THE PILOT BUSINESS LINKAGE PROGRAMME

TERMINAL EVALUATION REPORT

UNDP UGANDA/ENTERPRISE UGANDA

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LIST OF ACRONYMS AND ABBREVIATIONS

BL	Business Linkage
BLP	Business Linkage Programme
CEOs	Chief Executive Officers
EUg	Enterprise Uganda
ETW	Entrepreneurship Training Workshop
FDI	Foreign Direct Investment
GOU	Government of Uganda
HR	Human Resources
KACOFA	Kapchorwa Commercial Farmers' Association
KSGL	Kinyara Sugarcane Growers Limited
KSWL	Kinyara Sugar Works Limited
MOU	Memorandum of Understanding
SIDA	Swedish International Development Agency
SME	Small and Medium Enterprises
TNC	Trans-National Corporations
UBL	Uganda Breweries Limited
UIA	Uganda Investment Authority
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme

EXECUTIVE SUMMARY

From the late 1980s, Uganda implemented a range of reforms which included trade liberalization, privatization and rationalization of state enterprises, liberalization of consumer and producer prices and restoration of the fiscal and monetary disciplines. The range of reforms was aimed at stabilizing the economy and boosting investor confidence. Uganda has maintained a satisfactory macroeconomic environment with low inflation (averaging 5% per annum) and achieved steady GDP growth averaging 6% per annum.

Many countries acknowledge the potential for the private sector contributions to economic growth. Part of the reforms implemented by the Ugandan Government sought to strengthen the private sector to play a significant role as an engine of national economic growth. The government has maintained its commitment to improve private sector performance by addressing competitiveness, ability to produce and market products in national and global markets. It implemented the Medium Term Competitiveness Strategy for the Private Sector (MTCS) over a five-year period beginning in the year 2000. The MTCS was designed to address bottlenecks to private sector development and improve the business environment for the private sector. The MTCS was followed in 2006, by the Competitiveness and Investment Climate Strategy (CICS) whose focus is on competitiveness within the investment climate.

Uganda's private sector is dominated by micro, small and medium enterprises (MSMEs) which make up about 95% of the businesses. It employs 80% of the total employed workforce and contributes 75% of country's GDP. The enterprises are mainly involved in trade, agro-processing, manufacturing businesses and, increasingly, in the service industry. Nearly 80% of the MSMEs are based in urban areas. Most of the SMEs face serious impediments that hamper their growth such as lack of or limited start up capital, limited access to credit, poor entrepreneurship skills, and lack sound corporate governance structures; yet they cannot afford business development services. These challenges are exacerbated by limited access to information on market opportunities. Uganda's SMEs are generally unable to meet business requirements of trans-national and/or large local corporations (TNCs) in terms of standards, quality and volume of production and pricing. They lack capacity to compete in global markets and cannot invest in research and development to appropriately target products to the market requirements due to resource and capacity constraints, knowledge and skill deficiencies. They cannot improve their productivity and competitiveness and lack appropriately equipped production setups. As a result they produce expensive products for reasons of low efficiency, which limits their acceptability in the market.

Opportunities to resolve the problems of SMEs and give them a greater role in economic development have been pursued through business linkage programmes. Experience from South-Eastern Asian countries shows that TNCs can be a source of capital injection, as well as play crucial roles of upgrading domestic enterprises, provide access to foreign markets and facilitate technology, knowledge and management skills transfer. The design of these programmes is such that SMEs are linked in a business relationship as suppliers or distributors of TNCs. This gives the SMEs an opportunity to learn and comply with the requirements of TNCs through the linkage arrangement. The large companies provide coaching and mentoring as a way of transforming the SMEs business approaches. Major areas of benefit have been in technology transfer, knowledge and skills development and increased direct foreign investment. It has been documented that both large and small enterprises face challenges in pursuit of their markets. Countries that facilitate the development of sustainable business linkages can upgrade their local productive capacities and enhance their industrial performance by integrating their enterprises into global supply chains of large foreign firms with enhanced chances of successful breakthrough on to the international scene through increased trade.

The logic of the programme is that following an effective match-making selection, and through capacity building and mentoring of SMEs, if these suppliers (SMEs) improve quality of their products; improve on delivery times, meet standards and specifications of the purchasers of goods and services (TNCs) in continuous backward and forward linkages, there will be mutual benefit for both parties and this will lead to enhanced competitiveness, enhanced micro and macro economic growth leading to improved domestic and Foreign Direct Investment as result of enhanced growth from both parties. This will amass a number of benefits like skills development, job and wealth creation, increased business volumes through expanded business operations and opportunities at individual level and improved tax revenues, import substitution/export revenue, as they attract foreign direct investment. To be successful, business linkage programmes must go beyond simple matchmaking activities between large and small firms. They depend on commitment of all partners - governments, large firms, SMEs and their support agencies.

A pilot business linkages programme was designed and implemented in Uganda between January 2005 and December 2007. The purpose of the linkage programme was to enhance SME productive capacity, efficiency, competitiveness and sustainability of their relationships. The TNCs would provide coaching and improve SMEs' efficiency, productivity and quality among others. The programme was implemented as a partnership between the Government of Uganda, United Nations Conference on Trade and Development (UNCTAD) and United Nations Development Programme (UNDP) with financial support from the Swedish Development Agency (SIDA). It was implemented by Enterprise Uganda and Uganda Investment Authority (UIA) with assistance from UNCTAD. UNDP coordinated the programme and channeled funds to Enterprise Uganda.

The expected project outputs were**:** establishment of a functioning business linkage unit within Enterprise Uganda; TNCs and SMEs sensitised and a number signed up into 23 business linkages; linkage partners engaged in continuous upgrading of business and leadership skills benchmarked to improve various aspects of business including management, operations, corporate governance, accounting, marketing and financial systems and policies. The programme in Uganda was based on the derivation of mutually beneficial linkages between affiliates of TNCs and large domestic corporates on the one hand and SMEs on the other. TNC's and large firms committed themselves to the partnership to create and provide opportunities for enhancing SME growth. The programme fostered 23 linkages between 6 TNCs in agribusiness, manufacturing, telecommunications, real estate and property and SMEs they were doing business with. The expected benefits of this programme were:

(i) A more dynamic private sector;
(ii) Improved micro-economic business environment conducive to the facilitation of business linkages;
(iii) More quality jobs created and/or preserved;
(iv) Improved competitiveness of local SMEs, through technological, knowledge and management skills transfer and capital injection;
(v) Presence of TNCs that are more deeply rooted in the local economy; and
(vi) Increase capacity to attract FDI because of successful business linkages and availability of reliable local partners.

The purpose of the evaluation

The purpose of the evaluation was to assess the efficiency and effectiveness of the project in achieving its intended outputs as well as the relevance and sustainability of the outputs. Programme contributions to medium-term and longer-term outcomes were a part of the continuum. The evaluation findings will form the basis for scaling-up the business linkages intervention. Specifically, the results will be utilized to feed into the preparation of the Programme Component Paper for the Poverty Reduction Programme 2008-2010 and for future programme formulation for all stakeholders.

The objectives of the evaluation

The objectives of the evaluation were:

- To assess the overall relevance of the project with respect to design, objectives, outputs and outcomes; and the efficiency of implementation and management of the project. This includes the extent to which the project addressed key cross cutting issues.
- To assess the extent to which outputs and outcomes were achieved coupled with the level of satisfaction with reference to project beneficiaries.
- To document factors that influenced the performance and success of the project and lessons learnt that will contribute towards the future sustainability and scaling up of the business linkage programme.

The intended audience of the report

The evaluation was commissioned by UNDP on behalf of the partners and potential providers of funding for a future programme.

Evaluation Methodology

The evaluation approach including design, implementation and report writing has been guided by the Standards for Evaluation in the UN system. It covered at least 50% of the SMEs and TNCs in the programme. Further, consultations were held with key programme implementation staff at Enterprise Uganda and representatives of all partner organizations within the programme viz: UNDP, UNCTAD, SIDA, and UIA.

In addition the team carried out an in depth desk review, reading various project documents including MOUs, contracts, and annual report. The SMEs were selected purposively to ensure coverage of at least 50 % in each of the 4 TNC-SME clusters namely Real Estate Development, Manufacturing, Telecommunication Services and Agribusiness. Special attention was given to ensure coverage basing on varying characteristics in the linkages such as male- and female-led SMEs, performance of SMEs, geographical location of SMEs and, where applicable, suppliers against distributors. Triangulation and corroboration of information was achieved by viewing documentaries and holding focus group discussions and one to one discussions with key persons involved in implementation. Check lists, semi structured questionnaires and focus group discussions were the methods used for information gathering.

The evaluation team also consulted a third category of stakeholders namely farmers who are below or represented by a smaller group (leadership) which constituted the SME partners.

The most important findings and conclusions;

The evaluation found that Enterprise Uganda played an important role in providing capacity building to SMEs in BDS and using the Empretec Model. It identified potential linkages through a national survey. This was the basis on which TNCs in Uganda were identified. EUg recruited a Business Linkage Coordinator. Together with the UIA, they met with TNCs that were targeted for the programme. One of the most important inputs was the Business Health Check and diagnostic study designed to establish the status of SMEs as a basis for making them competitive and linkage-ready. EUg trained them in Entrepreneurship and generic areas of business management, using consultants in and outside EUg and Enterprise Uganda staff.

The implementing agency had a limited role in identifying and selection of SMEs as they were presented by the TNCs. Linkage programme activities were very involving and even drew in participation of other EUg staff. Monitoring and follow up were limited due to limited HR and the absence of a framework for this. Problems of unexpected disputes in some linkages placed arbitration responsibilities on EUg. EUg made a contribution from its existing organizational structure but its capacity was stretched. It did not receive additional administrative support for the project and the coordination of the project did not have a vehicle dedicated to this work. This imposed limitations on the coordinator's mobility and affected monitoring and other activities. In spite of the challenges it faced, EUg successfully implemented the pilot business linkage programme. It also established un-disputable capacity for brokering linkages.

All TNCs selected and presented SMEs for linkage although selection criteria were not clear. They assigned staff to liaise with SMEs and EUg. However, only 10% TNC managers visited SMEs. Most TNCs did not take their roles seriously beyond offering the SMEs opportunity to receive entrepreneurial skills and to do business. Except for the agribusiness cluster linkages, the other TNCs did not assess progress together with SME or give feedback. About 40% of TNCs shared business information with SMEs. However, all of them contributed towards the cost of training SMEs. There was limited technological coaching and mentoring. Much of this arose out of the view that all the SMEs needed were opportunities to do business. It is apparent that TNCs did not fully appreciate their roles in the partnership and some expected to be supervised rather than the reverse and most of them did not pay attention to the monitoring roles. TNCs viewed themselves as helping poor institutions and did not provide too much scope for the SMEs to learn much. In some linkages, there were communication gaps by TNCs and relationships appeared to deteriorate. On the whole SMEs appeared to have grasped the business understanding of large company requirements and reduced cost of doing business where SMEs improved their business capacity. In general, there were positive developments on the relations front with SMEs' contributions to TNCs' business recognized and in some cases positively rewarded. These gains would have been higher if all envisaged activities were implemented as planned.

All the SMEs in the sample provided information on the operations and performance of their enterprises. They also availed themselves to participate in the agreed development programmes. However, there were 2 drop outs while one discontinued after going through the initial stages of the programme and another did not commit fully to training but attended on an irregular basis. All contributed towards the cost for BDS programme. The SMEs confirmed that the programme was of immense benefit in that they gained confidence in business, diversified their activities and some secured bank loans at favourable conditions as a result of their being partners with TNCs.

This evaluation found that among other things SMEs can grow their business up to 460%; increase employment up to 100%, improve productive efficiency up to 25%, expand and diversify business products as a result of adoption and application of improved business skills in a business linkage programme setting. The programme has also shown that these improvements have a potential to contribute to the growth of TNCs and the benefits of both parties can lead to increased domestic and foreign direct investment as well as local and global competitiveness with import /export substitution and improved tax revenues.

Overall, the pilot business linkage programme was successful in linking SMEs with TNCs. It created relations that are a basis for strengthening business relations. The SMEs had their eyes opened to business reality through the capacity building activities of Enterprise Uganda and through close business relations with TNCs.

They increased business volumes and in some cases improved the quality of goods and services supplied to TNCs. There were improvements in payment of SMEs' invoices by and general relations with TNCs. In some cases however, relations did not improve and in others they appear to have deteriorated. The deterioration can be explained in terms of poor communication between the partners and increased assertiveness of the SMEs brought about by improved business awareness.

Recommendations

1. The pilot business linkages programme achieved considerable success. It can be expanded to increase participants and cover all parts of the country. Preference should be given to companies linked in processing relations within the value chain.
2. The programme should spend at least 6 months sensitizing TNCs and the public about the business linkage programme. Now that there is information based on the pilot programme, a well designed programme should be in place and time for this programme must be out of the main project implementation time.
3. The methods for communicating the BL programme should be varied after first identifying the audiences. This may among others include brochures, leaflets, radio, booklets and even business linkage champions. It is important to set targets and means of checking whether targets for sensitization and awareness have been achieved.
4. Clear criteria to select partners in the linkage must be developed in advance. It will be made known at pre–programme implementation to potential TNCs and partners. There should be mechanisms to ensure that criteria are adhered to initially and continually.
5. Secure buy-in of senior management of TNCs, institutionalise the business linkage and establish linkage liaison at levels that have direct access to senior TNC management.
6. Provide a framework for interaction and review with clear rules of engagement between SMEs and TNCs in the linkage and ensure that whoever subscribes to them confirms commitment to compliance.
7. Structure communication channels especially in case of disagreements and misunderstandings between linkage partners including the handling of disputes. Bringing on board other relevant partners such as the Centre for Conflict Resolution, Commercial Courts, could be explored.
8. Establish within EUg a unit that will focus on the business linkage programme. This unit will be separate from Enterprise Uganda's established

activities. The unit should have specialists as linkage officers to coordinate increased business linkages.

9. Provide an adequate number of appropriately skilled human resources to handle specialised sector linkages. Each officer should handle about 10 linkages.

10. Equip the unit and provide programme vehicles and other equipment that can be used to stay in touch with linkage programme activities.

11. All the partners UNDP, UNCTAD, UIA and EUg must continue the roles they played in the pilot programme.

12. Establish an M&E framework with clear targets with indicators and milestones to be achieved during the linkage programme.

13. Determine clearly measurable indicators which can be used in assessing programme effectiveness and success.

14. Secure multi-year business linkage programme funding by exploring opportunities for new partners to help SIDA in funding the expanded programme.

15. Incorporate sustainability mechanisms that will slowly but gradually target reduced funding by Government/donors and increase funding by the private sector.

16. Make the programme focus on SME related strategic benefits because these are both achievable and easily measured in the medium term rather than the more distant FDI benefits.

17. Design a programme that will allow for phased signing in by SMEs e.g. at one year intervals. The time must be determined and dates communicated in advance. A minimum number that makes administrative sense must be allowed for each phase.

18. A three year programme offers adequate time for SMEs to grasp different aspects of business but with flexibility to allow exit when mature.

19. Provide exit strategies for disengagement on account of maturity (weaning) or unsalvageable/malfunctioned linkages.

1.0 INTRODUCTION

Uganda has undergone a number of reforms since 1990s aimed at improving the economy and these included trade liberalization, privatization and rationalization of state enterprises, liberalization of consumer and producer prices, and restoration of the fiscal and monetary disciplines. These were all aimed at stabilizing the economy and boosting investor confidence. Until recently, Uganda has always continued to maintain satisfactory macroeconomic stability, with a low inflation rate of 5% per year and growth in the monetary sector of 9%. It is hailed for making real progress towards economic development, and social equity with a steady gross domestic product growth from 6% to 8.9% reported this year 2008. With the national population estimated at 28 million currently, Uganda has an annual population growth rate of 3.2% which is among the highest in the world.

