



COMPETITIVENESS INTERVENTIONS:

Review of Worldwide Experiences

December 2001

**4350 North Fairfax Drive, Suite 500, Arlington, VA 22203 USA
Telephone (703) 243-1700 • Facsimile (703) 243-0471**

<http://www.carana.com>

**ALMATY - ASHGABAT - BISHKEK - BRIDGETOWN - CAIRO - DUSHANBE
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GLOBAL COUNTRY COMPETITIVENESS INTERVENTIONS
TABLE OF WORLDWIDE EXPERIENCES

Country	Project Title	Commencement Phase Date	Termination Date	Local Government Sponsor	Donor	Implementing Organization	Cost	Report Title	CDIE Reference Number	Team Members
Uganda	Uganda COMPETE	2	Nov-00	May-02 Ministry of Finance Planning & Economic Development - Special Task Force on Export Competitiveness	USAID	CARANA Corporation	\$1,962,690	1. Status Report - 2/5/01 2. Quarterly Report: Jan.-Mar. 2001 3. Quarterly Report: April - June 2001 4. Quarterly Report: July - September 2001 5. Position Paper: Strengthening the Export Competitiveness of Uganda's Coffee Sector- 4/18/2001 6. Position Paper: Strengthening the Export Competitiveness of Uganda's Fish Sector- 4/18/2001 7. Position Paper: Strengthening the Export Competitiveness of Uganda's Cotton Sector 4/18/2001 8. Improving Uganda's Export Competitiveness: Summary Plan of Action - 5/14/2001		COP Balasuriya, Anton STTA Lucke, Lewis Battle, Byron Ciepiela, Cecilia Bowditch, Nate Neubert, David Kaelin, Andrew Lee, Robert





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History, Narrative, Results and Constraints

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COMPETITIVENESS ASSESSMENT

I. HISTORY OF CARANA'S COMPETITIVENESS PRACTICE

CARANA was established in 1984 with a specific focus on an early version of the competitiveness practice—export-led growth strategies. The objective was to help reorient the growth strategies of developing countries (especially in Latin America) from import substitution to export-led models. At the time, most developing countries were experiencing a devastating economic crisis, combining long term structural problems inherent in the import substitution model with a severe debt and balance of payments crisis.

Starting in Costa Rica, and then in eight other Latin American and Caribbean countries, CARANA founders Humberto Esteve, Carlos Torres and Eduardo Tugendhat, helped develop a public-private sector consensus building process, conceptual framework and methodology for fundamental reorientation of their economic growth strategies. As will be further described below, the concept and methodology developed, in close collaboration with USAID and other “partners,” are very similar to what later became known as “competitiveness.”

A. EARLY INITIATIVES: IMPORT SUBSTITUTION VERSUS EXPORT-LED STRATEGIES

Import substitution (IS) was adopted as a strategy to help countries industrialize and overcome their dependence on traditional commodity exports. While IS initially contributed to growth, obvious opportunities for substituting consumer product imports were soon exhausted. Furthermore, IS factories were rarely competitive in quality, volume or cost, but protected behind high import barriers. Structurally, the import substituting economies remained highly dependent on imports of inputs, and on exports of traditional products to pay for them. A major decline in commodity prices led to severe trade balance problems, aggravated by enormous external debt obligations. Countries sought to promote exports from their emerging industrial sectors, but results were poor given that most IS concerns were designed for small protected markets and lacked the necessary scale, quality and price specifications for external markets.

The export-led strategy is based on the premise that given their limited internal markets, most small and poor economies must rely on external markets to drive growth. The question is what goods and/or services could be sustainably competitive and generate significant value added and employment for the economy. Despite excess capacity in import substitution sectors (*oferta exportable*), in reality the cost and effort required to find markets and adjust to export requirements was usually not warranted by modest results. Ironically, only the traditional commodity sectors were really structured to meet the needs of external markets. Here the problem was how to capture greater value to offset declining commodity prices.

Many of the economies in which CARANA worked required hundreds of millions of dollars of additional foreign exchange earnings to service their debt and pay for needed imports. At the same time they needed to generate hundreds of thousands of new jobs. The strategic question was what "opportunity" areas could generate foreign exchange and jobs on a large scale while being internationally competitive. Basically there were two choices: 1) find new opportunities for increased market share or value added in traditional export areas; or 2) promote investment in new opportunity areas in which many new companies could create synergies and critical mass to compete internationally. *The key concept was to focus on goods and services produced for export markets.* By definition, these would be competitive--- the "surplus" could always be successfully sold domestically, whereas in IS companies designed for the local market, the opposite was not necessarily true.

We discouraged the promotion of "non-traditional exports" from existing import substitution factories. To illustrate the rationale: if Costa Rica already exported \$800 million of coffee, increasing the value-added by even 10-20% would be an additional \$80-160 million in export earnings. To achieve a similar impact in non-traditional product categories, it would require enormous cost and effort in each one. The exception was the possibility of attracting significant new investment into a particular opportunity area or "cluster," in which the international competitiveness allowed the establishment of multiple enterprises producing similar products. Both the traditional and new "clusters" would warrant cost-effective development of appropriate infrastructure and marketing initiatives required.

In Costa Rica, as in many Central American and Caribbean countries, the principal opportunity areas selected included: 1) assembly industries (maquila); 2) fruits, vegetables and flowers, and 3) tourism. In countries such as Curacao and Panama, the focus was almost entirely on export oriented services related to the financial, trade/ transport, and even medical/scientific research areas, as well as niche tourism.

B. EARLY INITIATIVES: INVESTMENT PROMOTION AND THE COSTA RICAN AND CURACAO EXPERIENCES

Heavy emphasis was given to investment promotion—both domestic and foreign. The reason is that new capacity was required that was specifically designed to meet export market specifications and/or to improve productivity or add value in traditional sectors. Given low domestic savings rates, and the need for know-how on how to produce for export markets, promoting foreign investment was perceived as being particularly important.

Our experiences in Costa Rica and Curacao illustrate the general sequence and methodology utilized by CARANA with its clients and counterparts. It should be noted that in both cases, the consulting work involved a series of engagements

rather than one large project.¹ In Curacao, the engagements were paid for by the business community and government; no donors were involved.

- *Focusing minds on the urgent need for a radical reorientation of economic strategy.* This was achieved by quantifying the magnitude of the problem in terms of employment and net foreign exchange requirements, and then demonstrating that the only way to significantly meet these needs was with massive levels of new investment in export-oriented activities. Prevailing “myths” about import substitution and export promotion also had to be “exposed”. A consensus around the need for a new export-led strategy was developed through workshops involving government, business and labor opinion makers as well as the media. In Costa Rica, meetings with President Monge, and study tours to “socialist” Spain under Felipe Gonzalez convinced the social democratic government that a dramatic push to promote investment in export oriented activities was actually the only way to maintain public services and generate jobs/higher incomes.
- *Identifying the most promising opportunity areas².* An initial assessment of the country’s resource base (human, natural, geographic) as well as the strengths and weaknesses of existing productive sectors was used as the basis to hypothesize a list of 5-8 possible opportunity areas. The criteria utilized priority areas in which significant external market opportunities existed in which the country in question was likely to be competitive, and where the aggregate impact on jobs and foreign exchange would be large. The real potential of each opportunity area was then tested through assessment of the dynamics, segmentation, key success factors and competitors in the international arena, and the competitive position of the client country. The methodology utilized was based on the strategic planning methodology used by private business, but modified for countries.³ The results of this research and analysis were then used as the basis for a major public-private sector strategic planning workshop to select the 2-4 priority opportunity areas to be promoted. The resulting strategic plan also identified the policy and programmatic requirements needed for successful implementation.
- *Establishing a public-private partnership for implementation.* The strategic planning workshop also defined an institutional framework for implementation in which government and private sector agreed to work together, with specific roles. For example, in Costa Rica CINDE was established as a private sector

¹ Many of these assignments were undertaken by Arthur D. Little, Inc., by Tugendhat and Esteve. Torres founded CARANA in 1984 to help implement the Costa Rica program, and Esteve and Tugendhat joined in 1988.

