# THE PATH FORWARD FOR

# UGANDA'S COTTON AND TEXTILE SECTOR

**Prepared by the COMPETE Project**

**United States Agency for International Development**

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# STRATEGIC EXPORT PROFILES -- COTTON SECTOR

## A. Overview: The Opportunity and Challenge Facing Uganda's Cotton Sector

*Historical overview: Contribution to poverty alleviation and to foreign exchange earnings:*

Cotton has traditionally been one of Uganda's most important export commodities. Uganda offers an excellent climate and soils for the cultivation of cotton and produces a high-grade fiber of medium-staple. It is a 'bright white' cotton for which there is a sustained international market.

The cotton sector prospered in the 1960s and early 1970s, producing around 86.3 thousand metric tons at its peak and contributing around 40% of foreign exchange earnings. However, during the period from 1974/75 to 1993/94 external and internal political and economic turmoil dramatically reduced cotton's contribution to economic growth, foreign exchange earnings, and rural incomes.

Currently, however, it accounts for only about 5.5% of the country's foreign exchange earnings. Total exports in 1999/00 were 14,500 metric tons (around 100,000 bales), or $22 million in total export value. It is estimated to contribute to the incomes of 10% of the country's population (or 2.5 million people in the rural areas of the east, north, and west). Second to coffee cotton is the most important crop in helping to alleviate poverty in rural areas.

It is expected that a revival of cotton exports could positively affect the incomes of around 15% of the rural population and significantly contribute to the alleviation of poverty. Additional value-added operations, ranging from textile production, edible oils, soaps, and livestock feed would spread income support to another 2 to 3 percent of the country's population in urban areas. Thus, 18% of the countries population will benefit from a revived cotton industry. Also, if garment exports can be substantially expanded under AGOA this income impact could be even greater.

*Opportunities and impediments:*

Ugandan cotton has the advantage of being high-grade, medium staple length cotton, while most cotton produced worldwide is of a shorter staple length. Egypt is one of the few suppliers that produce longer staple length cotton than Uganda. Thus, Uganda produces a quality of cotton that should compete effectively on the world market, and at premium prices.

Relative to other cotton producers, however, Uganda is not a major world player, having produced only about 100,000 bales during the 2000/2001-crop year. This represents

.001% of world production, and even if Uganda should return to its previous production levels of 465,000 bales over the next few years, it will still account for only .005% of world production. Because of the high quality of Uganda cotton a market for its cotton is assured in the 91 million-bale world market.

Average cotton yields worldwide have remained at around 350kg to 400kg/acre in recent years. Ugandan production yields currently average 300 kg/acre but are believed, based on 2001 demonstration plot work to have the potential of reaching 800 to 1000kg/acre with good agronomic practices, seed varieties, and proper use of agronomic input technologies.

The overall decline in production and exports of raw cotton has been matched by a decline in the ginning and textile sectors as well. Local textile mill consumption of cotton was only around 11,000 bales in 2001. Original installed capacity was about 62,600 bales, but due to depreciation and facilities mismanagement for many years the present effective capacity is not believed to be much more than 15,000 bales. Uganda has lost its ties to the international textile and garment trading community due to its reputation as an unreliable supplier and lack of a broad choice of textile materials. However, in the past few years, a few participants in the industry from India have begun to gradually return to Uganda's textile and garment sector, and facility rejuvenation is underway, and product for trial shipment under AGOA has been dispatched.

## B. Demand Analysis: The World Market for Cotton and Textile Products

**Size of World Markets for Raw Cotton and Textiles:**
World raw cotton markets have not been most attractive to farmers in recent years, but stability is returning. World cotton production increased to an estimated 88.2 million bales in 2000, an increase of about 2.2 million bales from its early season. World cotton consumption totaled 91.9 million bales in 2000. In spite of the apparent greater consumption than supply in 2000, the underlying fundamentals in the world cotton market are symptomatic of a significant oversupply of cotton. The past several years have seen significant stock building activity, particularly in China. Weakened demand has also plagued the world cotton market following the Asian financial collapse.