Over the years, many countries, including Uganda, have acknowledged the potential of the private sector leading economic growth. As part of her reforms, Uganda re-focused on strengthening the private sector and its partnership with the public institutions to position the private sector as its engine of economic growth. In recent years, Government has shown more commitment towards the private sector growth and development by addressing competitiveness and ability to produce, process and market products at national, regional and global markets. In 2000, the Government of Uganda launched the Medium Term Competitiveness Strategy for the Private Sector (MTCS) as a tool to address bottlenecks to private sector development and sustained economic growth. The MTCS outlined the Government's five-year plan for a series of cross-cutting structural reforms aimed at improving the business environment for the private sector and boosting domestic economic activity. In 2006, Government demonstrated further commitment to the development of the private sector by launching the Competitiveness and Investment Climate Strategy (CICS) as a successor to the MTCS, refocusing its efforts on competitiveness within the investment climate.

Uganda's private sector, although largely dominated by micro, small and medium enterprises (MSMEs), accounts for about 95% of the businesses and employs over 80% of the total workforce. There are approximately 1,069,000 SMEs which play a critical role in accelerating economic growth and reducing poverty through the expansion of productive jobs, tax revenue and export revenues, as well as through the reduction of the country's import bill by substituting imports. They contribute 75% towards Uganda's GDP. They are mainly involved in trade, agro-processing and manufacturing businesses and employ about 2.5 million people. Almost 80% of them are urban based, and are engaged in retail trade, or basic food processing and/or services of various nature.

Most of Uganda's SMEs face serious impediments that hamper their growth. They often lack business start up capital, and have neither access to credit nor credit guarantee schemes. In addition, they possess no acceptable collateral and yet have no capacity to save. Many SMEs have poor entrepreneurship skills, and lack sound corporate governance structures and yet they cannot afford business development services. They are frequently confronted with business disputes and many of them have given up taking them to commercial courts which have a big back log and therefore are not in position to timely address their issues. Because they have no capacity and/or zeal to form groups or associations to address such issues, often times, a number of them have despaired and opt to do nothing about their problems. The state of affairs is exacerbated by having limited access to information on market opportunities.

On crucial competitive issues such as price, quality and volumes, Uganda's SMEs are generally unable to meet business standards required to deal with trans-national companies or large local corporations, limiting their ability to contribute to national development. They have neither capacity to compete for markets in a globalising world nor resources to invest in research and development for investigations that can help tailor products to the market requirements beyond the domestic economy.

1.1 Background in context of the Business Linkage programme

Business linkage programmes involving large enterprises and local suppliers have been pursued around the world to promote and enhance competitiveness. In various countries, the programme has been able to capture opportunities for increased trade and investment brought about by globalisation and economic liberalization. Major areas of benefit have been in technology transfer, knowledge and skills development and increased direct foreign investment. It has been documented that both large and small enterprises face challenges in pursuit of their markets. Small enterprises have resource and capacity constraints as well as knowledge and skill deficiencies which hinder them from tapping existing businesses opportunities. They cannot engage in research, to improve their productivity and competitiveness and therefore lack appropriately equipped production setups which compel large firms to engage in activities that would have otherwise been candidate for outsourcing. This results in producing expensive products which often times fail to enter new markets and if produced cheaper, will lack quality limiting their acceptability to both domestic and external markets.

The experience of the South-Eastern Asian countries is evidence that apart from being a source of capital injection, trans-national corporations (TNCs) once deeply rooted in the host economy can also be crucial in upgrading domestic enterprises, providing access to foreign markets and in facilitating technology, knowledge and management skills transfer. Multinational companies have a socio, corporate and economic responsibility to contribute to the host country.

Business linkage programmes require the input of several parties. To be successful, they must go beyond mere matchmaking between large and small firms. They depend on commitment of all partners - governments, large firms, SMEs and their support agencies. Countries that facilitate the development of sustainable business linkages can upgrade their local productive capacities and enhance their industrial performance by integrating their enterprises into global supply chains of large foreign firms with enhanced chances of successful breakthrough on to the international scene through increased trade.

In Uganda, a mutually beneficial strong linkage between affiliates of TNCs and large domestic corporates on the one hand and SMEs on the other were envisioned to provide a basis for economic growth that would drive towards its poverty eradication goal and achievement of the millennium development goals. TNC's and large firms committed themselves to the partnership to create and provide opportunities for enhancing SME growth. Thus a pilot business linkage programme was implemented in Uganda as a partnership between Enterprise Uganda, Uganda Investment Authority, UNDP and UNCTAD with funding assistance from the Swedish Government.

The pilot programme sought to promote the creation of durable and mutually beneficial partnerships between affiliates of TNCs and local large companies on the one hand and small and medium enterprises (SMEs) on the other. The purpose of the linkage was to enhance productive capacity, efficiency, competitiveness and sustainability of their relationships. On the SME side, it sought to provide coaching and improve efficiency, productivity and quality, among others.

This project, like many, is in line with the Government of Uganda and its partners' interest on eradicating poverty (through employment and creating conditions for wealth creation). Uganda's development partners including UNCTAD, UNDP and the Swedish Government are committed to achieving the Millennium goals for poverty reduction. To achieve those goals trade, investment, technology and entrepreneurship must be promoted.

Thus the evaluation of the programme has sought to assess whether and to what extent this programme has achieved what it was set out to do and to draw the lessons learned. The evaluation has also sought to learn how the programme was administered and managed and to what extent the established linkages were and can remain useful. Challenges that the programme encountered have also been documented.

1.2 Description of the programme

1.2.1 Programme Design

The Business Linkage Programme was conceived as a fast-track vehicle for creating a dynamic SME sector, knowing that the private sector represents the backbone of Uganda's economy. The Business Linkage Programme of Uganda is an example of the public-private partnership. The partners from the public sector were the government and development partners who provided public goods including funds, training, creating an enabling policy environment, public sensitization and backstopping with information sharing of experiences from within and outside Uganda. Represented on this group were Enterprise Uganda (EUg), Uganda Investment Authority (UIA), the United Nations Conference on Trade and Development (UNCTAD), United Nations Development Programme (UNDP) and Swedish International Development Agency (SIDA) as development partners. The private partners were the selected local corporate companies and affiliates of TNCs on the one hand and SMEs on the other.

The partners signed a cost-sharing agreement worth US$450,000 with the Swedish International Development Agency (SIDA) on 13th January 2005 and selected Enterprise Uganda (EUg) to implement a two-year pilot phase that was launched on 21st October 2005. Originally activities of the pilot phase were scheduled to run to December 2006 but due to late start (Oct 2005) an extension was granted and the programme continued up to December 2007.

As the lead facilitation agency charged with implementation of the programme, Enterprise Uganda's roles included among many: defining SME capacity gaps, and making them linkage ready through capacity building in business development services, and overseeing the implementation on a day to day basis to ensure transfer of technology, coaching and mentoring and ensuring a smooth and flourishing relationship between the TNCs and SMEs. UNDP was the resident supervisor of EUg on behalf donors and, being the programme coordinator, acted as the conduit for the programme funds from SIDA to Enterprise Uganda. UIA was charged with facilitating the participation of TNCs in the linkage and was additionally responsible for creating a conducive policy environment. UNCTAD, being the coordinator of the EMPRETEC programme and network, was responsible for initiating and promoting the programme through backstopping the programme with technical expertise, sharing experience of and lessons learnt on global best practices on international investment, trade and enterprise fora. There were elements of cost sharing, with SIDA providing the core funds and the private sector contributing a small percentage.

The overall objective of the Business Linkage Promotion Programme was to promote equitable and sustainable TNC-SME linkages in Uganda, so as to enhance the productive capacity and efficiency of the domestic enterprise sector.

The immediate objectives were to: promote selected linkages between TNCs and SMEs, upgrade SMEs to TNC requirements through coaching and mentoring, create a capacity to forge business linkages within EUg, improve the operational policy environment for the private sector to enable creation of linkages between TNCs and SMEs; sensitise TNCs on existing and potential benefits of business linkages; promote and share experiences on business linkages with potential investors in order to attract additional foreign direct investment (FDI); facilitate the transfer of methodology in terms of SME selection and preparation; secure commitment of TNCs; facilitate initial brokering of business linkages; monitor implementation and assure quality control and, benchmark and disseminate experiences to other Empretec programme and investment promotion agencies.

The project was expected to generate outputs as follows**; b**usiness linkage unit established and successfully functioning within Enterprise Uganda; TNCs sensitised and a number signed up into 23 business SME linkages; linkage SME partners engaged in direct continuous upgrading of business and leadership skills benchmarked to improve their management, operations, corporate governance, accounting, marketing and financial systems and policies. Other expected outputs were that experience on linkage programme and methodologies from other countries are shared with EUg and the linkage partners, needs for improving the policy environment within which the private sector operates identified and presented to government for consideration, sharing of information and experiences about the business linkage programme and its potential among all stakeholders and identifying future business linkages.

The expected benefits of this programme are:

(i) A more dynamic private sector;
(ii) Improved micro-economic business environment conducive to the facilitation of business linkages;
(iii) More quality jobs created and/or preserved;
(iv) Improved competitiveness of local SMEs, through technological, knowledge and management skills transfer and capital injection;
(v) Presence of TNCs that are more deeply rooted in the local economy; and
(vi) Increase capacity to attract FDI because of successful business linkages and availability of reliable local partners.

1.2.2 Logic theory and results framework

The business linkage programme was conceived and implemented on the principle of competitiveness enhancement through establishing business linkages between SMEs and large corporations. The logic is that in a linkage equation, SMEs constitute the critical mass of the supply side while their corresponding TNCs provide the demand side. Therefore, if the SME has potential to supply and the affiliate has substantial demand, the two can work together for mutual business benefit. The logic of the programme is that following an effective match-making selection, and through capacity building and mentoring of SMEs, if these suppliers (SMEs) improve quality of their products; improve on delivery times, meet standards and specifications of the purchasers of goods and services (TNCs) in continuous backward and forward linkages, there will be mutual benefit for both parties and this will enhance competitiveness, enhanced micro and macro economic growth leading to improved domestic and Foreign Direct Investment as a result of enhanced growth from both parties. This will amass a number of benefits like skill development, job & wealth creation, increased business volumes through expanded business operations and opportunities at individual level and improved tax revenues, import substitution/ export revenue, as they attract foreign direct investment. The process will strengthen and upgrade indigenous SMEs and therefore local entrepreneurs to become globally competitive. Success is also incumbent upon the internal and external environment within which the linkage operates and at the same time strengthens the partnership within the programme. The theory is summarised in Fig 1:

Experience has shown that countries that facilitate the development of sustainable TNC-SME linkages can upgrade their local productive capacities and enhance their industrial performance by integrating their enterprises into global supply chains of large foreign firms. A mutually beneficial strong linkage between TNC affiliates and corresponding SMEs would provide a fresh impetus that the country requires to return to its impressive economic growth performance.

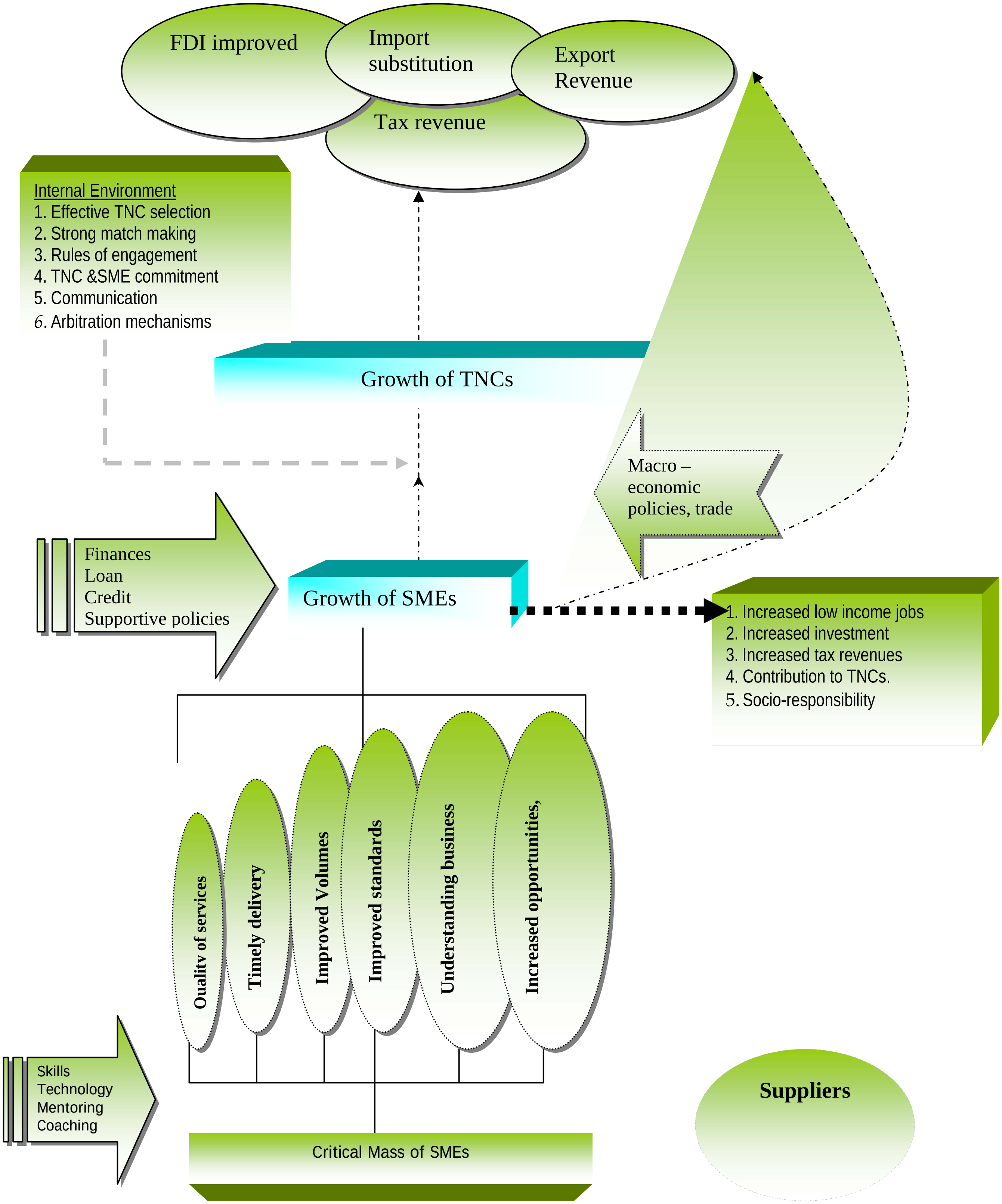

Fig 1: Conceptual framework for program logic

1.2.3 Analysis of the programme theory and logic

The business logic of the linkage programme was sound and easy to understand. Better performing SMEs whose improvement is inclined towards better services and goods supplied to the TNC affiliate, will attract better relations and implicitly more business from the TNC. This serves as the driver for improving performance. By improving their supply of goods and services to large corporations, they will not only make an impact on the businesses of the large corporations but will also directly impact on poverty and poverty inequality by increasing the number of low cost jobs and introducing better services in the local markets as they expand. This is the basis for increased investment and economic growth.

In the Logical Framework of the project, the overall objective was described as "to allow Uganda to better benefit from FDI inflows, in particular through promoting equitable and sustainable linkages of TNC affiliates with efficient and highly productive local enterprises' while the project purpose was to empower local entrepreneurs and their enterprises to become globally competitive through establishing linkages with TNC affiliates.

In assessing the vertical logic, it is observed that the results stated i.e. TNCs identified, SME partners selected, business gaps identified and capacity building undertaken, were adequate to lead to the project purpose of having local entrepreneurs competitive. As to whether they would be globally ready, this was achievable in principle as was elaborated from some linkages where international linkages were established. Where it was not achieved was an issue of strength of the linkages other than a logical design. Therefore, the project purpose of empowering local entrepreneurs was realistic and achievable in a two year pilot project time frame. However, further on, on the vertical scale, the evaluation team found a logical gap between the purpose and the overall objective. Whereas the linkage programme can contribute to a final goal of attracting better FDI inflows in many years to come, it must first focus on creating efficient and productive SMEs as part of the dynamism within the private sector. In addition, the assumptions were skewed a step higher since Enterprise Uganda being in place and functional was a precondition for achieving of results and likewise government policies being in place was an assumption for achieving the purpose just as much as attracting FDI is contingent upon having political stability. In the horizontal logic, the indicators given were inadequate to guide both the monitoring and evaluation processes. In most cases they lacked the quantitative and qualitative ability as well as time frames to effectively guide monitoring and evaluation.