² Now often referred to as “clusters”. However, CARANA prefers the term “opportunity areas” because it helps to identify entirely new possibilities for significant growth for which there is no clear existing cluster. For example, the maquila industry in Costa Rica emerged as an entirely new activity as did cut flowers.

³ Interestingly, this strategic planning methodology was influenced by Michael Porter work for corporate strategic planning. Later, his “Competitiveness of Nations” was also to apply this conceptual framework to broader economies.

foundation (with extensive USAID support) to systematically promote investment and define/advocate needed policies and programs. At the same time, a Minister for Export Development was named to act as a “super” ombudsman and cut through the numerous obstacles to investment and exports. In Curacao, a public-private partnership (Curacao, Inc.) was established to systematically promote investment and eliminate obstacles to competitiveness.

- *Systematically promoting investment and export development.* A methodology that Arthur D. Little had pioneered in Puerto Rico (Operation Bootstrap) and Ireland with the Irish Development Agency for systematic promotion of investment in target opportunity areas was adapted and implemented. Organized much like a company’s sales department, the idea is to use promoters to systematically contact potential investors, and then ensure that the “sale” is closed when the investor comes to visit.⁴
- *Promote private investment in free zones and related infrastructure.* Arthur D. Little had also pioneered the concept of maquila (assembly for re-export) along the Mexican border and in the Dominican Republic. To facilitate this activity, both adequate infrastructure and simplified import/export and foreign exchange procedures were required. Privately financed and operated free zones were developed to provide these facilities, as well as do their own marketing of tenants. In Curacao, the concept was expanded to a privately financed International Trade Center which provided offices, conference facilities, and product exhibition space for international trade/finance/supply management activities.

The success of the Costa Rican case is well known. The country rapidly moved towards full employment, as the assembly, tourism and agribusiness sectors all prospered. As labor costs increased, the next challenge was to move “up-market” a process that culminated with the successful attraction of Intel. The Curacao model was also successful. The business community showed great innovation and responsiveness to opportunities in external service markets, with products including international mutual fund management, 900 phone services, international logistics management linked with financial services, etc.

C. EXPANSION OF CARANA’S COMPETITIVENESS PRACTICE

The general methodology described above was tailored and applied by CARANA in a wide range of other countries, including:

- Bolivia, where a CARANA project was converted into a self-sustaining foundation (BOLINVEST), and whose investment and export development

⁴ This methodology, which was later applied with CARANA’s help in Honduras, El Salvador, Nicaragua, and Bolivia was so successful that it became a campaign issue in 1992 (e.g. USAID promoting the export of US jobs), and Congress eventually shut down USAID support. However, it should be noted that the principal focus of these programs was to convince US companies to assemble or source in Central America instead of Asia.

initiatives in key opportunity areas were responsible for generating 25% of the country's non-traditional export earnings.

- Egypt, where we identified textiles, fresh produce and tourism (mostly focused on European markets).
- El Salvador, where we helped organize a strategic planning workshop for top government and business leaders, and then organized “working committees” to flesh out action plans for promoting investment and developing exports in the 5 priority opportunity areas.
- Honduras, where we helped focus and enhance the effectiveness of the investment promotion program (FIDE).
- Nicaragua, where we helped structure a program to promote investment in key opportunity areas, especially maquila and agribusiness.
- A competitiveness assessment of the Andean countries (Venezuela, Colombia, Peru, Ecuador and Bolivia) focused on free/export processing zones and the maquila/assembly industry.
- Support for the Chamber of Commerce in Oman to identify priority opportunity areas, and develop the institutional capacity for follow-up.
- Strategic assessments and workshops to better focus the investment promotion and export development initiatives in the Dominican Republic, Guatemala, El Salvador, Panama, and Ecuador.

With the introduction of Section 599, CARANA, and USAID's work in export led growth strategies was greatly curtailed. USAID completely pulled out of this type of work in the Latin American region. We undertook some related assignments in Russia, where we helped regional governments in Novgorod, Samara, and the Far East, understand and apply the methodology described above. More recently, we have begun applying the methodology in Uganda.

CARANA believes that there is a direct relationship between the rationale and methodology utilized in the export-led growth strategies of the 1980s and the competitiveness strategies of today. There is a new vocabulary (competitiveness, clusters) which makes it easier for USAID to support these initiatives despite 599, but the underlying rationale is basically the same. In fact, CARANA has observed that in some countries, “competitiveness” initiatives are perceived as too abstract for many government and business leaders, and certainly for the general public. We have found it easier to catalyze consensus around individual pieces of the competitiveness puzzle such as key macro-economic concerns like job creation, incomes and foreign exchange earnings, and the need for a strategic and all-out approach in order to generate significant results.

II. NARRATIVE DESCRIPTION OF UGANDAN COMPETITIVENESS INTERVENTION: COMPETITIVE PRIVATE ENTERPRISE AND TRADE EXPANSION PROJECT (COMPETE)

We have noted above a series of interventions that CARANA undertook in several countries in the 1980s and 1990s, including CARANA's emphasis on the development of "export-led opportunity areas" which antedates the current competitiveness programs. CARANA's earlier activities in countries such as Costa Rica set the stage for the company's approach to development of national competitiveness strategies.

Over these many projects, CARANA developed general sets of principles and a methodology for approaching these tasks. From experience, we learned that these cannot be applied rigidly to any case. The circumstances of each country vary widely, including fundamental differences in political commitment, cultural approach to organizing a competitiveness effort, natural and human endowments, sectoral characteristics, and natural markets for products. These and other factors, particularly the natural dynamics of a competitiveness effort in each country, all combine to require a tailored approach.

In this section, we focus on CARANA's project in Uganda (COMPETE) which we believe offers a representative case with multiple lessons for future USAID interventions in this area. The COMPETE project permitted CARANA to take its methodologies and apply them to a typical case in the developing world, namely, a country with enormous development problems but with a government recognizing that export-led growth and expansion of the private sector as the only long-term solution.

Like Costa Rica in the early 1980s, Uganda found itself with significant natural endowments for which a potential world market exists. However, the transition for Uganda to a high quality, value-added producer for these international markets would require major leaps for the economy.

A. ORIGINS OF THE UGANDA "COMPETE" PROJECT

In recent years, since the restoration of stability to the country in the late 1980's, Uganda has been considered by international donors as a very promising model in terms of its application of market-oriented macro-economic reforms. These policies have stabilized the economy and contributed to significant growth. However, much of the recent growth is simply making up for years of dismal economic performance. The principal strategic question facing Uganda is how to generate significant and sustained economic growth.

Given the small size and low income levels in the domestic market, it is broadly accepted in the country that growth must be export-led. However, the country's export performance, which has depended on high quality cotton and coffee, has begun to slip. Since these export sectors have traditionally been a major source of

income for the rural poor, women, and other disadvantaged groups as well as an engine for expanding the small and medium-size business sector, the apparent loss of competitiveness is clearly a major threat.

Similarly, such export-led growth can only be sustained over time if these growth sectors, or opportunity areas, can attract significant foreign investment in order to achieve greater value-added and product diversification in what is currently a commodity-based economy. Hence, it has become increasingly clear to Ugandans that there must be a sound understanding of international markets and what customers in those markets will pay for.

Broader U.S. policy in Africa has also placed special emphasis on export opportunities for African products through such mechanisms as the African Growth and Opportunities Act. These factors, combined with the importance of the development of the small and medium business sector, opportunities for women, and the attraction of foreign investment and technology into Africa, persuaded USAID Uganda to look at practical, operational means to help Ugandans prepare themselves to compete in world markets.

The process of strengthening Uganda's export potential began in 1997 with a broad macro-economic competitiveness assessment. This initial assignment was undertaken by the J.E.Austin Company following the model developed by the Monitor Group. In its report, J.E.Austin identified several "clusters" in Uganda's economy that should have potential for expansion and compared these sectors with those of other countries. (Note: Since the Austin/Monitor methodology is being written up by J.E. Austin, this is not further described here). Suffice it to note that in this preliminary phase, the principal focus of the analysis was on Uganda's broad macro-economic measures rather than on key success factors related to the specific clusters.