The stock building of recent years has put significant pressure on prices, but the seemingly endless downward spiral ceased in late 1999, and price stability returned to the market. The U.S. Department of Agriculture estimates that exports of raw cotton in 2000 reached about 26.9 million bales, and that prices of this trade stabilized. In the raw cotton market Uganda has met the customer needs, and the majority of the countries cotton has sold, some at a premium.

China, India and Pakistan, three of the world's biggest textile exporters in 2000, accounted for over 44 million bales of textile mill use, about 48% of the world's total. Further, these countries have accounted for over 75% of the increase in world mill use since 1998, over 5.3 million bales.

These spinners and garment producing countries represent major competitors for Uganda because of high levels of technical efficiency and good access to export facilities. Uganda, being a land locked country, is at a disadvantage with respect to transportation costs. However, several firms that are key producers in India and China are developing operations in Uganda, indicating that a potential does exist to export to world markets from Uganda, but many requirements – quality standards, broader variety of textile materials, timing of delivery, and competitive price, to name some - of customers will need to be met before Uganda will realize its full potential in the garment markets.

AGOA (The African Growth Opportunities Act) offers sub-Saharan African exporters of apparel to the U.S. an average 17.5% duty advantage, relative to non-African suppliers, and this can be a substantial incentive to mills in the region and offer a large market opportunity (Table 1). In addition, the Act offers duty-free access to the U.S. market for hand-loomed, handcrafted, and folkloric articles, as well as an additional 1,835 non-textile products not previously included under the Generalized System of Preferences.

**Table 1: U.S. Apparel Imports, 2000**

| ***Partner*** | **Million M2** | **% of Total** |
|---|---|---|
| World | 32,865 | 100.0 |
| NAFTA (Mexico, Canada) | 7,951 | 24.2 |
| China, Hong Kong, Korea, Taiwan | 5,886 | 17.9 |
| Pakistan, India, Bangladesh | 4,376 | 13.3 |
| ASEAN | 4,228 | 12.9 |
| Caribbean | 3,788 | 11.5 |
| EU-15 | 1,863 | 5.7 |
| Sub-Saharan Africa | 187 | 0.6 |

Source: U.S. Department of Commerce, Office of Textiles and Apparel

### C. Supply analysis: Impediments Facing Uganda's Cotton and Textile Production

As mentioned Ugandan cotton production is presently about 100 thousand bales, and much below the peak of 465 thousand bales. This is a small percentage of the world production of nearly 91 million bales, but in Uganda cotton production and its related industries can be very important to poverty alleviation. But for cotton to effectively play its role in this respect its profitable production needs to be increased to ensure the farmer obtains adequate income from planting the crop. And to further contribute to poverty alleviation Uganda needs to add as much value as economically profitable to its cotton at home. Several impediments, which hinder profitable production and value addition, are discussed below.

**Low Production/Productivity:** Small farmers dominate cotton production and produce cotton to meet cash income requirements. Because most farmers work the fields with a hand hoe, are unable to afford required agricultural inputs to improve soil productivity and control the many diseases that hinder higher cotton production, productivity is still low on many farms. Average yields per acre have remained around 300kg over the past few years. Most small farmers are unable to access effective extension assistance to help them improve production and harvesting practices. Increased productivity is an urgent need; otherwise small farmers will not realize sufficient income to keep them involved in growing the crop.

**Insufficient Research and Training:** Uganda had a strong cotton research program, but due to recent internal strife, and budget constraints the program experienced setbacks. The program moved from a commodity focus to a managed research focus and this placed emphasis on short-term crisis issues and reduced the support for important long-term research efforts. Short-term, cotton wilts and bacterial blight are major plant disease concerns facing cotton production and gaining priority attention by NARO/GOU research program. In addition to the need to continue strong support for research on these crisis issues, other research of a commercial importance to the industry is not gaining full attention. Also, lessons learned from the research are not effectively reaching the farmer and vice versa the farmer/industry research needs do not fully get communicated to the researchers.