1.3 Purpose of the evaluation

The purpose of the evaluation was to assess the efficiency and effectiveness of the project in achieving its intended outputs and also assess the relevance and sustainability of the outputs as contributions to medium-term and longer-term outcomes.

The evaluation findings in this report will form the basis for scaling-up the business linkages intervention to cover more SMEs countrywide. Specifically, the results will be utilized to feed into the preparation of the Programme Component Paper for the Poverty Reduction Programme 2008-2010 and for future programme formulation for all stakeholders.

The objectives of the evaluation were firstly to assess the overall relevance of the project with respect to design, objectives, outputs and outcomes; and the efficiency of implementation and management of the project. This includes the extent to which the project addressed key cross cutting issues. Secondly the evaluation aimed at assessing the extent to which outputs and outcomes were achieved coupled with the level of satisfaction with reference to project beneficiaries. The third broad objective was to document factors that influenced the performance and success of the project and lessons learnt that will contribute towards the future sustainability and scaling up of the business linkage programme. Details of the TORs are included among annexes.

1.4 Organisation of the report

This report is organised in five sections. After the background and introduction, Section 2 presents the methodology and study approach used in the evaluation. Section 3 is an outline of the main findings of the evaluation while Section 4 discusses and analyses the findings drawing out the implications, lessons and related recommendations. Conclusions are drawn in Section 5.

2.0 APPROACH AND METHODOLOGY

In the design and conduct of this evaluation, the evaluation team was mindful of the key principles of evaluation including impartiality, independence and credibility. The team also ensured that the respondents were active participatants and not simply evaluation instruments. The evaluation approach including design, implementation and report writing has been guided by the Standards for Evaluation in the UN system.

Using the background information to the programme, the evaluation covered at least 50% of the SMEs in the programme, 50% of the TNCs, consulted the key programme implementation staff at Enterprise Uganda, and consulted representatives of all partner organizations within the programme namely: UNDP, UNCTAD, SIDA, and UIA.

The SMEs were selected purposively to ensure coverage of at least 50 % in each of the 4 TNC-SME clusters namely Real Estate and Developers, Manufacturing, Telecommunication Services and Agri-business. Special attention was given to ensure varying characteristics in the linkages which would allow for maximum learning. Broadly considered were both male and female led SMEs, both good and poorly performing SMEs (including some drop outs), Kampala based versus non Kampala based (rural) SMEs, suppliers against distributors where it applies and a consideration of the nature and type of business commodities. The evaluation team also consulted a third category of stakeholders, namely farmers who are below or represented by a smaller group (leadership) which constituted the SME partners. This was mainly under the agribusiness clusters.

A total of 74 people were consulted after an in depth desk review. The latter involved reading various project documents including MOUs, contracts, and annual reports. Information was triangulated and corroborated by viewing documentaries and holding focus group discussions and/or one to one discussions with key persons who were involved in implementation. Check lists, semi-structured questionnaires and focus group discussions were the methods used for information gathering. In addition, the evaluation team presented preliminary findings to a workshop organised at UNDP and at a stakeholders' workshop.

The study attempted to answer the questions that were given in the TORs as:

1. Was the Project relevant, effective and efficient in achieving the intended outputs?
2. What factors positively or negatively influenced that achievement of intended outputs?
3. Which of these factors are important if this intervention is to be scaled-up?
4. To what extend did the project design and implementation address the following themes;
    - (i) Gender equality,
    - (ii) Capacity / Institutional Strengthening of the Implementing partner and the SMEs,
    - (iii) HIV/ AIDS
    - (iv) Environment

(v) Value addition to all participating Entities

5. How did the Project interventions influence the following aspects in the linked SMEs?
    (i) Forward planning
    (ii) Opportunity seeking
    (iii) Commitment to fulfilment of contracts
6. How effective was the partnership in achieving outputs
7. What mechanisms are in place to ensure sustainability of the Project interventions?
8. To what extent did the Project satisfy its beneficiaries and what factors were responsible?

Checklists used are attached as annexes.

3.0 EVALUATION FINDINGS

This section details the findings relating to the programme. It elaborates intricacies of the programme design against the expectations and conceptualization of the programme by the stakeholders. A section is also exclusively allotted to a description of the findings by cluster that were in the linkage partnership, highlighting the number of linkages developed within each cluster, a description of businesses engaged in, the objectives of the linkage, characteristics of the SMEs before and after the linkage programme, and activities. The outputs and outcomes are also summarised as well as gaps and challenges encountered by the cluster.

3.1 Project Design

The project design was an expression of the thinking behind the business linkage programme much of which has been outlined in the background. This section provides the understanding and conceptualization of the parties that implemented the programme as presented and in some cases, the information is presented after synthesis by the evaluation team.

3.1.1 Conceptualisation, selection of TNCs and SMEs

Enterprise Uganda expected the linkage programme to give SMEs opportunity to do business with large companies in the process providing SMEs assured markets and a chance to grow their business. The SMEs' commitment to capacity building, training, acquiring business knowledge and skills was expected as a critical input for success of the linkage. The SMEs were expected to learn practical skills through interactions with TNCs, which would motivate them to grow and improve their businesses as a result of TNC coaching and mentoring as well as preferential treatment.

TNCs on the other hand expressed frustration by the apparent lack of business culture of SMEs they were dealing with, whose quality of goods and services are often viewed as not meeting their standards and accordingly fall short on delivery. Their interaction within the business linkage framework would therefore create an environment within which SMEs can begin to understand the expectations of TNCs and this would certainly improve strenuous relations and remove mistrust between the parties. Both parties therefore expected a set up that would create scope for better interaction and forging of mutually beneficial business relationships. Whereas a few TNCs earnestly believed that if SMEs improved goods and services, it would contribute towards bettering their (TNCs') volumes and businesses, others only saw themselves as mere middle organisations supporting poor SMEs in the hope that the SMEs can one day grow and serve them better but certainly not within the given time frame. Such TNCs, therefore expected EUg to assume the entire role of monitoring SMEs and ensuring performance to an extent that EUg was solely responsible for giving them a feedback on their SME performance and organizing review activities on their behalf.

SMEs thought the training was one of the routine project activities and would not add value to what they already knew. This was because the sensitization had not been deep enough and suffered timely harmonization. Therefore SMEs had joined at various stages when some sensitization activities were already underway. The notion of preferential treatment in doing business with TNCs and improved relations was the driveway that sounded attractive.

3.2 Project Implementation

The partners signed a cost-sharing agreement worth US$450,000 with the Swedish International Development Agency (SIDA) on 13th January 2005 and selected Enterprise Uganda (EUg) to implement a two-year pilot phase that was launched on 21st October 2005. The activities of the pilot phase were scheduled to run till December 2006 but an extension to December 2007 was granted because the programme started late. With the exception of 2 agri-business linkages, the rest of the linkages were signed one year late. This was attributed to a number of factors most important of which was the delayed buy-in and commitment by TNCs.

Enterprise Uganda first worked with UIA in carrying out a National Survey which was the basis on which the project was designed. After the national survey recommendations, TNC buy-in was solicited and followed by a request to TNCs to select SMEs to work with. Both the TNCs and SMEs were invited to meetings that explained the business sense and conception of the programme. EUg partners UNCTAD and UNDP played a role in sensitization, and sharing experiences and lessons from other countries where similar programmes had been and /or were being implemented. Signing of MOU's was followed by performing business health checks to establish strengths and weaknesses or capacity gaps that would affect the business relationship. The capacity building activities followed in which SMEs were trained at an Entrepreneurship Training Workshop and also attended specifically targeted sessions including preparations of business plans.

SMEs thought the training was one of the routine project activities and would not add value to what they already knew. This was because the sensitization had not been deep enough and suffered timely harmonization. The notion of preferential treatment in doing business with TNCs and improved relations was the driveway that sounded attractive.

3.2.1 Roles and responsibilities

i) Enterprise Uganda

The business linkage programme was implemented as a public-private partnership with Enterprise Uganda as the lead agency on behalf of GoU. The achievements of the programme to an extent reflect the influence of Enterprise Uganda as the implementing agency. It has been pertinent in this evaluation therefore, to comment on the degree of preparedness and extent to which EUg executed the implementation of the programme.

EUg was established in 2001 under a framework of the UNDP Enterprise Africa regional initiative. It is being promoted by a consortium of local and international donors including UNDP Uganda, Enterprise Africa, UNCTAD and the Government of Uganda. Its mode of operation is guided by the Empretec[1] Programme Model currently operating in 25 countries in Africa, Eastern Europe and Latin America. In Uganda, EUg is renowned for its capacity to offer business development services. In terms of suitability and preparedness, Enterprise Uganda (EUg) is an institution whose mandate is to promote development of SMEs as a vehicle for expanding production, provision of sustainable jobs and enhancing economic growth. Some of the programmes the EUg offers are Entrepreneurship Training, Business Health Check, Expand Your Business (EYB), Customer Care and Quality Management. With a mission to develop a new generation of dynamic Ugandan entrepreneurs, it was justified for EUg to have been selected as the lead implementation agency.

In the business linkage programme Enterprise Uganda had three main roles: to assist in identifying potential linkages; oversee their implementation through provision of technical business services to make SMEs competitive and linkage-ready and also had to follow up activities on a day-to-day basis to ensure that there is continued documentation and sharing experiences with other BDS providers at the end of the programme.

In terms of identifying potential linkages, EUg worked with UIA and the TNCs. The programme specifically recruited a Coordinator for the Business Linkage Programme whose roles were central to the programme. The technical competence of the Coordinator was un- questionable as shown by the programme results.

In terms of EUg's role of overseeing implementation especially through provision of technical business services, EUg used its known approach to increase the SMEs' understanding of business through training. Given its competence in this area and the fact that it is carried out regularly as part of its mandate, EUg's performance was excellent as was attested to by all the SMEs. As a matter of fact, all SMEs who participated in the programme, on first impulse attributed almost all their achievements to the knowledge and experience they gained from the business development services. This was to an extent of nearly forgetting to pay tribute to the rest of the programme activities. In its third role, EUg worked collectively with UIA in documenting the activities of the linkage programme.

Enterprise Uganda also registered short falls in its capacity for day-to-day follow up. The Business Linkage Coordinator who was charged with the bulk of work of

[1] The Empretec model is designed as one-stop programme, which provides an integrated and comprehensive range of business support services for SMEs using a hands-on approach.

following up the 23 linkages was seriously stretched; although he was supported by all the other officers within the EUg office. The work load was under estimated at the design stage and also because 2 of the linkages were geographically spread and far out of the centre. Besides these duties, where disputes developed among linkage partners, they demanded for EUg's intervention, a role which was not only time consuming, but had not been envisaged in the project.

While Enterprise Uganda made a contribution from its existing organizational structures, the operational costs which were not being met by the programme escalated. The lack of items like a vehicle specifically dedicated to the programme affected the coordination activities. It was also observed that EUg did not play its roles of assisting in selection of the SMEs as the latter were presented to EUg after selection by the TNCs.

ii) ***Uganda Investment Authority (UIA)***

UIA was a key partner in the development and implementation of the business linkage programme. Its entry is through its role and mandate to attract foreign direct investment particularly through creation of a conducive policy environment. This gives it scope to tackle policy related issues that would affect the business linkages. In the Pilot Business Linkage programme, UIA was expected to: i) improve the policy environment in which the private sector operates to enable the creation of linkages between TNC's and SME's, ii) Sensitize TNCs, both selected and potential ones, on the importance and benefits of business linkages, iii) promote and share experiences on business linkages with potential investors in order to attract additional FDI.

Evaluation findings indicate that UIA identified TNCs and held sectoral meetings to sensitize them on the importance and benefits of business linkages. These meetings were very crucial and they significantly contributed to TNCs' signing of MOUs with Enterprise Uganda. UIA also received policy concerns raised by linkage partners and channelled them to relevant fora and authorities including the Presidential Investors Round Table. Others are still being pursued. In the linkage programme, UIA was instrumental in the resolution of two issues; one on withholding tax involving Kinyara Sugar Works Limited and Kinyara Sugarcane Growers Limited. The tax was erroneously being charged on farmers and the amount of Uganda shillings 1.2 billion (approx. U$D 700,000) was refunded. Another area in which UIA's intervention yielded a positive response was the prioritization of improvement of the road infrastructure requirements in the out-grower areas feeding Kinyara Sugar Works. UIA held a meeting with the Ministry of Works to underline the importance of road infrastructure within the project area. UIA also presented opportunities to linkage partners by facilitating them with information to link with and /or travel opportunities to meet potential investors. Some linkage partners utilized the opportunity availed to them. Through UIA, some linkage partners with potential for business expansion that presented and justified their need for expansion have been promised priority consideration in land allocation for the industrialists/manufacturers land at Namanve Industrial Park.

On sharing experiences on business linkages with potential investors in order to attract additional FDI, UIA produced a brochure on "Outline of Business Linkage and Other Investment Opportunities in Uganda" which is accessible to all potential investors. It is available in hard copy and on UIA's website. In playing the dissemination role, UIA with EUg produced a 20 minute video of the Business Linkage Programme and disseminated it to various stakeholders in addition to creating fora for sharing locally and disseminating achievements of the programme. They also jointly produced and widely circulated promotional Business Linkage Programme brochure. This creates further avenues and opportunities for sensitizing TNCs and the public in preparation for launching and adoption of wider future linkage programmes.

The team noted that a number of policy issues that were raised during the business linkage programme are still outstanding mainly because of the fact that addressing policy issues in Uganda and world over is a slow process. However, UIA is still committed to seeing them addressed in order to effect policy changes that respond better to and /or create an environment in which linkages and investment will thrive. Some of the policy issues that were raised and are still to be addressed are:

- **Financing of SMEs and access to Credit:** currently there are no "agricultural" loans, and farmers can only access commercial loans at commercial rates of interest and terms. Interest rates range between 20 to 25% in commercial banks but go up to 35% or even higher with micro finance institutions. The request for loan funds at preferential interest rates and overall payment terms can be designed for targeted SMEs in business linkage programmes.
- **Intervention in Case of Adverse Situations:** In extreme adverse conditions such as serious drought and heavy rainfall which result in crop failure, there is demand for mechanisms for income stabilization. If not addressed, suppliers (SMEs) will fail to meet TNC demands who in return face increased production costs and may require import substitutes in order to cater for production shortfalls.
- **Inputs/Equipment Supply:** Whereas it is a liberalized private-led economy, the government should make particular effort to enable structured input/equipment supply systems that will take into account other factors like producers' cash flows, especially in agriculture.
- **Enforcement of Standards:** Where a large/trans-national company wants to attain or maintain international standards, their efforts are sometimes frustrated by Uganda's non-conformity to international standards or lack of standards or relevant legislation to enforce even the local standards. As a result, TNCs that must meet specific quality may resort to importing their requirements when the same could be purchased locally if standards are enforced.
- **Infrastructural:** As part of creating an enabling environment for private sector development, TNCs require support in infrastructure development. A case of industrialists/manufacturers land at Namanve Industrial Park and outgrowers' road networks

- **Education on Formalization of Businesses:** Government must invest in the effort to educate small enterprises on the advantages of becoming formal business entities.
- **Tax, Tax Regimes and Tax Education:** Partners in the linkage programme asked government to review the tax regime and provide incentives that encourage and promote business linkages.
- **Mandatory quotas:** There is no policy on local sourcing of both raw materials and SMEs' supply services. A policy requiring TNCs and large local companies to source a certain minimum percentage of their raw materials locally stimulates local SME growth and entails strong linkages. On the other hand a national policy that calls for TNCs' contribution to nurturing SMEs would ensure strengthening internal policies that would strengthen formal linkages.
- **Incentives for Agro-investment:** While there may be some incentives for large foreign investors, there should be such arrangements for the local investor in agriculture who may not necessarily be a very large investor.

iii) Roles and Responsibilities of TNCs

In the business linkage programme, TNCs selected SMEs and they were expected to develop and nurture the relationships between them. They would do this by: sharing market information and strategic thinking, managers visiting SMEs; and assigning staff to liaise SMEs and Enterprise Uganda. They were required to give SMEs product/service opportunities initially on a limited basis, and gradually intensifying them as SMEs expand their absorptive capacities as collectively assessed by both the SME and TNC. It was envisaged that the process would unfold into continuous refinement and improvement, and the TNC would share market information and strategy for the benefit of SMEs in positioning themselves and getting ready for changes ahead. Additional business opportunities would be extended to the SMEs through business matching, brokering strategic alliances, trade fairs and road shows. TNCs were expected to encourage SME partners to diversify their customer bases and provide feedback to SME partners in terms of their meeting minimum standards of production and management. A major benefit of the experiences would be gained from documenting key lessons and experiences in liaison with UIA, for dissemination.