Following this initial analysis, which successfully attracted the attention of the highest levels of government, USAID decided that this process should be taken from the macro and analytical level to the implementation of hands-on projects. USAID Uganda was eager to chart a course that would provide direct assistance to some of the most important sectors with likely potential in export markets.

During the summer of 2000, USAID issued a tender for bids on an 18 month project to develop a competitiveness strategy for Uganda's priority export sectors. USAID's concept was that COMPETE would be an integrative, leveraging project that would forge a workable strategy for strengthening competitiveness. This strategy would be supported by the resources of other USAID and donor-funded projects. In particular, USAID's activities under the SPEED and IDEA projects (focusing on assistance to small enterprises and non-traditional agricultural exports) would serve to implement many parts of the competitiveness strategy by giving assistance to enterprises in the priority sectors identified in the strategy. Similarly, USAID was eager to link up with other donor programs, in particular the World Bank and DFID, both of which have undertaken work in specific sectors. In effect, the concept was for COMPETE to catalyze strategies for key clusters or sectors, and then marshal other program resources to facilitate the strategy's implementation.

USAID established several guidelines for this work, namely to:

- Forge a strong Ugandan ‘ownership’ of the process
- Work in partnership with key private and public sector partners, in particular the Private Sector Foundation and the Uganda Investment Authority.
- Identify local private sector partners in each sector
- Involve government extensively in reducing impediments
- Emphasize maximum impact on rural and women’s incomes

B. CARANA APPROACH TO COMPETE PROJECT

B.1. Demand-driven

CARANA’s proposed approach to this assignment was to take the earlier competitiveness assessment to the level of hands-on implementation. From the outset, the CARANA team believed that the process should be demand and market-driven-- first, by focusing on those product categories/markets that have strong or growing international demand, and second, by defining the customer standards that Ugandan producers and processors must meet to be successful. It has been this demand-pull approach that has driven CARANA’s intervention.

B.2. Maximum economic impact

The approach was based on the belief that the COMPETE project should focus on the largest possible impact in terms of foreign exchange receipts, incomes, and jobs. We recognized that there are many small opportunities in non-traditional exports that are promising. However, their total impact on the nation’s economy is usually very restricted, both in terms of volumes and value of exports as well as distribution of benefits. Hence, CARANA’s approach was to seek out the maximum possible benefits for a competitiveness building program.

B.3. High level buy-in by government and private sector

The first step in the process was to obtain high level Ugandan buy-in to the project. Fortunately, the government had just recently completed its Medium Term Competitive Strategy for the Private Sector. This Strategy document was a wide ranging, but overly ambitious and relatively unfocused approach to strengthening the private sector. However, the government is deeply committed to this strategy and the President had recently appointed a high level Special Task Force on Competitiveness to take implementing actions. The Task Force was composed of the principal public and private sector entities involved in strengthening the private sector.

CARANA saw an opportunity to engage this Special Task Force in a focused, targeted exercise that would address the country’s urgent need to improve its export performance. The Task Force, in search of a clear path of action, seized this

opportunity to work with COMPETE and became a *de facto* steering committee for the assignment.

B.4. Selection of specific 'opportunity areas'

CARANA's first task was to focus COMPETE on a limited number of specific targets that would offer opportunities not only for a successful intervention but also those that could offer important lessons to be applied to other sectors. CARANA called this process a selection of 'opportunity areas' to include broad 'value chains', connoting something more than the selection of narrow product categories. Opportunity areas are similar to "clusters" in that they build on existing capabilities and strengths. However, they are not limited to existing product areas and the idea is to focus on market dynamics, responding to opportunities, and avoid a narrow supply orientation.

To ensure ownership, the prioritization and selection process was undertaken by the Special Task Force, with CARANA playing a facilitating role. Initially, the Task Force met to identify a long-list of 14 product categories or "sectors"⁵ that it considered priority, in effect, a 'wish list' of sectors that many in government desired to promote. These were sectors that have been identified in various studies, including the J.E.Austin report, the World Bank's studies, and the Uganda Investment Authority's 'Big Push' strategy.

COMPETE's task was to assist the Task Force to narrow down this list on the basis of true market opportunity and economic development potential. As a practical matter, COMPETE's own limited resources (\$2 million over an 18 month period) required it to restrict its intervention to only three sectors. COMPETE therefore worked with the Task Force to develop a series of selection criteria, which were as follows:

CATEGORY	CRITERIA
Macro-economic impact of the export sectors	<ul style="list-style-type: none"> • Potential of each opportunity area to generate significant foreign exchange earnings • Opportunity areas whose expansion would have the broadest impact on individual, particularly rural, incomes • Exports sectors that would have the broadest geographical coverage in Uganda
Sector level competitiveness	<ul style="list-style-type: none"> • Products for which there is a sizeable and/or growing international market • Ability of Uganda's producers to meet international quality standards in these markets • Price competitiveness of Uganda's products in world markets • Sectors that already have significant internal processing and

⁵ The term sector is not exactly correct since technically agriculture and manufacturing are sectors whereas product categories such as coffee or fish are not. However, since the term is widely used in Uganda, we have chosen to utilize it here instead of opportunity areas, subsectors or clusters, each of which would be more accurate.

	management skills
Institutional, legal, and regulatory environment	<ul style="list-style-type: none"> • Sectors that have strong internal institutional support • Sectors where regulatory and infrastructure barriers can be most easily overcome • Sectors that can be most easily mobilized around a competitiveness initiative

Based on these screening criteria, the list of 14 product areas was narrowed down by the Special Task Force to the following eight sectors:

- Coffee
- Fish
- Cotton
- Tea
- ICT (information and communications technology)
- Horticulture
- Floriculture
- Tourism

For the first phase of the COMPETE project, the Special Task Force endorsed focussing on the coffee, fisheries, and cotton sectors which scored the highest relative to the screening criteria. In addition, it was agreed that the ICT sector should be explored not as a stand-alone opportunity area but as a cross-cutting support sector that could contribute to the longer-term competitiveness of the other export areas.

B.5. Identify and engage ‘drivers’ that can sustain a national export initiative

Achieving Ugandan ownership and leadership of these initiatives was the next step in the process. COMPETE’s task was to identify the principal ‘drivers’ in each of these sectors that could effect positive change. This would include both private and public sector organizations, as well as key individuals. CARANA’s recommendation was that these be designated as ‘working groups’, not as formalized committees, so that the membership could be fluid. From experience it was observed that being able to regularly involve new and energized parties is the best approach to keeping an initiative alive and active. Formal committees have often tended to ‘bureaucratize’ the process, composed of members who over time can become disinterested or ‘too busy’ to contribute to the process.

C. METHODOLOGY

The methodology followed by the COMPETE team has been to proceed along a backward-integration path, moving from the final consumer back to the Ugandan producer, incorporating each link into the process.

C.1. Step 1: Understand markets and customer requirements for the product

Clear and strong market demand for Uganda's products had to be identified. Based on world-wide demand for high quality arabica coffee (relative to robustas), medium-staple cotton, and high grade fresh water white fish, these three sectors were deemed to have the basic qualities to satisfy international consumers. The COMPETE team immediately engaged international market experts familiar with the dynamics and structure of market demand for these products to assess Uganda's ability to respond to this demand.

The demand analysis focused on several factors. First, the question of what form and quality level of these products will customers pay for, and in particular what will customers pay a premium for. This required a segmentation of the product area, looking at niche markets for specialized products in each sector (such as, for example, shade-grown arabica coffees, fresh, chilled Nile perch fish, high quality medium to long-staple 'white' cotton). Second, the analysis has focused on those quality factors that international customers will ultimately demand to determine whether Ugandan products can meet those standards better than competitors. Third, the issue of how to certify these standards so that buyers in European markets, for example, will have confidence that deliveries from Uganda are of guaranteed quality. Finally, health and handling issues must be independently certified to meet market entry requirements.

