</u>	<u>Wob</u>	<u>Kay</u>
All/most purchases	50%	41%	47%	53%	6%	10%
Few purchases	46	35	29	30	45	52
Total	96	73	76	83	51	62

The majority of farm households interviewed in each of the town areas indicated that they made purchases in the respective towns. About a half indicated that they made all or most of their purchases there. The data also show that an almost equivalent proportion of farm households make purchases at locations that are nearby the respondents homes and not in the towns. Such purchases are made at local village and country shops.

That such shops are common is supported by the identification of "shop keeping" as the second most important non-agricultural activity on farms in Wobulenzi and the fourth most important one in Kayunga.

It is not possible to tell from this data just how much of the goods and services that are purchased from shops and sellers "nearby" are distributed to those business through shops in the towns. We do know from conversations with shop owners in the towns that some of them have wholesale clients who own village shops. Wholesale trade from the town to rural shops does indeed redound to the benefit of the town economy.

The data indicate that the towns are an important retail source for farm household purchases. They also indicate that the village shops outside of the towns and nearby the farms are very important as well. In fact, in the Kayunga area the shops in the outlying areas are more important locations for farm household purchases than the town itself.

There are several reasons for this pattern of consumer purchasing, a pattern that focuses on the towns as a concentrated trading area for both retail and wholesale goods, but that also has a large proportion of household purchases being made in the countryside. First, of course, is the distance, time, and cost that is involved to get to the town. Wobulenzi's market area, for example, is not as large as that described previously for Kayunga, but still it is large, perhaps ten to twenty miles in diameter. Given such distances, there would have to be a rather persuasive reason for going to the town instead of buying from a shop nearer to the farm.

Another aspect of this time/distance/cost consideration has to do with the condition of the roads. The farm-to-market roads are simply abominable. They are not maintained in any significant way, are very difficult to traverse in the best of times, and during rainy weather some of them become nearly, if not in fact, impassable. Further, owners of automobiles and van taxis, pick-ups, and lorries find it very expensive and dangerous to run on these roads because of the cost of vehicle maintenance and the threat of being broken down for considerable periods of time far away from repair facilities.

Other issues further exacerbate the time, distance, and cost considerations. One strong reason for farm people to purchase near home is that the low level of farm household income means that the bulk of it is spent on food and small household articles, purchased regularly in small quantities and therefore close to home.

A less obvious reason for purchasing goods and services in the countryside close to home is that because of the distance and difficulty of travel, when people make the trip to town they often stay for the day. Because women make many of the farm and household purchases, and are the major housekeepers and often the major farmers, they are more likely to stay near home and to make their purchases there.

The factors that bring people to the towns are the goods and services available there that are not available to them in the countryside. Inventories of the town business and other establishments reported in Chapter 3 indicate that the towns indeed have some variety of establishments dealing in retailing of household goods and of agricultural inputs, repairs, and health, banking, and administrative services. However, we also note that there is some lack of differentiation among businesses, and that the economy is depressed and sales are down. Under these circumstances there are fewer goods available and a more limited variety than might otherwise be the case. The result is that there is even less to attract people to the towns than when times are better.

The apparent difference between Wobulenzi and Kayunga in the importance of farm household purchases in town deserves some comment. The apparent greater importance of **in town** retailing in the Wobulenzi region is likely to be related to the

larger geographic area and population served by Kayunga. That greater service area means there are many more farm households that are a considerable distance from town than in Wobulenzi. The distance from town distribution of farm households in the surveys reflects this difference.

Distance to Town Distribution of Surveyed Farm Households.

<u>Number of Miles</u>	<u>Percent of Total</u>	
	<u>Wobulenzi</u>	<u>Kayunga</u>
Fewer than 2	9	3
2 - 5	36	18
5+ - 10	39	31
10+ - 20	16	24
20+ - 30	0	8
More than 30	<u>0</u>	<u>16</u>
Total	100	100

**B. What Goods and Services are Available and What is Their Origin**

Inventories of establishments were conducted in both towns to determine the number and variety of retail, wholesale, manufacturing, and service businesses, and government and other establishments in each town. The inventory details are contained in Appendix 3.

A very significant part of the economic activity in the market towns involves the buying and selling of food for local consumption. Kayunga has a daily market, with a periodic market in Bukoloto. Wobulenzi has a market every Friday. In addition there are considerable numbers of food stalls and specialty shops that deal daily in fresh food. The inventories count 206 establishments handling fresh food, food staples or prepared food in Wobulenzi and 227 such establishments in Kayunga.

Both towns had shops and other organizations supplying a wide range of consumer goods and services, and some commercial and industrial goods and services. Deciding which shops sold locally produced goods and/or services and which ones sold goods from outside the region is not always straightforward though some are clear. Services such as repairs for bicycles, autos, trucks and other repairs, tailors, beauty parlors, barbers, bicycle hire, cobblers, porters and such are clearly local in their origin because they are primarily labor services.

Some shops or open air stalls sell exclusively local goods. These include the shops and stalls selling fresh fruits and vegetables and fresh meat most of which is locally produced. Most of the establishments such as restaurants and food hawkers are selling some freshly cooked local foods.

One or more of the following service establishments was available in each town:

Tailor/Seamstress	Carpenter/Woodworker
Shoemaker	Blacksmith/Iron Worker
Slaughterhouse and cattle kraal	Grain mill
Welding Shop	Bicycle Repair
Hair Salon/Beauty Parlor	Banks
Auto/Motorcycle/Truck Service	Barber
Legal Services/Clerk	Sign Maker
Photo Studio	Dry Cleaner/Laundry
Taxi Stand	Radio-TV Repair
Wheelbarrow hire stand	Bicycle hire stand
Church	Mosque
Health/Maternity Clinic	Primary School

Local agricultural produce and food are the primary locally produced goods. It does appear that the local area market is, under the current economic circumstances, a more important market for local farmers than are markets outside the region. Most other local income is earned from local labor services.

In general the open air and market stall establishments--sometimes called informal businesses--deal in locally produced goods and services. On the other hand, much, if not most, of the goods that come from outside the regions are handled by shops in fixed establishments. Many of those more permanent shops also deal in local goods but they generally do so in an assortment with goods that are brought into the regions and even into the country.

## **Chapter 7. Other Market Town Area Economic Activities and Public Administration:**

### **A. Other Market Town Area Economic Activities**

Clearly, the major economic activities in the regions relate to agriculture and to provision of household goods and services to residents. The major exports and sources of export income are from agriculture. There are however, other prominent activities that may earn export income.

One of the exports from the Kayunga area is truck repairs. That "export" takes place when vehicles passing through the area such as matoke trucks or other vehicles stop for repairs--they "export" that service. There is a concentration of truck and auto repair shops in the town of Bukoloto that is part of the Kayunga Town Council. The Market Town Inventory shows 20 establishments for truck repairs and 9 motor vehicle spares shops in Kayunga, many of them near the Bukoloto intersection of the Jinja-Kampala road. Truck repair services exported from the Wobulenzi area are minor by comparison.

In addition, restaurants, hotels, and bars that sell services to truckers are also export businesses. These roadside services are also available in Wobulenzi and represent exports there as well.

The non-agricultural enterprises reported in the farm household surveys suggest other manufacturing and potential exports from the market town regions. Brewing of local beer is very prominent in the Wobulenzi area and it was pointed out that some of that beer was transported to Kampala.

Both regions reported considerable quantities of bricks being made as non-agricultural farm products. Some of those may also be made for export. If not exported, they contribute to the local economy as import substitutes. Charcoal making was the second most common non-agricultural farm enterprise among the Kayunga area farm households surveyed and loads were regularly seen passing through the town bound for Kampala.

There was evidence of some small manufacturing activities besides those already identified. There were a couple of weaving enterprises in Kayunga that made ornamental trim bands for garments. The farm household survey identified a modest amount of basket making and other craft activity. All such manufacturing is an important contribution to economic development in the regions.

## B. Public Administration and Local Services

Overcoming the problems of market towns is made more difficult by a local administrative system that operates at several levels and has four forms. Local authorities are found at the district, county, sub-county, and township levels. There is an appointed local civil service administration, elected Resistance Councils, the traditional chief system, and local offices of central ministries. Each has different responsibilities and authorities, though sometimes their roles overlap, sometimes one reinforces a function of the other, and sometimes one is assigned to oversee performance of the other. On the whole, local government is cumbersome, under-endowed with resources, authority, and capacity, and therefore unable to play an effective role in market town area revitalization.

There is considerable difference between Wobulenzi and Kayunga in their public administration functions. Kayunga is more of an administrative center than Wobulenzi. Luwero, just a few miles away from Wobulenzi, is the administrative center of the district and provides to that area many of administrative services that are provided in Kayunga. The following are among the government agencies that have offices in Kayunga town.

Police station	Agricultural extension office
Veterinary service office	Post office
Town Council offices	County offices
Sub county offices	GOU Information office
Magistrate	Military barracks

We explore the capacity of government to perform in the economic sphere by an examination of the services that are available in the towns and the areas they serve.

### Farm to Market Roads

The most significant public service with direct economic consequences in and around the market towns is the roads, and the roads are in bad shape. This is particularly true for the secondary and tertiary roads. Agricultural traders reported road conditions were responsible for the excessive length of time it took them to get to market. Bad roads are also responsible for the rapid deterioration of vehicles and high repair requirements.

Apparently some of the responsibility for rural road maintenance is in the hands of the people who live adjacent to the roads on a self-help basis. It is likely that with the long term disruption of normal social interaction in Uganda, the roads have deteriorated to a condition that cannot be corrected by self-help means and manual labor.

## **Town Streets and Ways**

The town streets and ways are also in disrepair. They show considerable evidence of lack of care and regular maintenance. The ruts and pot holes are so enormous in some places that vehicles cannot use the street. There were conversations in one of the towns indicating that existing equipment for use on the streets was being diverted to other uses.

## **Electricity Supply**

In both Wobulenzi and Kayunga the frequent interruption in electrical supply was repeatedly cited as a problem. This was true for businesses involved in agricultural marketing such as the coffee processing factory, the maize mills, and the milk cooling facility. The disruptions are as significant for small businesses such as machine shops, and restaurants. The electrical grid is a central government concern.

## **Health and Sanitation**

Much of the concern with health in the two towns is with curative rather than with preventative health care. Neither of the market towns had an established water or sewer system, though there were town wells. While there was a place for rubbish disposal in the towns, there was, nevertheless, considerable rubbish in the streets and walk-ways.

By contrast to limited sanitation services, there is in the towns a considerable number of health care-related establishments. The following table indicates more health services available in Kayunga than in Wobulenzi, particularly the regional hospital.

<u>Health Care Establishments</u>	<u>Wobulenzi</u>	<u>Kayunga</u>
Hospital	0	1
Health clinic	3	1
Pharmacy, drug shops	7	18
Traditional doctor	not known	11
Modern doctor	not known	3
Midwives	not known	7
Dispensary	not known	1

## Education

There are also fewer educational establishments in Wobulenzi than in Kayunga. This is related to the close proximity of Luwero town to Wobulenzi and the fact that there are regional educational services available there. Kayunga is also larger than Wobulenzi.

<u>Educational Institutions</u>	<u>Wobulenzi</u>	<u>Kayunga</u>
Primary School	1	8
Secondary school	0	3
High school	0	0
College, technical school	0	2

## Other Infrastructure and Public Administration Issues

Except for the town market facilities, there was little additional infrastructure in and around the market towns beyond what has already been identified. Further, there was no evidence of government support for private sector development. The only consistent comments that were heard in the towns with respect to the presence of government came from traders and transporters who moved goods between the villages and the towns. They complained that with the new Resistance Councils, there were twice as many road blocks and twice as many taxes on the goods moving out of the villages.