Although it was difficult to obtain precise outcomes from the outputs above, there was qualitative record on what was achieved. Although all the TNCs assigned liaison staff to handle and manage the relationship only one of the TNC managers visited the SMEs and these were only those in the agri-business cluster. All SMEs were initially availed the opportunity to do business with the TNCs. After SMEs had grown their business skills, it was reported in some linkages that while previously, SMEs took every single business given to them even when they had no capacity, by the end of the programme, business honesty took precedence where SMEs learnt to own up and accept only business volumes that were manageable in line with their capacity, and this greatly impressed the TNCs as a positive commitment to fulfilment of contractual obligations. While there is no evidence that TNCs assessed progress and capacity of SMEs, SMEs appear to have built capacity to assess themselves. Also there was learning that it is better to take work and deliver on it and go back for more rather than try and grab all opportunities without the capacity to perform. Two out of the five TNCs interviewed shared information about strategic changes that were planned. In one case it was not relevant because the SMEs were supplying services which were not part of the final product of the TNC. However, there is a case where failure to share or communicate strategic changes created misunderstanding and suspicion. In this case, SMEs in the linkage reached the conclusion that TNCs do not want to see SMEs grow. For those where information was shared, additional business opportunities were extended to the SMEs that performed well.

There is some evidence that 3 of the TNCs encouraged and created opportunity for some of their SMEs to diversify their customer bases. However, even when this was not done, all SMEs diversified as a result of expanding their business knowledge and skills. The SMEs supplying products to TNCs improved the quality of their products and services as attested by the TNC themselves. This was applicable for the three TNCs in telecommunications, real estate and manufacturing. Although there was no communication to those in our survey who did not meet the minimum standards, it was apparent from one TNC that some SMEs in the cluster had not met the required grade on the basis of the business assignments offered. At least two of the TNCs categorically singled out SMEs which had made the grade and to whom they felt obligation to give preferential business opportunity at any one time. TNCs participated in the video production by UIA which was aimed at disseminating experiences. All TNCs contributed towards the training of their SMEs and some expressed willingness to increase the contribution given the evidence they had on improvement in services by their SMEs.

The main gaps observed were that TNCs did not fully appreciate their roles in the partnership. A number did not give the deserved attention to selecting SMEs in line with the goals of the programme hence compromising the success and evaluation of the programme. It was not possible to tell whether the gap was at the design or sensitization of the TNCs on whom to select. On the monitoring roles which were most flouted by the TNCs, some expected to be supervised by EUg rather than the then supervising their SMEs. This again was blamed on the lack of a clear monitoring and evaluation (M&E) framework at the design stage. A definite framework for ensuring that TNCs fulfil the activities expected of them is required. The same would provide for monitoring progress and providing feedback to Enterprise Uganda on the progress made or any difficulties being experienced. In some partnerships, communication gaps on the side of the TNC led to strained relationships to which we add that such strained relations must be spotted early and dealt with appropriately to avoid further deterioration.

There developed a view among TNCs that SMEs that are not "adequately entrepreneurial" in their attitudes are hard to coach in technology matters. The experiences of the business linkage programme indicate that the SMEs on the programme had passed the threshold on entrepreneurship and their attitude was more business like. They were thus ready to be coached on technology matters. This observed progress makes the case for vertical scaling up of the programme. The SMEs on the pilot should now go onto a higher level linkage programme where technological coaching is more emphasised.

iv) Roles and Responsibilities of SMEs

The SMEs were required to provide information on the operations and performance of their enterprises; avail themselves to participate in the agreed development programme and contribute towards the cost of providing business development services. In addition, the SMEs in agri-business linkages were to provide access to farmers, mobilise and select farmers to benefit from the business support services. Selection and suitability of farmers to participate on the programme were to be determined on agreed criteria.

Eight SMEs out of the ten interviewed for this evaluation confirmed that they contributed towards the cost of providing business services. One had attended the Entrepreneurship Training Workshop before the business linkage programme. All the SMEs (10 /10) held the view that what they gained far exceeded what they had bargained for in terms of financial cost sharing. They expressed willingness to contribute more to the cost of training. These are also rich sources of potential candidates for Enterprise Uganda's business development training programme.

Although the evaluation team did not secure all the detailed performance information, all the SMEs sampled were willing to provide performance information to Enterprise Uganda when requested.

On their participation in the agreed development programme, it was noted that three out of 26 SMEs could not continue on the programme while one appears to have faced challenges meeting schedules for programme activities. One TNC from those sampled, reported that one SME did not attend the training on a regular basis. In the agri-business linkages the leaders in addition mobilized the farmers for training as was requested of them. It needs to be noted, however, that there were operational challenges and time lost when SMEs would fail to make time for scheduled meetings and not supply requested information in time.

v) *UNCTAD*

The United Nations Conference on Trade and Development (UNCTAD) was another important player in the development and implementation of the business linkage programme. Its roles as outlined in the programme document were to:

- facilitate the transfer of methodology in terms of SME selection and preparation; secure the commitment of TNCs to a rigorous mentoring and coaching programme and facilitate brokering of business linkages in Uganda,

- benchmark and disseminate experiences to other Empretec programmes and investment promotion agencies.

In fulfilling the above roles, UNCTAD implemented their role in back-stopping Enterprise Uganda during the inception of the project by preparing the project document and submitting it to donors to secure funding. They were critical in the conceptualization and had input through experts assignments to Uganda. They followed the findings of the TNC needs assessment that was carried out and they accordingly monitored the evolution of the project. When there was a delay in signing of contracts and agreements, the delay affected the fund disbursement and UNCTAD invested its own resources to get the project started.

UNCTAD has also actively disseminated and shared experiences through a video that was produced towards the end of the programme publication of a study that is currently being reviewed and will be published this year. The study focuses on best business practices and documents among other things, the experiences of business linkages from Malaysia, Mexico, South Africa and Uganda. In addition, UNCTAD have been at the forefront of arranging a 'see and learn from Uganda's experience' visit by a delegation from the Investment Promotion Centre of Mozambique and Enterprise Mozambique which will happen in September 2008.

There has been a view expressed by UNCTAD that the current linkages should be kept running through 2008. UNCTAD evaluated the project as a basis for designing a future linkage programme. This is because there is anxiety that all gains made in the pilot business linkage programme would be lost if the project were allowed to close even temporarily. As such UNCTAD is committing resources to keep the programme unit running until a new linkage programme is designed and funding secured. UNCTAD's roles will remain as they were in the pilot business linkage programme. They have taken definitive steps to identify sources of funding for next phase and have also started to conceptualize the form and make up of the next phase of the linkage programme.

vi) Swedish Development Agency (SIDA)

SIDA provided the funding for the just ended pilot business linkage programme that is under evaluation. An amount of US$450,000 was provided for the programme. The sourcing of the funds was done by UNCTAD and the funds were transmitted through UNDP to EUg via Ministry of Finance, Planning and Economic Development. SIDA was also on the programme steering committee and participated in its review meetings.

3.2.2 Selection of TNCs

The national survey conducted as part of the preparation for the business linkage programme highlighted points of consideration on how to select the participating sectors. The survey also identified potential TNCs within the recommended sectors. Table 1 shows the sectors and TNCs that were considered and potential numbers of SMEs that could be selected against the actual numbers that were finally selected.

Table 1: Potential Sector for selection of linkages

Potential Linkages	Potential	Participation
Telecommunication SMEs	3 Networks	2 Networks
	5 SMEs	12 SMEs
Property and Real Estate	2 Companies	1 Company
	2 SMEs	8 SMEs
Building/Construction	3 Companies	-
	2 SMEs	-
Garment and Textile	2 Companies	-
	0 SMEs	-
Agri Business Sector	3 Companies	2 Companies
	3 SMEs	2 SMEs
Petroleum Distribution	5 Companies	-
	6 Operators	-
Manufacturing – Industry Based	2 Companies	1 Company
	5 SMEs	4 SMEs
Banking	2 Banks	-
	0 SMEs	-

The selection of TNCs considered the following as key factors:

i) Importance of the sector in the national economy;
ii) Whether or not the TNC as part of its policy already had a programme for in-house nurturing and up-grading of its distributors or suppliers;
iii) TNC's readiness and commitment to participate in a programme to improve the business culture of SMEs;
iv) Scope and potential that the TNC exhibited in business linkage opportunities;
v) TNC market leadership in the sector and industry;
vi) How well rooted the TNC was in the local economy;
vii) Extent of corporatisation of operations including quality of systems, vision, mission and strategies;

3.3 Linkages and Relationships between TNCs and SMEs

In the section that follows, the results from the linkages are discussed according to the 4 linkage clusters namely:

- Real Estate and Developers;
- Manufacturing;
- Telecommunication linkage
- Agri –business

Each linkage cluster gives information on the type and numbers of partners in the linkage with a brief description of the type of business engaged in. The linkage describes the broad characteristics of SMEs before and after the linkage programme spelling out the achievements in terms of outputs and outcomes as well as gaps and challenges.

3.3.1 Property and Real Estate Developers

Partners: National Housing Corporation Company (NHCC) as TNC with 9 partners at signing. One opted out. The SMEs supplied construction materials, electrical materials and electronics and, timber and timber products.

Type of business: Property and Real Estate Development. SMEs in the linkage supply different types of building materials to enable the TNC focus on the core business and rapidly complete the actual building of houses and apartments. The TNC wishes to deliver acceptable price, good quality housing units in reasonable time.

Initiation of Business: August 2006

Before BLP: Did business with SMEs. Payment and relations were reckoned to have been not so good. Payment of suppliers was taking long. Company staff undertook supply contracts which raised conflicts of interest. All SMEs had no business plans. SME services were unreliable.

Achievement s after the BLP programme: There appears to have been an improvement in payment practice. Dealings with SMEs were streamlined. Space for negotiation was opened up. Procurement was stepped up and made sure each party negotiated and satisfied requirements set for them. SMEs became more transparent and honest and they learnt to take up only the contracts that they could manage. Two SMEs were reported to have become quality suppliers and are being maintained on priority supply list of NHCC. All SMEs confirmed business growth. One SME used linkage documents and NHCC orders as guarantee to procure financing while another was assisted in an "arbitration style" to have lease agreement re-arranged. The SME had had their trucks impounded when they were not at fault yet the lessor initially refused to accept responsibility.

The linkage opened up broader business perspectives and created opportunities to pursue new lines of products. For example one SME that used to supply steel products was forced to consider its position when the TNC phased out the use of steel products in construction. The SME has since identified other products that it viewed had a future in the Ugandan housing construction and real estate sector. As a result, they are proposing to upgrade their product lines to produce steel reinforced PVC doors and window frames. The technology involved can also be used in construction of steel frame houses. Because of this, the SME is considering going into property development and may provide competition to the TNC in this area. The SME has proposed a joint venture with the TNC. If all products envisaged are actually implemented, this SME will transform into a large local company or at least graduate out of the category of SMEs that require support through the linkage programme. The average monthly volume of business growth within the cluster was 170 %. Employee growth was observed with one SME growing by 100%. At least SMEs sampled within this cluster confirmed product diversification from one (1) product to 3 products. One SME supplying transport services increased number of trucks that he owned from 3 to 8.

Challenges: The growth/expansion of this particular TNC was very high, so the SMEs could not cope with the pace and were not meeting the TNC requirements. By failing to meet the required volumes and qualities demanded by the large company, the latter resorted to other suppliers outside the linkage. The decision came as one of the strategic measures by the company. Other measures included the TNC engaging in direct sourcing since they had the capacity to do better than the SMEs supplying the particular services. The decision created ethical queries, supply conflicts and mistrust of the TNC by the SMEs mainly attributed to poor communication and feedback to the SMEs. One of the SMEs sampled, faced technological challenges that imposed limitations on the quality and range of products. Other strained relations were associated with disparities between the partners.

This particular linkage was faced with frequent changes of liaison officers within the TNC structures. The TNC was going through a period of internal restructuring and corporate repositioning and even ownership. This slowed down linkage activities and created continuity gaps and delays for both sides of the partnership.

The evaluation team learnt that one SME was employing over 300 employees. This stimulated debates on the definitions of SMEs in terms of business volumes and capacity. It was also evident that within this linkage, the human element especially in managing expectations and changes was weak. Asked on the limited business opportunities that were accorded to the SMEs, we were reminded that signing an MOU did not automatically mean that SMES would receive preferential treatment.

Summary on the real estate and property development cluster

The real estate and property development cluster needs a realisation that outsourcing cannot lead to escalation of costs of construction. If anything it offers scope for reducing overheads. However, given their focus on increased housing delivery, it might be best to look at bringing on board SMEs whose capacity has been established. Further, stability in the TNC structure augers well for linkage. Changes cannot be eliminated all together but entrenching the linkage within the structure so that the organisation ensures that changes do not upset or destabilise the relationship that is being nurtured through the linkage efforts. Improvements can be secured through improved communication including about strategic decisions the TNC makes because they affect SME business.

3.3.2 *Manufacturing*

Partners: ROOFINGS and 4 suppliers of services

TNC Partner :	Roofings Limited
Kind of business:	Manufacturing roofing materials
No. of Linkages:	4 suppliers of services , one opted out
Type of businesses for SMEs:	The SMEs provided compound design and maintenance services including plants and flowers; general cleaning, compound design, maintenance and fumigation services; furniture supplies and safety boots and other leather products. The collection of these SMEs raise question on selection.
Starting dates:	September 2006
Linkages by end of programme:	Only three out of the four selected went through the business linkage to the end. One dropped out due to personal business problems.
Characteristics of the SMEs before the BLP:	Three of the SMEs in this linkage were registered legal entities while one operated as an individual more in an informal way. The one who dropped out had gone through the initial stages of the programme and a business health check had been done. The SMEs had no business plans, and did not maintain good business records. They were selected basing on their potential for improving business performance. The TNC insisted on their micro partners and not want to support bigger partners viewing the latter as more able to meet their own BDS costs. It can be said that this TNC did not adhere to the selection guidelines supplied by the programme.
Activities undertaken by SMEs and achievements by end of the linkage	The business development activities and training by EUg opened the SMEs' eyes for business and other opportunities. All the three that went through programme made significant progress. The unregistered individual has since registered their business and acquired assets for the business including property. Over the programme period (a space of 16 months) the three achieved

programme:	turnover growth of between 60% and 460%. They also increased the number of employees. Because of the low base levels, the increase in employment expressed as a percentage is in some cases very large. Returns for two show increases of 400% (2 to 10) and 600% (3 to 21). Difficult-to-measure benefits like business confidence and improved management were observed.
Outcomes from the partnership:	The SMEs in the partnership had stopped supplying the TNC by the time of the evaluation. While SMEs cited not having been invited for further services, the TNC was of the view that SMEs were less hungry for TNC business because they had expanded business linkages elsewhere. This does not underline improved relationships that the business linkage programme was supposed to foster. One other SME was dropped because of issues of unethical behaviour. As a result, the TNC advocates for deeper inculcation of business ethics in the business linkage training. The TNC appreciated the programme potential /regretted the SME who dropped out, since he had more direct value addition to the TNC business. The TNC is willing to continue to offer more SMEs opportunities for linkage including the one who dropped out. The TNC also recognized the need for selecting SMEs that could contribute to the production process of the business.
Gaps and Challenges in the partnership :	i) The nature of the linkages under the cluster was such that the SMEs supplied services that do not directly contribute to production by the TNC. As a result, the evaluation team could not align the business growth of SME to the process of TNCs. The issue of SME selection considering the services is critical. ii) The TNC observed that there was no framework within which the linkage was handled, assessed and monitored. As such it was not possible to review progress and draw lessons on how the relationship evolved. Recommended a better M&E framework with clear indicators and milestones. iii) The TNC is willing to continue and wishes for integrated support with other related TNCs. iv) Issues of SMEs being dropped for irregular practices can be followed up to give a learning platform.