C.2. Step 2: Reform market and production structures to respond to demand

Identification of the key stakeholders in the production, processing, transport, finance, and marketing structure of the sector needed to be identified. Key groups, public and private alike, that are critical to production, marketing, quality and health certification need to be integrated into the competitiveness process. The CARANA team above all sought to identify those groups with the strongest motivation and capacity to 'push' the sector forward.

The CARANA team has called these efforts export 'initiatives' to indicate that they are action-oriented, each seeking to expand sales into markets. 'Working groups' were established in each opportunity area, comprised of both organizations and individuals that have shown strong commitment to action.

C.3. Step 3: Reform production and processing techniques to ensure quality

Once product and product quality standards have been clearly defined, the CARANA sector teams have moved back on the production chain to analyze each element production, handling, processing, testing, and packaging to determine where the major obstacles exist. The team has examined production at the farm site, established demonstration plots, worked with processors, and with testing and certification facilities. In the fisheries sector, for example, net caging and fish farming is being investigated to preserve and increased stocks of fish in Uganda.

Product diversification has also been a focus of this step. For example, the development of shade-grown coffee, for which there is a substantial and growing market in developed countries, is being investigated. Similarly, new fish by-products (such as frozen 'fish balls' for the Asian market) are being experimented with.

C.4. Step 4: Develop institutions that can support and sustain these reforms

The development of new market mechanisms form a major focus of the effort. In the coffee sector, for example, the design and implementation of a privately run, transparent coffee auction system is fully underway. Quality certification for coffee and fish is being undertaken by private bodies that can independently certify product quality and deliver a formal quality seal to the exported product.

Organizational strengthening has also been a key element. In the three opportunity areas, key groups were identified that were eager to become a driving force in the export initiative. The sector teams have been working with these groups to strengthen their capacity to deliver the necessary assistance to their members. Work has been done on the messages that these groups need to disseminate to local producers and processors as well as on basic organizational strengthening.

C.5. Step 5: Analyze and attack the key constraints that limit access to markets

In each opportunity area, the Ugandan and expatriate teams have prioritized the principal constraints to entering sustainable export markets. At the producer level, this has focused heavily on training producers and handlers in proper quality maintenance and the standards that have to be met. Information for training producers is being developed, and demonstration plots are being set up around the country.

D. STATE OF THE ART PRACTICES

The CARANA team brought several factors into the COMPETE program which it deems to be state of the art. Several of these practices are generic and others specific to the three sectors.

D.1. Building a national sense of urgency around the competitiveness initiative

From the outset, CARANA has tried to forge a sense of urgency around developing a strong competitiveness initiative. There must be endorsement at the highest level of government and the private sector and this high level support must be communicated effectively. Emphasis must be placed on the need to increase foreign exchange earnings for the country as a whole, on the need to create new jobs and enterprises, and the importance of increasing incomes. The 'action-orientation' of

the initiative must be emphasized, with the prospect of specific, measurable results that will benefit the country at large. The initiative cannot be abstract or policy-oriented, but must be focused on increased jobs and incomes; hence, CARANA has tended to de-emphasize words like 'competitiveness' and 'productivity' which for most of the population is too general a concept. Rather emphasis on increased incomes and jobs must be made.

D.2. Local ownership of each initiative

The CARANA team believes that obtaining strong local ownership of the competitiveness initiatives is essential to any such process. For this reason, the team focused on creating energetic and viable 'working groups' in each opportunity area that incorporated the leading private sector actors. It is equally important that visible members in each link of the production chain be included, including production/growing/fishing, processing/transport, storage, health standards, financial, marketing etc.

D.3. High level endorsement

In Uganda's case, the COMPETE team has been able to get the attention of the President and his strong endorsement of the effort. This has been critical to drawing the attention of the public and all elements of government to the importance of the process. The President's intention to host a 'national competitiveness conference' and to designate these programs as 'national export initiatives' has been critical in maintaining a sustained momentum.

D.4. Active communications policy

Broadly communicating about the competitiveness initiative, as well as providing specific information about how to meet market specifications, is required. It is critical that the public, meaning both government and private sector, understand that meeting the requirements of international consumers is a national priority with direct impacts at home on incomes, jobs, and economic growth. Skillful uses of both message and media are required.

Similarly, reaching producers and processors with practical, relevant information on the requirements facing them is essential. These messages must be carefully designed to be comprehensible and 'actionable' to farmers, fishermen, and processors. Selecting the appropriate media that can easily reach these populations is also a major factor.

D.5. Leveraging private investment in supporting infrastructure

As an example, COMPETE is seeking to involve the participation of mobile phone companies in its strategy to communicate customer requirements to producers and processors alike. The network of mobile phones which is already well developed in Uganda appears to be the most appropriate channel of communication to farmers and processors alike, along with radio. Mobile phone investors, eager to establish

themselves in markets around the country, are eager to participate in the competitiveness project to demonstrate to these populations the utility of voice messaging. As a result, there is a convergence of interests between COMPETE's objectives and the phone companies market expansion plans that is mutually supportive.

D.6. Emphasis on quality niche markets

Uganda's status as a commodity producer has meant that it has difficulties in differentiating its products except by creating a quality niche for a segment of its production. Coffee and cotton in particular are commodities that can be differentiated only by quality and specific characteristics. While Uganda can enter some of these niches, this can be achieved only by ensuring the highest possible quality and assurance to buyers that the quality is reliable and certified.

D.7. Development of 'quality seals' for quality certification

Buyer confidence in quality must be certified and transparent. Much of the recent decline in Uganda's exports has been due to unreliable quality (as in the case of coffee) or failure to meet health and sanitary requirements (as in the case of fish). These are issues that are being addressed within the sector as indispensable measures that must be taken. Quality seals and health standard verifications are the visible confirmation that products have been inspected and processed to meet world market standards.

D.8. Development of cross-cutting initiatives

The clearest way to achieve policy reform, improve infrastructure, introduce technologies, attract foreign investment, and develop human resources is to link these factors to specific projects that can have measurable results. The COMPETE project is addressing several of these cross-cutting issues according to how they affect the specific opportunity area. For example, COMPETE is looking at the dissemination of information and communications technologies as a means to improve Uganda's competitiveness in many sectors. In Uganda's case, mobile telephone communications are effective in linking producers to processors and processors to markets. Foreign investors are being invited to work with the COMPETE project to make this technology more available in these sectors, thereby broadening the market for these technologies as well as making use of them to improve the competitiveness of local production.

Training of producers in meeting required quality standards is also being enhanced by undertaking hundreds of demonstration projects in coffee and cotton sectors, for example, to demonstrate quality production, sorting, and handling techniques.

E. RESULTS

Because the COMPETE project has been active for only one year, results achieved to date are largely process related results rather than long-term measurable results such as increased exports, and other such indicators. This section briefly highlights some of the short-term results achieved in the cotton sector work.

The focus of the work in the cotton sector to date has been on:

- Plans & targets established;
- Improving cotton productivity and increased production;
- Analyzing the cotton commodity system and identifying areas where competitiveness needs strengthening;
- Increasing market opportunity for value added cotton products.

To establish the competitiveness program in the cotton sector the team analyzed the activities at each level of the sector and prepared an action plan that is providing the guide for work being carried out in the sector. This and the establishment of a working group for the sector have both been successful, and a real help for focused team effort in the cotton sector, and other sectors of the project.

Since cotton yields average one quarter their potential in most production regions of Uganda increasing productivity is an urgent need if farmers income from the crop is to be raised. It is a major factor affecting competitiveness and, if the income from the crop cannot be raised, farmers will likely switch to other more profitable crops. Thus, to help increase productivity the CARANA team worked with the industry (Ginners Association & CDO) to find a way to implement 1200 demonstration plots, in 10 different districts during the 2001-growing season. The industry and farmers have recognized these plots as very helpful. Building on the success of the plots the CARANA team is filming the demonstration plots and preparing training materials that will be used to help farmers learn more about practices necessary to improve productivity. This demonstration program has been successful and ways are being sought to permit its continuation in 2002.