## **Chapter 8. The Market Town Interventions.**

### **A. Introduction**

This chapter summarizes the findings developed in the preceding chapters, provides an explanation of the economic concepts that are necessary to understanding the meaning of the findings, and suggests the implications of the findings for the towns of Wobulenzi and Kayunga. It then develops a general set of intervention priorities for the two towns and proposes a set of specific interventions that the team believes is feasible for the towns of Wobulenzi and Kayunga.

Only a few specific interventions are proposed for just Wobulenzi and Kayunga. There is limited capacity for these towns to carry out much in the way of interventions without substantial outside help and a larger supporting program. A more comprehensive set of interventions and a program to implement them is developed and proposed in Chapter 9.

### **B. Development in Wobulenzi and Kayunga**

#### **1. Findings**

The principal findings that emerge from the study of the two market towns, as set forth in the foregoing chapters, are presented below.

#### **Findings related to regional income**

1. The economics of cash crops is such that there is less concentration by farm households on cash crops than on subsistence crops.
2. Coffee is by far the most important cash crop, and coffee prices are low.
3. Farm family incomes are low and regional "base income"--income from exports from the region--is low.
4. Vehicle repairs and other roadside services are sources of export income and important in market town economies.

#### **Findings related to the functions of the market towns**

5. Market towns are only marginally involved in activities related to onward or extractive marketing of agricultural commodities from their surrounding areas.

6. Agricultural-specific inputs such as pesticides and fertilizers are supplied through market towns but demand for these products is depressed at the current time.
7. Market towns supply a wide variety and substantial quantity of other farm inputs in the form of services whose availability and quality are enhanced by non-agricultural commerce as well.
8. Market towns are important wholesale suppliers for rural and village shops.
9. The major economic function of the market towns is the supply of consumer goods and services, both locally produced and brought in from outside their service areas. The largest part of these consumer goods and services is supplied by local household-firms.
10. Market towns are important outlets for local agricultural produce, perhaps more important at this time than markets outside the market town areas.
11. Market towns are important as nearby locations for non-agricultural investment and employment opportunities for farm households.

**Findings related to market town area business and finance diversification and therefore to their economic resilience**

12. Local businesses are generally owned locally.
13. Many, perhaps most, households in the market town areas, including farm households, conduct their business affairs as household-firms and as diversified businesses. They operate in multiple sectors, multiple sub-sectors, and in both farm and town or village locations, regardless of the place of residence.
14. The market towns offer a wide array of consumer goods and services, both locally produced and brought in from outside the region. The diversity of goods and services available is larger where the market and overall level of economic activity are greater.
15. The principal locally-produced goods sold in the market towns are agricultural products. Most of the services supplied in the towns are labor services. Most of the open-air and market stall--informal sector--businesses deal in local goods and services.
16. The market towns have large numbers of open-air and market stall small businesses.

17. Substantial numbers of existing firms in the market towns, especially smaller enterprises, have been established in the past 3 to 5 years.
18. Considerable investment over the years has been made in both farm and town enterprises, with marginal resort to formal credit facilities. Depositor services may be as important to future investments as credit services.

#### **Findings related directly to impediments to market town development**

19. The principal market for the towns are households in the hinterland. Overall level of economic activity in the market towns may be constrained because: a) the poor condition of farm-to-town roads makes costs of getting to town very high, and b) farm household incomes are low and purchases are made in small quantities on a day-to-day basis. Both factors favor purchases from nearby village shops rather than in town.
20. Infrastructure deficiencies in the market towns raise the cost of doing business and thus constrain economic activity and development.
21. There is very low level of government management and administrative capacity in general in the market towns. There is virtually no active support by government of business development.
22. Expectations of government reconstruction assistance, especially in the Wobulenzi area, may be serving to dampen self-reliance and self-help initiatives, particularly collective action.

## **2. Understanding the Findings**

There are several important economic concepts that are necessary to understanding what the findings mean and how they translate into practical interventions and programs to implement interventions.

A regional economy, such as a market town and its hinterland, develop by increasing the income of the region. The total income in the region is the sum of the "**basic income**", the income from exports, plus the income generated by purchasing local products, minus the income spent on purchasing goods imported to the region. However, in order to generate any income from local purchases there must be basic income from exports. Total regional income is then some amount of income more than the basic income. How much more it is depends on how much is spent on local goods and services and on how much is spent on imports. The "**economic multiplier**" is the measure of how much basic income is multiplied through local purchases minus spending on goods from outside.

Basic income that comes into farm households through the sale of coffee is multiplied when the farm family purchases beans from a neighbor, has a saw sharpened by a mechanic, or gets a hair cut. If the saw that got sharpened was purchased outside the region, it is not a contribution to income multiplication unless some other things happen. If more spent over the years sharpening the saw than was spent on its purchase, or if its use results in the sale of lumber that would not have been available without the saw, then even though it is an import to the region it will contribute to the economic multiplier. In agricultural regions dominated by small holders, household purchases are the major source of income multiplication.

There are thus two main strategies to be employed in expanding the economy of a region. Both need to be done at the same time to achieve a full measure of success. There need to be strategies to increase the basic income--to increase the exports from the region. There need to be strategies to increase the economic multiplier in the region --to increase the buying and selling of local goods and services. Sometimes purchases of some imported goods are necessary to have the opportunity to make use of local resources, either to generate export income or to multiply income.

Several other concepts are also important in understanding the market town economies. The lower costs of doing business that are accomplished when many business are near to each other, particularly when they buy or sell from each other or when they together attract more customers than they would alone is called the economies of "agglomeration".

**"Economic or investment diversification"** is a strategy based on the recognition that there is greater economic risk if a family, community, or region has all of its economic eggs in one basket. It may be worthwhile to consider strategies that do not lead to the greatest basic income or the strongest multiplier if they spread the economic risk. Such strategies make for local economies that are more resilient and able to withstand difficulties from factors outside their control.

In understanding the roles of the market towns it is important to understand several marketing function concepts. **"Assembly"**, **"sorting"** and **"bulking"** are the major functions that are involved near the farms when moving agricultural commodities out of a region. When the quantity that is to be transported is just one pickup load, then there is little need for wholesale or storage facilities to accomplish these functions. They are done at the side of the road or in a village.

**"Debulking"** and **"assorting"** are the marketing functions that are necessary in the distribution of consumer goods, particularly of manufactured goods. Manufacturers make large quantities of a few things, but consumers usually buy small quantities of many different things. The retail process is substantially debulking and assorting, or creating the assortments for consumers to choose from. In order to be

successful in retailing, shops require a relatively large number of customers to select what they want from their large assortment of goods. That likely requires some agglomeration of economic activity--a trading center--unless the goods that are sold are a few very essential staples.

### **3. Implications for Wobulenzi and Kayunga.**

The economies of Wobulenzi and Kayunga are depressed because the basic income from agricultural exports from the region is down. Most of the export income for the regions is from coffee, which is also an national export. However, beans, bananas, milk, cattle, other specialty crops, roadside services including truck repairs, local beer, and bricks appear to generate some export income. Farm households have adopted strategies intended to provide food security, which further leads them away from the production of cash crops.

The towns do not appear to play much of a role in onward marketing of agricultural products. They are an important market for agricultural commodities within the region. Though there may be inefficiencies in the onward marketing system for agricultural commodities, town specific strategies will not address them. Agricultural-specific inputs are available in the towns but the demand for them is down. Should that change, business for those goods in the towns will expand. Because of the debulking and assorting functions the towns will likely always play an important role in the distribution of agricultural inputs.

The major economic role of the towns is in the distribution, both wholesale or retail, of consumer goods and services to households of the region. The agglomeration of economic activity in the town and its attraction of costumers makes it possible for both the fixed establishments selling manufactured goods from outside the region, and small, open-air and market stall businesses to be successful. Success of informal sector businesses is important because they primarily sell locally produced goods, mostly foods, and services, and thus make a major contribution to the multiplication of income in the region.

Farm household-firms and town household-businesses are diversified in their financing and in their business activities. That diversification may contribute to income multiplication but certainly makes for a more resilient regional economy--a more resilient agriculture and a more resilient non-agricultural sector.

Interventions such as the improvement of rural roads that will make it easier to ship agricultural commodities out of the region and that will make it easier for rural people to get to towns, will increase both the export income of the region and the multiplication of that income. Interventions that enhance the business climate or reduce the costs of businesses in the town, particularly those that deal in locally produced goods and services, will enhance the local multiplication of income.

Interventions that either reduce the costs of agricultural inputs, or that increase the price of agricultural output and thus, agricultural exports from the region, will increase basic income of the region. Interventions that lead to greater diversification of the economy by encouraging more diversified farm and town businesses will help to increase the resiliency of the regional economy.

#### **4. Priorities for Interventions in Wobulenzi and Kayunga**

Following are the relative overall priorities of interventions for Wobulenzi and Kayunga.

- 1) Strengthen local public management.
- 2) Improve farm-town infrastructure (roads and transportation fleet);
- 3) Foster measures to encourage, and support the local private sectors directly;
- 4) Develop internal market town infrastructure;

None of the direct economic interventions can be accomplished at the local level without the leadership and assistance of a vigorous local government with the capacity to manage public services and programs. In this case a distinction is made between political leadership and the capacity to manage public services and resources. Local public leadership progress appears to be underway in the form of the Resistance Council system, but the public management capacity is distinctly absent. It is for this reason that the first priority is to strengthen local public management.

#### **C. Local Intervention Opportunities - Wobulenzi and Kayunga.**

The identification of a priority for intervention does not mean something can be done about it. The set of practical interventions that are possible at the local level, locally implemented does not necessarily cover all of the priorities. Outside of a national program aimed at local government staff development and training, there is relatively little in practical terms that can be done at the local level to strengthen local public management capacity, priority 1. Similarly, major improvements in the town to farm roads, priority 2, will likely require resources and programs of action that are beyond local capacity and resources. In the same vein, it makes little sense for the central government to organize major programs of intervention to serve only two towns.

With the foregoing in mind, below are identified what are deemed to be the few priority, practicable intervention opportunities that can be carried out at the local level in Wobulenzi and Kayunga. The towns will need help to implement even these. The interventions are targeted to reduce transaction costs, to reduce regulatory

barriers to market participation, to expand knowledge important for successful enterprise, and to increase access to resources for productive endeavors.

### **1. Town Council/Local Authority Policy Stance**

Adoption by local authorities with jurisdiction in Kayunga and Wobulenzi of an overall policy stance that is proactively supportive of business expansion throughout the area. The policy focus and view should include increasing productivity and returns to farming and encouragement of small enterprise activity. All policies, expenditure priorities, procedures, regulations, ordinances, enforcement practices, fee and license schedules, public hearing practices, and administrative structures, both existing and proposed, should undergo careful review for consistency with this stance.

### **2. Business Management and Entrepreneurship Training**

Provision of free small business management courses aimed at present and prospective operators of town businesses, especially in the retail trade and service sectors. These courses should be brief, and should stress sound general business practices and entrepreneurial techniques. Non governmental organization (NGO) donors may be an appropriate source of assistance to the towns in this regard.

### **3. Town Streets, Roads and Walkways**

Upgrading and regular maintenance of the roads and walkways within the commercial districts of Wobulenzi and Kayunga. Such actions will lower the transaction costs of trade within the town and are essential to encouraging commercial activity in the towns. Other useful investments in such in-town infrastructure includes increased development of rain and sun shelters for travelers and open air establishments in and around the town bus parks and markets. Such facilities will encourage travellers to shop and will provide some shelter from rain for open-air businesses.

