

# U-LEARN PHASE II

Business Partnership Learning A Synopsis of Lessons Learnt of Past Partnership and Partner Engagement Methodology

October 2017



Swisscontact's work focuses on inclusive growth, driven by an innovative private sector that creates employment and income.



### **Skills Development**

Productive employment and earning an income through marketoriented vocational training and improved labour market access.



### Enterprise Promotion

Strengthening productivity and competitiveness of small and mediumsized enterprises through sustainable value chain interventions, improved market access and local economic development.

### Inclusive Finance

Empowering entrepreneurial people by improving their access to financial products, services and financial literacy trainings.

### Climate-Smart Economy

Creating green jobs through efficient use of natural resources and clean production.

In this way, Swisscontact creates the conditions for a socially and ecologically responsible private sector, contributing to poverty reduction.

The here presented business partnership model is is built on the Inclusive Markets approach. Swisscontact has been at the forefront of the development of the Inclusive Market approach, which internationally has become known as M4P (Making Markets Work for the Poor). Katalyst, the pioneer market development project in South Asia, is implemented by Swisscontact in Bangladesh. The IM approach is based on the premise that enhanced private and public sector business services, coupled with an improved enabling environment, lead to more competitive enterprises, sustainable economic growth and ultimately - poverty reduction.

Swisscontact applies this approach worldwide in its projects and has developed specific capacity building programs convey this method to project and partner organisations.

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# **Project Goals and Activities**

The goal is to raise 15 000 young women and men out of poverty in Uganda and Tanzania, by increasing their competitiveness in the job market and improving their self-employment opportunities.

To reach the project goal, Swisscontact:

- 1. Facilitates community-based training to deliver market-relevant skills to youth
- 2. Facilitates entry of youth into employment
- 3. Facilitates access to financial services and financial literacy for young entrepreneurs
- 4. Promotes access to business support services

By the end of the project, young women and men participants will have increased their employability and competitiveness in the job market, and 80 percent of graduates will be engaged in self-employment and/or wage employment.





Access to productive land is a key factor Through the business partnership, KK districts of Wakiso, Jinja, Masaka, Luwe-Hoima and Bundibugyo in central and gaged in agriculture is growing high leading to a highly completive market for land. in self-selected learning groups of 15-25 young people based on location, and entheir families and other hiring from land terprises. The young people engaged are owners at average cost of \$ 80 per acre per year. The contract farming arrangemales and from families below or slightly Ltd provides an entry point for the youth to engage land owners to hire land on a contract basis where the youth pay after mitment to change their lives. They have such as schools, churches and local govdemonstrated a keen interest in the proernments have also provided productive ject's ambition, regardless of gender, soland to the youth for production. As youth cial, and educational background. earning increase through production, they invest in land acquisition to expand and sustain the business.

# Section 1 Introduction

U-Learn Phase II is a five-year programme To develop these business partnerships, (2016-21) implemented in Tanzania and U-Learn Phase II pursues a wide range of Uganda in partnership with the Mastercard opportunities with select private sector ac-Foundation. It builds on U-Learn Phase I tors. One of the early partnerships to show (2011-16), which was part of the Founda- evidence of success was with an agriculture tion's 'Learn, Earn and Save' initiative.