Since at each stage of the cotton commodity system – production, ginning, trading, spinning, textile manufacture, and garment manufacture – many improvements can be made to improve competitiveness the CARANA cotton team has been working to get STTA assistance from IESC, ACDI/VOCA, etc. to help with technical audits at various levels in an effort to pin point specific actions that can be taken to help improve competitiveness. These efforts have taken time to get underway due to the volunteer nature of the organizations providing STTA, and the gaining of acceptance by local companies in the sector that would be participating in the audits. This program is expected to lead to positive specific actions that USAID and other donor agencies can help support, but it is still too early to know how successful the initiative will be.

To help the cotton industry expand markets for cotton, textiles, and garments the CARANA cotton team has been very supportive and active in initiatives aimed at

getting Uganda registered with and in a position to operate under AGOA legislation passed by the US congress. Operation under this legislation allows Uganda to access US garment markets on a duty free basis. This initiative has been successful because with the team's continual pressure, as well as that of others, the Ugandan government has now become registered under AGOA. The next step is to get local garment manufacturers producing to supply US buyers with the quality and style of garments required. This is now underway at some manufacturers and our planned STTA initiatives will help to enhance this effort.

F. CONSTRAINTS

This section describes the constraints faced for activities in the cotton sector and in the ICT sector. As mentioned earlier in this report, when the project strategy was developed it was decided that the ICT sector should be explored not as a stand-alone opportunity area but as a cross-cutting support sector that could contribute to the longer-term competitiveness of the other export areas.

F.1. Constraints to Improving Competitiveness in the Cotton Sector

While implementation of the CARANA cotton sector competitiveness initiative has experienced some constraints, it has been relatively unencumbered. This is in large part attributed to the fact that our team has made every effort to work with the administrative system in place and through a working group that represents all aspects of the industry. Some of the constraints encountered include:

- External constraint: lack of controllable funding support; the jaw boning nature of the project and lack of funds to really support identified initiatives
- People
- Administration
- Government policy

F.1.1 External Constraint: Project Funding

The single largest obstacle for the project has been the lack of project funding necessary to implement selected actions. The project was set up to be basically a planning project with little funding for execution of things other than technical assistance. Even support for technical assistance has been wanting. Nearly every activity of the project, outside support for the basic core team, has had to gain its funding and push from others. For example, to implement the demonstration plots program we had to get help from another USAID project, and from the industry. We had little support that we could provide other than "Jaw Boning". Further, if a technical audit was required we had to seek the help from ACDI/VOCA or IESC. While some of this is not bad our work could have been much more effective if we had funds in the project to help seed some of the initiatives that we thought to be important.

F.1.2 People

The primary people related constraint has been the low level of education at the farm level. This makes it more difficult to implement new ideas that help to improve productivity. However, in spite of the low level of education a proper working relationship with the people has gained their support. At other levels, particularly trading, people have hindered improved competitiveness because they have established relationships with farmers that they do not want to see disrupted. Thus, while this has been a problem area it has been one that has been worked around reasonably effectively, and some of our initiatives are focusing on this problem area.

F.1.3 Administration

Administrative support, primarily from CDO has been relatively good, but there have been occasions when our initiatives were viewed as a threat. We have worked hard to coordinate with the administrative authorities and while sometimes a bit tense, we have done very well at getting our ideas accepted. Therefore, this should not be considered a major constraint if properly managed.

F.1.4 Government

Government has had a poorly defined policy for the cotton sector. A large part of the policy has been managed through CDO, but CDO is supposed to be a regulatory body, and as such has not had the ability to organize financing for farmers, ginners, and textile industry participants. As a result of the CARANA project efforts an improved awareness as relates to policy in the cotton sector has been made known to government. This has helped sensitize government and is beginning to help bring more government support to the sector. In fact, in recent budget deliberations, the government has put up more funding support for the sector to ensure AGOA, and financing of necessary research.

F.2. Constraints to Competitiveness in the ICT Sector

One of the critical constraints to competitiveness in many of the developing markets in which USAID works, is the unrealistically high expectations that many governments have for the potential for ICT to “leap frog” the development process and accelerate economic growth in their countries. This conception is usually associated with a strong desire to imitate the success of India in becoming a world-class exporter of ICT services.

The so-called “digital divide” is in fact a reflection and acceleration of the existing socio-economic disparities (within and among countries); ICTs can play a role in addressing those disparities only to the extent that they do not hinder cost-effective utilization of ICTs for development. For example, in many countries, low literacy rates, a traditional area of development and a fundamental priority, hamper effective utilization of ICTs. High telecommunications costs due to monopolies, a traditional area of policy and regulatory reform, keep ICTs out of reach for firms and

citizens. Too often, however, competitiveness strategies become technology-driven (ICT for ICT's sake) rather than technology savvy (sustainable, market driven ICT solutions).

In a knowledge-based global economy, the capability provided by ICT to collect, store and share information is fast becoming the most critical factor in the competitiveness of many industries. But in order to attain the benefits offered by ICT, enterprises need, first of all, access at prices they can afford, secondly, content or applications that provide tangible value to their bottom line, and thirdly, the ability to use ICT effectively. In short, in order to turn the promise of ICT into real increases in productivity and efficiencies—competitiveness—enterprises need low-cost access, relevant content, and skills. The essence of the so-called “digital divide” is that countries enjoying these three factors are benefiting from the efficiencies brought by ICT, while countries lacking those factors are falling further behind. The challenge to utilizing ICTs to support competitiveness in developing countries under Uganda COMPETE has been the fact that these three essential factors are to a large extent absent.

The consequences of the “leap frog” factor are:

F.2.1 People: High Opportunity Costs

Any effort to capture a share of the lucrative ICT outsourcing market requires intensive investment in the on-going development of human resources. The high levels of education required by the industry, however, are out of reach for large majorities of the population in many developing countries. Consequently, a strategy that focuses primarily on exporting ICTs—which requires higher and higher levels of investment in higher and higher levels of skills and education required by the market—risks diverting resources away from more equitable and sustainable approaches to creating a knowledge-based economy through private sector development. Moreover, the “brain drain” problem makes return on such investment uncertain, since once educated, many individuals leave for better jobs in western countries. India got its start because it had an oversupply of PhDs who became the foundation for their industry; most developing countries still need to make major investments in even basic education and computer literacy.

According to the US Commerce Department report, *The Digital Workforce*, core IT workers in the US are most likely to get their education from four year colleges and “most jobs in the core IT occupations...require a four-year degree or equivalent skills.” One third of the core IT work force in the US has an IT-specific degree.

F.2.2 Government: Disconnect Between Government Goals and Private Sector Incentives

One manifestation of this disconnect is inconsistent and even contradictory policies and strategies. For example, to improve export competitiveness, governments tend to focus heavily on creating free trade zones that offer competitive telecommunications costs (among other things) to attract investors, while at the same time maintaining domestic telecommunications monopolies that keep a

stranglehold on growth of the domestic private sector. Country competitiveness in this case is at the expense of firm competitiveness

This disconnect has other consequences. Many governments understand the need to invest in human resources, but do not have the knowledge of ICT markets to strategically invest limited resources in ICT education and training. In the US and in other advanced knowledge-based economies, the private sector plays a crucial role not only in financing ICT education and training, but in creating on-the-job training opportunities for students that give them the hands on experience employers seek. Lack of investment in ICTs by the domestic private sector (for a variety of reasons) in many developing countries means that jobs that demand ICT skills are slow to be created, and, therefore, incentives for the private sector to become involved in educational efforts to increase computer literacy are few. In long run, therefore, creating incentives for the medium to small segment of the market to invest in ICTs is likely to be the most instrumental way to create and sustain demand for core ICT skills, which will lead to creation of new high value added ICT-related jobs.

In the US, out of the 10 million ICT related jobs in the market, 9 million are in non-IT companies and 70% of all demand for ICT skills comes from firms with 50-99 employees.

Source: Information Technology Association of America, *Bridging the Gap*, 2000.