One area that the linkages within this cluster could be improved is in the selection that would ensure that the SMEs contribute to final production within the TNC's value chain. Such selection would emphasise the importance of the SMEs to the TNC's business. In the pilot, they appear to have selected SMEs without direct contribution. The TNC did not monitor or provide any other coaching and mentoring services to the SMEs. Because these operated outside the TNC's value chain, it can be surmised that the TNC might not have had capacity to coach and mentor them. Apart from availing business opportunities to the SMEs, the TNC could not have offered anything else.

3.3.3 Telecommunications

TNC Partner :	**Mobile Telephone Network (MTN)**
Kind of business:	Telecommunication services
No. of Linkages:	10 partners ; 6 distributors and 4 suppliers
Type of businesses for SMEs:	The Suppliers ranged from manufacturers and fabricators of poly-fibres and metal products such as kiosks, to those supplying timber, glass metal, printing services and electrical engineering services.
Starting dates:	September 2006
Linkages by end of programme:	Out of the 10 linkages, one dropped off leaving 9 linkages functional by the end of the programme.
Objectives of the linkage:	i) To upgrade the business efficiency and business professionalism of MTN dealers and suppliers ii) To create capacity within dealer supplier enterprises to improve productivity through provision of business and leadership skills to the management team iii) To institute corporate governance in the dealer and supplier enterprises aimed at improving resource utilization and long term sustainability
Characteristics of the SMEs before the BLP:	All SMEs were legally registered. They did not have a business plan, and many lacked a satisfactory understanding of the intricacies of the telecommunication business. They were operational, contributed to the business but did not maximize profits and had a lot of room for improvement. Some distributors were operating in one location while others had a few other limited outlets. Their businesses demanded full time presence despite the fact that many continued to incur income losses which they could not account for. Four of ten (4/10) SMEs, mainly suppliers were operating in space that was inadequate for their operations and their expansion was limited by capital.
Activities	One of ten (1/10) SME partners dropped out of the linkage partnership. The

undertaken by SMEs and achievements by end of the linkage programme:	evaluation exercise did not ascertain the reason why he dropped out. However, the TNC reported that the SME that dropped out did not at all improve their business performance, which provides an interesting comparative case. All but one individually contributed to cost sharing and one had all his training costs met by the TNC. All nine (9) SMEs recorded improved business growth attested to and evidenced by one or all of the following parameters: increased volumes of business, increased profits, increased number of employees, increased tax payment, expanded service products in case of suppliers, increased number of outlets in case of distributors, and increased capital expenditure. After 16 months in the partnerships, 3 of the service suppliers recorded an average monthly increase in volume of growth of 40% (25%, 30%, & 66%) while 5 of the airtime distributors recorded an average increase of volume of 61%. Of the five, two had each recorded an increased volume of 100%. The number of employees among six SMEs had an average expansion of 60%, while one SME had not hired any extra employees. A crude assessment of productivity based on business growth to employee expansion gives an efficiency improvement of between of 3% to 25%. Within 5 months, 4 of the SMEs sampled attested to quadrupled business growth while 2 SMEs had more than doubled their growth. Overall, increased business volumes translated into increased profits for all of the SMEs. The profits were variously utilized to expand business by diversifying services offered, expanding to new outlets and /or new premises. Three of the SMEs attested to have tripled the products they were offering or increased number of business outlets they were operating. The increase in sale /profits was in a few cases associated with expanded business but most SMEs categorically attributed it to reduced losses arising from better business skills.
Benefits to the TNC:	Increase in business volumes of the SMEs especially the air time distributors although not converted to real growth of the TNC, was an un-disputable contribution to the TNC. E.g. where one SME's turnover per month increased from 600 million to 1.8 billions, the benefit of the TNC is impliedly evident.
Outcomes from the partnership:	The partnership created a breed of small and medium entrepreneurs who radiated business leadership, confidence and foreword looking. Three of the SMEs sampled used their partnership MOU documents to access credit facilities with friendlier lending terms than what is available on the open market. This money was used for furthering their business including diversifying from only telecommunication business to other sectors like manufacturing and real estate development. The ETW training was solely hailed for the business achievement and 3 of the SMEs visited indicated that they had recommended and /or paid for their staff/family to attend the ETW programme. Due to improved SME business efficiency and professionalism, the TNC is willing to continue participating in the BL programme and ready to work

	with and contribute towards more SMEs into the partnership. There was mutual improvement in relationship between SMEs and the TNC. Good SME performance, coupled with needs on the demand side, prompted the TNC to accord some SMEs preferred business opportunities. It should be noted that the programme implementor (EUg) reported the liaison person under this TNC to be the most consistent and committed among TNCs and this had a direct bearing on level of communication and coordination among all parties which resulted in SMEs in this cluster receiving more rounded attention.
Gaps and Challenges in the partnership :	i) Although competencies were developed among SMEs and their businesses grew, it was not possible to translate and attribute the impact of SME benefits to direct TNC growth. In addition, the TNC did not carry out regular monitoring as envisaged possibly due to a lack of concrete M&E framework

TNC Partner :	**Celtel Network**
Kind of business:	Telecommunication services
No. of Linkages:	2 linkages with 2 distributors
Type of businesses for SMEs:	One distributor was a dealer in pay phones and sold phones on behalf of the TNC, while the other was an air time distributor.
Starting dates:	August 2006
Linkages by end of programme:	Out of the 2 linkages, one SME changed the nature of it business all together and relocated operations to Southern Sudan and the second linkage became dysfunctional during the process.
Objectives of the linkage:	i) To upgrade the business efficiency and business professionalism of Celtel dealers and suppliers ii) To create capacity within dealer supplier enterprises to improve productivity through provision of business and leadership skills to the management team iii) To institute corporate governance in the dealer and supplier enterprises aimed at improving resource utilization and long term sustainability
Characteristics of the linkage:	The evaluation exercise did not ascertain the reasons for the first opt out however the second dealer who remained in dysfunctional partnership linkage mentioned internal business problems between the TNC and the SME as opposed to difficulties in linkage implementation. The SME

	partner had business health status of the enterprise checked and presented a staff member for the capacity building programme. The SME also benefited from facilitation to prepare a business plan. The trained staff member later left the SME
SME Benefits attributed to the programme	The SME partner used the Business Plan to grow his business and attributed part of his business growth to the business knowledge and plan that he had acquired under the partnership.
Lessons learnt:	i) The relationship between the SME and the TNC has a significant effect on the success of the partnership. Corporate changes within the TNC can negatively or positively affect the linkage partnership ii) Intervention efforts by Enterprise Uganda failed to salvage the partnership in the linkage. This underscored the need to critically understand the prevailing corporate structures of the potential partners in the linkage before selection. iii) Continuity and benefits from capacity building were compromised by change of personnel presented to the partnership at MOU signing. In this case the person who undertook the capacity building programme left the SME at programme infancy, while in the TNC also the liaison person and champion of the programme was posted outside the country and not effective replacement was provided.

Summary on the Telecommunication Cluster

There were two TNCs and hence two clusters within telecommunications sector. The one had 9 SMEs linked to it with suppliers and distributors. The other started with two and one withdrew and even the one that continued did not derive much from the linkage. In fact, the view is that this second telecommunications TNC did very little for the linkages. The two TNCs represent opposite ends of the linkage relationships. The one with 9 SMEs performed best overall because of its policies towards assisting and working with SMEs. The other represented the failure of linkages. Performance of telecommunications cluster linkages requires that the TNCs do more coaching and mentoring which were largely neglected in the pilot. In addition, they need to change their approach to the relationships in the linkage and ensure that they influence the benefits they derive from the programme. As such they have to monitor the relationships more closely and offer guidance in the areas that the SMEs may be weak. They need to appreciate that within the linkage, a failure by the SME undermines the TNC business.

The other telecommunications TNC was struggling with issues of corporate re-positioning and survival and did not make time to appreciate the long-term value of the linkage. It must start by giving the SMEs a chance to perform within agreed terms. Its coaching and mentoring inputs can be added once they identify the short-comings of the SMEs. In the pilot, they stood out as having neglected their responsibilities towards the SMEs. A rethink of their approach and relations with SMEs who are essential to the particular TNC's business is necessary.

3.3. 4 Agribusiness:

i) TNC Partner :	Kinyara Sugar Works Limited
Kind of business:	Milling sugar cane to produce Sugar
No. of Linkages:	1 supplier cluster
Type of SME businesses	Agribusiness
Starting dates:	**September 2005**
Objectives of the linkage:	1. To upgrade and strengthen the Kinyara Sugarcane Growers Limited leadership 2. To create capacity within Kinyara Sugarcane Growers Limited to improve productivity through provision of business and leadership skills to the management team 3. To institute corporate governance in Kinyara Sugarcane Growers Limited aimed at improving resource utilization
Characteristics of the SMEs before the BLP:	Strong and positive characteristics • Kinyara Sugarcane Growers Limited had visionary leadership which was committed to instituting corporate governance; • cordial relationship with Kinyara Sugar Works Limited which augured well for long term business dealing; • Big out-grower network with adequate land – 884 farmers 500 of whom were shareholders and a growing number of out-growers; • Good understanding of Key Success Factors in the business of farming; • Training in best farming practices provided by both KSWL and KSGL; • A number of income streams

	Weak characteristics • Ownership structure and the organisation of the business reflected its past which emphasised advocacy in direct conflict with its current status as a business • KSGL had inadequate internal governance mechanism with a consequent lack of clarity among membership regarding obligations, benefits, procedures and policies. • Lack of strategic and business plans – the business lacked strategic direction and ended up going into other activities leaving their core business of supporting sugar cane production • Constrained cash flows created a shortage of loanable funds, a key area of interest and vital service for KSGL's shareholders • Inadequate capital/equipment financing and needed to beef up its capital/equipment through some financing • KSGL was operating a manual system for financial management and control although it had acquired financial management software • Personnel Policy Manual which was not clear and inadequate for guiding staff on their roles and benefits. Further these were unenforceable • KSGL supplied some 64,000 tonnes to KSWL for crushing making up 36% of the total cane crushed
Activities undertaken by SMEs and achievements by end of the linkage programme:	A business health check of KSGL was done to determine the state of the business. KSGL leadership received business counselling while corporate governance training was provided to the board of directors. The company developed a three-year strategic plan and the plan was used to access a low-cost loan of 200 million shillings for onward lending to it shareholders; the company's articles of association were revised and business plans developed. An entrepreneurship training workshop was conducted for 21 leaders, staff and ordinary shareholders and one member of staff of KSWL. Strides were made in developing cooperation between KSWL and KSGL. The strategic plan helped focus KSGL on its core business. The business plan laid out implementation of the strategic plan. KSGL installed Tally accounting package and the corporate governance training improved KSGL's human resources to understand the business even better. The accounting system has improved records which have reduced the time KSWL pays farmers after invoicing to 40 days down from 90 days which prevailed before the linkage programme. KSWL's regulations still indicated that payment will be made 60 days after receipt of invoice. The linkage programme brought about gains of 20 days against KSWL's stated commitment.

Benefits to the TNC:	Sharing of business plans ensured quick buy- in by the TNC and enhanced TNCs planning was achieved since goals and targets had been collectively shared. The volumes of crushed cane and sugar output increased.
Outcomes from the partnership:	The annual business volume of KSGL registered an increase of 13% as a result of the business linkage programme over the two years during which KSGL was on the programme. This was, however, the lowest volume of business changes in the whole programme. The company performance appears to have been affected by changes at KSWL corporate structure. KSWL changed ownership and management. KSGL used its business plan to access Ush.200 million from the Micro-finance Support Centre to support the company's lending function. There was evidence of business assertiveness – skills and confidence in tackling pertinent issues e.g. resolution of the Sh.1.2 billion withholding tax refunded to farmers through negotiations between KSGL, KSWL URA and the programme. The leadership improved and showed a better ability to handle issues and create lasting relations with the company's business partners. The number of shareholders increased from 834 to 1,530 farmers. Changes in soft and hardware systems especially accounting software helped improve payment time.
Gaps and Challenges in the partnership :	i) Changes in management at KSWL have introduced some uncertainties with some of the contractual business activities taken away from KSGL and assigned to a third party. KSGL needs assurance that they will have business to do on a continuous basis. ii) The management has also introduced tendering for services, but indicates that KSGL will be given preferential treatment. This further undermines confidence of KSGL and raises suspicion that they may have some of the services they offer taken away from them. iii) The Cane Production Contracts are signed between individual out growers and KSWL which in principle will make it possible for KSWL to by-pass or sideline KSGL thereby creating further uncertainty. iv) KSGL is caught up in its past as an advocate and representative of growers and the business it is today. Its shareholders and members still outside the company expect KSGL to lead advocacy negotiations with KSWL in direct contravention of their new status. These two roles are a cause of conflict.

ii) TNC Partner :	Uganda Breweries LTD
Kind of business:	Agribusiness
No. of Linkages:	One supplier cluster
Type of businesses for SMEs:	An Association of farmers engaged in agribusiness mainly dealing in growing and marketing barley, maize and coffee. The Association is governed through an Executive Committee and has business affiliation with smaller agencies like the Product Handling Agency.
Starting dates:	June 2005
Linkages by end of programme:	The linkage was still strong although marred by introduction of a new partner the East African Maltings working on behalf of the TNC.
Objectives of the linkage:	i) To upgrade the overall business capacity of KACOFA ii) To strengthen KACOFA's capacity to supply UBL with barley on a long –term competitive basis. iii) To institute corporate governance in KACOFA
Characteristics of the SMEs before the BLP:	• KACOFA had a membership of 2000 farmers at the beginning of the partnership. It was a registered Association as a CBO (community-based organisation) that had a special arrangement with UBL to produce barley for the brewery. • This network of farmers had also benefited from the Agriculture Productivity Enhancement Programme who had assisted them to organize farmers into Producer Organizations (PO) that formed a strong network all the way to the grass roots communities of farmers. • A number of farmers had some good knowledge in best farming practices but lacked skills in post harvest handling and 'farming as a business'. • The Association had no constitution, and with weak governance, organizational and business structures, which included among others things: a lack of a strategic plan, business plan, and an inadequate human resource policy and management framework. They also had poor contractual arrangements with its farmers.