### **4. Secure Lockups Near Town Centers**

Provision of secure storage facilities for vendors and others not operating out of fixed establishments would address a commonly identified problem of many traders in the informal sector. This type of facility could be provided by either the public or the private sector. It appears to be most feasible for the public sector at this time, given the availability of venture capital and the importance of the location of the facility to its economic impact.

## **Chapter 9. A Market Town Development Program.**

### **A. Introduction**

The findings and the principles that explain the economic forces in the towns suggest the results of this research are relevant to many of the market towns in Uganda. The practical issues in implementing interventions consistent with the priorities, suggest that a national initiative is appropriate. Again, the relative priorities for market town interventions are:

- 1) Strengthen local public management;
- 2) Improve farm-town infrastructure (roads and transportation fleet);
- 3) Foster measures to encourage, and support the local private sectors directly; and
- 4) Develop internal market town infrastructure.

The remainder of the report develops a set of interventions that we believe are generally applicable to many market towns in Uganda and proposes a detailed program to implement them. The list of interventions discussed here is longer and more elaborate than in the preceding chapter because they are not dependent on local action alone. The list is also longer because some intervention approaches are programmatically feasible for multiple towns and are not in just one or two.

### **B. Market Town Area Interventions**

The development problems of Uganda are enormous and development programs and projects are very small steps. Reaping the full benefits of local interventions requires a suitable national environment of policies, institutions, and infrastructure. At the same time reaping the benefits of national programs aimed at creating that environment requires appropriate policies, programs, institutions, and infrastructure at the local level.

Market town areas are the most appropriate level for analysis and development planning because they are the best context for fostering expansion of small scale enterprise and broad-based household income earning opportunities. What follows deals with the national policy environment, then with national programs directed at local level problems, and finally with nationally supported local programs, locally carried out.

#### **1. The National Economic Environment**

What is needed most for revitalization of Uganda's market town system is the same as is needed to revitalize other sectors of Uganda's economy:

- the array of macro-policy reforms and other measures leading ultimately to relative monetary stability;
- effective financial markets;
- rehabilitation of basic national infrastructure (electric grid and power, urban sewer and water, roads, rail and other transportation, etc.);
- rehabilitation and restoration to productive use of Asian-owned properties and properties destroyed or abandoned as a consequence of war;
- efficiency and effectiveness in the operations of public institutions;
- the rule of just law and protection of private property;
- a business atmosphere characterized by confidence in government and in contractual relationships; and
- national policies that encourage and support private enterprise and that promote and facilitate diversified overseas trade, regional trade, and domestic trade.

In short, what is needed most is restoration of a national environment of policies, institutional capital, and physical capital that facilitates and stimulates growth in the farm and non-farm private sectors. The government of Uganda is well aware of this, and has embarked on efforts targeted accordingly. The success of these efforts is vital to reaping the full benefits of any development interventions in market town areas.

## **2. National Policies and Programs Directed Explicitly at Market Towns and The Regions They Serve.**

There are significant improvements in local public institutions that are essential if local projects are to yield maximum short term benefits and at the same time improve the long term income and employment expansion dynamics of market town areas. Several of the most important ones clearly come under the domain of the central Government and require action at that level.

### **Capacity Building in Local Government**

There is a need for local initiatives to solve problems in the market towns of Uganda. The problems of inadequate local infrastructure, the lack of local services, and the absence of a policy posture supportive of business at the local level inhibits and discourages economic development in the towns. In order to be able carry out economic development initiatives, local government requires more authority, capacity and resources.

However, the current lack of services in the towns and lack of use of such resources as are now available indicates a problem. It suggests that if there are to be local solutions to local problems and a decentralization of authority and decision

making, there must be a commensurate increase in the capacity of local government staff to manage the new policies and resources.

Progress is being made in leadership development in the political domain at the local level by the Resistance Councils. However, if the first initiative of the new local authority is to collect additional revenues as now appears to be the case, sustained progress towards decentralization may be impeded. The new form of government may appear to be nothing more than the cause of additional tax burden rather than an improvement over the past. Success in an increased role for local government will therefore require greater funding of local authorities from central government resources so that visible improvements can be made.

Some of the training needs in public management will require formal instruction of present or future staff with assignments in that area. There is an obvious training role for an "institute of public administration" to carry out such formal training programs. Other approaches, including on the job training by travelling specialists and/or by advisors on the ground, have merit as well. This could involve the placement of "training and development officers" in the towns.

Either approach, or both combined with some kind of a competitive block grant program for the towns to support local projects, would provide great practical training opportunities. The block grants could do much to promote local development and local initiative. At the same time, the funding would increase local capacity to manage both the new initiatives as well as the established town resources.

There is also considerable room for donor assistance in funding and in technical assistance. This could include the use of international volunteers with appropriate managerial backgrounds as well as financial and technical assistance to the institute of public administration and Ministry of Local Government.

Finally, there is considerable need for further research on the scope and function of local government in Uganda and the most appropriate means to its improvement.

### **Improvement of Rural Roads**

The rural roads are in bad shape and they impede normal commerce as well as future development. This report has repeatedly identified rural farm-to-town roads as one of the most important issues in the development of Uganda's market towns.

The current condition of the roads makes the movement of agricultural commodities out of the farming areas more difficult and more costly, and reduces the export income to the regions. Bad roads also tend to isolate rural areas from the

market towns that serve them. That isolation has negative consequences to both farm households and to the towns and the businesses in the towns. With higher costs of doing business for both farm households and town businesses, there is a less vigorous local economy and less multiplication of income.

It was reported that rural roads are partially the responsibility of those who live adjacent to them. If that is the case, because the roads are in such bad condition and well beyond the capacity of local self-help efforts, the situation demands central government action.

The improvement of farm-to-market roads will contribute to both the basic income of the region by increasing the efficiency in the onward marketing of regional commodities. Better roads in the region will also increase the multiplication of income by reducing the cost of doing business within the region.

One approach to the rural road improvement deserves to be explored for its feasibility. Uganda has a large military establishment with considerable manpower, equipment and logistical talent. If the Government were to make the Uganda armed forces responsible for repairing and maintaining the farm-to-market roads, it would be a very significant contribution to national development.

Further research is needed on the importance of rural roads in economic development. Such research on public investment policy would seek to evaluate the relative returns on investments in rural roads as compared to other public investments, including main roads. It would begin to place rural roads in a primarily agricultural economy in proper perspective and priority.

## **Bicycles**

Bicycles are critical and integral components of the transportation systems of both market town areas. They have been proven economical, efficient, and uniquely suited for relatively small but heavy loads, including transportation of passengers. They require a relatively modest capital investment, their operating costs are minimal and independent of fuel prices, and they are relatively easy to maintain and repair.

The current standard bicycle is mostly transportation for men, except when women are carried as passengers, and then they cannot carry goods as well. With great ingenuity in building loads and in reinforcing bicycle frames, bicycle traders carry very substantial quantities of goods. However, there appears to have been little innovation or adaptation of bicycle accessories that are common in other parts of the world. Such innovation could make bicycles an even more productive transporter and may make them less gender specific in use.

Support for bicycle transportation should be established encompassing technological innovation, regulatory, technological, financing, safety, availability of spare parts, and related areas through which bicycle transportation can be promoted.

Socio-economic research is needed to better understand the contribution of the bicycle to Ugandan society and to identify opportunities to make the contribution even greater.

### **Review of Laws and Administrative Practice Affecting Local and Interregional Business**

At the moment there is a variety of laws and administrative practices that are highly discouraging of sound business practice. For example, the prohibition on carrying passengers in open pickups is a discouragement to profitable back-hauls between Kampala and the market towns. In addition, competition from the business pickups would further drive down prices of minibus service to consumers and encourage greater inter-regional travel.

A systematic review of the road laws, licensing laws and other legal and administrative practice is needed with a view to understanding exactly what is accomplished by the laws and what business activity is discouraged by those laws. Such an effort would be a significant contribution to encouraging local and interregional business. This does not imply that Uganda's laws are necessarily inappropriate, only that they need to be examined for their development impacts.

### **Deposit Services**

The study reveals that owners of town businesses and farms used resources from their own savings and from families and friends as sources of investment capital rather than formal credit services. This suggests that improvements in depositor services that will make saving and access to savings easier, will stimulate future investments in both town and farm enterprises. It suggests that effective depositor services are as essential to expanding investment and increasing productivity as are credit services.

Establishment of financial facilities offering attractive deposit services as well as credit services should be considered an important contribution to be made from the banking community. It should be done in a way designed ultimately to ensure that all areas of the country are served by an efficient financial market system. Alternatives to banks, such as credit unions, should be explored and might provide useful competition to the banks.

There is a clear need for research to better understand the major source of venture and operating capital for small businesses and farms in rural Uganda. The

role of the existing banking system with respect to investment resources needs to be better understood. Does easier access to savings and deposit services increase savings and investment in the society? If so, can the existing banking system provide those services or are other institutions needed?

There is a growing set of experiences around the world with highly successful credit and banking programs for poor people and small businesses. That body of knowledge needs to be called upon to assist Uganda's small business community to better accomplish what is already taking place in the generation of capital for investment.

### **Private Sector Involvement in Export Marketing of Agricultural Products From Uganda.**

Clearly the most significant force at work in the market towns is the depressed agricultural economy. The prospects for coffee are not great and alternatives must and will be found. When they are, Uganda's farmers will respond. However, in the process of finding new products and new markets for Uganda's agriculture there is an approach that deserves some attention and that will affect private sector businesses throughout the country.

There is a predisposition in Uganda when it comes to agriculture to have government control or even implement everything. Coffee is a case in point. Yet, despite the government supported cooperatives and cooperative unions, fully a half of the coffee moves unassisted through the private sector and then to the Coffee Marketing Board.

There is a growing community of commodity traders that is filling the gap left by the Asians. Most of the successful movement of agricultural commodities in the country is being accomplished by them. They can and will handle non-traditional exports if there is an economic incentive to do so and if they are given an opportunity and some assistance.

However, in order to develop an export market, considerable effort is required. The markets abroad have to be assessed correctly, and the information on their size, product desires, timing, etc. communicated to farmers. Quality standards necessary to sell abroad have to be met. These standards vary by country and this means that one or more markets abroad must be targeted. It also implies that the inputs necessary to achieve the desired quality such as herbicides, pesticides, and fertilizers, be available to farmers. Farmers have to be informed of the correct harvest time for each product for each foreign market.

Correct protective and marketing packaging have to be used and would probably require some specialized packaging equipment. This is especially true if

vacuum packed or wrapped or other acceptable packaging methods are used. Transportation to the trans-shipment point (probably Entebbe or Mombassa) will have to be improved greatly.

Contact with distributors of agricultural goods abroad will have to be made, prices set, and contracts made. Although this is mentioned last, it really needs to be done before any agricultural product is considered for export and throughout the full development of agricultural products for export.

A program is needed to work with existing small, private commodity traders to assist them in participating in export markets in non-traditional export commodities. Such a program would contain elements of a brokering organization and a training organization. It would have as its aim the facilitation of successful private arrangements between local Ugandan traders and foreign traders. It is not necessary to have government involved in every foreign transaction in order for the country to benefit.

### **Market Town and Rural Area Development Research.**

This report has already established a need for research on several aspects of market town and area research. Included are the need to better understand:

- the function and opportunities for local government management;
- the economics of farm-to-market roads;
- the impacts and consequences of laws and administrative practice on the conduct of town and inter-regional business;
- the economics of bicycles as personal transport and as goods transporters;  
and
- the source of venture capital in the town and rural economy and the means to enhancing its generation and investment.

Other research questions of consequence to the development of market towns and the regions they serve are suggested by this study. Several examples are offered.