F.2.3 Poor Integration of the ICT Sector as a “Supporting Industry” in Cluster Organization Aimed at Increasing the Competitiveness of Other Exports

Viewing ICT as an export sector in and of itself, hinders the development of a supporting relationship between the ICT sector and other more traditional export sectors. Although ICT is becoming a key competitive factor in the success of global industry, in Uganda, for example, it is not yet a critical element of the competitiveness strategies of the traditional export sectors. Collaboration with the ICT sector can improve the understanding of sector stakeholders of the value and opportunities opened by ICT, while providing the ICT sector with valuable information and networks within the sectors that represent a large potential market for low-cost services. This allows sector working groups to better identify ways to incorporate ICT into the sector strategies that are tailored to their specific needs.

The “competitiveness approach” can play a critical role in overcoming these constraints since one of the biggest problems is the lack of knowledge of buyers, quality issues, and the multifaceted segmentation of the international outsourcing markets. The “reality check” that can be provided through this approach will be valuable in refocusing strategies on realistic and sustainable opportunities. Then, the desire to become ICT capable can serve as a valuable leverage point in addressing sustainable development issues.



Providing Global Development Solutions

**Competitiveness Interventions
Review Worldwide Experiences
Contract #: PCE-I-00-98-00014-00**

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Mr. Joe Lentini
Bureau for Management
Office of Procurement
Division G/EG**

Submitted by:

CARANA Corporation

December 2001

The Uganda COMPETE Project
Competitive Private Enterprise And Trade Expansion
Contract #: PCE-I-804-98-00014-00

Status Report

February 5, 2001

Prepared by Anton Balasuriya

THE COMPETE PROJECT

Competitive Private Enterprise And Trade Expansion
(Funded by the United States Agency for International Development
and undertaken by CARANA Corporation)

Status Report – February 5, 2001

Summary of Project:

COMPETE is a key component of the Government of Uganda's *Medium Term Competitiveness Strategy for the Private Sector*, designed to focus private and public sector attention and resources on strengthening the country's export competitiveness. The project will concentrate on four sectors whose contribution to Uganda's foreign exchange earnings and broader economic development can be substantial. These national export initiatives are designed as pilot projects that may form the basis of similar long-term initiatives.

It is intended that the private sector drive these efforts in search of new markets and enhanced profits. Therefore, the technical assistance given in this project focuses on helping the private sector actively expand into these markets. However, the government's role as an enabler will be critical to this process. The government, in close cooperation with the private sector, must address any impediments of a regulatory and infrastructure nature.

The COMPETE project constitutes one of the first active initiatives of the Medium-Term Competitiveness Strategy for the Private Sector, approved by the Government of Uganda in mid-2000. COMPETE is intended to address the root causes of the declining export performance of several critical sectors. As stated in the Medium-Term Strategy, the "Process of Building a National Competitiveness Strategy" will involve three phases:

- Identifying the sources of competitive advantage in Uganda
- Analysing those advantages and designing a strategy for building on these strengths
- Developing pilot projects for implementation

Phase 1 of the project, expected to be completed in the first quarter of 2001, focuses on the process of selecting priority sectors, organizing dedicated 'working groups' within those sectors to strengthen competitiveness, and developing step-by-step strategies that will be implemented over the remainder of the project. Phase 2, the implementation phase, will be guided by a series of rolling work plans, bringing in ever-broader participation from the sector to upgrade Uganda's production and making to international standards.

Phase 1: Sector Selection and Formulation of Competitiveness Strategies

Beginning in December, 2000, the COMPETE team held a series of meetings with the Special Task Force on Export Competitiveness set up by Cabinet and chaired by Ministry of Finance. In a series of three workshops, supported by research of past

studies and the most current data, the Task Force and the COMPETE team reached agreement on the criteria for prioritising the opportunity areas to be worked with. Three categories of criteria were used in ranking the sectors:

- The impacts that growth of exports could have on the country's economic development
- The current capacity of Ugandan producers to compete in international markets
- The ease and speed of implementing national export initiatives in these sectors

Within each category, several measures were explored. These included the following:

- Economic impacts of improved export competitiveness:
 - Potential size of foreign exchange earnings that can be expected from the sector
 - Percentage of Uganda's population whose incomes will be increased by improved exports from these sectors.
- Competitiveness of the sector
 - Size/growth of international markets for these products
 - Ability of Uganda's production to meet international standards
 - Price competitiveness of Uganda's products in world markets
 - Producer/ management skill base available to strengthen the sector
- Speed and ease of implementation of competitiveness initiatives in the sector
 - Existence of strong institutional support within the sector to undertake initiatives
 - Ease of overcoming regulatory and infrastructure barriers in the sector

Following agreement on the criteria, the Task Force, composed of private and public sector representatives began with a 'long-list' of possible export sectors. Many sectors were eliminated from the outset, as they did not meet minimum criteria. Others were analysed closely, notably the following: coffee, cotton, fish, tea, tourism, horticulture, floriculture, maize leather, power, information and communications technology, education, beef, and textiles. The COMPETE team proceeded to study the most recent data and analyses (Ugandan government as well as international consulting reports) examining these sectors and their export performance. Data were gleaned from these studies as well as from official statistics that shed light on the ability of each sector to satisfy the criteria.

The group then proceeded to rank the remaining sectors on a scale of 1 to 5. In addition to the oral discussion, members were sent written submissions to be studied more closely. In the final meeting on January, 22, 2001, the CARANA team presented these preliminary findings to the Task Force for final review. Based on these conclusions, it was agreed to designate eight sectors as candidates for national export initiatives. These sectors and their relative weightings are shown in the attached tables.

The sectors, by ranking, were as follows:

- Coffee
- Fisheries
- Cotton
- Information and Communication Technology
- Floriculture
- Tea
- Horticulture
- Tourism

From the outset, the COMPETE team, funded under a USAID contract, indicated that its resources would permit it to focus on four of these sectors. USAID representatives furthermore noted that under its current IDEA activity (that promotes non-traditional agriculture exports), a successful effort is already underway to promote exports of floriculture products to foreign markets. Hence, floriculture would not be a focus of the COMPETE project.

The COMPETE team therefore proposed that its work targets coffee, cotton, fisheries and the ICT sectors. With respect to the ICT sector, the COMPETE team proposed that work in this sector be of a cross-cutting nature, focused on strengthening the competitiveness of the coffee, cotton and fisheries sectors, as a point of departure for developing the sector more broadly.

The Coffee Sector

- Ugandan robustas (currently 2.7 million bags worth about \$ 100m), when optimally grown and prepared to achieve a 'soft' (neutral) taste, occupy a special role in coffee blends and soluble coffee where they substitute for lower quality arabicas.
- The International Coffee Agreement sought to balance world consumption and production by giving producing countries quotas. When it ended, certain producing countries most notably Viet Nam, increased production to a point where supply now consistently exceeds demand. Coffee prices, especially for robustas, have fallen to modern lows.
- The Ugandan coffee Marketing Board was a coffee monopsony and sole exporter that sought to maintain the reputation of Ugandan robustas through strict quality control. When it ended in 1991, numerous firms entered the Ugandan coffee trade as exporters and as intermediaries between farmers and exporters. The resulting 'cut-throat' competition induced traders to lower coffee quality in an attempt to maintain margins in a classical 'race to the bottom'. Uganda's international reputation for quality robustas suffered accordingly.
- Consequently there is a double threat to prices: low market prices and evaporating premium. The resultant farm-gate prices for farmers, especially for small holders, are likely to approach the cost of production. Without the cash income from coffee, smallholders cannot obtain the capital they need to modernise their farms and invest in alternative careers for their children.
- Within the Ugandan coffee industry there is a consensus among knowledgeable players that the first step is to restore Uganda's quality image, then increase production to an optimal point.

- Therefore the Ugandan coffee industry has the potential and the will to re-establish the unique quality of its robustas, restore or consolidate premier over lower quality robustas and possibly insulate itself somewhat from the world market prices and so contribute to the alleviation of poverty.

The Fisheries Sector

The Special Task Force and the COMPETE team judged fisheries to be a priority export sector according to the criteria selected for ranking possible national export initiatives. Currently, virtually all fish exports originate from Lake Victoria. While there are natural limitations to the fish stock, with proper preservation and management of these stocks in the lake, the fish resources can continue to provide a source of valuable foreign exchange and economic development over the longer-term.

