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The Businesses of the Rural Poor:  
Market Survey for Gulu and  
Kitgum Districts

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This report is dedicated to the people who are trying to  
make a living, any way they can.

## **Executive Summary**

The return of the Acholi back to their land has brought with it important challenges for the people. In addition to the social changes that have arisen from the movement, the economy is engaged in a dynamic process of change. Most importantly, people can now engage in agriculture and the population has been spread across a much larger distance. Nonetheless, the markets are still located in the camps, where most existed before displacement. The lack of a developed market system in many of the villages means that many people must travel long distances to reach the subcounty markets.

The businesses that do exist are extremely small and make very little money. They also face a number of challenges, which are detailed in this report. Some of the main findings of this survey include

### **Who the Business Owners Are**

- The majority of the small sellers interviewed report making less than one dollar (2,000 USH) per day.
- Half of the businesses have been operating for only one year.

### **What Determines Their Success**

- Starting capital matters a lot for future profit. Bigger grants mean a greater potential for profits and success of the businesses, but only if targeted with the right guidance and training.
- Animals are a great idea, though education is needed as most people have not raised them in a long time. This may not be appropriate for the vulnerable or those who need a quick turnaround in cash.
- To decrease the risk associated with economic shocks, most people engage in many businesses. Encouraging people--especially the very poor--to use their capital for multiple activities,--rather than a single business--can have important benefits. For example, people could own a few animals while buying and selling items in the market. An individual can then spread out risk, learn what he/she is good at and prefer, and what the local market supports.
- There is a very large demand at the village level for sellers. Depending on where the person buys their supplies, the profits may not be as good as for those in the subcounty. The benefit to the community, though, is mixed as many people prefer to spend the time to travel to the markets in order to spend time with friends and find a larger selection of items.
- Most markets are near the subcounty headquarters and are run by people that live near the market. Few people sell in the villages and/or travel long distances to sell.

### **Where They Operate From Matters**

- Gulu and Kitgum are very different places. Perhaps in part because of the differences in the experience of people during displacement, or the better quality of transportation, the markets in Gulu are significantly more developed.
- From whom a seller buys their supplies is very important. Buying from the source significantly increases profits and decreases risk from economic shocks. However, there are limitations for going to supplier, most notably transportation.
- People are lacking skills and knowledge about running their business and could benefit from increased advice and mentoring in businesses skills. This is especially important for businesses looking to improve their supplier networks.

## Ways Forward

- The best businesses for profitability include animal raising and selling as a middleman when the supplier is the source. Animal raising comes with a number of risks though, such as the animals dying and cash being locked in for a period of time. Buying from the source is also potentially difficult because of transportation and social network difficulties.
- The businesses with the worst profit are sellers that have begun with very small starting capital, such as brewing, and bicycle bodas. Regardless, these businesses are extremely popular as they require very little money to begin and very little cash to sustain. They also have a number of non-businesses benefits, such as better access to transport and alcohol.

An enumerator interviewing a seller in a market near Gulu town. Like many sellers, she has a very small stock of goods and makes little profit in a given week.



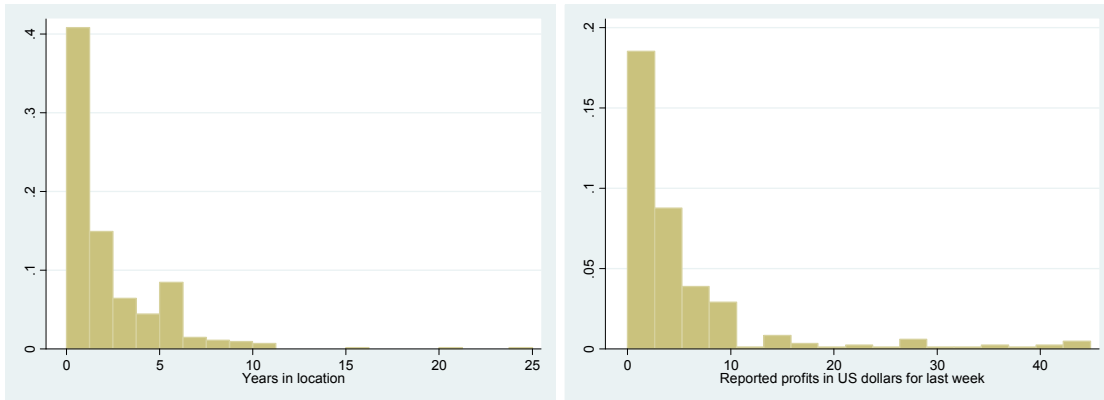
## 1. Introduction

The conflict in northern Uganda lasted almost three decades and resulted in the displacement of nearly two million people. The Acholi have traditionally led agricultural lives, living close to the land and animals. The movement of people into Internally Displaced Persons (IDP) camps, originally located at trading centres, meant that access to land was largely prohibited. Because of this movement, new economic infrastructures were developed in order to cope with these changes.

The end of the conflict in northern Uganda has meant the return of individuals to their land. While the center of trading was once the camps, a new dynamic shift is beginning where many people have begun trading and small businesses in the villages. This return of the Acholi has meant a drastic change in lifestyle and economic access from only a few months ago.

This report documents the market conditions in the Acholi region of northern Uganda, specifically that of Gulu and Kitgum districts, as of June 2009. The businesses of the rural poor are very small. 75% of the small sellers interviewed report making less than one dollar per day, with 75% using less than \$15 to start their businesses. 50% report operating for only one year.

Figure 1: Distribution of the years in the current location and the reported profits in the last week for small sellers.



The purpose of the survey is to provide a guidance tool for the preparation of business plans for beneficiaries in Acholiland. The study will provide an understanding of the business situation in the targeted areas of the program and identify sectors that can benefit from a small business development intervention. More broadly, it also gives an overview of what the business situation is on the ground.

The survey covers the subcounties of Lakwna, Lalogi, and Odek of Gulu district and Omiya Anyima, Namokora, and Orom of Kitgum district. A representative subsample of 30 sites was randomly targeted for a complete census of businesses, with at least one from each parish.