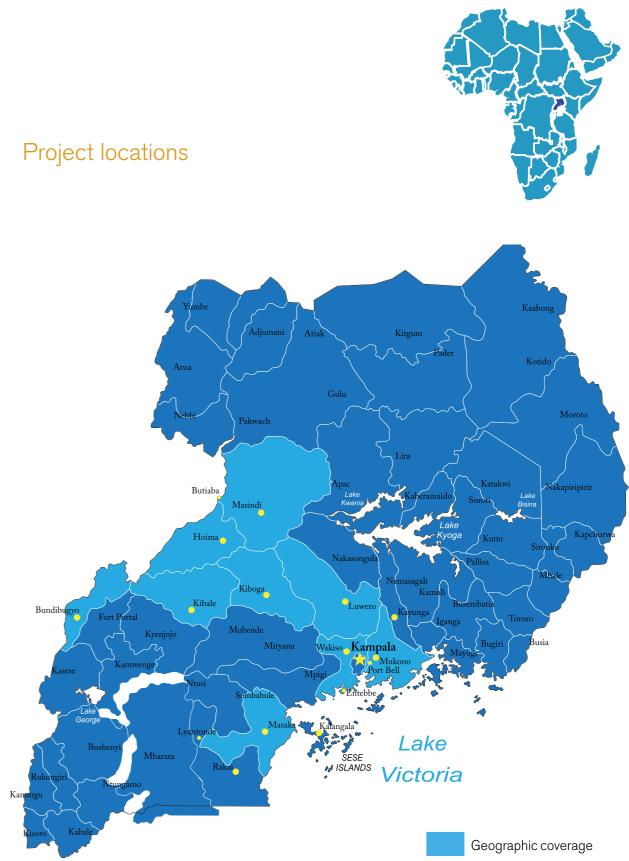
The objective of U-Learn Phase II is to raise 7,500 young people in Uganda and 7,500 young people in Tanzania out of poverty, sustainably, by increasing their competitiveness in the job market and improving opportunities for self-employment. This goal will be reached by demonstrating the value proposition of engaging the young women and men in business models across agriculture, hospitality and tourism and construction market systems, as well as facilitating market-relevant skills development, promoting financing mechanisms for business start-up and growth, and promoting platforms such as business support services.

the development of partnership models between market actors and young women and men, to introduce inclusive business models in the market systems.

produce buyer - KK Fresh Foods Exporters Ltd (KK Foods).

At the close of the project's first year, a consultant was engaged to conduct an evaluation of the processes followed for the partnership with KK Foods, in line with the project objectives. This document provides the detailed findings from the evaluation of the processes, and provides recommendations for changes to the methodology for private sector engagement going forwards.

Section 2 of this report provides a justification for partnership with KK Foods. Section 3 captures the processes followed during the partnership development process, as well as a snapshot of the 'win-win business case' In the project's first year, the team facilitated (also referred to as a partnership model) that made this intervention possible. Finally, Section 4 presents a guide for developing future partnerships under the U-Learn project.



# Section 2 Justification for partnership between U-Learn Phase II and KK Foods

The U-Learn Project has developed a holistic, young women and men-focused learning model comprising seven components, as depicted in the diagram below. This model remains the basis of any partnership.

According to the learning model, an increase in income and employment of the young women and men in Uganda is highly dependent on the increase in skills among the young women and men, and increased access to financial and other market services. Skills development is a long-term process requiring behavioural change and therefore strategies must be holistic, and processes must be sustainable.

Based on this concept, U-Learn engaged KK Foods and introduced this model into the company's business model to encourage the engagement of young women and men in business activity.





KK Foods had been a buyer of agricultural produce from smallholder farmers across the country since before 2011. However, the supply of high quality produce needed by KK Foods remained limited and irregular. KK Foods had also worked with development organisations in the past, but this too had resulted in very limited growth of the business. Most of this past engagement with smallholder farmers did not include young women and men, but KK Foods believed that the challenges faced by farmers – whether young women and men or adults – were the same. They believed that farmers are set in their ways and behavioural change is extremely unlikely.

After early engagement with the project team, KK Foods had recognised that engaging the young women and men and first-time farmers may make the adoption of improved practices more likely and result in better quality produce.

KK Foods agreed to test the U-Learn learning model, which would systematically engage the young women and men and build their capacity to deliver the supply to meet KK Foods's demands. This made KK Foods a good business partner to engage under the U-Learn project.

ways and behavioural change is extremely unlikely. The processes followed between KK Foods and U-Learn are detailed in section 3.

# Section 3 Partnership development processes and Business case



# Project.

- - its learning model. and men?
- 6. an MOU was signed.
  - for partnership.







- 1. The partnership with KK Foods began with a reference from another development organisation focused on agriculture development in Uganda. This represented an opportunity to engage a private sector actor that had experience testing an inclusive business model.
- 2. In the first instance, the team (Project Coordinators and Project Manager) conducted desk research over a week to understand the KK Foods business model, the company's growth over the previous five years and their anticipated growth in the future. This showed KK Foods to be in a favourable position to meet the U-Learn criteria for a potential partner. In the process, the team learned of the key products that KK Foods is interested in procuring.
- 3. Based on a short-list of produce the project team identified **hot** pepper as a key horticulture market with unfulfilled potential. The team held several meetings with KK Foods to understand the company's challenges in availing the opportunity in the hot pepper market. This process identified a supply side constraint in the market - i.e. there was a growing demand from the company's buyers in the domestic and international market that was not being met because there wasn't enough regular and good guality supply of hot pepper available for purchase. Desk research and rapid scoping of the market validated this constraint across the hot pepper market.