In terms of overall impact, the fisheries sector ranks high among Uganda's economic sectors. Currently fish exports total approximately \$ 60 million, making it the second largest foreign exchange earner for the county, or 7% of total exports, according to the Bank of Uganda. The Uganda fish Exports Association estimates that the likely maximum yield for Uganda from Lake Victoria will total between US\$100 to \$ 110 million, given the current state of stock management. Moreover, the potential for fishing farming and aquaculture, both in Lake Victoria and in other lakes and waterways in Uganda is only beginning to be assessed. With proper technologies and environmental controls, it is expected that fish farming can become another important source of exports over the longer-term.

In terms of the larger impact on incomes, the Ugandan Fish Exporters Association estimates that well over 200,000 Ugandans are dependent on the fisheries industry. Currently exportable fish (namely Nile perch) are limited to the Lake Victoria region. In 1999 over 111,000 tons were harvested from lake Victoria. Other lakes, in particular Lake Kyoga, produced almost 80,000 tons of fish, largely for the domestic market. However, with development of inland fisheries over time through fish farming and aquaculture, fish resources for export may well broaden.

Judged on the basis of the natural competitiveness of Ugandan fisheries in international markets, the fish sector ranks very high. International demand for high quality white fish like Nile perch is high, and growing. Even during the period of the EU ban, Ugandan processors were able to find alternative markets in North America and Asia. The recent quotas imposed on North Atlantic fishing for cod will decrease the current supply of white fish in these markets and increase demand and price for Nile perch.

The quality of Nile perch is uncontested and with the improvement of sanitary conditions and export certification, Ugandan fish exports are likely to meet all market criteria. Air transport facilities out of Entebbe have made shipment to Europe and beyond timely and competitive with other producers.

The Task Force and the COMPETE team also judged that the fisheries sector has developed very strong institutional support, both from the private and public sector sides. Processors have come together in the Ugandan Fish Exporters Association, which has been extremely instrumental in successfully addressing problems facing the

sector, such as the EU ban. Assistance from the Ugandan Investment Authority has also been critical in attracting private laboratory and testing facilities into the country to certify sanitation and quality of fish for export. Government bodies such as the Department of Fisheries Resources, the Food and Science Research Institute in the NARO, and the National Environmental Management Association are also partners to the Sector, thereby facilitating efforts to improve export competitiveness.

The Cotton Sector

The COMPETE team and the Special Task Force concluded that the cotton sector is able to make a critical contribution to Uganda's longer-term economic development and its export growth. The expansion of this sector, which dominated the economy in the 1960s, also has significant implications for further value-added activities in the areas of textiles and garments, each of which offer large opportunities for the expansion of new business and job creation throughout the regions of the country. The possible evolution of Uganda into a significant textile and garments producer needs to be integrated into the country's longer-term strategy.

Uganda's climate and agronomic conditions offer an outstanding environment for the resurgence of the cotton growing and ginning industry, a resurgence, which has already begun as a result of the Cotton Sub-Sector Development Project that began in 1994 with favourable growing conditions, Uganda can produce large quantities of high quality

Cotton. It is estimated that with the right technological inputs, Uganda could well exceed production rates of one million bales a year.

The cotton sector ranked high against all the established criteria for the selection of target sectors. In terms of broad economic impact, the COMPETE team and the Special Task force concluded that the potential would be significant for foreign exchange earnings as well as direct impacts on incomes for a large percentage of the population. According to the latest available statistics from the Bank of Uganda, cotton is currently the fourth largest export commodity after coffee, fish and tea. It is also a major supplier of raw materials for the edible oil, soap and livestock feed industry, thereby having multiple downstream impacts.

According to the Cotton Development Organisation, the number of cotton growers totaled approximately 430,000 and was estimated to increase to 500,000 by the year 2000. This compares to over 700,000 in the early 1970s, before the collapse of the Ugandan economy over the following 15 years. Cotton production increased to over 120,000 bales in 2000, compared to only 10,000 bales in 1991 and 60,000 in 1995/6. It is estimated that approximately 700,000 acres will be under cultivation in 2000/01, compared to only 40,000 in 1987/88. Cotton growing is distributed across a large portion of Uganda, principally in the eastern, northern and western regions and hence has an important impact on mitigating rural poverty.

When weighted against the competitiveness measures adopted by the Special Task Force, Ugandan cotton ranked very high in terms of product quality, competitive cost of production, and the future capacity to compete. Uganda's medium staple cotton is considered to be high quality for which international markets are continuing to grow. Outstanding growing conditions make cotton production relatively cost effective,

even though land transport costs through Kenya reduce this advantage significantly. Current under-utilized ginning facilities will permit Uganda to move into yarn production, for example, more easily and efficiently. With this materials base and infrastructure in place, it is more likely that textiles industry can be revived and expanded.

In terms of the ease and speed of implementing an export initiative in the cotton sector, the recent creation of the Cotton Development Organisation (CDO in 1994) and the Ugandan Ginners and Cotton Exporters Association (UGCEA in 1997) has brought strong institutional support to the sector that was absent in previous years. The Cotton Sub- Sector Development Project (CSDP) stimulated the development of a new strategy for the sector and led to the creation of these support bodies. The appointment of the Audit Control and Expertise (ACE) group to oversee quality control and monitoring at the ginnery level is a key support factor in the process of ensuring the quality of Uganda's exports. The activities of the National Agricultural Research Organisation (NARO) in the area of cotton research, the provision of extension services under Ministry of Agriculture Animal Industries and Fisheries (MAAIF), and the credit program directed by the Development Finance Department of the Bank of Uganda all constitute solid institutional support for the cotton sector. Hence, the Task Force concluded that institutional support for the industry is relatively strong, thus facilitating a successful export initiative with the sector.

The barriers facing the industry are formidable, requiring close government cooperation with the sector. Weak extension services that can educate farmers on growing techniques, use of fertilizers and pesticides, etc., are issues that need to be addressed. Lack of essential inputs such as pesticides and sprays are also infrastructure barriers that cannot be ignored. However, in the view of the Task Force and the COMPETE team, these are barriers that can be surmounted with strong cooperation between government and the private sector.

Sector Strategy Development during Phase 1

During the months of February and March, the COMPETE team will develop the strategic framework for improving export competitiveness in each of these sectors. Experts in international markets for Coffee, Fisheries and Cotton will be present in Uganda to forge partnerships in the sector. Small, informal working groups will be developed in each sector, composed principally of private sector representatives, to analyse the roots of Uganda's current weak competitiveness. The COMPETE Project is not intended to produce consulting 'reports' or 'workshops' but rather plans of action within the sector to improve product quality and access to markets.

The COMPETE team is actively encouraging Uganda's Private sector to take full ownership of the Export Competitiveness Program by identifying its own 'champion' of improved export competitiveness in each sector, who can work closely with COMPETE's Product and market experts. Similarly, the team is seeking to involve those government officials who likewise can contribute significantly to making the Program a success.

Together the teams will develop a plan for proceeding over the coming year, and beyond. This framework will define objectives to be sought in the sector (in terms of product quality and differentiation, new markets, etc.), steps to be taken for

improvement, results to be achieved, measurement of those results, and constraints (Such as regulatory and infrastructure barriers) to be identified and addressed by government.

Because of the limited time and resources available to the COMPETE team, choices will have to be made on where to concentrate these limited resources. As COMPETE is a 'pilot' project designed to launch a broader effort in each sector, the team will seek the most feasible and practical approach to achieve success.

In January 2001, the COMPETE team began constituting a project team in the Coffee sector to define the Strategy for the Sector. A fisheries team will arrive in early February to begin work in this area. By early March, the Cotton and ICT teams will be launched.

Phase 2 - Implementation of Sector Competitiveness Initiatives

Once sector strategies have been defined and 'working groups' have been formed in each sector, the sector teams will define regular three-month rolling work plans of activities.

Specific roles for participating firms and associations will be defined for each quarter. Schedules for activities will be outlined and targets set.