### 1.1 Status of return

The majority of individuals have moved from the camps. Table 1 presents the recent movement status of the people. Even for those that have not returned home, most people have begun working on their land. This is not necessarily true for the most vulnerable people, though most households have some access to land.

Table 1: Population movement in Gulu and Kitgum districts, from UNHCR 2008.

District	Camp population in 2005	Camp Population in 2008	% of 2005 camp population	Transit site population	% of 2005 camp population	Village of origin population	% of 2005 camp population
Gulu	257,000	153,000	60%	70,000	27%	141,000	55%
Kitgum	310,000	102,000	33%	62,000	20%	154,000	50%

Despite this return, the camps--especially at the subcounty headquarters--remain the main market centers with the vast majority of sellers in the subcounty headquarters. It is possible to find these markets in business on any given day, though clothing and meat is typically sold once a week on auction days. The auction days include the normal sellers as well as people from the towns. Most of the normal subcounty sellers report living near the market, not in the villages. It is not clear though if this reflects a preference of people, or an actual challenge to selling.

As there are no markets in the villages, there is potentially a large demand that could be met. This must be cautioned. A variety of people from varying social and economic classes attend the markets. While the subcounty markets are often a two-hour walk, many people see this as a social occasion to walk with friends. One woman expressed the walk as pleasant as it meant "time away from my husband." The market is also cheaper and offers a larger selection of items than could be found in the villages.

Beyond prices and selection, there are additional differences between the main market and village sellers. Sellers within the villages sell from their homes. This means that, in Kitgum, 13% of respondents reported spending no time on their businesses in the last week because they were selling from their homes. In the villages, there is no need for someone to sit at a market stall all day to watch their goods as it can all be kept in the home and accessed when needed. This frees up significant additional time for the sellers.

It must be cautioned though that the markets are themselves very small. Outside of the subcounty headquarters, the markets averaged only 10-15 small sellers in total, oftentimes with more sellers of brew, locally produced alcohol, than tomatoes and small fish.

As the WFP is no longer the main supplier of food stuffs; production has moved to the individuals at the farms. This has meant a drastic reduction in certain food items--such as beans--as these items are not produced by local people.

The return to farm production also means that prices and availability are determined in large part by rainfall as there is no irrigation system. During the time of this survey, Kitgum had experienced two weeks without rain, which led to significant price increases (*Daily Monitor*, 17 June 2009). As will be discussed in detail later, those most affected by this price increase were the small sellers who buy from middlemen or agents. Those lower down the supply chain found their profits decreasing.

An enumerator interviews sellers at the Tesobar market in Omiya Nyima subcounty, Kitgum. As is common in many of the markets outside of the sub-county, the market operates under a tree near the road and is composed of a very small number of sellers.



### 1.2 *What we know about the poor*

Poverty is a complicated and debilitating problem. One of the most enlightening studies of poverty is from Banerjee and Duflo (2006), who look at data from 13 countries in order to better understand the how the poor (less than two dollars per day in income) and the extremely poor (less than one dollar per day) live. It is one of the most comprehensive and generalized looks at poverty available today.

Poor households are generally very big, with between 6 and 12 common members. Food consumption represents about 60%-80% of expenditures. The rest includes alcohol and tobacco (5%) and festivals (10%). Other forms of entertainment, such as movies or video shows, account for only 1% of spending. Banerjee and Duflo argue that this suggests that “even the extremely poor do not seem to be as hungry for additional calories as one might expect,” though it is common for people within the household to go without meals for an entire day.

While the poor may not be spending as much on food as they could, there are certainly elements within the household that are in great need of additional calories. In a comparison study across countries, Wagstaff (2004) finds that the income of a family has a direct impact on the health of the children in the family. For instance, in India a child living on one dollar per day has a 60% chance of being underweight. Wagstaff finds that the likelihood of being malnourished varies greatly from country to country, dependent in large part on the quality of health spending.

Banerjee and Duflo also find that the poor own a number of assets that have important social value. Radios are prevalent, though vary by country--perhaps because of signal quality. Few poor households own productive goods, though most own or have access to land.

While not having many productive assets, the poor do engage in a lot of small business activities--in part because of limited employment options. In most countries, between 50% and 70% of poor urban households operate non-agricultural businesses. Up to 40% of rural households operate nonfarm businesses. Many (between 20% and 50%, depending on the country) do not rely on one single business, but instead choose to diversify across a number of income-generating activities.

Diversification is especially popular in rural areas where people often engage in temporary (around 1 month) migration in order to obtain work as day labourers. However, permanent migration is extremely rare.

This diversification comes at an important cost: most people do not have any specialized skills. This may reflect a trade-off between potentially high income with higher variance in income and low income that is far more reliable. Additional occupations also serve to take up extra time that some may feel is wasted, in part because they are unable to acquire the capital they need in order to start businesses that would fully occupy their time.

The small scale of the poor's businesses means that most do not have access to credit, savings plans, and insurance. Even with access to large amounts of land, poor titling and underdeveloped markets mean that most cannot trade or use their land as collateral.

Saving in general is difficult for the poor. The costs of operating savings accounts is often much higher than the returns they could enjoy. Keeping money at home means it could be stolen or taken by family members as part of a social norm of sharing--especially if family members become ill. The poor also can be vulnerable to temptation, such as alcohol and tobacco.

The lack of credit markets is also very important. Despite high interest rates, the businesses of the poor often make very good returns that would justify the use of microfinance. De Mel, McKenzie, and Woodruff (2008) find that average returns in businesses in Sri Lanka were 5% to 6% per month--much higher than local interest rates. However, the people did not use microfinance as often as these kinds of returns would suggest they should. People are often unable to acquire loans because of lack of collateral, and many are afraid of the potential costs of being unable to pay back the loans.

Finally, Banerjee and Duflo also discuss how the poor also suffer from a severe lack of needed infrastructure, including roads, electricity, sanitation, schools, and health clinics. This lack of infrastructure impacts health and mortality, as well as long-run economic prospects and the ability to operate a business successfully.

These findings on the lives of the poor have important implications for how the development community directs assistance to the poor and will lend some important insights into the findings of this survey. The businesses of the poor in Acholiland display important similarities to the businesses of the poor elsewhere.