**Inadequate Availability of Input Supplies:** Efforts are being made by CDO/UGCEA to provide seed, and pesticides to farmers, but to date most farmers do not use fertilizers as it is viewed to be expensive and unavailable. This occurs because at present it is not easy for farmers to obtain quality inputs they require from private distributors at village level in a timely manner. This happens because payment to rural stockists is not assured. The CDO/UGCEA program provides inputs to farmers through an input-credit system, which permits recovery of cost during the time when seed cotton is marketed. However, a reliable private sector distribution system is still lacking and needs to be developed to give farmers the choice of buying the inputs they need when and where they want them.

**Limited Access to Credit:** Access to credit for small farmers and small and medium sized businesses is exceedingly difficult through normal commercial channels. Lenders assume a huge risk when providing credit to this segment of the population, and the interest rates that need to be charged to offset this risk make the loans themselves unaffordable to would-be borrowers in the cotton sector. Some support is provided to ginners via commercial channels, but at a high cost.

**Underutilization and Technologically Aging Gins:** When the industry was at its peak, many gins were built to support the cotton farmer with effective processing of raw cotton. However, with the 80% decline in cotton production, the former population of gins with their present estimated capacity (350,000 bales/year) cannot be supplied with sufficient cotton quantities, thus many still operate at less than 40% of present estimated capacity.

Many gins are now in need of substantial repair and/or upgrading to ensure that the high quality cotton that Uganda can produce is properly maintained through the post harvest system. However, the lack of sufficient cotton results in many marginal ginning operations and discourages the required investments necessary to upgrade gins, and/or establish new gins that may be required.

**Maintenance of Cotton Quality:** Uganda cotton is inherently high quality, however, to maintain the high quality proper handling at farm, gin and market is required. The use of improper picking practices (harvesting wet cotton, not removing debris in the field, use of polyester bags for field handling and transport to gin, etc.) and, improper storage (on dirt floors at the farm, under high moisture levels at buying centers and gins) of the seed cotton prior to ginning has led to degradation in quality during handling. Quality potential is "grown" into cotton and cannot be improved after harvest. The quality level of cotton can only be maintained (not improved) after harvest. Therefore, the practices used on the farm and in the gins are a major concern in efforts to maintain or improve cotton quality.

**Low labor productivity at manufacturing levels:** Textile worker productivity in Uganda is quite low, due to a combination of low level of basic skills, poor or non-existent training, ineffective wage incentives (although piece rates are paid in some assembly plants), small-scale of production (particularly for garments), lack of bundling production flow-through, and use of outdated equipment that does not allow for higher through-put. Uganda's labor productivity compares badly with that of other textile and garment producing countries such as India and Pakistan potentially causing Uganda to be a higher cost producer.

**Under capitalization of the textile & garment sector:** The textile and garment sector is characterized by a number of older facilities that have been unutilized for several years, and are now equipped with older technology. In some facilities, such as Southern Range Nyanza and Phenix some substantial refurbishment efforts are underway. However, the sector is still extremely weak in terms of the technology employed to be competitive with the principal industry suppliers from Pakistan, India, Sri Lanka, China, and other major textile producers. Substantial additional capital will need to be invested to bring the industry to the level where it can compete in many of the product categories available under AGOA.

**Duty-Free Access to Imported Raw Materials to Produce for AGOA:** To effectively produce to meet AGOA product requirements a broader range of textile materials will be required by garment manufacturers than is presently supplied by Ugandan textile mills. Also, other items (zippers, buttons, snaps, pins, thread, etc.) required in the production of export garments need to be imported. Therefore, in the short run to meet export standards and AGOA importer demands until Uganda's textile mills produce acceptable export-quality fabrics in a broad enough range, and accessory items are produced locally duty-free access to imported fabric and accessories is necessary.

**Cost of financing for textile sector:** High cost or lack of availability of finance pose severe challenges for textile mills and garment exporters. On the textile side, a critical working capital need for purchase and storage of Uganda high quality lint is required. It requires storage of this lint for up to eight months. If the Ugandan mills cannot access reasonable credit they will face having to use lower quality cotton in the production of the textiles they produce, causing product homogeneity problems.

On the garment side, the cash-flow problems are even greater. Most firms find it onerous to buy imported raw materials for cash, and would prefer to borrow against letters of credit (LCs) supplied by the foreign customer. However, letters of credit are likely to be difficult to arrange for new entrants onto the U.S. AGOA and/or international supply scene.