4. Thereafter, the project team explored the potential of this market to create economic opportunities for un-employed or under-employed young women and men in Uganda. The key justification was that hot pepper in other parts of the world, as well as under KK Foods's operation in Uganda, has successfully brought income opportunities for farmers (albeit not specifically to the young women and men). Agronomic inputs made the case that hot pepper grows quickly and allows frequent harvests; the team understood that this would allow a regular flow of income for young women and men and would appeal to them as a suitable market opportunity. This led to a consensus to test young women and men engagement in the hot pepper market with KK Foods, under the U-Learn Phase II

5. The team then discussed this opportunity internally, answering two key questions, regarding the facilitation of a partnership between KK Foods and the young women and men:

5.1 What would a potential partnership model look like? In other words, what would the role of each of the two parties be, and how would U-Learn facilitate? This discussion resulted in the 'win-win' business case described on the following page and presented U-Learn as a facilitator to build the capacity of the young women and men through

5.2 What could the potential impact from such a partnership be on the socio-economic wellbeing of the young women

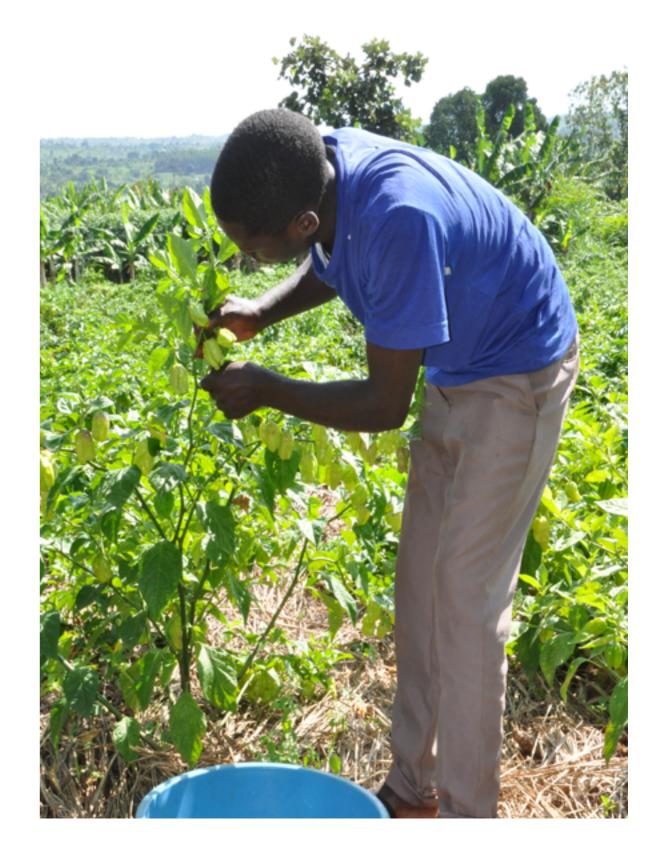
The technical note presenting the U-Learn learning model was discussed between KK Foods and U-Learn after which

7. Once the partnership model was developed, the team, under the leadership of the Project Manager, evaluated the partnership model to ensure the partnership would result in a positive impact on the young women and men. After this evaluation, a 'go ahead' decision was taken and a technical note was finalised, covering key areas discussed in the processes thus far. These are discussed in the methodology section on page 18 and cover justification for partnership, expected outcome from the intervention and a specific business case

The technical note remained a working document throughout the process until an MOU was signed; the business partnership would regulate the supply of hot pepper for KK Foods whilst bringing economic opportunity and income for the young women and men.