## 2. Survey Methodology

The survey began on 3 June 2009 and was completed over two weeks using field work. The first week was spent in Kitgum district and the second in Gulu district.

The survey methodology and questionnaire employed is based on a business census conducted in other parts of northern Uganda for the World Bank. It employs the “snowball” technique to ensure that as near a complete census is achieved without going door-to-door, a very expensive and time-consuming activity.

### 2.1 Data collection method

While many businesses operate in the market areas, many of the smaller businesses operate from homes. In northern Uganda, it is especially important to ensure that nonmarket businesses are included in any survey as there are many very small economic activities that operate outside of the markets. The smaller businesses are also likely to have very low profit levels.

In each district, 30 sites, with at least two sites per parish, were randomly selected for a morning visit by the research team. Mornings were chosen to ensure that people were home as many leave the fields in the afternoons.

Within each of the 60 sites, the team conducted a business survey, included in Appendix A. The survey took approximately 10 minutes per business to administer and was conducted on each of the business identified in Table 2.

Table 2: Business types identified in this study.

Small seller, including vegetables and fish	Piggery
Bean sellers	Poultry: local breed
Bicycle boda	Pork joint
Honey seller	Goat meat sellers
Brewers	Cattle meat sellers

In addition, a separate survey was conducted with the LC1 (included in Appendix B) to identify what businesses are lacking in the communities. A discussion with local staff from AVSI make the results of the survey of LC1s suspect. For instance, all LC1s identified honey as being missing in the villages, though there are a number of small local producers. Also, it was not possible to find many LC1s.

Additionally, government district staff, including the district commercial officer (DCO), were unaware of the number, composition, and types of very small businesses in the districts. Local and district governments did not have a good idea of what markets exist or what businesses in them are like. This is perhaps because of the rapid growth and changes in local markets, or suggests that there is very little oversight or interest by the government towards these businesses.

In order to ensure that as many businesses as possible were identified, a snowball method was used. This method began with asking the LC1 or other village leader about businesses in the area. Once these businesses were found, each business was then asked about other businesses in the area.

To identify all of the market opportunities in the subcounties, a complete market census was conducted within each of the subcounties of the study, again using the snowball technique. In the afternoon, the research team visited the subcounty headquarters and conducted a survey of every business. Once the census was completed, the team inquired about other markets in the area. These were then visited and asked about other markets in the sub-county. The full list of markets visited, with their location data, is included in Appendix C.

A downside to using the snowball technique is that some very small or marginalized businesses may be missed.

## 2.2 *Estimation methods*

The empirical methods employed here include summaries of the data in order to identify what businesses exist, where they operate, and the general condition of the businesses.

It is also important to understand the correlations between the profits of the businesses and some variables that may be important for the determination of these profits. In order to obtain the correlations for the different possible determinants of business success, a regression is run on the following model of businesses:

$$\text{Profits} = \beta_0 + \beta_1 \text{Age} + \beta_2 \text{Sex} + \beta_3 \text{Start cost} + \beta_4 \text{Age of business} + \beta_5 \text{Hours worked} + \beta_6 \text{Buy from the source} + \epsilon$$

In this case,  $\beta_0$  is the constant term and the marginal correlations are then captured through the  $\beta_i$  coefficients.  $\epsilon$  is the error term.

It is critical to note that because the data collected in this survey is a snap shot in time, there is no clear way to identify the causal relationship between the different determinants of business success. The estimation methods are designed to identify the major correlations between businesses only.

Thus, while there may be a significant causal relationship between the starting capital of a business and its profit level, caution must be used when applying this to programming. Conversely, if there is no significant correlation between the sex of the business owner and the profits of the business, then assisting men and women to open businesses will not necessarily result in the same profit levels.

Correlations do contain some important information on the state of businesses, and offer some insight into the decisions people have already made.

## 3. **The businesses of the rural poor**

### 3.1 *Summary of data*

This section will look at some of the characteristics of the people that run businesses in Gulu and Kitgum. As noted earlier, these businesses are very small. Table 3 presents a simple summary of some of the characteristics of the owners.

Table 3: Average characteristics of business owners.

	Kitgum	Gulu
Profits (USH)	13,901	13,970
Age	36	34
Percent male	28%	27%
Start cost (USH)	36,745	31,010
Years in business	2.37	2.33
Hours worked in last week	37.25	49.89

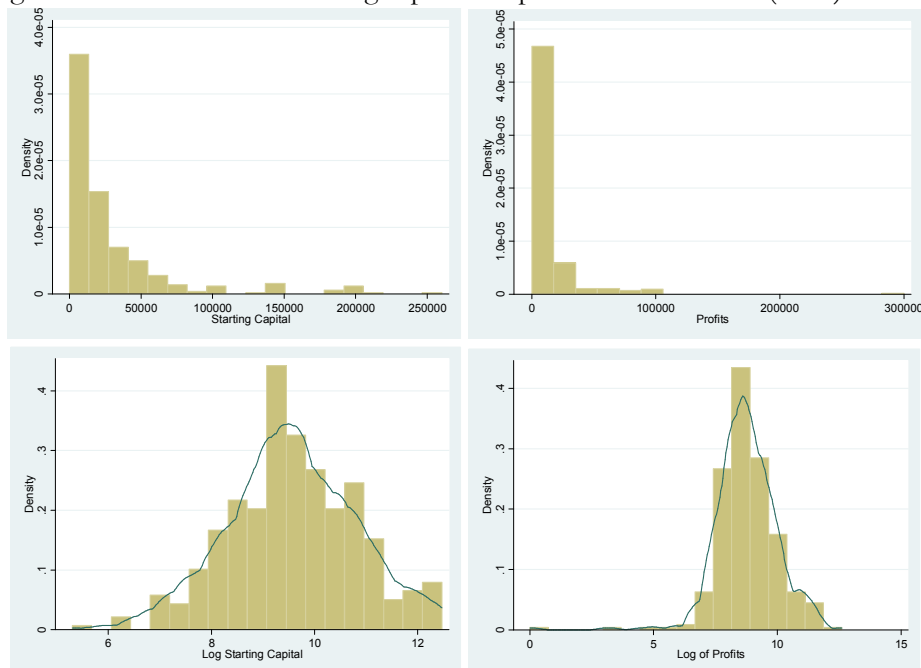
### 3.1.1 Small sellers

The existence of businesses in the villages is very small. In the 30 villages visited in Gulu, only 13 small sellers were found. In Kitgum, 44 small sellers were found in 30 villages.