Such tightness in the capital market obviously makes large investments in rehabilitation of factory equipment difficult to finance. Investments in new production capacity are presently being contemplated by a number of groups, but the capital situation prevents rapid development.

**D. Institutional and policy constraints:**

**Inadequate Information Support:** Presently market information provided to farmers, ginners, and textile manufacturers is limited. The farmer has little information that would allow for knowing whether the prices being offered are fair market prices, or whether the technologies being utilized are adequate. Further, the ginner depends largely on the international buyer for price information. Also, yarn and textile mills depend on the international market for information related to cotton prices. Help is required in developing market information that will permit textile manufacturers, ginners and farmers to maximize their returns, and to help them manage the risk associated with ownership of cotton in a most effective manner.

**Inadequate Government Support for the sector:** Government's support for the cotton sector falls under national policy for agriculture and industry, as well as the Cotton Development Organization (CDO). The GOU is working to provide financing, research, extension services, and investment promotion, but for the cotton sector these initiatives have been inadequate.

The finance program is to come through the recapitalized Uganda Development Bank (UDB) for agriculture as well as other sectors, but the bank recapitalization process is taking to long and to date funds from this bank have not been available. Thus, the financial support so far given by GOU to the cotton sector continues inadequate.

The research efforts have come through NARO, and a strong program for cotton supported by the World Bank (WB) is giving way to a crisis management program that, if followed, will weaken the long-term support for the cotton sector. Recently, the GOU indicated it planned to make 1 billion shillings per year available over the next five years for cotton research. If implemented this will continue to maintain the quality program put in place by WB.

The extension efforts of the GOU are in transition, being moved away from a MAAIF extension services program to a new pilot program called National Agricultural and Advisory Services (NAADS). To date the NAADS program operates in only three districts and has not had impact on the activities of the cotton sector. Where NAADS is not operating yet the responsibility for extension to agriculture lies with the District's leadership. As a result of this decentralization, the support for cotton depends on its importance to District revenues and the funds available at District level. Because many Districts have limited revenues the support for cotton has been inadequate in many cases.

GOU should provide investment promotion assistance at all levels from production to marketing. Currently UIA has put in place a good investment promotion initiative that mainly focuses on the further processed products sector leaving production with limited promotion. Specifically, in the cotton sector, if AGOA and other market thrusts are to be addressed the promotion initiatives need to match those of other countries exporting textiles and garments. Presently, they do not.

The CDO provides regulatory control of the sector and works to motivate the private sector into taking action in many areas. It has been active in the seed distribution (processing, packaging, and distribution via ginners) process to assure that farmers are supplied proper seed, and in encouraging ginners to support farmers with agricultural inputs. Also, CDO has helped ensure the payment of inputs provided farmers via a cost recovery indicative price to farmers. CDO has done a good job to date, but its role for the future should be reviewed to determine the focus of its on-going activity.

**Inadequate Logistical Support for the sector:**
When producing garments for the international market, on time delivery is essential; otherwise, markets will be lost or never gained. The faster a supplier can respond to the buyers need the higher the price the buyer will be willing to pay. Thus, since Uganda is a landlocked country with inherent high costs for transportation it is necessary to compensate for these disadvantages. Road and rail transport must be improved throughout the region with emphasis on cotton and textile producing regions. This effort will require the GOU to be supportive of rural road developments to ensure assembly of cotton as well as other agricultural products. Also, important is the ensurance that transport between garment manufacturer and port is efficient and low cost. Thus, logistical support infrastructure should be an important priority of the GOU. Without strong support for improved logistics it will be very difficult for Uganda to compete under AGOA and this constraint must be addressed.