	• Low crop yields per acre, high post harvest losses, soaring input and overhead costs were symbolic of their agriculture enterprises. • Inadequate financial planning and controls was also evident in their operations.
Activities undertaken by KACOFA and achievements under the linkage programme:	A BHC was conducted, and the Association responded positively to the recommendations by drawing a strategic plan, restructuring its organizational structures and developing a 3 year business plan. The Association was transformed into a company limited by guarantee that is now legally registered. Members of the Executive Committee and some other farmers attended the capacity building business programme organised by EUg. The executive committee members also undertook the Corporate Governance training. The leadership of KACOFA are confident and show impressive knowledge of crop production of the enterprises they are dealing with. As a result of strengthening their corporate and governance structures, KACOFA attracted new contracts including supplying World Food Programme (WFP) with 5000 tonnes of maize and the programme also co–funded the installation of cleaning and drying equipment for grain. Farmers gained knowledge and production skills and technologies which have been applied in agriculture and this had led to evident increases in crop yields. Between 2005 and 2006, the net profit yield from barley among KACOFA farmers increased by 44% from 14 million to 86 million while net profits from maize increased by 32% (28 million to 37 million). Increase in barley production was mainly observed in the first quarter of the linkage in the first harvest season (increase of 45%). Barley production was however severely affected by the drought preceding the floods of 2007 which reduced the production by a colossal amount of approximately. 1,885 metric tonnes equating to an 88% reduction of the tonnes produced in the previous year. The signing of the Maize supply contract with WFP has positively influenced maize yields from 3 tonnes/acre to 4.4 tonnes/acre which translates into a 47% increase in productivity. Farmers have been introduced to a saving culture that was not practiced before
Outcomes from the partnership:	The membership of KACOFA has increased by 50% from 2,000 to 3,000 members which in turn increases the issued shared capital of KACOFA. The restructuring of KACOFA improved its corporate face and

	gained them trust and reliability. They secured a medium – long term loan facility of Ush 350 million from Development Finance Company of Uganda (DFCU) bank to facilitate expansion and modernization of KACOFA market operations. The trust that KACOFA has built with business partners offers her a degree of preferential treatment and is able to negotiate business deals with less bureaucracy and reduced red tape. They attracted other support like equipment from the SNV rural Information System Programme which also empowered them in acquisition of market information. The contract with UBL offers KACOFA and farmers a ready market for their barley produce. The increase in business volumes and financial activities by KACOFA contributed to the pressure that won the establishment of the Kapchorwa branch of Centenary Rural Development Bank which has eased burden on financial transactions by the Association. In restructuring the organizational set up, KACOFA expanded its services to reach more farmers at lower levels under the Deport Centres – Production Office community structures. KACOFA won 1st Prize for GoU–EU Civil Society Building Programme award in 2006 in recognition of their work in dedication to improving standards of performance and improving peoples' livelihood. They have also been shortlisted by the Uganda Commodity Exchange for operation of the Warehouse Receipt System.
Gaps and challenges encountered	The KACOFA–UBL partnership acquired another partner, East African Maltings who took up the role of managing the distribution and supply of seeds as well as financing and purchasing barley. The farmers are not pleased with the terms under the contract being offered by the new partner and have delayed signing of their new contract. They however did not apprise EUg of the new changes. Even if KACOFA is given a ready market for their barley, the price of barley per kg is low. It has remained static for the last 4 years in spite of increased production costs. The exponential membership growth of KACOFA had its advantages and limitations. Key among the latter is the management challenge associated with opening up of new Depot Centres and production offices. More of the farmers managing the units lack management and business skills. The partnership lacks research and technology linkages to help them deal with constraints in these areas.

Summary on the Agribusiness Cluster linkages

There have been problems associated with changes of liaison personnel in the agribusiness linkages cluster. Major problems appear to be mistrust even after the parties had forged very good relations under the programme. As a result there appears to be a rolling back of advances made in improving relations. New management at one of the TNCs are perceived as anti-linkage or at least have introduced uncertainty. Any policy towards communication with the SME would improve the performance of the linkage. Pulling in one direction is essential and clearing any suspicions in relation to the linkage would improve the relationship. In the other the introduction of a middle institution sparked suspicions and undermined the confidence that had been achieved. Communication is also at the centre of strained relations. The TNCs need to gain the confidence of the SMEs and maintain it. This was not the case in the agribusiness cluster linkages. The growing numbers of members/shareholders of the SME clusters are bringing management challenges that will continually require to be addressed.

The policy issues highlighted or handed over to UIA are still outstanding. Dealing with some of the policy issues identified would improve the operations of the linkage programme.

3.4 Mainstreaming Of Cross-Cutting Issues

The linkage programme being a national programme addressing livelihood, was mandated to mainstream cross-cutting issues in the implementation of the programme. At its design, the linkage programme planned to address four cross cutting themes of: gender balance; sustainable use of environmental resources; Human Immuno-deficiency Virus (HIV)/Acquired Immune Deficiency Syndrome (AIDS); and Ethics and Integrity.

On **gender issues**, the programme design did not set clear targets in terms of numbers and /or percentages to achieve while addressing gender issues. They however designed 2 strategic approaches' that would deliberately favour women participation. One was a deliberate selection of women owned/managed SMEs, and second to offer a pricing regime for business support and development services that would favour participation of female beneficiaries. The former was implemented while the latter was not. Out of the 21 non–agribusiness linkages that remained functional, 5 (25%) were women led SMEs. In addition, the Management structures for the 2 agribusiness cluster SMEs adopted a gender based approach to representation on the main committees. Furthermore, KACOFA introduced a rain water harvesting project that was specifically designed to benefit women who are engaged in barley growing. No deliberate attention was paid to selecting youth, disabled and/or resource poor-led SMEs during selection.

On **sustainable use of environment**, all programme activities were required to have a 'no adverse effect' certificate from National Environmental Management Authority (NEMA). The certificate was to be reviewed regularly. However, there was no evidence that this was implemented as a pre–requisite to participation. It was apparently assumed that the TNCs being of repute, had inbuilt mechanisms that ensured that sustainable environmental protection was addressed as mandated by the national policies and standards in observance of safety and health standards at work environment. Nevertheless, there were no environmental concerns raised relating to the business linkage programme.

On **HIV/AIDS Awareness,** a 45 minute session of Entrepreneurship Training **Workshop** was dedicated to '*HIV/AIDS' In the Workplace'*. EUg worked with the Federation of Uganda Employers to introduce more sessions on the subject however the partners' attendance was low. Although, the time given to the activity as a function of the entire programme did not warrant a detailed output assessment during this evaluation, it does not efface the significance of the topic.

There was evidence to show that effort was made to implement the programme with transparency and guidelines for best practice were in built. However, there were a few cases of continued and new mistrust that arose during the partnership between SMEs and TNCs and in some cases un-ethical business behaviour of SMEs and TNC was cited by either the TNC or the SME. It was then observed as already mentioned that the training course did not exclusively cover business ethics. The evaluation did not assess issues related to safety and health at work. .

4.0 CRITICAL ANALYSIS AND INTERPRETATION OF FINDINGS

This section covers a critical analysis of the key findings including a discussion of the internal and external factors that contributed to and affected the achievements of the results. It is focused on the five major components of an evaluation programme namely relevance, effectiveness, efficiency impact and sustainability. Gaps, challenges and lessons drawn are also included.

4.1 Relevance

The pilot business linkage programme envisaged an SME/TNC programme designed as a fast-track vehicle for creating a dynamic SME sector. The TNCs and SMEs were the targets although the direct benefits were more inclined towards the SMEs on the programme.

The relevance of the pilot linkage programme lies in addressing the real pertinent issues affecting the SMEs in Uganda largely viewed as being at the heart of the sector's inability to grow. At the design stage, the programme had inherent links to key Government of Uganda strategies of strengthening the private sector as an engine of economic growth. The fact that SMEs in Uganda comprise more than 90% of the private sector and contribute 75% to the GDP in spite of the challenges they face, is in itself proof of how relevant the programme is to the beneficiaries and the national economy.

Before the business linkage programme, it was documented that SME growth is hampered by many factors among which are: lack of business start up capital, limited access to credit, or guarantee schemes, lack of acceptable collateral, poor entrepreneurship skills, and lack of sound corporate governance structures. It was further noted that in their dealings with large corporate companies, they are unable to meet business standards because of their poor services and production volumes and general lack of understanding of the businesses of their affiliated companies. These and many other reasons were the basis of targeting the SMEs as the target beneficiaries.

At the end of this pilot business linkage programme, it has been observed that among other things SMEs can grow their business up to 460%; increase employment up to 100%, improve productive efficiency up to 25%, expand and diversify business products as a result of adoption and application of improved business skills in a business linkage programme setting. The programme has also shown that these improvements have a potential to contribute to the growth of TNCs and the benefits of both parties can lead to increased domestic and foreign direct investment as well as local and global competitiveness with import /export substitution and improved tax revenues. These and many other outputs and outcomes illustrated in this report are more than sufficient to underscore the relevance of the business linkage programme to the PEAP and its key underlying 3 strategic areas of improved human development, improved GDP and reduced income poverty and inequality. The linkage programme having addressed only 26 SMEs in Uganda out of the potential 1,000,000 further underscores not only its relevance but goes ahead to justify its high priority ranking.

4.2 Effectiveness

The overall programme objective was stated as to promote equitable and sustainable TNC-SMEs linkages in Uganda in order to enhance local productive capacity and efficiency of the domestic enterprise sector. Programme effectiveness must establish whether or not linkages were formed. It must also identify the quality of linkages formed and assess whether or not these meet the intended criteria of mutual benefit without either the TNC or SME exploiting the other. Mutually beneficial relations seek to confer benefits to both parties in the relationship in a win-win outcome.

In the pilot business linkage programme, mutually beneficial relations were established where the SMEs secured exclusive opportunities to do business with TNCs from which they accumulated other business benefits mentioned. TNCs on the other hand benefited indirectly not only by merely having the SMEs understand their businesses and the cordial relations developed but also from understanding the potential contribution of improved business growth to their companies. Even when the benefits were heavier on the side of the SMEs and more difficult to measure on the side of TNCs, the fact that both parties benefited is a sign of an equitable TNC-SME linkage. This can be further argued that SMEs had the most input and hence the most benefits. It can also be said that the TNCs will be able to quote their participation on the programme as a positive tribute in their CSR dossier.

The success of the linkage programme was also measured by the number of linkages created by the programme as its performance against the target. 23 linkages were envisaged, 26 were formed of which 22 remained fully functional by the end of the programme. This is a near to 100% performance and the programme was therefore successful. Further, the linkages were designed to increase business between SMEs and TNCs, improve relations with TNCs and provide continuous support to the SMEs. The linkage also sought to enhance productive capacity of SMEs. The evidence of business volume increase, jobs created, and improved relations point to achievement of the intended objectives and hence the effectiveness of the programme. By requesting TNCs to select suitable SMEs to linkage; and by assigning staff to liaise with SMEs and EUg in implementation, the programme was establishing mechanisms that would entrench linkages to a stable foundation.

The sustainability of the established linkages was anchored on how committed the TNCs and SMEs were to their roles and responsibilities which in turn depended on how well they were selected at the design stage, how clear the terms and rules of engagement were and how effective and efficient either party including Enterprise Uganda implemented their responsibilities.

TNCs that are good for the business linkage programme are those: in a sector of national economic importance, with a strong brand, which have strong corporate structure, and are favourably disposed towards working with SMEs and willing to mentor SME partners. Such TNCs must be willing and capable to stake and contribute financially towards supporting identified linkage and prepared to facilitate SME partners. The SMEs that would make a successful linkage are those: with high level of existing sector related investment and experience as well as high prospects to attract finance, have a demonstrated desire to grow and consolidate their presence in a given sector, direct involvement of proprietors in the linkage; willingness to contribute financially to costs of linkage activities. The success of linkages between TNCs and SMEs must also recognise a role for Enterprise Uganda as a key actor in the relationship.

It is against the above that one can conclude that although the programme performed 100 % in establishing the targeted number of linkages, the depth or extent of this effectiveness was only partially achieved. The degree varied since some partners did not carry out all their activities especially monitoring and implicitly the 'would be extent' of inputs, outputs and outcomes were affected. This is, however, subjective since the actual expected quantities and qualities had not been expressed in the indicators. That not withstanding, by extrapolation to the original thinking and concept of the programme, the local capacity of SMEs was enhanced. There were more successes than negatives i.e. improved investments, better incomes, better services, business expansions, improved local competitiveness and even entering of cross border business, better crop yields, improved cane sugar cutting, improved volumes of sugar produced, etc.

In as far as the linkage was expected to generate FDI, this programme was implemented over too short a period for this to have been achieved. This is however achievable in the long-run and it is for this reason that we hold the view that a focus on domestic benefits of job creation, investment and business growth of the SME would be more ultimate and easily measurable since TNCs performance is affected by many factors that are external to the linkage programme.

4.3 Efficiency

The key questions to be answered in relation to efficiency are whether the design was cost effective in terms of time and the human resources. This must cover the array of programme activities including sensitisation, signing, programme implementation and monitoring and evaluation.

As regards the time, although the programme was implemented over a two year period as planned, it lost time to signing and administrative activities at the beginning. The time for sensitization was included in programme frame. The longer it took to get the TNCs to sign, the more the programme implementation time was consumed. With the exception of agribusiness cluster, the other linkages were agreed and implemented 12 months later reducing the effective programme implementation time by one year. These delays were a cost on programme implementation. In addition, the time spent by the Coordinating Officer in intense negotiations and coordination, although it was eventually useful, was time foregone for other implementation activities. In cases where the liaison persons in the TNCs were changed, and where linkages suffered as a result of TNC Corporate repositioning, useful time was lost in appraising new officers /partners of the programme. This in the long run also affected some relationships within the linkages. New understanding and winning over of TNC officers had to be carried out afresh.

Without precise evidence, it can be deduced that these backward steps affected the tempo of the linkage activities. In terms of timely achievement of intended objectives, failure to complete activities in the expected time frame for some linkages can be attributed to the lost time, as some activities were incomplete by the close of the linkage programme. The last quarter of the programme time would have been administratively spent on searching and soliciting for new funding partners. Thanks to UNCTAD who have filled the gap between the end of programme to possibly the time when a new phase will be in place and operationalised.

There was evidence of satisfactory efficient financial management evidenced by good management practices that were in place. Financial resources were committed to paying the main expenditure items of training (learning) expenses including venue hire and meals, hire of local consultants, and travel expenses including upkeep of staff away from duty station. The local consultants' costs also included the salaries of the Senior Business Linkage officer and Business advisory officers at Enterprise Uganda.

Financial accountability, reports of previous quarters and detailed quarterly work plans triggered the quarterly releases. The method was good for controlling expenditure, and ensuring strict planning and compliance to the work plans.

The financial reports indicate that in all quarters, actual expenditures were below budget with performance in some cases as low as 12% of budget (April – July 2006). The best performance was in the second quarter of 2006 where the budget of Sh.194 million was full spent. In the following quarter (October to December) 75% of the budget was spent. The expenditure in these two quarters shows efficient use of financial resources at the programme's disposal and as per work plans. The average quarterly expenditure was 56% of the quarterly budget showing a considerable degree of efficiency in the utilization of funds. While this may create an impression of under–performance, it was only a mechanism of ensuring that all activities that were budgeted for had an opportunity to be implemented.

During implementation, Enterprise Uganda was involved in the day to day monitoring of the activities and their concerns to ensure that linkages run smoothly were appreciated when they engaged in arbitrating between parties where misunderstanding would potentially affect the linkage programme. However, they did not follow up the TNCs to ensure that they played their roles in monitoring the developments and work of the SMEs. As a result, the TNCs completely ignored their role in monitoring to an extent that some still visualized themselves as performing charitable activities to SMEs and were not ready to invest time in this activity an act which breached the MoU. It was very evident that part of the shortcoming of this process was blamed on not having prepared an M&E framework at the design stage.

4.4 Impact (short and long term outcomes)

The business linkage programme has been implemented over a 2 year period. In some linkage partnerships the time was even much shorter than this. It is therefore unexpected to find major impact on the communities especially where SMEs were small businesses that are run by a handful of people other than the agribusiness clusters that involve a number of people. The assessment and understanding of the impact of the business linkage programme therefore, focuses on short and long term outcomes and the future potential of the programme basing on data given by the SMEs.

In chapter three of this document various outputs were shown for each cluster. Collectively the outputs of increased business volumes, sales, employment, tax revenue, capital investment, products and product outlets, etc although not yet translated in visible impact have a potential translation into outcomes that can impact on the community and the economy. Basing on the above findings and assuming implementation of a full national programme; one can envision the anticipated benefits and develop a perceptual frame of the potential impact.

For example, over the two year period that the programme was operational, nine (9) SMEs on the business linkage programme created 100 new low income jobs. Given the estimated number of 1,000,000, SMEs and 4,000 TNCs in the country, a scaled up programme has a potential to reduce income inequality and poverty. The business improvement was indicated by volume increase of 55.2% over the same period. Monthly turnover for the nine SMEs rose from Sh18.4 billion to Sh.28.56 billion. During the same period annual inflation was below 6% indicating real volume increases and consequently the potential tax revenue was equivalent to 30% of the additional Sh.10.16 billion per month.

The above analysis demonstrates the potential impact of the programme on basic issues such as employment creation and income distribution and concomitant influence on poverty reduction. The investment impact can be large with a potential to attract FDI in the long run. Again, it is worth noting that these findings are derived from only one quarter of the number of SMEs on the linkage which is less than 0.001% of the total SMEs in Uganda. If the links were increased or a higher number of linkages were repeated over say a ten year period, the impact would be significant.