The businesses in the villages and markets that averaged 14,000 USH (\$6.25) in profit over the last week had a starting capital of approximately 30,000 USH (\$13.50). These businesses experienced a significant variance though, with some reaching profits over 300,000 USH (\$135) and others with 75% below the average. The median was 6,000 USH (\$2.70).

Because of the large divergence in incomes, the remainder of this report will discuss the logarithmic value of the variables in order to provide a better way of understanding the correlations between different variables. This creates a more even distribution, as shown in Figure 2. The density (the y-axis) is a measure of the incidence of a business with a certain range (x-axis) of starting capital and profits. As there are so many businesses with extremely low starting capital and profits, the top two graphs are very “heavy” on the left side, near zero. For instance, past a starting capital of 50,000 USH (\$25), there are very few businesses, though they do exist, up to over 2.5 million USH (\$1,000). By taking the log of starting capital, the bottom two graphs show a more even distribution.

Figure 2: The densities of starting capital and profits in both levels (USH) and log.



25% of businesses reported using children as employees (defined as employees below the age of 16). This rate is approximately the same for all business types, and whether the business was in Gulu or Kitgum districts, the villages, or markets. Men though are 10% less likely to use child labor. Generally, child labor is an extension of the woman's traditional child-care role. In most of the markets, women were often nursing or watching children while operating their businesses. Thus, using children within the business is simply an extension of the women's child-care duties. Working children may or may not be enrolled in school, depending on when they are working. It is clear from walking through many markets though that many children are present at all times during the day.

The time spent on the businesses is significant. Small sellers and their employees spend 45 hours a week on the business on average, with the median being 49 hours per week. The amount of time spent consistent across businesses with the exception of pork joints in Gulu and bicycle bodas in Kitgum, both of which require more working time than the average business.

This may seem like a high amount of work time, but--as will be discussed later--this time also includes the social dimension of selling.

Within the villages, it is possible to spend very little time on the business. 13% of people in Kitgum spent no time on their businesses. This is the result of many people using their homes to store goods and accessing them only when others within the community ask to buy.

The average seller has about 20,000 USH (\$9) in materials on hand. This is immobile and cannot be easily transformed into cash until sold. Yet, over 25% have no materials on hand, and the median business has only 3,000 USH (\$1.35) on hand.

Despite both being in Acholiland, businesses in Kitgum and Gulu districts are very different. The composition of sex in the business is the same, though revenue is higher in Gulu and profits are higher by 50% in Gulu. However, starting capital is 20% lower in Gulu. This difference may be due to the business conditions in the two divergent districts. For instance, business owners spend 11 more hours in Gulu per week on their business.

It is not clear why these two districts are so different, but it may be due in part to the differences in the experience of people during displacement. The transportation is significantly better in Gulu. As a result, the markets in Gulu are significantly more developed.

Where sellers buy their supplies and who they sell to varies across the two districts, as can be seen in Table 4. People could identify more than one type of buyer and supplier, and so the totals do not add up to 100%. Again, this may mark a difference in development of the markets in the two districts. Clearly, activity in Gulu is more mixed, and any one seller is selling to and buying from a wider range of individuals than those in Kitgum.

Table 4: Where businesses buy from and sell to.

<b>Who they buy supplies from</b>	<b>Gulu</b>	<b>Kitgum</b>
Same parish	31%	15%
Same s/c	21%	10%
Same district	22%	27%
Farther	41%	21%
<b>Who they sell to</b>		
Same parish	97%	86%
Other parish	68%	44%
Other country	2%	6%
From cities	22%	4%

Part of this difference across districts could be due to transportation access. Roads in Gulu are significantly more developed and distances are relatively smaller. Going outside of the district for supplies, to Lira for fish for instance, is thus more feasible.

Within Gulu, a much higher number of sellers report that people come from the cities to buy their goods. Again, this may be due to a better transportation network or a larger market development than Kitgum. This could also reflect a difference in sellers being able to identify where their buyers are from.

### 3.1.2 Other sellers – Meat

Meat is only sold in the subcounty headquarters, mostly on auction days. It is also possible for people to acquire meat from neighbors who have animals, though this is not a regular way to obtain meat.

Meat sellers report profits in the last week of 35,000 USH (\$15.75). This is a much higher profit than the small sellers, yet meat sellers also report a slightly higher starting capital of 50,000 USH (\$22.50). Perhaps because of the shorter time in the markets, meat sellers also report spending only 25 hours in the last week on the business--considerably less time than other sellers.

### 3.1.3 Other sellers – Bicycle Bodas

Bicycle bodas (taxis) were also interviewed about their businesses. Starting capital is very high, at about 120,000 USH (\$54) per bike, while the profits in the last week were very small at 8,000 USH (\$3.60). However, there is no cost beyond the bike and some small repairs that may be needed on occasion. In addition, most bicycle bodas take great pride in having a bike and use it for other personal reasons.

### 3.1.4 Other sellers – Alcohol brewers

21 brewers in Gulu and Kitgum were interviewed during the survey, two of them men. 75% of the brewers had begun their business with a starting capital below 10,000 USH. On average, profits were about 5,000 USH in the last week. While this is a very small profit, it is a very high rate of return on the starting costs. They also have a very small investment in on-hand materials of only 4,400 USH on average.

Child labor is much higher among brewers, with 38% employing children under 16. This may be due to the fact that most are women and do much of the brewing from their homes. The time

invested is close to other businesses, with the average brewer reporting that he or she spent 40 hours in the last week on the business.