## E. The Way Forward: strategy for reviving the cotton and textile sectors

### The strategy
The cotton sector of Uganda originally focused on vertical integration from producer to end market. After a long period of stagnation in the sector the industry is now working to revive. The present strategy for reviving the cotton and textile sector is to reestablish vertical integration of the sector to serve domestic and international markets. To accomplish this two thrusts are of immediate focus. First, reestablishment of profitable high quality abundant cotton production. Second, the development of apparel production to meet opportunities offered by domestic and international markets, particularly those offered by AGOA for specialty high quality items that will stand the cost disadvantages of a Uganda location. When the first thrust is achieved it will support expanded exports of raw cotton, and the expansion of further processed cotton products. When the second thrust is achieved it will support strong market outlets for apparel. The combined

achievement of these two thrusts will then support the further expansion of the yarn, and textile sectors necessary to support the apparel industry and return the industry to a fully integrated business.

While AGOA does offer the garment sector an opportunity for selling product into the US market on a favorable basis the program does have limits on how much product can enter the US and if other countries meet the quota before Uganda is geared up to serve the market Uganda may be unable to take advantage of the program. Also, the program is to run out within five years of its initiation thus only a few years are left for taking advantage of the program. In the face of these cautions as relates to AGOA the program should be viewed as a way for garment manufacturers of Uganda to kick-start their businesses, but they should be sure that the planning done considers that in a few years they will have to compete on a different cost basis. And, if it is believed that the investments made cannot be paid off within the time frame of AGOA or, that the business will not be able to export competitively once new cost structures prevail it may be an unwise decision to start the business using AGOA as the basis.

**Specific actions derived from the strategy**
To address the strategy thrusts several specific private sector and government actions that focus on the cotton sector itself as well as cross cutting actions that impact on the sector need to be undertaken. These actions focus on the removal of constraints and are discussed in the tables that follow.

**Thrust 1: Increase Production of Cotton Lint**
**Production Level:**

**Private Sector Actions:**

- Increase productivity by use of demonstration plots and improved training materials that can be distributed via extension services
- Increase productivity by enhanced farmer access to inputs
- Increase productivity through improved cotton research
- Improve cotton quality through technical assistance aimed at proper harvesting practices and transport of cotton to gins.
- Make available adequate financing to farmers
- Promote nucleus cotton farms and out grower schemes to create larger scale cotton farming; seek foreign investment into these operations
- Technical and market information services

**GOU Actions:**

- Increase productivity through improved cotton research
- Make adequate extension support
- Promote nucleus cotton farms and out grower schemes to create larger scale cotton farming; seek foreign investment into these operations
- Make available adequate financing to farmers
- Provide strong logistical infrastructure support
- Provide proper regulatory support
- Technical and market information services

**Ginning Level**

**Private Sector Actions:**

- Improve gin utilization and technologies
- Make adequate financing available to ginners
- Maintain cotton quality monitoring program
- Technical and market information services

**GOU Actions:**

- Improve gin utilization and technologies
- Maintain cotton quality monitoring program
- Provide proper regulatory support
- Provide strong logistical infrastructure support
- Technical and market information services

**Thrust 2: Expand Garment Market**

**Private Sector Actions:**

- Improve labor productivity in textile mills and garment fabricators
- Recapitalize or expand textile mills and garment fabricators as per market requirements
- Technical and market information services

**GOU Actions:**

- Improve labor productivity in textile mills and garment fabricators
- Make adequate financing available to textile mills and garment fabricators
- Provide duty free access to imported raw material
- Provide proper regulatory support
- Provide other incentives to compete against other AGOA suppliers in the region
- Promote to investors the opportunity to produce garments in Uganda
- Provide strong logistical infrastructure support
- Technical and market information services