A mid project assessment of the programme that had been undertaken earlier during implementation had provided information on SME performance. In the evaluation exercise such information was triangulated and has aided this evaluation.

Findings from both the mid term assessment and this end of pilot evaluation show that SMEs on the programme achieved product diversification minimum of at least two additional products or business outlets per SME. They also displayed high levels of innovativeness and business commitment by working at growing with the TNCs needs. Incidences of SMEs searching for business linkages and opportunities outside Uganda in pursuit of meeting TNC needs were recorded.

Farmer Associations in Uganda especially the rural based ones have always been depicted as weak and disorganized with low capacity to attract large business volumes. However, an initially small SME like KACOFA being able to attract major contracts from international organizations like WFP and also a farmer organization like KSGL being able to win back a tax refund of Ush. 1.2 billion (approximately USD 700,000) is a clear indication of business assertiveness as an outcome of business maturity and favourable policy environment from the linkage programme. Due to improved performance, the agribusiness clusters' membership in both organizations grew by over 50% and farmers were able to acquire agriculture loan facilities of Ush350 million and Ush200 million on better borrowing terms. Comparatively, some of the non agriculture based SMEs also acquired loans with better lending terms using the partnership MOU documents as evidence for their credibility. These transactions which were outcomes of improved performance as a result of ETW training and other BDS, policy and linkage support activities within the programme are unquestionable findings attesting to the impact of the business linkage programme. .

Although EUg has been training in business development services, the renewed commitment of SME staff and their spouses attending the ETW training after the experience of the partners in the linkage can be considered as an outcome of the programme. Other qualitative outcomes that are difficult to quantify unless by proxy indicators include: TNCs' willingness to continue participating and financially supporting SMEs in the BL programme; and mutual improvements in relationship between SMEs and the TNCs. Also better leadership and governance structures developed by SMEs, new Business Associations formed, new business ventures (including linkages) between SMEs and with other Ugandan and International TNCs in Rwanda, Turkey, Sudan and the mere recognition and acceptance of the business linkages programme by other institutions such as banks, international business associations, etc. are outcome indicators worth recognition.

The long term outcomes such as increased FDI depend on external factors like markets access and technology advancement as well as capital investment to a degree. The pilot business linkage programme could not have established these in order to attract FDI during its short (two year) life. The assumption linking results to the Project Purpose within the logical framework was that the capacity of Enterprise

Uganda was adequate to provide a national structure that would service the local business community. Further the assumption linking the Project Purpose to the Overall Objectives overlooked the fact that policy processes are slow. Even with the government commitment, the project timeframe made it difficult to translate the private sector substantially to allow for benefits from FDI inflows to be achieved. The capacity of Enterprise Uganda was limited and the achievement of the overall objective to increase FDI inflows was ambitious and unachievable in a two year pilot business linkage programme with 23 linkages. However it was evident that the programme can contribute to employment creation, increased production and improvements in productivity. The more immediate benefits are easily quantifiable and should be the target purpose of the programme. The programme's capacity to contribute to poverty reduction, a major concern within Uganda makes these objectives realistic and lends to the relevance of the programme. In the long run, these can contribute to increased FDI inflows.

4.5 Sustainability and Scalability

It is essential that a correct understanding of sustainability is developed as a basis for assessing this aspect of the programme. In this case sustainability must be understood to mean the ability to maintain the linkages with full, limited or without the external support of the programme. This can have both vertical and horizontal expansion implications. Vertical expansion focuses on deepening what already exists like looking at technical and technology aspects while horizontal expansion points towards replication. This implies bringing into the linkage arrangements more TNCs and SMEs.

Sustainability is also looked at in terms of financial, institutional, social and possibly environmental effect. The sustainability issues for this project would then be on how the linkages or momentum created by the pilot business linkage programme or the process of forming similar or deeper levels of linkages or the business linkages programme can be maintained? What mechanisms must be put in place to ensure better and /or continued financing, and what institutional, social and environmental structures do we need for implementing the programme better.

Scalability, on another hand addressed the total scale of the problem to be addressed in comparison to what the proposed programme addressed and therefore how much more can be addressed within a given preferred long term framework.

On whether the programme had built sustainability mechanisms at the design, it was noted that being a pilot programme and of 2 years, it had not been easy to focus on sustainability mechanisms at that level. In addition, the numbers of linkages created were too few to allow for an effective design for sustainability since they were still being tested. However, in the previous chapters, the magnitude of the problem and impact potential has been illustrated and hence the scalability of the business linkage programme has been demonstrated as unquestionable.

Institutionally, the programme was designed on the existing capacity at EUg including structures, infrastructure and human resources. The structure and infrastructure just fairly supported the outgoing linkage programme which managed to scrape through though with the short falls. It must, however, be noted that it was inadequate and will be more so after expansion. There is need for space, and more personnel. A Coordinator was recruited specifically to work on the linkage programme and was assisted by all the work force at EUg; however, collectively they did not effectively handle the day to day monitoring not only as a shortfall in design but for lack of adequate personnel and support facilities like vehicles. The policy support structures are part of the institution and operational environment. The policy supporting role which UIA played, however, were hampered by the slow policy processes and as a result many of the policy requirements are still pending.

Financial structures for sustainability were not included. There were no plans for financing the continuation of the programme, or plans for financing a broadened linkage or even deepening of existing linkages. However, the evaluation has established that there is willingness by TNCs and SMEs to continue making contributions to funding linkage activities. There was established scope in some cases to increase the level of contributions and this must be exploited for future financial sustainability. A plan for a future programme funding would be based on a multi-year programme with defined sources targeted to run for a given period to generate and spread benefits which would provide impetus for self-sustaining linkages predicated upon the parties' appreciation of the value of such relationships. It would still require seed financing and design of funding that would be directed at targets that would enable meaningful contribution to sustainability structures. Such can include a multi - year programme.

The team holds the view that for both existing and new linkages under a nationwide programme, it would be beneficial to integrate other horizontal and vertical partnership e.g. research and technology, conflict resolution. This is especially recommended where the programme emphasis will be to strengthen SMEs' contributions to processes in production and value addition within a value chain framework. The SMEs that require technology and possible research linkages can be allowed to continue as vertical linkages and benefit from continued learning from the TNCs this time targeting technology enhancement. This could be the case for linkages with manufacturing SMEs and those in ICT. Other linkages that are weaned off can continue on a business basis.

4.6 Partnership Strategies and their roles

The partners in the planning and implementation of the programme were Enterprise Uganda and Uganda Investment Authority as implementers. EUg brokered linkages in the implementation and was at the centre of SMEs' capacity building. UIA sensitised TNCs and handled policy issues bringing those issues identified within the linkages to the Presidential Investor Round Table. How did UIA convince the TNCs and can it be improved? UNDP was the Resident Supervisor of EUg on behalf of donors. It channelled programme funds and coordinated stakeholders. UNCTAD shared linkage methodology, helped in the design of the programme and back stopped EUg. On the other hand, SIDA's contribution was providing funding for the programme.

The key question on partnership effectiveness is whether there should have been other stakeholders who would have helped improve the performance of the linkages programme. The functions and roles of those partners involved were clear and in all cases appear to have been their mandates. Enterprise Uganda was stretched during the implementation of the pilot business linkage programme. It ended up playing unanticipated roles such as arbitrating between TNCs and SMEs on the linkage. The extent to which this was successfully done was limited by the human resources. While capacity at Enterprise Uganda could be improved to handle some of these, it is advised that EUg would better stick to its core business. Some other players can be brought in to deal with the additional programme requirements.

A programme such as this would benefit from input from research institutions as partners. There is a need to keep the linkage partners updated with relevant information about changes in the business environment. The linkage programme cannot itself engage in research since this would draw it away from its core business.

4.7 Challenges

There were many challenges in the pilot business linkages programme. Many of these can be overcome with effort and that would improve performance.

i) The business linkage programme was expected to offer SMEs an opportunity for growth and improvement of their business while contributing to TNC business improvement in TNCs business. For some SMEs, performance could not match the TNC growth and strategy. This mismatch became a source of misunderstanding as the SMEs viewed developments as TNCs denying them the opportunities for growth. A fundamental issue is that where SME growth lags behind that of the TNC, and it becomes a case of performance mismatches, how does the TNC handle the situation? How does the linkage programme handle the situation? In pursuit of programme objectives, does it make linkage sense to retain the SME in the partnership at the expense of the business sense?

ii) A strong corporate structure (of the TNC) was identified as an important requirement for linkage success. The strong corporate structure serves to cushion the relationship with mechanism for handling interruption and structural changes. However, it is not necessarily the case that the TNCs with solid corporate structure will be available and willing to participate in the linkage programme especially with the requirements for opening up and nurturing SMEs. It is possible that the TNCs with strong corporate structure and culture might not be willing to provide business opportunities leaving only those with weak structure and culture to offer their time and commitment to the programme.

iii) The programme exposed the fact that even TNCs that appear to be strong and functioning well economically can have weaknesses in their structures including poor CEOs and HR managers who can affect the linkage programme and the final benefits including relations that can lead to increased FDI and global competitiveness. As the linkage programme aims to strengthen SMEs, in the country, who is responsible for telling the TNCs of their weakness and, if at all, helping them to overcome these?

iv) The evaluation observed and underscores the legal weaknesses underlying the MOUs as binding agreements. Agreements were flouted by those who failed to turn up for specific capacity training sessions at Enterprise Uganda. Areas like HIV/AIDS in the work place were not enthusiastically attended. In some cases, SMEs had to be given a second chance and even third chance to attend core trainings after they failed to turn up for the first. Although the participants signed an MOU that mandates them to attend all sessions, once flouted the MOU has no platform for sanctioning such actions. In other cases, there were agreements between the TNCs and SMEs which were built upon the trust and relationships established by the linkage. When breeched, there were no legal accountabilities since the MOU was just a simple agreement for working together. How to address such issues without enforcing more legality which would compromise commitment is a challenge.

v) There were cases of lack of favourable policies and regulations that enforce compliances and maintenance of international standards. At the heart of these were such like the competition and quota related policies which are supposed to ensure that SMEs are subjected to less competition e.g. from regulating bodies who are also service providers and /or that TNCs as a matter of principle do not import all raw materials from outside the country including those that are available locally. Such policies, though lacking, are necessary for promotion of the private sector but can also be a source of discouragement to the investors and international companies. On one hand they have a potential to promote growth of SMEs and on another have a potential to stifle development especially as they are a trade off between supporting the local capacity to grow and supporting the TNCs to produce more quality and slightly cheaper products. Handling this effectively to the satisfaction of both parties is going to be a challenge.

5.0 FACTORS AFFECTING/INFLUENCING PROJECT SUCCESS, LESSONS, RECOMMENDATIONS AND CONCLUSIONS

This section gives a summary of the findings with a highlight on the key factors that affected the success of the programme, the lessons that are drawn from them and the recommendations to address the gaps in future programmes. Most of the factors that affected efficiency and effectiveness of the business linkage programme are mainly design issues and are discussed in the subsection that follows.

Before presenting the factors and because of the way the report is structured, it is necessary to make an observation and a recommendation here. This approach is necessary because the factors handled below hinge on a position that is clarified by the recommendation. The observation is that although there were gaps in the implementation and it faced challenges; the pilot business linkage programme was successful. It has created awareness of what can be achieved and lessons for issues to be considered in future programmes.

Recommendation: Programme Future

The pilot business linkages programme achieved considerable success. It can be expanded to increase participants and cover all parts of the country. Preference should be given to companies linked in processing relations within the value chain.

5.1 Factors affecting/influencing project success, lessons and recommendations

1) **Pre–programme sensitization and awareness.** The sensitization for the programme prior to implementation was wide but not deep enough especially that the programme was new and did not have local lessons and information upon which to show success in Africa. As a result, buy-in by stakeholders especially TNCs was slow. This subsequently affected the implementation time. Therefore well designed sensitization and awareness programmes will reduce the effective time for convincing and coercing TNCs to buy into the programme.

Recommendations: Sensitization

i) The programme should spend at least 6 months sensitizing TNCs and the public about the business linkage programme. Now that there is information based on the pilot programme, a well designed programme must be in place and time for this programme must be out of the main project implementation time.

ii) The methods for communicating the business linkage programme should be varied after first identifying the audiences. This may among others include brochures, leaflets, radio, booklets and even business linkage champions. It is important to set targets and means of checking whether targets for sensitization and awareness have been achieved.

2) **Selection of linkage partners**. The selection and therefore type and quality of partners, both TNCs and SMEs, affected the results of the relations and the result of the programme. Corporate structures of TNCs are strong bases on which the programme can lean for success. The need for strong corporate structures and cultures and for corporates with strong branding was felt. Failed linkages in some cases were associated with poor TNC corporate structures. The selection of participant TNCs and SMEs must be done on the basis of clear eligibility and selection criteria. In this case the criteria for selection was not written down especially for SMEs and /or not followed. SMEs were selected by TNCs on the basis of prior business dealings and as a result different TNCs used different reasons for selecting SMEs.

Recommendations: Selection

i) Clear criteria to select partners in the linkage should be developed/clarified and emphasised in advance and continually. It will be made known at pre–programme implementation to potential TNCs and partners. There must be mechanisms to ensure that criteria are adhered to initially and continually.

3) **Efficiency and Effectiveness of the programme.** In addition to well designed sensitization programmes and well selected TNCs there were other factors that clearly affected the programme. Commitment of Senior Management (TNCs) and SME owners made it easy for the partnership to function well. The more successful linkages had senior management commitment to developing lasting relations. It is important that any linkage be accepted at senior management levels. The involvement of senior management requires clear rules of engagement for progress to be made. Some TNCs did not play their role of mentoring, coaching and monitoring the SMEs. An indication of the programme activities including monitoring and review meetings between TNCs and SMEs and between TNCs, SMEs and Enterprise Uganda is necessary. This must establish the regularity or frequency with which these meetings will be held and issues to be handled as part of the clear terms and rules of engagement and platform for dealing with issues that arise. Embedded within this should also be clear communication channels.

Recommendations: Efficiency and effectiveness

i) Secure buy-in of senior management of TNCs, institutionalise the business linkage and establish linkage liaison at levels that have direct access to senior TNC management

ii) Provide a framework for interaction and review with clear rules of engagement between SMEs and TNCs in the linkage and ensure that whoever subscribes to them confirms commitment to compliance.

iii) Structure communication channels especially in case of disagreements and misunderstandings between linkage partners including the handling of disputes. Bringing on board other relevant partners such as the Centre for Conflict Resolution, Commercial Courts, could be explored.

4) **Institutional requirements:** The pilot business linkage programme was driven by EUg with one officer dedicated to coordinating the programme. Although the coordinator was assisted by colleagues within EUg, it is apparent that the human resource capacity was too stretched to meet the day to day monitoring of the programme. The support infrastructure although available at EUg was thin because of EUg's structure. The programme did not provide a motor vehicle for activities that require quick movement to cover all the linked parties to stay abreast of developments and provide timely inputs. Access to other equipment like laptops was also limited. These constraints reduced the effectiveness of the coordinator and efficiency of the programme.

Recommendations: Efficiency and effectiveness

i) Establish within EUg a unit that will focus on the business linkage programme. This unit will be separate from Enterprise Uganda's established activities. The unit should have specialists as linkage officers to coordinate increased business linkages.

ii) Provide an adequate number of appropriately skilled human resources to handle specialised sector linkages. Each officer should handle about 10 linkages

iii) Equip the unit and provide programme vehicles and other equipment that can be used to stay in touch with linkage programme activities.

5) **Clear roles and responsibilities:** There is need for clear roles and responsibilities for all partners in the programme. The MOUs signed between EUg, TNCs and SMEs spelt it out what each party was expected to do. However, there was no M&E framework to support regular feedback. This affected programme performance and engaging in these would have enriched the levels of interaction, the levels of engagement and benefited both TNCs and SMEs. A future programme must provide for an M&E framework outlining monitoring arrangements, the milestones and indicators including the format of reviews, follow-up interactions between linked partners.