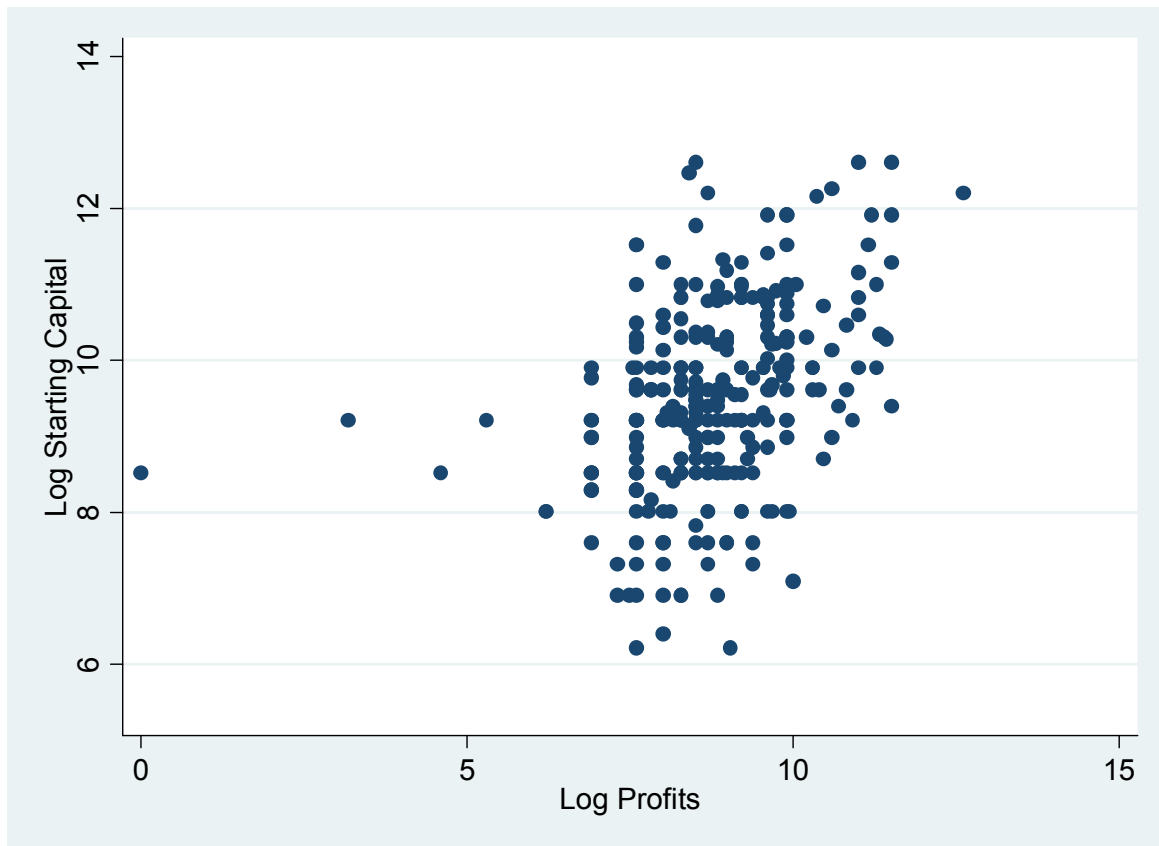
Given the high amount of time it takes to produce a very small amount of profit, people could be attracted away from engaging in this business by targeted interventions. Most brewers already have business skills that may translate to other types of businesses.

### 3.2 Correlations with profits

In order to better understand the composition of the sellers, an exploration of the correlations across the different variables can be enlightening. Correlation, of course, does not imply causation, so any results presented here come with a caveat. They represent what is, not what can be.

Starting capital is very strongly correlated with profits in the last week. Figure 3 presents a simple graph of the relationship between these two variables, both in logarithmic form. There is a clear relationship: as starting capital increases, so does profit.

Figure 3: The relationship between log starting capital and log profit in last week.



In order to obtain a more refined understanding of the businesses, the results of estimating the equation in section 2.2 for the different districts are presented in Table 5. The Kitgum sample is separated into the markets and the villages in order to explore the difference between these two locations. Because of an extremely small sample size, it was not possible to do this for Gulu.

Table 5: Correlations between log of profits in last week and different variables. Numbers in parentheses are p-values. A p-value below or near 0.100 is normally considered significant.

	<b>Gulu</b>	<b>Kitgum Market</b>	<b>Kitgum Village</b>
<b>Age</b>	0.005 -0.597	<b>-0.048</b> <b>-0.003</b>	0.02 -0.597
<b>Sex</b>	0.385 -0.209	0.648 -0.295	0.466 -0.528
<b>Log starting capital</b>	<b>0.247</b> <b>-0.014</b>	<b>0.348</b> <b>-0.023</b>	<b>0.634</b> <b>-0.123</b>
<b>Log age of business</b>	0.086 -0.329	<b>0.361</b> <b>-0.017</b>	-0.119 -0.534
<b>Log hours worked</b>	<b>0.403</b> <b>-0.142</b>	-0.039 -0.894	0.236 -0.36
<b>Buying from the source</b>	0.266 -0.211	<b>0.742</b> <b>-0.054</b>	-0.28 -0.711

For Gulu, the correlations with a significant p-value (less than or near to 0.100) are starting capital and hours worked. As both the dependent variable, profits, and starting capital and hours worked are in logarithmic form, the correlations are interpreted as percents. A 10% increase in one time starting capital is associated with a 2.5% increase in *weekly* profit. Also, a 10% increase in hours worked is associated with a 4% increase in weekly profit.

The remainder of the variables in Gulu are not significant. As suggested by previous evidence, this suggests that the markets in Gulu are developed.

Within Kitgum villages, only starting capital appears to be significant. The effect size is extremely large, with a 10% increase in one time starting capital associated with a 6.3% increase in weekly profit. The Kitgum villages are not well developed and could benefit from increased development. For instance, in some villages, the community has expressed interest in rebuilding market stalls that once existed. There appears to be some difficulty though in organizing the construction and use of such facilities.