**TABLES SETTING OUT PRIVATE AND GOVERNMENT SECTOR ACTIONS**

| **SUGGESTED PRIVATE SECTOR ACTIONS** | **RESPONSIBILITY** | **PRIORITY** | | |
|---|---|---|---|---|
| | | **High Level** | **Medium Level** | **Low Level** |
| **Thrust 1: Increase Production of Cotton Lint** | | | | |
| **Production Level:** | | | | |
| ***Increase productivity by use of demonstration plots and improved training materials that can be distributed via extension services:*** In 2001 the UCGEA provided support for demo plots that the IDEA project helped implement and the results were positive. Also COMPETE assisted with preparation of a video film to be used for training farmers. This activity is anticipated for 2002 and beyond. | UCGEA in cooperation with the district extension services as well as possible assistance from donor projects. | X | | |
| ***Increase productivity by enhanced farmer access to inputs:*** The UCGEA and some cotton buyers/dealers have been providing pesticides to farmers. It is anticipated that UCGEA will continue to provide necessary inputs, but also input supply companies will likely work with local stockists as farmer demand for inputs and assurance of repayment from cotton sales develop. These input distribution systems developed will permit recovery of costs during the time when seed cotton is marketed, and this practice has been used by UCGEA. | UCGEA, cotton buyers/dealers, input supply companies, and local agricultural stockists will all have a role | X | | |
| ***Increase productivity through improved cotton research:*** While the focus of research has been with the GOU via NARO the PS is prepared to participate in research efforts if the research is focused to address their commercial concerns. Thus, in these cases a matching fund program between GOU and the PS can be established. The PS, particularly input supply firms, including international firms, have indicated interest in helping to develop research activities involving biotechnology. If the GOU permits this type of research the PS is ready to participate. | International input supply firms, UCGEA, and some local textile firms will be the primary groups interested. | X | | |
| ***Improve cotton quality through technical assistance aimed at proper harvesting practices and transport of cotton to gins:*** (see comment below for gins) | UCGEA, cotton buyers/dealers, and textile mills are all involved in ensuring quality | | X | |

| SUGGESTED PRIVATE SECTOR ACTIONS | RESPONSIBILITY | PRIORITY | | |
|---|---|---|---|---|
| | | High Level | Medium Level | Low Level |
| **Thrust 1: Increase Production of Cotton Lint** | | | | |
| ***Promote cotton production on small, medium and large scale farms so as to increase production:*** In addition to increasing the productivity from small farms increasing production can also result from entrance by medium and larger scale organized producers. These larger producers can be "block farms" where many small producers work together or, independently owned larger farms where small farmers would work along side looking to the larger farmer as a support organization. Presently, some larger scale farms operate successfully in these ways. To encourage more participation from the PS the investment environment needs to be made attractive. If private investors want to make the commitment to the sector it should be encouraged. | PS investors possibly including ginners, buyers, expatriate farmers, etc. | X | | |
| ***Technical and market information services:*** This is often a service provided by the private sector, but usually it is based on information gathered from statistical sources maintained by government statistical services. Thus, the activity likely will involve both the PS and the GOU in Uganda. | Information service firms, such as A.C. Nielson, Sparks Companies, Inc.; and/or local similars | | X | |
| **Ginning Level:** | | | | |
| ***Improve gin utilization and technologies:*** The PS owns most of the gins and as they can afford to, these owners are upgrading the gins technologically and maintaining them in sound condition. They will continue to do so if finance is readily accessible on favorable terms. The PS will utilize the gins more fully as the cotton production rises to supply them or as the industry rationalizes through consolidation. | UCGEA members | X | | |
| ***Make adequate financing available to ginners:*** The private banking system, and foreign based cotton buyers, and gin owners are involved in helping to finance gins for both capital expenditures and/or working capital requirements. Thus, the PS is helping to provide financial support, but in some cases the conditions may not be favorable. The gins owned by some ginners often do not have as good access to funds as do the expatriate owners; therefore, while the PS provides substantial financial support the need still exists for financing from sources other than owners. | Private banks; gin owners; and cotton buyers from the PS help finance gins. | X | | |

| SUGGESTED PRIVATE SECTOR ACTIONS | RESPONSIBILITY | PRIORITY | | |
|---|---|---|---|---|
| | | High Level | Medium Level | Low Level |
| **Thrust 1: Increase Production of Cotton Lint** | | | | |
| ***Maintain cotton quality monitoring program:*** The PS is interested in selling/using high quality cotton; therefore, it is in their self-interest to put in place quality control procedures that will ensure that cotton comes from the farm in proper condition, and continues to be maintained through the post harvest stage of the process. Because the cotton supply has been short for many gins they have tended to be lax in enforcing quality standards. As the supply of cotton increases cotton quality control measures will be rigorously implemented. | UCGEA, cotton buyers/dealers, and textile mills are all involved in ensuring quality | | X | |
| ***Technical and market information services:*** This is often a service provided by the private sector, but usually it is based on information gathered from statistical sources maintained by government statistical services. Thus, the activity likely will involve both the PS and the GOU in Uganda. | Information service firms, such as A.C. Nielson, Sparks Companies, Inc.; and/or local similars. | | X | |

