



Capacity Building in the Ugandan Private Sector



Photo: ACDI/VOCA

At their wholesale shop in Kampala, Mr. Saaka and his wife bid for oil with sealed bids as part of a program sponsored by USAID.

For nearly two decades, Uganda has worked to rebuild its economy, and make the difficult transition from a country torn by civil war to one of democracy and free enterprise. USAID's program in Uganda started to 'monetize' vegetable oil, which is the sale of donated U.S. commodities in a foreign country to generate funds for development activities. Under the USAID program, U.S. vegetable oil is sold in small-lot monthly auctions. This sealed-bid tender system was introduced to encourage small buyers to participate in the auctions on equal terms with larger buyers.

In this tender system, traders submit a bid for a minimum of one lot (approximately one metric ton) of oil packed in 4-litre tins. The bids are sealed and require a 5% deposit. Bids are opened in a public forum, read aloud, bank draft and totals are verified, and the bid is recorded. Once the bids are sorted by price (highest-to-lowest and first-in), a line is drawn at the number of tins to be released that month. For example, if there are bids for 500 lots, but only 400 lots offered, the top 400 lots bids would be awarded.

Fair policies are ensured for every person who bids. Certain policies, such as requiring bank drafts for payment, have forced traders to open and manage bank accounts for the first time. These traders now have a strong understanding of broader banking services, such as lines of credit, that are specifically designed for the small business owner. When Saaka first started bidding nearly ten years ago, he would buy a few lots per month, reinvest the capital, and bid for more lots in subsequent auctions. Today, Saaka has adequate working capital to buy 100 lots of oil per month and has negotiated terms of payment for sugar based on the payment process used for the oil.

Photo & Caption