The study identifies a distinct and separate channel for agricultural input supplies and suggests a low level of use of purchased inputs by farmers. This information raises the question of whether there are input supply market inefficiencies that if corrected could stimulate greater input use, greater output, and an expansion of farm household and regional income.

The economies of the towns are driven by the distribution of agricultural inputs and consumer goods and services. Research is needed to identify the range of products sold, their source, whether outside or inside the region, and the opportunities for preparation or manufacture by local businesses. Such research would suggest real business opportunities for town entrepreneurs and further improve the multiplication of income by reducing external purchases and increasing local employment.

There is a need for the donor community to support rural economic development research that is focused on market towns and regional development. This research emphasis, and its need, is distinct from and in addition to the need for farm level and agricultural commodity specific biological and social science research. If there is an existing capacity of trained manpower in regional economics, community economics, and rural development who would respond if funded, then the funding issue needs to be added to the agenda of the donor community. If there is not an existing capacity, then addressing that issue with a programmatic response deserves serious attention.

### **3. Local Policies and Programs, Locally Carried Out**

Based on the Wobulenzi and Kayunga pilot studies, the following represent the types of interventions that can be made in individual market town areas and that at the present time are likely to yield the most dramatic and immediate benefits to national and local rural development.

#### **Increasing Local Government Capacity to Take Local Initiatives**

This is the local level manifestation of the national effort to increase local government public management capacity as discussed above. The direct expansion of local government development capacity would be particularly amenable to support by international volunteer donor organizations, such as the US Peace Corps, or other voluntary organization.

The placement of a volunteer "Economic Development Officer" in each of several communities to develop an agenda of town programs and projects in conjunction with local political and administrative leaders could be highly productive. If there was a supporting national program of competitive grants for localities to carry out their proposed projects, the volunteer would assist local leaders to develop the proposal, its budget and rationale. If projects were funded, much public management training on-the-job would ensue.

## **Local Policies and Practices**

Adoption by local authorities of an overall policy stance that is proactively supportive of business expansion throughout the market town area is very important. This includes taking account of government actions that will result in increasing productivity and returns to farming and encouragement of other micro-enterprise activity. All policies, expenditure priorities, procedures, regulations, ordinances, enforcement practices, fee and license schedules, public hearing practices, and administrative structures, both existing and proposed, should undergo careful review for consistency with this stance. This is the local counterpart to the national level program described above. Unfortunately, the subtleties and insights necessary to implement such an effort require considerable knowledge of local institutions and behavior and are beyond the scope of this study.

## **Business Development Training Programs**

There is considerable evidence of a persistent and irrepressible effort by many ordinary Ugandans throughout the country to undertake commercial ventures. Indeed, we have been contacted by some of those entrepreneurs since returning to America. That persistence is the result of both the necessity to survive in a difficult time as well as an indomitable spirit to improve one's life and lot. However, there is also evidence that operators of some small businesses are not aware of strategies to use when they face a highly competitive market.

Efforts to add functional business and entrepreneurial training to that drive would yield very productive results. Such programs are widely available and are particularly amenable to technical assistance from non-governmental organizations (NGOs) or from some of the volunteer organizations, as well as from governmental donors.

## **Business and Transportation Coordination**

There are considerable economies to be gained in Uganda on behalf of small transporter businesses and other businesses requiring transport services if the problems of empty back hauls can be addressed. One approach to the back haul problem has been referred to above in a recommendation for a national program to encourage review of laws and administrative practice that discourage efficiency in business. Another approach is to encourage the development of a transportation brokering activity. A brokerage organization would help to identify and organize loads of goods going from the town to Kampala and return loads from Kampala to the town.

The major difficulty in establishing such an activity is that it entirely depends on credit or performance guarantees, usually a security deposit, to insure that the

broker gets paid. There is considerable need and opportunity for such an activity to be organized and it is quite feasible for such an activity to be developed by an

association of transporters or a local business council. There is some question whether the credit or performance guarantees can be organized in the current business climate. Success in initiating this intervention will depend on having some technical assistance on a day-to-day basis with the group attempting the venture.

### **Town Infrastructure and Services**

The condition of local services and the infrastructure that creates or supports those services deserves considerable attention. A program of financing, such as a competitive block grant program, needs to be developed to finance small investments in town infrastructure. The following specific examples of problems and approaches to them is suggestive and not exhaustive.

#### **Streets, Roads, Bus Parks and Shelters.**

The condition of streets and roads within the town has a significant influence on the vitality of economic activity within the community. Buses, lorries, minibuses and other transportation will not leave the main road for the bus park because of ruts and potholes. If that happens there will not be the opportunity for businesses away from the main road to benefit from trade with that travelling clientele.

If open air businesses or travellers have no shelter from the rain or must walk in mud, they will not pause to make any kind of purchase when the weather is bad. If the market area is muddy and not well kept and rubbish abounds, it is not a pleasant place to shop and that has economic consequences.

It is entirely within the capacity of local government and local trade organizations to work together to develop an agenda of town improvements in streets, roads, parking areas, walkways, and shelters that will enhance both established businesses and open air and market stall businesses.

#### **Water Points.**

Neither Kayunga nor Wobulenzi have public water points in places where they could contribute to economic activity. Public water is an important development in any community for health and sanitation reasons. However, when a community develops some form of public water access, it is important to make it available to locations in the community where people congregate and that have important economic consequences. Such areas are the central market and the bus park.

## Open Air Business Lockups

A common complaint of open air and market stall business operators is that they have to haul their goods and equipment long distances on a daily basis and that security of their goods is a problem. There is a simple solution to this problem. It is to develop lockers for rent in a central area of the town where any type of business could hire them and have assurance that their goods would be safe while unattended.

This intervention could be carried out by a private investor and run privately or by the public sector. We recommend that the public sector consider it because of the advantages to placing it in the center of the town and because of the current venture capital situation in Uganda. It may be possible in the future to have such facilities in the private sector.

### **C. A Program to Revitalize Uganda's Market Town Areas**

#### **1. Overview**

The study team recommends a Market Town Area Development Program for revitalizing Uganda's market town system. The program would be carried out over an extended period, perhaps as long as ten years, would involve two distinct streams and would be implemented in several phases. The program would simultaneously address as separate streams, both the national based interventions and the locally initiated and implemented interventions.

The Market Town Area Development Program would operate with leadership from the Ministry of Local Government to carry out the various interventions at the level most appropriate to the specific problem being addressed. For example, it might be appropriate for a formal training component, associated with the capacity building in local government initiative, to be carried out by a Uganda Institute for Public Administration. Multiple agencies of government would be involved and considerable coordination would be required.

A Market Towns Development Steering Committee should be established to oversee overall progress of the Market Town Area Development Program and to coordinate the effort. Membership in the Steering Committee should include a representative of the President and of each ministry likely to play a role in the program, as well as representatives of the foreign assistance agencies in the donor consortium lending financial and technical support. This committee will receive and review reports of the several efforts and provide operating policy guidance, arrange for technical support to help address unforeseen problems, and represent the Market Town Area Development Program to the donor consortium.

The proposed national interventions fall administratively under a number of different agencies of the Government of Uganda and the several efforts would report directly to the Steering Committee. Each of the national level interventions and the initiatives to implement them could be treated as separate projects. Each could be funded differently and all brought together under the Steering Committee.

The local interventions locally implemented component is the other action stream to the Market Town Area Development Program. It would be operated as a separate Market Town Economic Development Program, by the Ministry of Local Government and would also report to the Steering Committee.

The two streams of effort and the central coordination build a local action effort into the program. They provide the local effort with back up and support at the national level, as well as national initiatives that will help institutionalize the progress being made at the local level. Further, the several elements of the program are separable for funding and administrative purposes and allow for separate performance accountability of the discrete elements or projects.

## **2. Program Elements**

### **a) Local Intervention - Market Town Economic Development Program**

As described in the section on local interventions, there are several that appear to have merit in the towns of Wobulenzi and Kayunga. However, a program to assess and initiate local interventions could be made general for many towns in the country. As in the cases of Wobulenzi and Kayunga, the recommended local interventions could be carried out under an action program that includes the placement of Economic Development Officers in each of the towns. It would be the responsibility of the officer to help local officials to assess the opportunities for such interventions and then to assist them in implementation.

For the program to be successful there must be funding and support services for the variety of interventions that are indicated in this report and others that would be discovered in the course of the action program. Based on the information from the two study towns, it would be important to have the following elements within the Ministry of Local Government or another appropriate ministry as support services to the local action program and the local Economic Development Officers:

1. Block grant funding for small local infrastructure projects such as the market lockups and shelters.
2. Civil engineering services to assist local communities to design and estimate the costs of local infrastructure projects to be funded by the block grant program.

3. Small business management and development specialists to assist in carrying out town level courses and programs for local business people. These individuals could also be called upon by the community leaders and the Economic Development Officers to help in assessing the opportunities and organizing requirements for a variety of actions that associations of businesses may wish to undertake.

The local Economic Development Officer role as well as a number of the support specialists are very viable positions to be filled and supported by international volunteer groups such as the US Peace Corps, VSO, CUSO, or some other such donor. If the Economic Development Officer works closely with local administrative staff on both assessment of community needs, town project design, application, and then implementation, there should be a substantial on-the-job training impact and increased local management capacity. However, unless the support services, including the block grant funding resources, are made available, the assignment for a foreign volunteer would be very difficult.

For any community where a new Economic Development Officer is assigned, a good first step to get started would be to carry out several of the surveys of local businesses and the town inventory, as was accomplished by the research for this study.

To implement this part of the Market Towns Development Program, a Market Towns Unit should be established in the MLG to administer the local action program and coordinate the different activities taking place in the many individual market town areas at the same time. Functions of the Market Towns Unit would include:

- technical support to individual market town planning and implementation efforts as described above, including transmitting lessons of experience among them;
- coordination among central ministries that will have input to planning for individual market town areas and be involved in implementing local projects;
- spearheading and synthesizing evaluations; and
- reporting periodically to the Market Towns Program Steering Committee on progress being made by the local action projects and on the local views of the impacts of the national level initiatives.

It will be discovered, if such a program is initiated, that volunteer EDO's could usefully serve a particular town for more than the single two year term of service that is relatively standard for many foreign volunteers.

It will be particularly important for staff of the Economic Development Program, both Ugandan and foreign, to have a sense of the activities and progress being made on the national initiatives through their representation on the Market Towns Development Program Steering Committee.

#### **b) National Initiatives**

Each of the national initiatives needs to be discussed as a separate activity. Each has an entirely different time horizon and could be operated as an entirely separate independent program but all would benefit from interaction with the others, particularly with the local initiative, through the Market Towns Development Steering Committee.

#### **Capacity Building in Local Government**

A substantial part of this initiative is a training program for local civil servants, as opposed to local political leadership, that could be carried out by an institute for public administration. If and when a Economic Development Program is established for local action, the training carried out under this part of the national initiative should involve both the MLG staff and selected EDO's.

There are several approaches to such training that are possible and the details are beyond the scope of this report. Local officials could be enrolled in training for short courses, or for certificate credit over an extended period resulting in certification, credential, and salary increment for successful performance and completion. Some combination of both types of training is desirable.

Foreign technical assistance in local public administration for the training institution, in addition to funding for the operational training portion of the project, should be included in any project funded under this initiative.

#### **Improvement of Rural Roads**

Whether undertaken by the Ugandan military forces or by a civilian ministry of public works, this initiative will require some equipment support, equipment operator training resources, and operational funding.

The specific design elements for this aspect of the Market Towns Development Program are beyond the scope of this report. However, military corps of engineers are present in the armed forces of many of the donor countries, and it is conceivable that such a program could be carried out under a military assistance arrangement from some donor country.