# Business Case – Partnership Model

Public benefit (to youths)	Private benefit (to KK Foods)
Improved, <b>market-focused technical</b> <b>training</b> for young women and men beneficiaries	Improved quality of supply due to <b>improved</b> <b>practices by young farmers</b>
Improved career guidance on <b>accessing</b> <b>specific high-opportunity markets</b> for young women and men beneficiaries	<b>Regulated supply</b> due to contractual inter- dependence
Increased young women and men participa- tion in the <b>agriculture economy</b>	Adoption of modern farming practices will increase efficiency and benefit the company from economies of scale
Guaranteed demand for young farmers' products can <b>act as security to access</b> <b>finance</b>	<b>Ease of new market entry</b> with support from Swisscontact's base
Guaranteed demand might lead to an increased desire to hire other young farmers as <b>income streams are more stable</b>	<b>Cost of extension services reduced</b> due to available learning materials (handbook and curricula)
<b>Improved quality and quantity</b> produce available in the community	
Ease of market entry due to <b>increased</b> <b>access to inputs</b> facilitated by business partnership	
Subsidised access to inputs	
Increased <b>access to financial services</b> and product (not only for productive asset but also for domestic needs) due to sustain- able income (contract farming)	
Support for adequate packaging, storage and transportation of fresh produce	



U-LEARN PHASE II Business Partnership

# Processes followed post-MOU – Implementation

The agreed MOU served as a guide during the The young women and men were convinced implementation of activities. Once the MOU was signed, the U-Learn team, in collaboration with KK Foods, established field teams to oversee the operations. These field teams facilitated the identification and selection of young women and men groups, and provided orientation explaining the potential for income generation in agribusiness and the expectations about the project by the young women and men.

### Thereafter a detailed work plan was developed for implementation.

Within the implementation work plan, a key deliverable was to establish a direct partnership between the young women and men and the company, ensuring capacity building and support for the young women and men in exchange for a regular supply of agricultural produce for the company. In case of KK Foods, the technical and management team of KK Foods was included in market research and career guidance processes to ensure that a direct relationship and confidence be built from the early stages of the partnership. The nature of the engagement under each completed component is discussed below:

### 1. Local Economic and Market Survey

### This process included;

1) macro market research by the project team to ensure that the markets that are being entered have a competitive advantage and will be able to provide sustainable incomes for the poor; and, 2) analysing young women and men engagement to understand the ability and willingness of the young women and men to engage in those markets.

This was accomplished by the project team by first conducting desk research, then engaging KK Foods to present the market opportunity to the young women and men, and facilitating KK Foods to present the business case to the young women and men at the U-Learn career guidance meetings. The opportunity in the hot pepper market was presented to the young women and men and well received.

of the opportunity because they were familiar with the hot pepper and chilli production cycles as a fast-growing crop with multiple harvests. They were further interested in the partnership because of the soft guarantee presented by Swisscontact and a buyer of their production. This confirmed the willingness of both parties to engage in a partnership.

During the career guidance sessions, the project team discussed the growth potential in the target market and facilitated the relationship-building between KK Foods and the interested young women and men. Only those who expressed interest in this opportunity were then carried forward through the stages of partnership development with KK Foods.

The process proved that career guidance not only enables the young women and men to tap into current opportunities, it also helps them to become better decision makers on business and financial matters.

### 2. Workforce Development

This component focused on building a market relevant for young women and men labour force. Key skills that the project focuses on include: technical agronomic skills through extension workers, business, financial and employability skills. Processes that could lead to such skills development were embedded into the MOU between Swisscontact and KK Foods. It was important for the success of the partnership that the MOU clearly defined the responsibility of KK Foods in investing in the young women and men's skills development through extension services. In the words of the CEO of KK Foods: "grant funds to increase production without young women and men skills development has not produced the desired quality or quantity of the product our company needs".

These two components played an instrumental role in changing the perception of the business in engaging the young women and men and are believed to be the drivers of the success of the partnership with KK Foods.