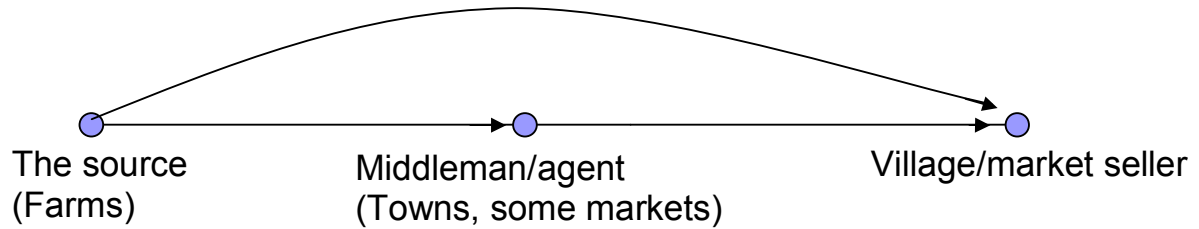
For the Kitgum markets, there appear to be a number of important correlations. Older business owners are associated with lower profits. While the effect of starting capital on profits is lower than in the villages, it is still very high as a 10% increase in starting capital is associated with a 3.5% increase in weekly profits. Both distance to supplier and whether that supplier is the source are also important in Kitgum.

Buying from the source is a dummy variable, which means it takes the value of either 1 (if the seller bought from the source) or 0 (if the seller bought from a middleman or agent). As profits are in log form, the interpretation of this variable is to remove the log form. Thus, we must take the obtained value of 0.742 to the exponential power, obtaining  $e^{0.742}=2.100$ . Switching from buying from a middleman or agent to the source is thus associated with a 110% ( $2.10-1.0=1.10$ ) increase in profits.

The supply chain is very important for many businesses. The effect of whether a seller is buying their supplies from a middleman or the source may be due more to the timing of the survey rather than the effect of suppliers, though the results are suggestive of a bigger issue.

As mentioned in the introduction, this survey was conducted in the last week of a three week drought in much of Kitgum district. The effect of the drought was highly dependent on the supply chain relationship of the businesses. Figure 4 represents how the supply chain typically looks.

Figure 4: Supply chain for small sellers in Gulu and Kitgum districts.



A seller typically buys their supplies from either the source or a middleman/agent who typically sells from either the sub-county headquarters or the towns. Those that buy from an agent are removed from the source by an extra seller. As the agent expects to make a profit as well, we would expect the end seller to make less money and have less control over the supply than those that buy directly from the source and skip an agent.

When businesses were interviewed about the effect of the drought, those who buy from middlemen and agents commented that their own profits were significantly decreased during this time. Those who were buying from the source noted that their profits had in fact increased.

The benefits of buying from the source thus extend beyond just a lower cost of supplies. It also provides a greater cushion against price and supply changes.

For both Gulu and Kitgum, the sources were identified as being either in the parish or outside of Acholiland. Middlemen and agents work in the subcounty markets and main towns. The most common place mentioned by sellers for the source of vegetables is the parish. For other supplies outside of their parish, people normally go to Lira, where fish, beans and most young animals are obtained. Kampala is also mentioned for young animals.

As a result, the relationship with sources can be critical. As Fafchamps and Hill (2005) show with coffee producers in southern Uganda, this may not always be easy for the poor. The authors look at whether producers sell to traders or directly to markets. They find that

Selling to the market is more likely when the quantity sold is large and the market is close by. Wealthy farmers are less likely to sell to the market, possibly because the shadow value of their time is higher. But if they have a large quantity of coffee for sale, they are more likely to sell it to the market. They are also more likely to travel to a distant market. These findings are consistent with their better ability to pay for public transportation.

To increase quantities, farmers could sell jointly, with one farmer travelling to the market carrying the quantities sold by several neighbors.

While southern coffee producers and Acholi small sellers are divergent groups, the findings present a caution for small sellers to go to the source. Finding and then moving to the source takes time and transport costs. As with coffee farmers, small sellers may need to group together in order to realize the gains associated with dealing with suppliers.

### *3.3 The social aspect of selling*

Interestingly, the number of hours in the business is not well correlated with the profits of the business in Kitgum. There are a number of potential reasons for this. For those far from the towns and markets, it may take much more time in order to make the same amount of profit as someone who lives closer to the markets.

There is also a social and psychological aspect to selling not well captured in a survey of this nature. When visiting a market, the social dimensions of selling are directly on display. Most of the markets are dominated by women, and they are often engaged in a number of conversations with people around them--sometimes even seeming to ignore potential customers. As with walking to markets, sitting in a market with friends may be just as important as making a profit.

Sellers sell for different reasons, and most of them do not contribute directly to the efficiency of the business. Reasons include the value someone places on their time, their ability to operate a business, their sense of fairness regarding their expected outcomes from the business, how much fun they have while working, and social habits/pressure. This last reason could be especially important for the types of businesses people decide to engage in as there are clearly social pressure towards what businesses people engage in. Women dominate the small sellers, while no women were found engaged in pork joints or meat selling, despite the higher profits available. The social aspect of selling is something that deserves more research.

## **4. A way forward: raising animals**

The analysis thus far has focused on the businesses of small traders. The Acholi people, though, traditionally engaged in farming and livestock rearing. Despite this fact, there are still very few animals in the area. This section discusses the potential benefits and costs for animal husbandry.

### *4.1 Profitability is high, but location again matters*

Animals are primarily sold on market days or from home. Revenue from selling can vary greatly depending on where they are sold. In Tesobar, a person can sell a pig for 100,000 USH, while a two-hour walk away they can sell for 150,000 USH. Admittedly, some can't afford transport, are too weak to travel, or just prefer to sell in their area. Expanding beyond their small area though can lead to much greater profitability.

The expansion ability of animals is great, but there are still very few animals in the villages. For instance, most eggs sold in Acholiland come from Kamapala.

The profit margins of different animals are detailed in Table 6.

Table 6: Comparison of different animal businesses

Animal	Starting cost (USH)	Time to kill	Vaccinations	Other costs	Output	End value (USH)	Profit (USH)
Goats	25k-30k	1 year	Foot and mouth, 1k / animal	House 100k-150k.	Meat	40k-60k	15k-30k / goat after 1 year
Pigs	25k-30k	1 year	Foot and mouth, 1k / animal	House 100k-150k.	Meat	100k-180k	75k-150k / pig after 1 year
Chickens - Broilers	2k for chicks	3 months	7k for 100 birds for eye drops	Feed quality matters greatly for production, up to 2k. House 100k-150k.	Meat	6k-7k	2k-3k / bird after 3 months
Chickens - Layers	2k for chicks, 4k for feed during first 6 months	N/A	7k for 100 birds for eye drops	Feed quality matters greatly for production, up to 10k/year. House 100k-150k. May have 15% death rate of birds.	Eggs	1 egg/day, 300/egg after first 6 months. Produces for 1 year = 100k/year	80k / bird after 18 months

#### 4.2 *There are important challenges*

However, if animals are so profitable, why are there not more of them? One reason is cost. Many animals require a relatively large initial investment. Microfinance programs do not currently loan to individuals who deal with livestock or agriculture.