## **Private Sector Involvement in Export Marketing of Agricultural Products From Uganda**

An important element in the proposed program is the establishment of a marketing assistance unit in the Ministry of Commerce to work with agricultural commodity traders of all sizes. The unit will help to identify foreign marketing opportunities and put individual traders or groups in contact with foreign traders to work out their own arrangements. It will simultaneously carry out training and educational programs for Ugandan traders so that they will better understand the issues involved in participating in international markets.

If storage, packaging, and other technical facilities are needed the unit would again assist and facilitate private ventures to develop the facilities. Most important, the unit and its program would give credence to the active participation of the private sector in all agricultural marketing.

## **Review of Laws and Administrative Practice Affecting Local and Interregional Business**

The study team proposes the establishment of a team of lawyers and business specialists whose job it is to be advocates for small business development throughout Uganda. For the most part, large corporate businesses are not nearly as needful of this kind of assistance. The project under this initiative will have three major activities.

First will be the examination of existing laws and administrative practice to see whether there are useless and unintended impediments to the operation of local businesses and business activities. Included under this activity will be written recommendations through the Steering Committee, to the Government, to change or modify existing law to make it more hospitable to entrepreneurship and business practice.

Second will be a consultancy service to small businesses about what is necessary under the law to properly establish or practice a particular type of business. It is anticipated that it will be from the experience gained in consultation with individual businesses and their problems that members of the unit will become sufficiently familiar with problems of businesses to carry out their first function.

Third, there should be a funded educational program that informs private citizens of their rights in business under the law. This would make them less likely intimidated for bribes by unscrupulous officials at road blocks and other places. The same effort would similarly inform public officials of the rights of business people and make it easier for both groups to carry out their daily affairs in harmony and mutual respect.

There are several possible administrative locations for this initiative. It could be in the Ministry of Justice, or the ministry dealing mostly with commerce, or even in the Ministry of Local Government.

### **Deposit Services**

There already is some donor assistance to the Uganda banking community and to the central bank. That existing effort could easily be expanded to examine the role of deposit services in savings generation and in venture capital formation as well as the possible role of credit unions as an alternative institutional arrangement to provide those services.

### **Bicycles**

There is considerable opportunity to innovate and modify the design of bicycles and accessory equipment that would make them even more useful to rural people. Evidence exists from other places in the world that such modifications as trailers, pannier baskets, and three-wheeled bicycles are practical. At the same time, there are many factors such as terrain that mitigate and affect the usefulness of one or another design feature.

A series of small grants to support bicycle design innovation should be made to a series of both public and private engineering firms, work-shops, or individuals. The most successful designs would then be purchased by government and made available to manufacturers or fabricators throughout the country.

## **3. Issues in Program Implementation.**

Much of the discussion of program implementation has already been dealt with in the description of the program and its elements. However, the most critical items in program implementation are the following:

### **a) Successful Operation of the Economic Development Program**

Because this locally initiated and implemented stream of the program provides local experience, context and critique to the rest of the elements of the program, success here is critical. Further, this is the most difficult part of the program to implement and support.

The importance of the support functions to the field operations has already been addressed. A further major consideration in implementation will be to build the program slowly and in phases so that learning can take place and the inevitable mistakes can be corrected. On the other hand, there must be in the initial effort

sufficient numbers of EDO's in the field to actually have sufficient experience from which to learn. An initial placement of ten (10) EDO's in ten communities with the support systems needed would be an appropriate initial phase.

The decision to expand the effort to other communities and/or to continue the work in the initial communities could be made on the basis of about two years of experience with the first ten communities.

The other critical aspect in the operation of this program stream will be the organization and operation of the support activities and the block grant program. It must be clear that the Market Towns Unit in the MLG works for the field people and not the other way around. Further, unless there are sufficient resources to support projects in the communities, neither the EDO's or the local officials will make any progress in either the local infrastructure projects or the capacity building objectives of the program.

#### **b) The Successful Functioning of the Market Town Development Steering Committee**

This is the organization that must have the vision and authority to make the total program work. It should be the first element of the program organized and should work primarily as a coordinating body rather than an executive body. That is, it should not attempt to manage the details of any of the program elements but rather work at making the way clear by interagency coordination for the successful functioning of those elements.

For example, it will be very important for Economic Development Officers and the Market Towns Unit in the Ministry of Local Government to be appraised of the progress being made by any or all of the national initiatives. Similarly, if say the bicycle innovation project develops a set of pannier baskets that are very promising, it may be that local fabricators in some of the towns can be induced to commence manufacture and distribution.

The Steering Committee should also have a direct role in the approval and review of donor proposals with respect to the Market Town Area Development Program elements even though the lead agency and recipient of donor aid for the element may be a ministry other than the Ministry of Local Government.

#### **c) Improvement of Farm to Market Roads**

Regardless of the means, one of the most critical elements in the success of the program, is the improvement of the farm to market roads, whether through the efforts of the Market Towns Area Development Program or totally separate from the efforts initiated by the Program. It is more important to have this accomplished than

it is for the Program and its Steering Committee to have jurisdiction over the activity. Simply getting the issue of farm to market roads higher on the Government's list of priorities will be a significant contribution by the Steering Committee.

#### **D. Final Comments**

The greatest portion of this report has focused on analysis and discussion of the economic forces at work in the market towns of Wobulenzi and Kayunga in particular, and of market towns in Uganda in general. It has identified the various parts of the local economy and the functioning of the towns in the economic life of the regions they serve. Economic growth and development is accomplished by the private actions of private businesses, in this case of private household-firms.

When we come to programs and policies the major focus is on the role of the public sector. However important government policy and programs may be, it is useful to remember that it is still the actions of ordinary people trying to earn a living that make the economy go.

**Appendix 1. Farm Household Survey Results**

**A. Farm Household Survey - Wobulenzi - 199 Households**

**SIZE OF FARM**

<u>Number of Acres</u>	<u>Percent of Total</u>
Fewer than 2	8
2 - 5	40
6 -10	29
11-20	14
21-40	5
More than 40	<u>4</u>
Total	100

**DISTANCE TO WOBULENZI**

<u>Number of Miles</u>	<u>Percent of Total</u>
Fewer than 2	9
2	13
3 - 5	23
6 -10	39
11-20	<u>16</u>
Total	100

**CROPS RAISED**

<u>Major Crop</u>	<u>Percent Responding</u>
Beans	83
Cassava	81
Coffee	74
Maize	69
Bananas	68
Poultry	21
Miscellaneous vegetables	21
Irish potatoes	19
Groundnuts	18
Cattle/Milk	17
Sorghum	15

**CROPS FOR WHICH MOST MONEY WAS RECEIVED LAST YEAR**

<u>Crop</u>	<u>First</u>	<u>Second</u>	<u>Third</u>	<u>Combination of 1st, 2nd, &amp; 3rd</u>
Coffee	38%	14%	9%	60%
Beans	4	14	16	34
Bananas	13	11	6	30
Maize	9	13	10	30
Cassava	9	13	7	29

**HOW MANY MEMBERS WORK OFF THE FARM**

<u>Number off the farm</u>	<u>Percent of Farms</u>
1	19
2	14
3	6
4-10	10
11-20	2

**NUMBER WORKING IN WOBULENZI**

<u>Number in Wobulenzi</u>	<u>Percent of Farms</u>
1	25
2	6
3	2
4-10	1
11-20	1

**NUMBER NEARBY OFF FARM**

<u>Number Nearby</u>	<u>Percent of Farms</u>
1	15
2	6
3	2
4-10	3

### NUMBER WORKING FAR AWAY

<u>Number Far Away</u>	<u>Percent of Farms</u>
1	6
2	3
3	1
4-10	2

### TYPE OF BUSINESS OPERATED

<u>Type of Business</u>	<u>Percent of Farms</u>
Local Beer Brewing	38
Shop or market stall	13
Brick making	5
Others	12

### WHERE FARM HOUSEHOLDS MAKE PURCHASES

<u>Location</u>	<u>Amount of Purchases</u>		
	<u>All</u>	<u>Most</u>	<u>Little</u>
In Wobulenzi	15%	35%	46%
Nearby Wobulenzi	3	44	29
Far Away	-	6	45

### SOURCE OF FUNDS FOR FARM

<u>Source</u>	<u>Percent of Total</u>
From farming, other businesses or work, savings	50
Borrowed from relatives/friends	41
Borrowed from financial institution or some credit scheme	<u>9</u>
Total	100

## B. Farm Household Survey - Kayunga - 171 Households

### Farm Households Surveyed By Sub-County

<u>Sub-County</u>	<u>Households</u>
Galiraya	30
Baale	
Kayonza	25
Kitimbwa	
Kayunga	25
Busana	25
Nazigo	18
Kangulumira	28
Ntunda	<u>20</u>
Total	171

### Size Distribution of Farms Surveyed

<u>Acres</u>	<u>Percent of Farms</u>
2 or less	10
2+ - 5	29
5+ - 10	17
10+ - 20	11
20+ - 40	7
> 40	<u>26</u>
	100

### Distance to Kayunga

<u>Miles to Kayunga</u>	<u>Households</u>
1 or less	1
1 - 2	2
2+ - 5	18
5+ - 10	31
10+ - 20	24
20+ - 30	8
> 30	<u>16</u>
Total	100

### CROPS RAISED

<u>major Crop</u>	<u>Percentage of Farms Growing</u>
Cassava	78
Coffee	75
Bananas	67
Beans	67
Maize	64
Sweet Potatoes	51
Cattle/meat	42
Cattle/milk	22
Pineapples	20

### CROPS PROVIDING THE MOST CASH INCOME

<u>Source</u>	<u>Crop</u>	<u>Percent of Farms Reporting Crop as Important Cash</u>
	Coffee	64
	Beans	29
	Livestock/meat	26
	Bananas	23
	Maize	22
	Milk	19
	Cassava	18

### OFF-FARM EMPLOYMENT

<u>Extent of Off-Farm Employment</u>	<u>Percent of All Households</u>
one family member	29
two family members	12
three family members	3
four or more	<u>4</u>
Total	48

### Location of Off-Farm Work % of Farms with Off-Farm Workers

Kayunga Town	46
Not in town, nearby	48
Outside the region	16

## NON-AGRICULTURAL BUSINESSES ON FARM

48 % of Households report off-farm work by a member.

### NON-AGRICULTURAL FARM ENTERPRISES

Brick/block making  
Charcoal making  
Beer making  
Shop keeping  
Stone breaking (gravel)  
Carpentry  
Cattle trading  
Tailoring  
Squeezing Sugar Cane  
Grain milling  
Bakery  
Basket making  
Sand digging  
Coffee buying

### WHERE FARM HOUSEHOLDS MAKE PURCHASES

<u>Location</u>	<u>Amount of Purchases</u>		
	<u>All</u>	<u>Most</u>	<u>Little</u>
In Kayunga	8%	33%	35%
Nearby Kayunga	19	34	30
Far Away	-	17	52

### SOURCE OF FUNDS FOR FARM

<u>Source</u>	<u>Percent of Total</u>
From farming, other businesses or work, savings	65
Borrowed from relatives/friends, gift or inheritance	25
Borrowed from financial institution or some credit scheme	1
No response	<u>9</u>
Total	100

## Appendix 2. Agricultural Marketing Channels

### WOBULENZI

Following are the major and minor channels of distribution through which some of the major commodities in the Wobulenzi area go on their way to the final consumer. Also noted are informed estimates of the total crop which goes through each of the channels outlined. The major purpose of these diagrams is to show that for most commodities, there is an established channel of distribution, for the most part dictated by market conditions, and by the wishes of the farmers and other business people in the area. It is important that any government or other rule-maker do as little as possible to "correct" any error perceived to exist in the way goods are distributed. If the free market calls for a change in goods distribution, such a change will come about. The market system has a wonderful way of correcting itself without outside intervention.