# Key Observations and Recommendations for Improvement in Processes

Key Lessons	Recommendations
A presentation of the learning model made the partnership with KK Foods feasible, however this was due to their familiarly with inclusive business models, through previous development partner agreements.	Develop a model for communicating with potential partners that explicitly showcases the value proposition on a business partnership using the U-Learn 'learning model'.
Early engagement with KK Foods in co- creating the hot pepper strategy built confidence between project team and the business partner.	Incorporate discussions with potential business partners at early stage of consideration.
Young farmers do not fully understand contractual terms and are unclear of their responsibilities and rights – for example during interviews, farmers shared that they did not know what pricing they had agreed to.	Incorporate pricing discussion into the career guidance or young women and men engagement sessions, specifically, terms like price floors, price ceilings, forward dated price guarantee etc. that might be part of the MOUs.
MOUs are not clear in defining product specifications, such as quality or standards. Farmers were therefore not aware of the need to focus on the quality of the produce, whereas the buyer (KK Foods) had a firm interest in ensuring the quality of the produce.	Ensure MOUs are clear regarding standards and quality of produce and discussions with the young farmers clearly explain the expectations.
Nursery beds produced varying outputs because of the varying attention and supervision they received from the extension services agronomist.	Extension services must become a key component of future partnerships. These services need to be structured and resourced to ensure all farmer groups receive adequate guidance and services.
The process was unable to fully bring on- board an equal number of young women and men farmers. The team does not understand precisely what the limitations here might be.	Explore ways in which young women and men can participate in career guidance sessions. Consider changes to the times for gathering the young women and men and consider female field assistants that may be able to reach out to women in their homes. Consider models of existing women and men to understand any specific limitations, such as access to land or capital etc., that the project may be able to facilitate.



# Section 4 Methodology for Partnerships under **U-Learn Phase II**

### Steps to develop a U-Learn Phase II and will build upon the processes as new part-Partnership

This methodology is based on the experiences of U-Learn Phase II in Uganda and partnership models under market development projects elsewhere, to standardise a process of identifying and building partnerships with the private sector and thereby achieving project objectives.

While the processes have been adopted from a partnership experience in the agribusiness sector, this methodology is expected to be replicable across the project's key sectors. The methodology remains a working document

nerships are tested and put into practice.

At this stage, the methodology remains prescriptive and process-orientated, however the U-Learn project team is mindful that relationship building processes alongside these steps will remain crucial in developing sustainable and sound partnerships. The methodology will be adopted as a participatory process to ensure the parties can build confidence amongst each other, as well as in the partnership, whilst complying to the standards of the project methodology.

The following describes the key steps that the teams will follow in developing the partnerships under the project.

Step 1 Identifying an Opportunity



Based on the mandate of the project, a new idea will start with the Markets Team<sup>1</sup> identifying an opportunity for the project in Uganda, in one of target sectors - agriculture, hospitality & tourism and construction. There are two ways of identifying an opportunity;

- 1. By identifying a high impact potential partner with a demonstrated partnership opportunity; or
- 2. By identifying a high growth function within the target market where innovation could lead to inclusive market development.

Consideration must be given to both categories to ensure widespread impact of project activities.

In case the PF identifies a high growth sector/intervention, rather than a partner, the PF will begin with Step 2, whereby a market analysis will be conducted in collaboration with the Project Manager, and potential external consultants will be engaged to validate the potential intervention and identify key market actors for partnerships.

<sup>1</sup> Markets Team include Project Manager, Project Coordinator (PC) and Project Facilitator (PF)





Step 3: **Developing a Technical Note** 



Key areas of investigation for a new market should include:

- 1. Market sizing;
- 2. Geographic focus;
- 3. Competitiveness;
- 4. Young women and men employment outreach;
- 5. Young women and men income potential;
- a. Emphasis must be placed on identifying key skills development required to ensure income increase
- 6. Value-for-money evaluation for the project;
- 7. Partner/market actor mapping and evaluation.

When submitting a case for a high growth sector/intervention, the PC must submit a Technical Note highlighting the potential in the market to deliver the desired impact under the project and potential partnership opportunities with existing market actors.

The Technical Note will focus on a range of key areas based on project priorities. These include:

- 1. Justification for initiating a partnership in the sector targeted;
- 2. Understanding the potential partner's constraint to be resolved through the partnership;
- 3. Draft of the 'win-win' inclusive business model to be adopted by potential partner(s) that will lead to increased business for the partner(s) whilst increasing income and employment among the young women and men;
- 4. Anticipated increase in market-relevant skills development amongst the young women and men that would lead to an increase in employment and income for the young women and men;
- 5. Partnership approach and implementation plan highlighting the role expected from the potential partner and the U-Learn Project this implementation plan will later be used to develop a MoU with the potential partner.