There is also a lack of knowledge in animals husbandry that prevents scaling up. The cost of training and acquiring quality feeds can be too high for many. There are also potentially very high search costs as most Acholi are not aware of modern animal raising methods; thus, advice is not easily found.

Animals require additional special knowledge to handle and treat. A training site funded by the Ugandan government exists in Labora, Gulu—a 20 minutes drive from Gulu town—called NUYDC. The place is on 60 acres, has large plans, but has begun slow. The place has the ability to teach vocational skills (carpentry, construction, tailoring, leatherworks) and modern animal and crop enterprises, including horticulture, fruit, forest, animal husbandry, and fish farming. NUYDC provides training in animal care, feed mixing, identification of disease, etc. The cost of training is about 50,000-70,000 USH for poultry and piggery for three weeks, including food. Housing nearby is about 10,000 USH for three weeks.

There are also numerous other centers that offer training to individuals in northern Uganda. While the cost is not high given the potential gains, it is prohibitively expensive for most people and so most have not acquired any training.

Animals are also a store of money. Unlike small selling, there is no constant turnover of cash. This can be positive or negative, depending on the pressures an individual faces. For women, who are often required to take care of the children, buy household supplies, and pay for healthcare, the lack of money can be difficult. For some people who find the pressures of family too great, though, animals present a way to store money away from family demands.

Finally, even with the best care methods, there is always a danger that the animals will get sick and die. While there are ways to minimize the chances of this, diseases can spread fast, and so one seller could lose all of their assets at once. Diversification of businesses, something that is very common in Acholiland currently, is therefore best.

## **5. Summary of Key Findings and Recommendations**

The findings of this report suggest that while most people have returned home after years of displacement, market development has not changed much. The camps were originally trade centers, as they are once again. Economically, while the rest of the country has experienced rapid growth, it is as if time has stood still for much of Acholiland for the last 10 years.

In addition to limited market options, most people have very little money, and so the businesses they do start are very small. The impact of even a modest increase in starting capital is very significant and suggests the development community can offer an important intervention: proper training and well sized business grants can lead to significant positive outcomes for the people.

Sellers that avoid a long supply chain, i.e. buying from middlemen or agents, also experience significant profit growth and are able to better adjust to market fluctuations, such as caused by unforeseen weather changes. Buying directly from the producer often requires significant transportation and social networking that most people either do not have access to or are unable to use. Increasing the ability of people to connect with sources and perhaps organizing as groups in order to buy from farther sources could have a significant positive impact.

Most development assistance programs have tended to focus on business development, though there is no reason that this cannot also be augmented with the raising of animals. Most people engage in multiple activities to decrease risks associated with any one business type, and animals can offer great profits while keeping with the traditional livelihoods of the Acholi people. In order to achieve the best outcomes from the animals, education is needed as most people have not raised them in a long time and are not aware of improved modern raising practices.

Finally, it is clear that people are lacking skills and knowledge about running their businesses and would benefit from increased advice and mentoring in businesses skills. Many people do not know how to best operate their business, and often do not even know what knowledge they are lacking. Improving information on best market locations and simple business skills could also significantly increase profitability of the businesses.

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## Appendix A: Individual Business Questionnaire

Q1: <b>Do not ask:</b> Enumerator name: _____	
Q2: <b>Respondent first name:</b> _____	
Q3: <b>Respondent second name:</b> _____	
Q4: <b>Do not ask:</b> Name of market: _____	
Q5: <b>Do not ask:</b> Type of business from code list	_
Q6: <b>Do not ask:</b> Sex	1=Male 2=Female     _
Q7: What is your age?	_ _
Q8: How many months and years have you been operating this business <i>in any location?</i>	_ _  months     _ _  years
Q9: How many months and years have you been operating this business <i>in this market?</i>	_ _  months     _ _  years
Q10: How much money did you use to start your business?	_ _ _ _ _ _ _  USH
Q11: How did you get this money?	1= Family    4= Savings 2= NGO      5= Other       _  3= Borrow
Q12: On average, how many family and nonfamily members work <i>for you</i> in your business?	_ _     if 00, skip to <b>Q15</b>
Q13: How many of these are related to you (family)?	_ _
Q14: How many of these are below the age of 16?	_ _
Q15: How many total hours in the last week did you and any employees work in this business?	_ _ _
Q16: What was the REVENUE of your business in the last week?	_ _ _ _ _ _ _  USH
Q17: What were the PROFITS of your business in the last week? <b>Instructions: If loss, mark “-“ in first box. Put in approximate if does not know.</b>	_ _ _ _ _ _ _  USH
Q18: Who do you normally sell to? <b>Instructions: Mark all that apply</b>	1= People from this parish 2= People from other parishes 3= People from Sudan or other countries     _ _ _ _ _ _  4= People from cities 5= Other