The legend used follows each diagram.

#### COFFEE:

<u>Channel</u>	Percent of Total <u>Through</u>
F--P--U--CMB--E	50
F--P--PF--CMB--E	30
F--L--U--CMB--E	15
F--P--PF-LP--C	<u>5</u>
Total	100

C	--	Final consumer	CMB	--	Coffee Marketing
E	--	Export	F	--	Farmer
L	--	Local cooperative	LP	--	Local coffee
P	--	Private coffee dealer	PF	--	Private coffee
U	--	Cooperative Union			factory

**BEANS**

		Percent of Total
Crop	<u>Channel</u>	<u>Through Channel</u>
	F--R--C	50
	F--C	40
	F--I	5
	F--W--R--C	<u>5</u>
	Total	100

C -- Final consumer  
 F -- Farmer  
 I -- Institution(school, hospital, government, etc.)  
 R -- Retailer  
 W -- Wholesaler

**MATOKE, OTHER BANANAS, SWEET POTATOES, CASSAVA:**

		Percent of Total
Crop	<u>Channel</u>	<u>Through Channel</u>
	F--C	70
	F--R--C	20
	F--W--R--C	5
	F--I	3
	F-W-I	<u>2</u>
	Total	100

C -- Final consumer  
 F -- Farmer  
 I -- Institution(school, hospital, government, etc.)  
 R -- Retailer  
 W -- Wholesaler

**BEEF:**

		Percent of Total
Crop	<u>Channel</u>	<u>Through Channel</u>
	F--W--R--C	50
	F--W--M--R--C	40
	F--R--C	7
	F--W--I	2
	F--I	<u>1</u>
	Total	100

C	--	Final consumer
F	--	Farmer
I	--	Institution(school, hospital, government, etc.)
M	--	Meat cutter-Butcher
R	--	Retailer
W	--	Wholesaler

**BEER BANANAS--LOCAL BREW:**

		Percent of Total
Crop	<u>Channel</u>	<u>Through Channel</u>
	F(B)--D--C	50
	F(B)--C	20
	F--B--D--C	10
	F--B--C	5
	F(B)--DI--R--C	<u>5</u>
	Total	100

B	--	Brewer	C	--	Final consumer
D	--	Drinking place	DI	--	Beer distributor
F	--	Farmer	R	--	Retailer

MAIZE:

<u>Channel</u>	<u>Percent of Total Crop Through Channel</u>
F--G--R--C	40
F--R--G--C	35
F--C	15
F--C--G	5
F--R--C	3
F--I	<u>2</u>
Total	100

C -- Final consumer  
F -- Farmer  
G -- Grain mill  
I -- Institution(school, hospital, government, etc.)  
R -- Retailer  
W -- Wholesaler

## KAYUNGA

The following are the various marketing channels, as perceived in Kayunga, through which agricultural commodities move from producers to consumers. We have adopted a legend comparable to that used in Wobulenzi to describe the channels.

### COFFEE

Despite its apparent declining importance in both the Kayunga hinterland and in Uganda in general, coffee still remains the single most significant cash crop in the region and its sale, marketing and processing are significant in the economy of the region surrounding Kayunga and in the town itself.

We identified the following as active marketing channels for coffee in the region:

F -- BT -- PS -- PF -- CMB

F -- PS -- PF -- CMB

F -- PF -- CMB

F -- L -- U -- CMB

F -- U -- CMB

F	-- Farm	BT	-- Bicycle traders
PS	-- Private stores	PF	-- Private factory
CMB	-- Coffee Marketing Board	L	-- Local coop. soc.
U	-- Cooperative Union factory		

Our farm household survey instrument asked about the first level of buyers at the farm gate. The results indicate that dealing with private traders was as frequent as dealings with the cooperative societies. Interestingly, farmers identified the private traders as "illegal traders" even though we understand that private trading in coffee is not illegal. Frequently the response was "illegal traders for cash" or "private traders for cash".

A visit was made to each of the two coffee processing plants in Kayunga, the Cooperative Union plant and a private company cum association of growers plant. The private plant was operating flat out with considerable stores of unprocessed coffee. The Coop Union plant had not had any coffee delivered

since August and had only a few hundred bags of unprocessed coffee on hand.

Farmers who reported that they had sold their coffee to private dealers did complain that the prices were too low. Curiously, most of them as well as the agricultural staff involved in the interview process all considered the only solution to be government intervention to fix prices or subsidize them. The suggestion that the presence of a larger number of buyers was received as a great revelation.

## BEANS

As indicated in the previous section, beans have become the second most frequently marketed crop for in the region. We identified the following market channels in use for beans:

F -- BT -- BU -- PMB -- C

F -- BT -- C

F -- BT -- R -- C

F -- BT -- BU -- R -- C

F -- R -- C

F -- C

F	--	Farm	BT	--	Bicycle Traders
BU	--	Bulk Traders	R	--	Retailers
C	--	Consumer	PMB	--	Produce Marketing

Bd.

Review of the survey questionnaires indicates that uniformly beans are not sold by most farmers to the Produce Marketing Board even if they end up there. They sell them to local bicycle traders or "tin men" who buy in tin quantities. A few farmers indicated that they had made arrangements to sell their beans to a school or restaurant.

## BANANAS

This is clearly the most complex and intricate of marketing systems because of the role of matoke as a staple and because it is so widely grown and available at most times of the year. We identified the following marketing channels:

F -- BT -- BU -- W -- R -- C

F -- BU -- W -- R -- C

F -- BT -- H

F -- BT -- BU -- H

F -- BT -- BU -- W -- R -- H

F -- BT -- W -- R -- H

F -- BU -- W -- H

F -- C

F	--	Farm	BT	--	Bicycle Traders
BU	--	Bulk Traders	R	--	Retailers
C	--	Consumer	W	--	Wholesalers
H	--	Restaurant/hotel			

Most of our farmers reported selling to bicycle traders or to neighbors, though a few did indicate that they sold directly to Kampala bulk buyers.

## MAIZE

F -- BT -- PMB -- C

F -- BT -- M -- PMB -- C

F -- BT -- BU -- M -- W -- R -- C

F -- BT -- BU -- PMB -- C

F -- BT -- M -- W -- R -- C

F ----- C

F	--	Farm	BT	--	Bicycle Traders
BU	--	Bulk Traders	R	--	Retailers
C	--	Consumer	PMB	--	Produce Marketing Bd.
M	--	Millers			

The maize marketing at the farm gate seems to be very similar to that of beans with several indicating that they had made some kind of continuing relationship with an institution such as a school. Most sold to the tin men or bicycle traders at the farm.

## MILK

Much of the milk in the Kayunga area is from Baale sub-county and is collected through the cooperative society and transported to the cooling facility in Kayunga and thence to both local and distant buyers. The cooperative manager indicated that the majority of their milk sales was in jerry can quantities and to buyers who bought as many as three cans of milk. However, at least one pick up load per day of milk in jerry cans goes from Baale to Kampala by a commodity trader who hires the pickup. He does not have any cooling facilities and is in a hurry to deliver his perishable product. Some producers reported selling locally to local consumers.

Farm ----- Consumer

Farm ----- BT ----- Consumer

Farm -- BT -- R -- Consumer

Farm -- BT -- W -- R -- Consumer

Farm -- BT -- L -- Consumer

Farm -- L -- Consumer

Farm -- BT -- L -- W -- R -- Consumer

F	--	Farm	BT	--	Bicycle Traders
L	--	Local cooperative	R	--	Retailers
C	--	Consumer	W	--	Wholesalers

## CASSAVA

Cassava is handled as two products, fresh cassava and dried cassava for flour. The channels for the dried cassava are essentially the same as for the fresh except that in the latter case both millers and bakeries figure in the channels. As best we could tell from producer responses and from observation, most of the cassava completely bypasses Kayunga in pickup trucks from Kampala. Little was being sold in the local market and little was apparently traded in the town.

Farm -- BT -- BU -- W -- R -- Consumer  
Farm -- BT -- BU -- W -- R -- T -- H  
Farm -- BT -- BU -- W -- R -- T -- I

F	--	Farm	BT	--	Bicycle Traders
BU	--	Bulk Traders	R	--	Retailers
C	--	Consumer	W	--	Wholesalers
H	--	Restaurant/hotel			
I	--	Institution(school, hospital, government, etc.)			

**Appendix 3      Market Town Inventories**

**WOBULENZI MARKET TOWN INVENTORY**

Producing Firms

Tailor/Seamstress	27
Carpenter/Woodworker	2
Shoemaker	1
Blacksmith/Iron Worker	1
Slaughterhouse(open air) and cattle kraal	1
Grain mill	1
Welding Shop	1

Service Firms

Bicycle Repair	12
Hair Salon/Beauty Parlor	5
Farmer Co-op/Society Office	4
Coffee Buyers	4
Banks	2
Auto/Motorcycle/Truck Service	4
Barber	2
Legal Services/Clerk	2
Sign Maker	2
Photo Studio	1
Dry Cleaner	1
Taxi Stand	2
Radio-TV Repair	1
Wheelbarrow hire stand	1
Bicycle hire stand	1
Truck Transport Association	1

Distribution Firms

	<u>Fixed</u>	<u>Mk't Stalls/</u>	<u>Total</u>
	<u>Establishments</u>	<u>Open Air</u>	
General Merchandise Retailing	152		152
Second Hand Clothes/Shoes	10	1	11
Fabrics	14		14
Hardware	6		6
Hotels	4		4
Bicycle Spare Parts	4		4
Drug Store, including Veterinary	7		7
Restaurant	3	3	6
Fresh Vegetables/Fresh & Smoked Fish	3	43	46
Bar-Local Brew	5	1	6
Music/Tapes	2		2
Petrol Station	2		2
Farm Supplies	3	1	4
New Clothing/Shoes	5		5
Household Goods	1		1
Other Food Outlets	2		2
Radio Shop	2		
2			
Stationery Shop/Office Supplies	1		
1			

Other Institutions

Church	3		
Mosque	1		
Health/Maternity Clinic	2		
Primary School	1		

**KAYUNGA MARKET TOWN INVENTORY**

<u>Producing Firms</u>	<u>Fixed</u>	<u>Mkt Stalls,</u>	
	<u>Establishments</u>	<u>Open Air</u>	
<u>Total</u>			
Tailor	1	77	78
Shoemaker	1		1
Carpenter/Wood worker		12	12
Blacksmith/Iron worker	5		5
Mason/stone, Tile, Cement		9	9
Grain milling	5		5
Slaughterhouse	1		1
Tannery/hides	2		2
Textile production	2		2
Dairy processing	2		2
Bakery	3		3
Coffee processing			

Service Firms

Banks and financial inst.	3		3
Auto service	3		3
Truck service	3	17	20
Bicycle repair	1	17	18
Shoe repair		8	8
Watch repair		5	5
Radio repair		7	7
Photo studio	4		4
Barber	3	9	12
Hair salon/beauty parlor	5	8	13
Porter		27	27
Personal transport hire		16	16
Dry cleaning/laundry	2	7	9
Truck/car washing		3	3