| SUGGESTED PRIVATE SECTOR ACTIONS | RESPONSIBILITY | PRIORITY | | |
|---|---|---|---|---|
| | | High Level | Medium Level | Low Level |
| **Thrust 2: Expand Garment Market:** | | | | |
| ***Improve labor productivity in textile mills and garment fabricators:*** The PS should have courses for training their workers, and establish remuneration incentives that encourage greater worker productivity, as well as put in place targets for workers based on experience of the better workers. Also, the mills should work to increase the size of production runs as well as improve the equipment being used. | Textile mills, garment fabricators. | X | | |
| ***Recapitalize or expand textile mills and garment fabricators as per market requirements:*** In some facilities, such as Southern Range Nyanza and Phenix some substantial refurbishment efforts are underway, but these need to be carried out in more factories of the industry. Thus, the PS should give emphasis to investing in proper maintenance of existing facilities and/or constructing new facilities. In addition to PS internal finances external financial resources will need to be made available through local and international banking institutions. | PS investors, and local and international PS financial institutions. | X | | |
| ***Technical and market information services:*** This is often a service provided by the private sector, but usually it is based on information gathered from statistical sources maintained by government; industry associations; and home offices of the operators located in Uganda. The international market information on garment production, demand will likely need to be accessed also via buyers and other industry association groups outside Uganda. Much of the local information may not be useful for serving the export trade. | Corporate headquarter offices; manufacturers associations; and textile and garment buyers. | | X | |

| SUGGESTED GOVERNMENT ACTIONS | RESPONSIBILITY | PRIORITY | | |
|---|---|---|---|---|
| | | High Level | Medium Level | Low Level |
| **Thrust 1: Increase Production of Cotton Lint** | | | | |
| **Production Level** | | | | |
| ***Increase productivity through use of demonstration plots:*** GOU should provide sufficient budget support to enable the district extension service to work with the PS in ensuring implementation of demonstration plots in each major cotton growing district during the next few growing seasons. Also, full support of the extension service to use training materials developed from demonstration plot work carried by the PS/CDO/IDEA and COMPETE during the 2001 growing season should be given. | MAAIF, District extension services, and NAADS where it is operating; and CDO. | X | | |
| ***Increase productivity by enhanced farmer access to inputs:*** GOU provides the supportive regulatory structure, and tax incentives that will encourage input supply firms to establish fertilizer, pesticide and other critical input centers for farmers when and where needed. | MOFED, MAAIF, and CDO. | X | | |
| ***Increase productivity through improved cotton research:*** GOU provides budgetary support via NARO on a matching basis with PS to ensure a long-term research program of varieties, disease, pathology, etc. necessary to ensure the future effective production of cotton and its commercialization. This should be coordinated with the research review being undertaken by Dr. Dan Kisauzi. | MOFED, MAAIF, NARO (SAARI), and CDO | X | | |
| ***Promote cotton production on small, medium and large scale farms so as to increase production:*** GOU provide support to increase cotton production on small, medium, and large scale by ensuring availability of land for domestic as well as foreign investors, and effective organization of farmers into production blocks like in Kasese. Also, support for effective infrastructural access to lands should be ensured. | UIA, MAAIF, CDO, and Ministry of Lands and Environment (MOLE) | X | | X |
| ***Make adequate financing available to farmers:*** It is understood that GOU has plans for establishment of a finance program to agriculture and other development activities. It is encouraged that this planned program receives the support necessary for its timely establishment, as it will help the cotton sector. | MOFED, MAAIF and the PMA secretariat | | X | |