Q19: What did you spend on materials and resale items in the last week?	_ _ _ _ _ _ _ _  USH
Q20: Of the materials and resale items that you bought in the last week, what is the value of those that are left over?	_ _ _ _ _ _ _ _  USH
Q21: Of the materials and resale items that you used in the last week, what is the value of those that were left over from the previous week?	_ _ _ _ _ _ _ _  USH
Can you please tell me the amount you spent on each of the following categories of <i>business expenses</i> during the last week for your business? <b>[Interviewer: Prompt to make sure that they only record business expenses, and not household expenses. If the respondent does not know, record dk.]</b>	
Item	Amount spent
Q22: Purchase of electricity, water, gas and fuel	_ _ _ _ _ _ _ _  USH
Q23: Principal and interest paid on loans	_ _ _ _ _ _ _ _  USH
Q24: Wages and salaries for employees	_ _ _ _ _ _ _ _  USH
Q25: Cleaning supplies	_ _ _ _ _ _ _ _  USH
Q26: Packaging or bags	_ _ _ _ _ _ _ _  USH
Q27: Rent for land and building	_ _ _ _ _ _ _ _  USH
Q28: Telephone, cell phone	_ _ _ _ _ _ _ _  USH
Q29: Market dues	_ _ _ _ _ _ _ _  USH
Q30: Bribes – remember, this information will be kept confidential.	_ _ _ _ _ _ _ _  USH
Q31: Taxes	_ _ _ _ _ _ _ _  USH
Q32: Traveling for business, including boda-boda, lorry, etc.	_ _ _ _ _ _ _ _  USH
Q33: Other expenses	_ _ _ _ _ _ _ _  USH
Q34: How much is your <b>yearly</b> license?	_ _ _ _ _ _ _ _  USH

Can you please tell me the prices of the 2 most popular items you sell? <b>Write the name of the item in the space</b>	Quantity	Price
	_ _ _  number / cup / other	_ _ _ _ _ _ _  USH
	_ _ _  number / cup / other	_ _ _ _ _ _ _  USH
<p>Q35: Where do you get your supplies?  <b>Instructions: Write down answer, then mark smallest location and all that apply</b></p>	<p>1= This parish  2= This sub-county                    _ _ _ _ _ _   3= This district  4= Farther                               _____</p>	
<p>Q36: Do you normally buy from the source, or do you buy from a middleman/agent?</p>	<p>1=Source  2=Middleman/agent            _ _   3=Other</p>	
<p>Q37: Is this the best place to get your supplies, or is there a cheaper location to buy supplies?</p>	<p>1=This is best  2=There is better                _ _  if 1, end survey</p>	
<p>Q38: If there is a cheaper place, where is it?  <b>Instructions: Write down answer, then mark smallest location and all that apply</b></p>	<p>1= This parish  2= This sub-county                    _ _ _ _ _ _   3= This district  4= Farther                               _____</p>	

## Appendix B: LC1 Business Questionnaire

Q1: Respondent first name: _____		
Q2: Respondent second name: _____		
Q3: Respondent phone number: _____		
Q4: Do not ask: Location		
(a) Parish:		(b) Village:
Q5: Name of market:		
Q6: If a person in this village wanted to buy any of these things, do they have to go outside this village to buy it? If so, how far do they go to buy it?		
Item	Name of market they go to	Time to walk there
1. Vegetables		_ _  hours /  _ _  minutes
2. Honey		_ _  hours /  _ _  minutes
3. Fish		_ _  hours /  _ _  minutes
4. Pork		_ _  hours /  _ _  minutes
5. Poultry		_ _  hours /  _ _  minutes
6. Goat meat		_ _  hours /  _ _  minutes
7. Cow meat		_ _  hours /  _ _  minutes

Can you please tell me about some of the risks to small businesses in this area?
--

### Appendix C: Market Locations

Name of market	GPS	Parish	Nearest village
1. Pella	N: 03° 17' 59.8" E: 033° 15' 34.3"	Melong	Many-Ngeti
2. Omiya-Anyima	N: 03° 16' 00.5" E: 033° 12' 37.5"	Melong	Omiya-Anyima center
3. Labworomor	N: 03° 14' 36.2" E: 033° 10' 53.0"	Akobi	Te-Odong
4. Tesobar	N: 03° 15' 33.0" E: 033° 09' 13.9"	Akobi	Tesobar
5. Gudi P'Oryem	N: 03° 16' 08.1" E: 033° 12' 31.8"	Pella	Omiya-Anyima center
6. Namokora	N: 03° 20' 50.5" E: 033° 20' 14.3"	Pugoda West	Namokora center
7. Lapana	N: 03° 19' 02.2" E: 033° 17' 25.0"	Pagwok	Lapana
8. Orom A	N: 03° 24' 00.7" E: 033° 28' 10.4"	Lolia	Kona
9. Orom B	N: 03° 23' 59.0" E: 033° 28' 01.1"	Lolia	Dodoma
10. Ladotonen	N: 03° 26' 38.7" E: 033° 23' 12.0"	Kiteny	Ladotonen
11. Wang-Lobo	N: 02° 38' 48.6" E: 032° 36' 19.2"	Jaka	Wang-Lobo
12. Lalog-Wiya-Nono	N: 02° 38' 00.0" E: 032° 33' 55.0"	Gem	Lalogi-Wiya-Nono
13. Awere	N: 02° 41' 13.2" E: 032° 47' 06.3"	Lamola	Awere
14. Acet	N: 02° 41' 09.5" E: 032° 39' 19.3"	Binye	Acet
15. Binya	N: 02° 44' 25.9" E: 032° 39' 59.7"	Binye	Binya
16. Ora Pwoyo	N: 02° 44' 18.1" E: 032° 37' 01.9"	Binye	Ora-Pwoyo

<b>Name of market</b>	<b>GPS</b>	<b>Parish</b>	<b>Nearest village</b>
17. Dino	N: E:	Lamola	Dino
18. Odek	N: 02° 40' 51.0" E: 032° 43' 39.8"	Palwo	Odek center
19. Loyo Ajonga	N: 02° 45' 00.4" E: 032° 32' 54.1"	Idobo	Loyo Ajonga
20. Lower Opit	N: 02° 36' 53.2" E: 032° 28' 38.5"	Parwech	Lower Opit village
21. Wia-Gweng	N: 02° 37' 57.8" E: 032° 31' 14.3"	Gem	Wia-Gweng
22. Lawaya-Lobo-Oloyi	N: 02° 40' 32.5" E: 032° 27' 18.1"	Lukwin	Lakwaya
23. Awoo	N: 02° 31' 42.7" E: 032° 24' 45.5"	Parak	Awoo
24. Atyang	N: 02° 37' 47.7" E: 032° 22' 03.6"	Lujorongole	Atyan
25. Opit	N: 02° 36' 39.0" E: 032° 28' 31.2"	Te-Got	Opit