	<u>Fixed</u> <u>Establishments</u>	<u>Mkt Stalls,</u> <u>Open Air</u>	<u>Total</u>
<u>Distribution Firms</u>			
Fresh meat	7	24	31
Fresh produce	7	100	107
Fresh fish		13	13
Dairy, eggs, other food	10	8	18
Restaurant, prepared foods	32	26	58
Bar/beverage shops	10	27	37
Hotel	5		5
Clothing, Shoes	24	14	38
General retailing	55	30	85
Farm supplies	7		7
Petrol	3		3
Motor vehicle spares	9		9
Bicycle spares	15		15
<hr/>			
Total	232	454	696

Educational Institutions

	<u>Number</u>
Primary School	8
Secondary school	3
High school	-
College, technical school	2

Religious Institutions

Mosque	3
Church, established	7
newly organized	4

<u>Health Institutions</u>	
Hospital	1
Health clinic	1
Pharmacy, drug shops	18
Traditional doctor	11
Modern doctor	3
Midwives	7
Dispensary	1
<u>Administrative Services</u>	
Police station	1
Agricultural extension office	1
Veterinary service office	1
Cooperative society	9
Post office	1
Town administration/town council	1
County offices	1
Sub county offices	1
Government of Uganda Information office	1
Magistrate	1
Military barracks	1
<u>Public Services</u>	
Public markets	2
Electricity	yes
Telephone	yes
Sewage	no
Rubbish disposal location	yes
Water system	no

**Appendix 4      Surveys of Businesses - Open-Air and Market  
Stall Businesses, Businesses in Fixed  
Establishments, Traders and Transporters.**

**WOBULENZI**

**BUSINESSES IN FIXED ESTABLISHMENTS: 52 Interviews.**

<u>Type of Fixed Business Establishment</u>	<u>Percent of Total</u>
Retail Store	48
Service Establishment	29
Wholesale & Retail Combined	8
Others--combinations of above	<u>15</u>
Total	100

**Years Business In Operation**

<u>Number of years</u>	<u>Percent of Total</u>
Fewer than 2	23
2 - 5	31
6 -10	19
11-20	19
21-30	<u>8</u>
Total	100

**How Long Operating Business**

<u>Number of Years</u>	<u>Percent of Total</u>
Fewer than 2	23
2 - 5	37
6 -10	17
11-20	15
21-30	<u>8</u>
Total	100

**Square Meters In Use**

<u>Number</u>	<u>Percent of Total</u>
10 or under	6
11-20	37
21-30	18
31-40	12
More than 40	<u>27</u>
Total	100

### **Owners Owning Other Businesses and/or the Building:**

When asked if the business owner owns other businesses, sixty-one percent said they did. Three quarters of these are either shambas or livestock. Many other types of business comprise the other quarter. In short, business owners in Wobulenzi, in general, own a number of businesses.

Thirty-seven percent of the respondents stated that they own the building, sixty-three percent do not. Of the others who own the building, rather than the business owner, 77% are either another person in Wobulenzi or an area farmer. Relatives own 14%, and Kampala residents own 7%.

### **Rent Paid Monthly**

Fixed establishments in Wobulenzi pay rents which vary from a few hundred shillings to more than 15,000. About half of all building owners also own other buildings.

### **Sources of Funds for Building**

Two-thirds of all the buildings occupied by survey respondents were purchased from profits from business or from savings from other work. Seven percent of the respondents reported acquiring the funds for the building from a bank or other financial institution.

### **Employees in the Business**

Fixed business owners reported employing a range of from one person to over ten, with a median of two people. Clearly, business enterprises in Wobulenzi provide jobs for a considerable number of people and provide much income for the community.

### **Problems Cited By Respondents**

Respondents were asked for the problems they experience in business and for their suggestions as to their solutions. Problems fell into two major categories: lack of funds for investment and working capital and a lack of demand. Such answers indicate that business people in Wobulenzi do not really understand what is happening to them. As reported earlier, many of the stores and service businesses provide the very same goods as their competitors at exactly the same prices. They show no evidence of a knowledge of consumer desires or of the need to differentiate their businesses from one another. Education in retailing and marketing is sorely needed in Wobulenzi.

## **BUSINESSES CONDUCTED IN THE OPEN AIR AND MARKET STALLS**

- 30 Interviews.

Twenty-nine open air and market stall operators were interviewed during the study of marketing in Wobulenzi. Two-thirds of these were market stalls, one-third open air. Fifty-five percent of these operations employ just one person, 31% employ two, and 14% employ three or more. In short, the open air and market stall operations employ some people, but certainly not as many as the fixed establishments.

Such operations largely sell fresh produce, matoke, fish (including smoked), and snacks. Many of these operators are also farmers, and use this operation to sell their produce at higher prices than they could get from other retailers. However, while they are selling, they are certainly not producing on the farm.

One of the problems expressed by such operators was the lack of a storage facility for goods to be kept overnight. Most respondents had to transport all unsold merchandise back to their homes each night. One of the recommendations of this report is for the Wobulenzi Town Council to provide a "locker" facility to be rented to open air and market stall operators on a daily basis. Such a facility could be constructed inexpensively and could pay for itself more than one. One can envision the development of this market to the point where refrigerated storage is provided for the fresh meat and fresh fish which now are exposed overnight to the weather and flies and other pests.

One of the complaints of these operators is the existence of "illegal" or non-tax or fee paying open air sellers outside the establish markets. There probably is some validity to this complaint. In order for all merchants to have a "level playing field," all should pay their fair share of taxes and market fees.

## KAYUNGA

**BUSINESSES IN FIXED ESTABLISHMENTS: 45 interviews.**

<u>Type of Fixed Business Establishment</u>	<u>No Surveyed</u>
Retail	25
Service	14
Wholesale/retail	3
Manufacturing/others	<u>3</u>
Total	45

<u>Residential Location of Business Owner Responses</u>	<u>Percent of</u>
In Kayunga Town	76
Not in Kayunga but nearby	20
Far away (outside the region)	0
non-responses	4

<u>Longevity of Operation</u>	<u>As a Business By Owner</u> <u>percent of responses</u>	
< 2 years	27	29
2 - 5 years	24	29
5+ - 10 years	20	18
10+ - 20 years	20	16
21+ - 30 years	4	4
> 30 years	2	2
no response	2	2

### **Business and Property Ownership and Financing:**

In response to a question about whether the business owner owned other businesses including a farm, fully 60 percent indicated that they did. Of the forty-five (45) businesses surveyed, forty-seven percent (47 %) owned farms nearby. The other types of business owned were:

rental property  
another shop in town  
transporter

A major distinction was made in our analysis between the businesses in the community on the basis of whether they were "fixed" -- had some evidence of permanence as in a permanent structure -- or were open air or market stalls. When we asked these "fixed" businesses about whether they owned the building in

which they were housed, fully seventy-three percent (73 %) of the business were in rental space. Rents varied from a few hundreds of shillings per week to as much as US\$ 10,000 per month.

When exploring the ownership of the building in which the businesses were housed, we asked whether the building owner also owned other buildings in town. Forty percent (40 %) of the respondents answered that they did, indicating some concentration of property ownership in the community.

In a further exploration of the source of financing for both the businesses and the structures, the single most common source was from "farming" at thirty six percent (36 %) for the business and twenty three percent (23 %) for the buildings. Other common sources of finance for both businesses and structures were savings, family, business earnings, and friends. Almost no one indicated any kind of institutional loans.

**Employment:**

<u>No of Workers in the Business</u>	<u>Percent of Businesses</u>
1	48
2	24
3	13
4 - 10	13
> 10	<u>2</u>
	100

Of the persons working in the business, seventy-nine percent (79 %) were townspeople and only twenty-one percent (21 %) were rural people. We attempted to have the question relate to employees as opposed to owners but the responses were with respect to both.

**Problems Cited:**

An open ended question was asked of the business people about the character of the problems they faced affecting their operation, profitability, or expansion. After some content analysis, we grouped the responses into the following categories in order of frequency of response:

<u>Problem Area</u>	<u>Frequency (%)</u>
Limited demand	47
Shortages/cost of supplies/commodities	40
Limited funds, capital, financing	36
Transport costs or problems	24
High or unstable prices	20
Breakage or theft	18
Bad debts of customers	13
Poor economy	11
High rents	11

Other problems identified were poor business site and high personal and family costs indicating that these are household- business and must be viewed in that way.

**BUSINESSES CONDUCTED IN THE OPEN AIR AND MARKET STALLS**  
- 53 Interviews.

In order to gain some insight to the character of the less permanent, but nevertheless significant, informal sector of open air and market stall business we surveyed fifty-three (53) such establishments. Clearly the results indicate that these establishments are much smaller -- most are one person businesses, have shorter lives and are based on substantially smaller amounts of working or investment capital.

<u>Type of Establishment</u>	<u>Number</u>	<u>Percent</u>
Market stalls	29	55
Open air	<u>24</u>	<u>45</u>
Total	53	100

**Size of Establishment by Persons Employed**

<u>Nos Employed</u>	<u>Percent</u>
1	62
2	25
3+	<u>13</u>
Total	100

**Longevity of Business**

<u>Years in Business</u>	<u>Percent</u>
less than 1	42
1+ - 2	17
2+ - 5	23
5+ - 10	11
> 10	<u>7</u>
Total	100

### Rental or Fee Cost of Business

<u>U Shs</u>	<u>Percent</u>
0 - 50	58
51 - 100	28
101 - 200	8
201 - 500	4
> 500	<u>2</u>
Total	100

### Goods/Services in Market Stall and Open Air Businesses

<u>Goods/Services</u>	<u>Nos. Interviewed</u>
Prepared foods	10
Tailoring	6
Vegetables/fresh produce	6
Firewood/charcoal	5
Clothing	4
General goods	3
Shoe repair	3
Carpenter	2
Hair salon	2
Butcher	2
Milk vender	2
Bicycle repairs	2
Watch repairs	1
Transporter (porter)	1
Fish monger	1
Car wash	1
Tin smith	1
Pottery	1
Radio repair	1
Jaggery sales	1
Poultry feeds	1
Tea sweeteners	1
Wholesaler	<u>1</u>
Total	53

### AGRICULTURAL COMMODITY TRADERS AND TRANSPORTERS - 42 interviews.

In order to get a clearer picture of the actors in the marketing of agricultural commodities and in the transportation of both goods and people in the area of Kayunga we carried out a simple survey of Commodity Traders and of Transporters. The difference between the two was sometimes difficult since they often both perform the transportation function. The distinction we made was in the ownership of the commodities while in the hands of the person. If the transport function was involved, the individual was a trader

if he owned the commodity he was transporting. Similarly he was a transporter if he did not own the commodities and was only providing transport for a fee.

**Commodity Traders - 18 interviews**

<u>Commodity</u>	<u>Nos</u>
Matoke	5
Milk	2
Fish	3
Cassava	2
Maize flour	1
Citrus	1
Meat	1
Cabbages	1
Tomatoes	1
Hides/skins	<u>1</u>
Total	18

Traders only	6
Traders/transporters	12

**Form of Transport of Traders/Transporters**

Bicycle	9
Pickup	2
Matatu (hired)	1

**Transporters - 24 interviews**

<u>Type of Transport</u>	<u>Number Interviewed</u>
Bicycle	10
Taxi (auto/van)	4
Wheel barrow	4
Lorry	3
Bus	2
Pickup	<u>1</u>
Total	24

## Commodities Transported

People  
Coffee  
Cassava  
Meat  
Charcoal  
Beans  
Water  
Milk  
Maize

### **Back-haul**

Nine of the 24 transporters, including bicycles, reported that empty back-hauls were an expense. Consistently it was only the transporters in the people hauling business who did not complain of the back-haul problem.

### **Problems**

Among the most prominent problems identified by the transporters, regardless of whether they were in motorized vehicles or bicycles was the problem of spare parts, their cost and availability. The next two most frequently identified problems were the police and associated laws regarding numbers of passengers or, in the case of pickups or lorries, the carrying of passengers and the condition of the rural roads.