| SUGGESTED GOVERNMENT ACTIONS | RESPONSIBILITY | PRIORITY | | |
|---|---|---|---|---|
| | | High Level | Medium Level | Low Level |
| **Production Level** | | | | |
| ***Provide strong logistical infrastructure support:*** For this sector as well as others the GOU should put in place incentive programs (investment credits, tax rebates, etc.) that will encourage expanded re-capitalization of rail, road, and other infrastructure important to an efficient logistics system that supports manufacturing and exports, including those of the textile and garment sector. | MOFED, UIA, UR, MOW, and Ministry of Commerce Industry and Marketing (MCIM) | | X | |
| ***Provide proper regulatory support:*** GOU should facilitate the review of CDO to ensure that the present regulatory mandate is the mandate that is still required for the on-going success of the industry. The review could suggest that CDO continue its role in setting and monitoring cotton quality standards; as well as identify new responsibilities of a policy nature. | MAAIF, Presidents Task Force on Export Competitiveness | | X | |
| ***Technical and market information services:*** The GOU should empower the statistical departments in MAAIF, MOFED, UIA, and CDO to ensure current accurate statistics for the agricultural and manufacturing sectors, including those of cotton, textile and garments. | MAAIF, MOFED, UIA, CDO and BOU | | X | |

| SUGGESTED GOVERNMENT ACTIONS | RESPONSIBILITY | PRIORITY | | |
|---|---|---|---|---|
| | | High Level | Medium Level | Low Level |
| **Thrust 2: Expand Garment Market:** | | | | |
| ***Improve labor productivity in textile mills and garment fabricators:*** The GOU should support, strengthen and where necessary add technical training programs that will provide labor with an opportunity to learn skills necessary for effective employment in the ginning, textile and, garment industries. Also, labor laws should be sure to foster high productivity in the manufacturing sectors, including those of textiles and garments. Also, the GOU in developing training programs should work together with textile and garment industry to develop the required training programs. This will help meet standards required by the export market. | Ministry of Labor, Ministry of Education, CDO ginning school, | | X | |
| ***Make adequate financing available to textile mills and garment fabricators:*** It is understood that GOU has plans for establishment of a finance program to industry as well as agriculture. It is encouraged that this planned program receive the support necessary for its timely establishment, as it will help the cotton textile, and garment sectors grow. | MOFED, MAAIF and the PMA secretariat | X | | |
| ***Recapitalize or expand textile mills and garment fabricators as per market requirements:*** For this sector as well as others the GOU should establish a set of incentive programs (investment tax credits, tax rebates on exports, etc.) that will encourage expanded re-capitalization of the export manufacturing sectors including textiles and garments. | MOFED, URA, UIA | | X | |
| ***Provide strong logistical infrastructure support:*** For this sector as well as others the GOU should put in place incentive programs (investment credits, tax rebates, etc.) that will encourage expanded re-capitalization of rail, road, and other infrastructure important to an efficient logistics system that supports manufacturing and exports, including those of the textile and garment sector. | MOFED, UIA, URC, MOW, and Ministry of Commerce Industry and Marketing (MCIM) | X | | |

| SUGGESTED GOVERNMENT ACTIONS | RESPONSIBILITY | PRIORITY | | |
|---|---|---|---|---|
| | | High Level | Medium Level | Low Level |
| **Thrust 2: Expand Garment Market (cont.)** | | | | |
| ***Provide duty free access for imported inputs (cloth, zippers, etc.) used in the production of exports:*** This is a requirement for all export activities, but is particularly important in the textile and garment sectors to take advantage of AGOA. | MOFED, URA | X | | |
| ***Provide proper regulatory support:*** The support services provided by CDO should adequate enough to support to ensure the textile and garment sectors needs are being fully met. | CDO, MAAIF, and PMA | | X | |
| ***Provide for an incentive package that competes with other countries exporting under AGOA:*** GOU should set up a development task force that would review the incentive packages identified by COMPETE and offered by other AGOA supplier countries (investment credits, tax rebates, etc.) used to attract new investors to their textile and garment sectors. | UIA, Presidential Task Force on Export Competitiveness, and URA | | X | |
| ***Technical and market information services:*** The GOU should empower the statistical departments in MAAIF, MOFED, UIA, and CDO to ensure current accurate statistics for the agricultural and manufacturing sectors, including those of cotton, textile and garments. | MAAIF, MOFED, UIA, CDO and BOU | | X | |