### Step 4: **Engaging the Potential Partner**



Partner relations begin with the engagement of top management; it is crucial that there is a buy-in from leadership at both U-Learn Phase II and the partner being engaged. Once the teams have established a win-win scenario and expressed their 'willingness and ability' to engage in a partnership, the two teams can begin working on developing a partnership model. During this process, it is ideal that the meetings are limited to four or five, to ensure that neither party is over-burdened by the partnership development stage.

Within these meetings, the U-Learn Phase II team must identify and establish the key constraint of the business and how the engagement of the young women and men can unlock this constraint.

### Step 5: **Due Diligence**



The U-Learn team engages the partner's finance department to conduct and conclude the due diligence process comprising legal, financial and human resource verification.

Step 6: **Designing the Partnership** (Business Case)



The business case development remains one of the crucial processes and entails defining a 'winwin' scenario whereby a partnership between the young women and men and the selected agribusiness will effectively increase the participation and income of the target young women and men through agribusiness, whilst bringing sustainable commercial benefits to the business partner.

This process begins with the identification of the constraints of the business partner and developing an innovative business model whereby the young women and men can play a role in mitigating the identified constraints of the business.

The U-Learn Project will then make investments in the project's young women and men development processes to enable and empower the young women and men s so that they are able to play the desired role in the agribusiness market system.

Step 7: MOU



Developing the MOU should begin with a firm understanding of the tasks that would lead to the desired outcome for the project. In case of U-Learn Phase II, this means answering the key question - which steps must be taken to holistically accomplish the business case defined in the earlier stage?

consist of:

Once an MOU is signed by all parties; the project team will engage the staff responsible for the specific tasks. All parties must assign designated personnel to lead various tasks. These should then be evaluated periodically to ensure an appropriate form of Monitoring and Evaluation is taking place for reporting the processes and deliverables of the partnership agreement<sup>2</sup>.

<sup>2</sup> A summary of these steps along with responsible staff from the project for each step, is listed in the table in the Appendice of this document.

Step 8: Implementation



20 U-LEARN PHASE II Business Partnership

The investment is matched on a cost share basis by the business partner as the key benefactor from the young women and men's business partnership.

Once the activities are identified, the business case should develop a project work plan and a budget defining the investment of the project against the activities and demonstrating the cost share of the business partner.

The project aims to maintain a balance between the investment of the business partner and the project on a maximum of 60/40 cost-share, respectively.

These steps then need to be shared between the key actors - in case of U-Learn Phase II this will almost always

a) young women and men groups;

b) community in which the young women and men groups reside and work;

c) private sector market actor that will be a long-term player in the sector market; and

d) the U-Learn Phase II Project.

# Section 5 Appendice

Key Characteristics of an Ideal Agri-BusinessPartner

# **Facts and Figures** about the partnership

### Ideal U-Learn partners have some or all of the following characteristics

- 1. Export-orientated companies, large manufacturers and traders that are able to guarantee a large volume of purchase, thereby increasing the value for money for the project.
- 2. Companies that have a stable forward market traders with onward contracts or aggregators with contracts with manufacturing companies etc.
- 3. Companies with supply-side constraints.
- 4. Are already in the market vis-a-vis those that intend to start-up in new markets. This will reduce the risk factor.
- 5. Engaged in more than one value chain.
- 6. Has stablished networks.
- 7. Part of Ugandan agriculture, trade and export associations.
- 8. Long-standing buyer in the market, with a track record.
- 9. Has potential for, or existing forward-contracting.
- 10. Ideal size: While this varies from crop to crop and on the life stage of the company, value is given to factors such as:
  - Agriculture forward contracts that preserve or multiply buyers in the international market;
  - Awards, market recognition, trade bodies, Uganda Export Promotion Board ranking;
  - Membership to associations;
  - Grounded in the public sector;
  - Quality of facilities managed, including warehouse, process facility, storage facility etc.;
  - · Ability to provide advisory services, including extension services and capacity buildingthrough their technical staff.



An inclusive supply chain with 1284 acres under production with **1600 youth** contributing to 55% of KK's business



Exporters Ltd



512 young farmers have harvested and generated an income; net incomes range from USD 500 to USD100 per month



Farmers net incomes ranging from USD 100 to USD 500 in the 1st month of harvest



worth \$ 61,523



80 youth groups signed contract farming with KK Fresh Produce

**91 tons** exported by 713 youth from September to December 2017



# We create opportunities

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