FARM HOUSEHOLD SURVEY (Wobulenzi area)

(Interview either owner of shamba or manager)

Location of Farm: sub Cnty. \_\_\_\_\_, Parish, \_\_\_\_\_  
Miles to K \_\_\_\_

1. How large is this shamba (Ac.) \_\_\_\_\_

2. What is mostly raised here?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

3. Which of these gave your family the most money last year?

Most (i) \_\_\_\_\_  
The next? (ii) \_\_\_\_\_  
The next? (iii) \_\_\_\_\_

4. What would most help you increase your harvest from the crops/livestock you now grow on this shamba? (What will raise yields?)

i) \_\_\_\_\_  
ii) \_\_\_\_\_  
iii) \_\_\_\_\_

5. Do any members of this household work off the farm?  
yes/no

If yes, how many work off the farm?\_\_ Number in Wobulenzi?\_\_  
Number Not in town but nearby? \_\_ Number Far away? \_\_

Number who work for wages?\_\_ Number who work for themselves?\_\_

6. Do you have any non-agricultural business on your shamba?

\_\_\_\_\_  
What business? \_\_\_\_\_

7. Does your family make more money from the shamba \_\_ or other work \_\_ ?

8. Where does this household make its purchases?

In Wobulenzi ? all most little  
Not in Wobulenzi, but near by? all most little  
Far away, outside this area? all most little

9. When you sell (i) \_\_\_\_\_, who usually buys from you?

\_\_\_\_\_

Where does he/she collect it?

\_\_\_\_\_

Is he/she the last buyer? \_\_\_\_\_ If not, who does he/she sell to?

\_\_\_\_\_

10. When you sell (ii) \_\_\_\_\_, who usually buys from you?

\_\_\_\_\_

Where does he/she collect it?

\_\_\_\_\_

Is he/she the last buyer? \_\_\_\_\_ If not, who does he/she sell to?

\_\_\_\_\_

11. When you sell (iii) \_\_\_\_\_, who usually buys from you?

\_\_\_\_\_

Where does he/she collect it?

\_\_\_\_\_

Is he/she the last buyer? \_\_\_\_\_ If not, who does he/she sell to?

\_\_\_\_\_

12. What problems seem to hinder the success of your shamba the most?

\_\_\_\_\_

13. What are solutions to these problems?

\_\_\_\_\_

14. Where did you get the money to buy or develop this shamba?

\_\_\_\_\_

15. Interviewer Comments: Name of interviewer \_\_\_\_\_  
Date of interview \_\_\_\_\_

**WOBULENZI MARKET TOWN INVENTORY**

Date of Inventory: \_\_\_\_\_

<u>Producing Firms</u>	<u>Fixed Establishments</u>	<u>Mkt Stalls, Individuals</u>	<u>Total</u>
Tailor	_____	_____	_____
Shoemaker	_____	_____	_____
Carpenter/Wood worker	_____	_____	_____
Blacksmith/Iron worker	_____	_____	_____
Mason/stone, Tile, Cement	_____	_____	_____
Farm implements	_____	_____	_____
Grain milling	_____	_____	_____
Oilseed processing	_____	_____	_____
Slaughterhouse	_____	_____	_____
Tannery	_____	_____	_____
Textile production	_____	_____	_____
Dairy processing	_____	_____	_____
Bakery	_____	_____	_____
Coffee processing	_____	_____	_____
Other (specify):	_____	_____	_____

<u>Service Firms</u>			
Banks and other fin. inst	_____	_____	_____
Auto service	_____	_____	_____
Truck service	_____	_____	_____
Bicycle repair	_____	_____	_____
Farm equip/impl. repair	_____	_____	_____
Shoe repair	_____	_____	_____
Other repair	_____	_____	_____
Photo studio	_____	_____	_____
Barber	_____	_____	_____
Hair salon/beauty parlor	_____	_____	_____
Legal services/clerk	_____	_____	_____
Cattle kraal	_____	_____	_____
Farm equipment hire	_____	_____	_____
Porter	_____	_____	_____
Personal transport hire	_____	_____	_____
Others (specify):	_____	_____	_____

<u>Producing Firms</u>	<u>Fixed Establishments</u>	<u>Mkt Stalls, Individuals</u>	<u>Total</u>
Livestock	_____	_____	_____
Fresh meat	_____	_____	_____
Fresh produce	_____	_____	_____
Dairy, Eggs	_____	_____	_____
Other food	_____	_____	_____
Restaurant, prepared foods	_____	_____	_____
Bar	_____	_____	_____
Hotel	_____	_____	_____
Clothing, Shoes	_____	_____	_____
Household goods	_____	_____	_____
General retailing	_____	_____	_____
Farm supplies	_____	_____	_____
Ag markg (trader/proc)	_____	_____	_____
Petrol	_____	_____	_____
Motor vehicle spares	_____	_____	_____
Other (specify):	_____	_____	_____

<u>Educational Institutions</u>	<u>Number</u>
Primary School	_____
Secondary school	_____
High school	_____
College, technical school	_____
Other (specify):	_____

<u>Religious Institutions</u>	
Mosque	_____
Church	_____
Other (specify):	_____

<u>Health Institutions</u>	
Hospital	_____
Health clinic	_____
Pharmacy	_____
Traditional doctor	_____
Modern doctor	_____
Other (specify):	_____

Administrative Services

Police station  
Agricultural extension office  
Veterinary service office  
Cooperative society  
Post office  
Town administration/town council  
Other government offices (specify):

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Public Services

Public markets  
Electricity  
Telephone  
Sewage  
Rubbish disposal  
Water system  
Other (specify):

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Other (specify)

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**SURVEY OF FIXED BUSINESS ESTABLISHMENTS**

1. ID. of establishment \_\_\_\_\_ 2. Location \_\_\_\_\_
3. Type of establishment:  
Manufacturing \_\_\_\_\_ Retail \_\_\_\_\_  
Wholesale \_\_\_\_\_ Service \_\_\_\_\_  
Commerce (bank, ins.) \_\_\_\_\_ Other \_\_\_\_\_
4. Where does the owner of the business (not of the building) live? \_\_\_\_\_
5. How long has the business been in operation?  
\_\_\_\_\_
6. How long has the owner been operating this business?  
\_\_\_\_\_
7. Does the owner own other businesses (including a shamba)?  
What kind? \_\_\_\_\_ Where? \_\_\_\_\_
8. Does the business owner also own this building? \_\_\_ yes  
\_\_\_ no
9. If no, who owns it?  
\_\_\_\_\_
10. What rent is paid? (monthly) \_\_\_\_\_ How many sq. meters? \_\_\_\_\_
11. Does the owner own other buildings? \_\_\_\_\_
12. What was the source of funds for financing the business?  
\_\_\_\_\_
13. What was the source of funds for financing the building?  
\_\_\_\_\_
14. What are the three major types of goods or services provided by this business, what are their main markets and sources?

	<u>Main Mkts</u>	_____	_____	
<u>Types of</u>	<u>Type of</u>	<u>Residence</u>	<u>How</u>	
<u>Goods/Serv</u>	<u>Buyer</u>	<u>Location</u>	<u>Transported</u>	

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	<u>Main Sources</u>	_____	_____	
<u>Types of</u>	<u>Type of</u>	<u>Residence</u>	<u>How</u>	
<u>Goods/Serv</u>	<u>Seller</u>	<u>Location</u>	<u>Transported</u>	

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15. How many people in total work in this business (FTE)?  
\_\_\_\_\_

16. How many are paid town's people?  
\_\_\_\_\_

17. How many are paid rural people? (don't live in town)  
\_\_\_\_\_

18. What problems seem to hinder your operation, profitability and expansion of this business most?  
\_\_\_\_\_

19. How might these problems be solved?  
\_\_\_\_\_

20. Other Comments:  
\_\_\_\_\_

Name of interviewer \_\_\_\_\_ Date and time of interview  
\_\_\_\_\_

**OPEN AIR AND MARKET STALL OPERATORS**

ID of Operation \_\_\_\_\_ Location of residence of person \_\_\_\_\_

1. Where does the owner live?  
\_\_\_\_\_
2. How many people work in the business?  
\_\_\_\_\_
3. How long has this business been in operation in this place?  
\_\_\_\_\_
4. How much rent or market fee is paid on this place daily?  
\_\_\_\_\_
5. What are the three major types of goods or services provided by this business, what are their main markets and sources?

Types of Goods/Serv	Main Mkts		How Transported
	Type of Buyer	Residence Location	

Types of Goods/Serv	Main Sources		How Transported
	Type of Seller	Residence Location	

6. What problems seem to hinder your operation, profitability and expansion of this business most?  
\_\_\_\_\_
7. How might these problems be solved?  
\_\_\_\_\_
8. Other Comments:  
\_\_\_\_\_

Name of interviewer \_\_\_\_\_  
Date and time of interview \_\_\_\_\_

MARKET TRADER SURVEY

Name of trader \_\_\_\_\_

Permanent address/location of trader  
\_\_\_\_\_

1. Why did you come to \_\_\_\_\_ town today?  
\_\_\_\_\_ to buy? \_\_\_\_\_  
\_\_\_\_\_ to sell? \_\_\_\_\_  
\_\_\_\_\_ other missions? \_\_\_\_\_
2. Where will you transport the goods you will acquire here today? \_\_\_\_\_  
\_\_\_\_\_ Miles?
3. From where did you get the goods you brought here today?  
\_\_\_\_\_ Miles?
4. Do/did you own the goods you brought here or that you will collect here today?  
\_\_\_\_\_  
If no, who owns them?  
\_\_\_\_\_
5. What is the approximate value in US\$ of the merchandise you brought for sale \_\_\_\_\_ or will buy here today? \_\_\_\_\_
6. How many US\$ will you be able to keep out of the receipts from today's merchandise trading?  
\_\_\_\_\_

Name of Interviewer \_\_\_\_\_

Date of Interview \_\_\_\_\_

TRANSPORTERS SURVEY

ID of Operation \_\_\_\_\_  
Permanent residence of person \_\_\_\_\_

1. What type of transport do you operate?

\_\_\_\_\_ Auto \_\_\_\_\_ Truck \_\_\_\_\_ Bicycle \_\_\_\_\_  
Other \_\_\_\_\_ (specify)

If truck, how large is it?  
\_\_\_\_\_

2. Who owns this means of transport?

\_\_\_\_\_ self? \_\_\_\_\_ another person? \_\_\_\_\_ other  
entity (which)?

Where does the owner live/located?  
\_\_\_\_\_

3. What commodities (or categories of commodities) do you most commonly transport?  
\_\_\_\_\_

4. Who owns the commodities while they are being transported? \_\_\_\_\_ self?

\_\_\_\_\_ sellers? \_\_\_\_\_ buyers? \_\_\_\_\_ Cooperative?  
\_\_\_\_\_ Others?

5. What is a typical day's run (commodities, location of stops, final destinations, from start to end of day)?  
\_\_\_\_\_

6. (For trucks and cars only) What are your three major costs of operation (rank in order 1,2,3) ?

Petrol \_\_\_\_\_ Servicing \_\_\_\_\_ Repair  
Labour \_\_\_\_\_ Other \_\_\_\_\_

7. How do you deal with the backhaul problem?  
\_\_\_\_\_

8. What problems seem to hinder your operation, profitability and expansion of this business most?  
\_\_\_\_\_

9. How might these problems be solved?  
\_\_\_\_\_

10. Other Comments:  
\_\_\_\_\_  
\_\_\_\_\_

Name of interviewer \_\_\_\_\_ Date and time of interview \_\_\_\_\_