Recommendations: Roles and Responsibilities

i) All the partners UNDP, UNCTAD, UIA and EUg should continue the roles they played in the pilot programme

ii) Establish an M&E framework with clear targets with indicators and milestones to be achieved during the linkage programme

6) **Financial Sustainability:** Although the pilot programme had 23 linkages operating, activities for some few could not be completed by the end of pilot programme. The programme was operational because of the public funds and

could not have been achieved without these funds in spite of the cost sharing. Operational costs were covered outside the programme funds under a special arrangement. Since the end of the programme, UNCTAD stepped in to ensure that the impetus created by the pilot is not lost. However, the business linkage programme must expand to include more linkages than the number of the pilot programme. Operational activities therefore, will have to be stepped up to meet the required effectiveness and efficiency. The future programme must therefore focus on among other things financial sustainability such that linkages become progressively business oriented and self supporting.

Recommendations: Financial Sustainability

i) Secure multi-year business linkage programme funding by exploring opportunities for new partners to help SIDA in funding the expanded programme.

ii) Incorporate sustainability mechanisms that will slowly but gradually target reduced funding by Government/donors and increase funding by the private sector

7) **Programme design:** The pilot programme was designed as a pilot. Even with that knowledge some of the objectives appeared completely beyond what could be accomplished by a two year pilot programme. Performance indicators were not explicit. Evaluation of programme achievements was difficult to measure, especially the benefits by the TNCs. The programme theory was more inclined towards TNC benefits and increased FDI inflows which are difficult to measure in a two year programme at the SME level. The components above (TNC and FDI benefits) can be achieved in the long run but not in a less than 5 year programme. For improved effectiveness, the objectives need to be clearly designed around the achievements that can be attributable to the linkage especially at the SME level if there are no major strategic business actions to improve the TNCs as well.

Recommendations: Programme Design

i) Make the programme focus on SME related strategic benefits because these are both achievable and easily measured in the medium term rather than the more distant FDI benefits.

ii) Determine clearly measurable indicators which can be used in assessing programme effectiveness and success

8) **Programme scalability and exit strategy:** The pilot design had a definite time frame within which the programme activities were planned e.g. specific time for buy–in, signing MOUs, etc beyond which time potential linkage partners were no longer allowed to sign in. There were no provisions to allow for

phased SME readiness in order to allow those that attain readiness after the programme started. A future programme needs flexibility to sign on those who will be ready and allow others to get ready after a specified period. Having recognized that maturation of potential partners varies, there is need to accommodate late comers within a manageable administrative frame, and to graduate others to another level, including weaning off.

Recommendations: SMEs Entry and exit

i) Design a programme that will allow for phased signing in by SMEs e.g. at one year intervals. The time must be determined and dates communicated in advance. A minimum number that makes administrative sense must be allowed for each phase.

ii) A three year programme offers adequate time for SMEs to grasp different aspects of business but with flexibility to allow exit when mature

iii) Provide exit strategies for disengagement on account of maturity (weaning) or un salvageable /malfunctioned linkages

While this has not been stated anyway in the report, it should be stated here that another macro factor that affected the programme apart from economic policy, is political stability/activity. Political activity tends to rise during election campaigns. The election campaigns for the 2006 elections greatly affected the amount of time made by the SMEs (especially cluster leaders) for programme activities. It was also observed that at the, a number of TNC executives relocated outside the country for quite a while making them unavailable to make key decisions. Programme implementation would be worse off if there was general or political instability in the country.

5.2 Conclusions

Having gone through the evaluation of the pilot business linkage promotion programme, some answers can be provided to key questions as a summary and conclusion of the study. The study was commissioned to provide answers to these questions after thorough investigations and analysis. The key questions were outlined in Section 2 and focused on whether or not the programme had relevance to Uganda's pertinent development needs, whether or not it had been effective and efficient in its delivery of outputs. It was also concerned with identifying factors that influenced the performance of the programme and identifying which ones would be important for an up-scaled programme. The main body of the report dealt with many of the issues and here the focus will be on answering some of the major questions.

The analysis showed that the programme delivered jobs and incomes, it improved efficiency and increased investment among the few SMEs in the linkage and can easily contribute to increased FDI inflows and economic growth in the long run. These are issues of concern for economic management in Uganda. Indeed a number of government policies have been formulated to address issues of competitiveness, poverty eradication and economic growth. In so far as this programme delivered this and can be improved to increase its impact, it was relevant. The achievements of the programme within the time it was operational, are a reasonable basis to recommend continuation of a broadened business linkages programme.

The linkages programme created functional linkages which offered the SMEs an opportunity to do business with TNCs in an organised framework. Not all activities and inputs that were planned for TNCs to provide were delivered. The coaching and mentoring was largely not done, while follow-up and other interactions were not formalised. The intended outputs were achieved even with noticeable gaps on the inputs especially from the TNCs. The business acumen of SMEs was greatly improved and these were able to handle other business outside the linkages with TNCs on the programme. Both the effectiveness and efficiency of the programme can be improved. The pilot programme has provided important lessons from which the launch of a national programme can be based. The lessons are on design and implementation of the programme to achieve higher levels of effectiveness and efficiency. Taking certain activities such as publicity of the programme and seeking the participation of committed SMEs and TNCs who also meet eligibility criteria will provide an important boost to the performance of the programme.

Programme effectiveness and efficiency will be enhanced by the buy-in of senior management in the TNCs which should entrench programme activities of SMEs within those of TNCs and ensure continued support even in the face of changes in management. The strength of the corporate structure and culture of the TNCs are main factors that make for success which should be sought in future TNC partners for the programme. The duration of linkages determines the time for effective engagement. The pilot programme was in certain respects reduced to between 15 and 18 months instead of the planned 24 months. It is clear that the programme benefits would have been enhanced even further had TNCs fulfilled what they committed to provide to the SMEs. An appreciation and understanding by SMEs of what the programme seeks to achieve and their commitment to the relationship with partners in the linkage will ensure success. In the pilot programme, some SMEs singled out the value of the training by Enterprise Uganda as having been extremely valuable. This isolates and leaves out elements of value brought by linking the SMEs with TNCs. It was revealed that positioning SMEs linkage business within the TNC value chain provides more scope for mutual benefits. Communication between linkage partners is important for programme success.

The project design paid full attention to addressing themes of gender equality, institutional strengthening, HIV/AIDs and the environment. However, these were not well targeted and evaluation did not find evidence of how they were to be handled on implementation. As a consequence the implementation met challenges as it was not clear what was to be done.

The interventions by Enterprise Uganda were singled out as very useful. As a result SMEs are now able to set out business strategy and worked with consultants to prepare business plans. However, the period of linkage was not adequate for them to complete this stage. The SMEs have improved their capability to seek opportunities as is evidenced by the diversification. Attitudes towards contracting have changed and there is sufficient understanding of business expectations and meaning of contracts.

There were five organisations that partnered to implement the pilot business linkages programme. These were Enterprise Uganda and Uganda Investment Authority as local implementers; UNCTAD provided expertise and shared methodology on linkage formation and UNDP supervised Enterprise Uganda and channelled the funds to the programme. Funds were provided by SIDA. This partnership worked well but there were delays in signing and release of funds that affected the programme at the beginning.

The pilot linkage programme did not incorporate mechanisms for programme sustainability mainly because it was a learning opportunity. However, Enterprise Uganda secured contributions towards the costs of running the programme from both the TNCs and SMEs which can be a basis for cost sharing in future. Funding is required to create the initial momentum to continue to form and support linkages until the business sense in this induces take over by the private sector. Threshold numbers of both TNCs and SMEs would have to be worked out and targeted.

On the whole, both TNCs and SMEs were satisfied by the capacity building given to SMEs by EUg. The consequent business improvement mainly benefited the SMEs while TNCs had no real direct expectations in this area. They were therefore generally satisfied with way the project developed. SMEs further expected EUg to keep the TNCs within the linkage relations which would be a continued source of business; this was a misplaced expectation which appears not to have been met. SMEs did not get coaching and mentoring from TNCs. In spite of challenges at some stages, the programme achieved what it was set to do.

Annex 1: LIST OF PERSONS CONSULTED

1.	Omodo McMondo	UNDP
2.	Kikabi Prossie	UIA
3.	Nakedde Sempanyi John	SIDA
4.	Ringborg Erik	SIDA
5.	Kwamya Wilson	UNDP
6.	Atuhairwe Gloria	UNDP
7.	Ecaal Justine	UNDP
8.	Walwasa A.Regina	UNDP
9.	Mutyabule Rosemary	Enterprise Uganda
10.	Iga Zinunula Samuel	Enterprise Uganda
11.	Ocici Charles	Enterprise Uganda
12.	Joloba Daniel	Enterprise Uganda
13.	Odongo Mary K.	Enterprise Uganda
14.	Lukwago Fiona	UNDP
15.	Wandera Augustine	UNDP
16.	Ezaati Charles	KSGL –Kinyara
17.	Kwebiha Charles	KSGL – Kinyara
18.	Obiya Andama	KSGL – Kinyara
19.	Byaruhanga Robert	KSGL -
20.	Bitamale Franscis	KSGL
21.	Avutia Emmanuel	KSGL
22.	Mbabaazi M Geoffrey	KSGL
23.	Ejidra Isaac	KSGL
24.	Busobozi Patrick	KSGL
25.	Chandia Clicles C	KSGL
26.	Mbabazi Aida Sabiiti	KSGL – Kinyara
27.	Chemtai K Phyllis	KACOFA
28.	Chesang Jackson	KACOFA
29.	Musomo Aben	KACOFA
30.	Subabu John	KACOFA
31.	Chepkrui Hellen	KACOFA
32.	Habibu Skovia	KACOFA
33.	Mashong Benjamin	KACOFA
34.	Soyekwo Shabani	KACOFA
35.	Kamwantie William	KACOFA
36.	Banan Joyce	KACOFA
37.	Sabila Joselyne	KACOFA
38.	Musobo Michael	KACOFA
39.	Kisitu Justine	KACOFA
40.	Mongusho S	KACOFA
41.	Chekwoti Dorcas	KACOFA
42.	Kitenywo Moses	KACOFA
43.	Yeko Roselyne	KACOFA
44.	Chelangat Fatuma	KACOFA

45.	Kibei Hassan	KACOFA
46.	Kone Evelyine	KACOFA
47.	Semu Albert	KACOFA
48.	Cherop Catherine	KACOFA
49.	Mama Night Joseline	KACOFA
50.	Mutai Isaac	KACOFA
51.	Chemangei Backson	KACOFA
52.	Chekwoti Ben	KACOFA
53.	Toskin George	KACOFA
54.	Arapsatya Sam	KACOFA
55.	Chemutai Phyllis	KACOFA
56.	Kissa David	KACOFA
57.	Arapkisa Mubani	KACOFA
58.	Kulanyi Wilfred	KACOFA
59.	Erik van Veen	MTN
60.	Sheila Kangwagye	MTN
61.	Kakuyo Caleb	National Housing & Construction Company
62.	Onyango Patrick	National Housing & Construction Company
63.	Sheikh Arif	Roofings Ltd
64.	Sebakima L. Samuel	Roofings Ltd
65.	Adritia Charles	Kinyara Sugar Works Limited
66.	Mulamata Charles	Creative Engineering
67.	Ndawula David Lincoln	Lincoln Consultsam Ltd
68.	Kyayise Moses	Erimu Company Ltd
69.	Sempa Ruth	Proprietor
70.	Semakula Robert	Bobbie Leathers Ltd
71.	Nuwamanya Jacquiline	Rural Communication Centre Ltd
72.	Mugarura Richard	Richiencoy Services Ltd
73.	Obeta Moses Drakua	Ejab Family Investments
74.	Mukasa Latimer	Easyfone

Annex 2: **PARTICIPANTS AT THE BUSINESS LINKAGE PROGRAMME EVALUATION WORKSHOP**
Held at IMPERIAL ROYALE HOTEL on 11 JULY 2008

No.	Name	Company/Organisation
1.	Mulamata Charles	Creative Engineering Ltd
2.	Munyigula Geoffrey	Thunderbolt Technical Services Ltd
3.	Lubowa Michael	Midway Centre
4.	Nsubuga Ali	Celtel
5.	Augustine Wandera	UNDP
6.	Kissa David	KACOFA
7.	Balunywa Juma	C & J Public Sanitation Services Ltd
8.	Mukasa Robert	C & J Public Sanitation Services Ltd
9.	Nakigozi Ruth Sempa	Creative Gardens
10.	Kayabula Anthony	Easyfone (U) Ltd
11.	Senyondo Mansuli	Mayondo Engineering
12.	Justin Ecaat	UNDP
13.	Mary Odongo	Enterprise Uganda
14.	Semakula Robert	Bobbie Leathers Ltd
15.	Mugambwa	Erimu
16.	Sam Matovu	Greenlines Enterprises Ltd
17.	Moses Kyayise	Erimu Ltd
18.	Daniel Joloba	Enterprise Uganda
19.	Birungi Patrick	UNDP
20.	Mirembe Rebecca	Erimu Co. Ltd
21.	Prosie Kikabi	UIA
22.	Jaap Blom	Danida/ABDC
23.	Sebakima L. Samuel	Roofings Ltd
24.	Mugarura Richard	Richiencoy Services Ltd
25.	Doreen Mugarura	Richiencoy Services Ltd
26.	Ndawula David Lincoln	Lincoln Consultsam Ltd
27.	Samuel Manana	Lincoln Consultsam Ltd
28.	Immaculate Nalikka	UNDP/OPM Mine Action
29.	Morris Ngabitho	KSGL
30.	Edemacu Richard	Kodjo Enterprises
31.	Patrick Mwesige	Zenith and Associates
32.	Nakamya Evelyn	Sanitation Services
33.	Namutebi Vic	C & J Public Sanitation Services Ltd
34.	Dr. Jolly T. Murungi	U.I.A.
35.	Gloria Atuheirwe	UNDP
36.	Otim Emmanuel	KU
37.	Regina Walwasi	UNDP
38.	Rosemary Mutyabule	Enterprise Uganda
39.	Wilson Kwamya	UNDP
40.	Mr. Theophane Nikyema	UNDP Res. Rep

41.	Mr. Anders Johnson	H.E. Ambassador of Sweden

Annex 2A: **Press at the Workshop**

Name	Company
Eunice Kasinje	NBS T.V.
Dorothy Nakaweesi	Daily Monitor
Michael Baleke	NTV
Muwanga David	New Vision
Moses Ategeka	UBC

Annex 3 : **SMEs Check list**

Item	**Yes**	**No**	**Comments**
Technology/ information/ knowledge attained			
Relationship with dealer improved			
Business linkages established			
Number of entrepreneurs (M &F)			
No of jobs created			
Income/profitability /sales increased			
Planning			
Operations improved			
Diversifying customer bases			
BHC			
Accounts better			
Business records			
Business plans			
Cooperate governance (share			
Functional management structure			
Identification of needs			
Financial contribution of 20% (50:50)			
Capacity building activities			
♦ Abridge studies			
♦ ETW			
♦ short training sessions in business management (2)			
♦ Tailor made sessions (2)			
♦ Specialized consultancy services			
♦ Business advisory and counseling over 8 months			
Key success factors which are unique to the business			
Prospects for continued dealing with large company or any other new business			

Annex 4: Check list TNC

Item	Yes	No	Comments
Objectives			
Upgrade business efficiency			
Upgrade business professionalism			
Improved production capacity			
Improved resource utilization			
Competencies developed			
Business linkages established			
Number of entrepreneurs (M &F)			
Cooperate responsibility improved			
Relieved time from % spent on monitoring SMEs			
Relationship with dealers improved			
Growth of company associated			
Criteria for selection of SMEs			
No of times of visiting SMEs (evidence)			
Production service opportunities			
Collective Assessment of SME progress (freq,			
Feedback to SMEs on their performance (freq)			
Financial contribution towards services for SMEs (20%) (40%, 30%, 30%)			
Reduction of dealer turn over			
Rationalized network of dealers and suppliers matched with competence			
Potential for continued collaboration with the dealer			
Any milestones			