COMPETE Activity – Coffee

- The Competitiveness model consists of a process that begins with the Market: the consumer or a proxy, in the case of Uganda, the *Coffee roaster* who incorporates Ugandan robustas into arabica: robusta blends or transforms it into soluble Coffee
- The first step in the process requires the private sector, assisted where appropriate by the public sector to agree upon a *reading of the market* that is transformed into an *ideal national Coffee Strategy*.
- **Success in implementing this strategy depends upon**
 - Mobilizing a number of linked organizations in the Uganda coffee system basically farmers + processors + exporters – who, by working constructively together – with the support of the key services, such as *Information and finance – meet or exceed the needs of the roasters;* and
 - Identifying and deploying processes and practises used by such successful linkages.
- A comparison of actual with ideal performance measures the gap to be bridged. When this gap is quantified, *intermediate goals* can be set.
- The second step is therefore to *identify all existing activities* that are *contributing to the ideal strategy*, including uncoordinated initiatives.

COMPETE can then contribute to the ideal coffee strategy by:

- *Reinforcing* successful initiatives, particularly those that can serve as models (nuclear estates, exporter premium programmes);

- *Identifying the factors* that account for *success* and preparing an account of each model suitable for ready communication to would – be adopters;
- *Promulgating successful models*;
- *Building and strengthening* linkages between piecemeal efforts (coffee planting, promoting farmer – owned business) and other parts of the coffee system so that the joint effort helps the Ugandan coffee industry *meet the intermediate goals*;
- *Undertaking* actions within the scope of the COMPETE activity that *complement or enhance* the work of successful linkages (surveys, management development of key organizations);
- *Promoting and helping* the coffee trade solicit help from international donors and others to further their efforts;
- *Introducing new players* – international or indigenous as appropriate to accelerate progress to achievement of the ideal strategy
- *Measuring progress* towards closing the gap between the ideal and the actual strategy;
- *Communicating achievements* by the Ugandan coffee industry in closing the gap to keys parts of the international coffee trade.

Cross – cutting issues to be addressed in the COMPETE Project

Several cross – cutting themes will be integrated into the work of COMPETE. The contribution of information and communications technology is critical to both export competitiveness and to Uganda’s broader economic, social, and political development.

The COMPETE team, and the Special Task Force, agreed to designate the ICT sector as one of the four priority sectors, principally because of its role in supporting the development of the coffee, fisheries, and cotton sectors.

Developing rural connectivity with producers, communicating products standards from international buyers to producers and processors, identifying opportunities for product differentiation, maintaining product quality around the country, etc., will all be critical factors in the success of these sectors. Furthermore, focusing the development of the ICT Sector on several real opportunities can serve as a trial case for launching broader development on the ICT sector.

Protection of the environment will be another critical cross -cutting theme to be addressed. Environmental protection and health standards are at the centre of the competitiveness issue for Ugandan fisheries and fish exports. The recent EU ban on Ugandan fish exports pointed to the need to take forceful action to ensure that health standards can be met. Ugandan processors are fully aware that strong action must be taken by the fishing sector, beginning with the local fishermen themselves, as well as by Government in establishing and enforcing environmental standards to the nation’s lakes and waterways. Regional cooperation is also required in the Lake Victoria region to preserve the environment of the lake and fish stocks for all three countries.

Similarly, the development of cotton sector poses very critical environmental issues. The use of fertilizers and pesticides must be addressed from the outset in the development of high quality, reliable sources of supply for local ginners. Increasing production is essential to the success of the sector that this must be done with careful application of fertilizers and pesticides.

Table 1

ECONOMIC IMPACT - WEIGHTINGS

PRODUCT AREA	Foreign Exchange					% Population Reached					SUB TOTAL
	5	4	3	2	1	5	4	3	2	1	
COFFEE	5					5					10
COTTON	5					5					10
FISH	5	4						3			8
TEA							4				8
IT/ EDUCATION	5					5					10
TOURISM		4					4				8
HORTICULTURE			3					3			6
FLORICULTURE			3					3			6
MAIZE					1	5					6
LEATHER				2			4				6
POWER			3							1	4
BEEF				2		5					7
TEXTILES			3					3			6

of

Table 2

COMPETITIVENESS- WEIGHTINGS

PRODUCT AREA	Market Size					Product Quality					Competitive Cost					Capacity to Compete					SUB TOTAL
	5	4	3	2	1	5	4	3	2	1	5	4	3	2	1	5	4	3	2	1	
COFFEE	5					5					5						4				19
COTTON	5						4								1		4				14
FISH	5					5					5					5					20
TEA	5					5							3						3		16
IT/EDUCATION			3				4					4							3		14
TOURISM	5								2					2						2	11
HORTICULTURE	5						4				5								3		17
FLORICULTURE	5						4				5						4				18
MAIZE					1			3							1					1	6
LEATHER	5							3				4								2	14
POWER		4				5									1				3		13
BEEF			3					3							1					1	8
TEXTILES	5								2						1					1	9

Table 3
Table 3

EASE OF IMPLEMENTATION- WEIGHTINGS

PRODUCT AREA	Institutional Support					Overcoming Barriers					SUBTOTAL	GRAND TOTAL	RANKINGS
	5	4	3	2	1	5	4	3	2	1			
COFFEE	5					5					10	39	1
COTTON	5						4				9	33	3
FISH	5							3			8	36	2
TEA		4						3			7	31	5*
IT/EDUCATION		4					4				8	32	4
TOURISM		4						3			7	26	7
HORTICULTURE	5								2		7	30	6
FLORICULTURE	5								2		7	31	5*
MAIZE					1					1	2	14	11
LEATHER			3							1	4	24	8
POWER					1					1	2	19	9
BEEF					1					1	2	17	10*
TEXTILES					1					1	2	17	10*



COMPETE PROJECT

Quarterly Report
January - March 2001





CARANA Corporation

THE COMPETE PROJECT
Competitive Private Enterprise and Trade Expansion

Quarterly Report
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Submitted to
United States Agency for International Development

By
CARANA Corporation

Prepared by
Anton Balasuryia

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Background

The Competitive Private Enterprise and Trade Expansion Project (COMPETE), funded by USAID-Uganda contributes to the Government of Uganda's *Medium Term Competitive Strategy for the Private Sector*, designed to enhance the competitiveness of the private sector, boost domestic economic activity and employment, and increase the country's foreign exchange earnings in global markets. As stated in the Strategy document, the "Process of Building a National Competitiveness Strategy" will include three components:

- Identifying the sources of competitive advantage in Uganda
- Analyzing those advantages and designing a strategy for building on these strengths
- Developing pilot projects for implementation

In response to the Government of Uganda strategy, the United States Agency for International Development (USAID) designed a two-phase project (COMPETE) over an 18-month period to assist the GOU in launching its program. CARANA Corporation was selected to undertake this assignment.

Phase 1 of the project, expected to be completed in April, 2001, has focused thus far on selecting four priority opportunity areas based on criteria agreed upon with the Special Task Force on Export Competitiveness. Also included in Phase I has been the organization of 'working groups' within those sectors that will both drive this process and report to the Special Task Force. Finally, work is continuing on the development of practical, step-by-step strategies that will be implemented over the remainder of the project.

Phase 2, the implementation phase, will be guided by these strategies and by a series of rolling three-month work plans, bringing in ever-broader participation from the selected sectors to build the capacity of Uganda's production, processing and marketing to meet international standards.

- This report is a status update on activities of the COMPETE project during the first quarter of 2001. During this period the COMPETE team has focused on Phase 1 of the project, the sector selection process and sector strategy development.

methodology for sector selection and strategy development

The COMPETE project has worked closely with the Special Task Force on Export Competitiveness, set up by Cabinet and chaired by the Ministry of Finance. The Task Force is composed of public and private sector representatives, as well as members of the donor community.¹ Beginning in December 2000, the COMPETE team held a series of workshops with the Task Force, with the objective of selecting four sectors on which to focus during the 18-month COMPETE project period.

¹ A list of Task Force members is attached in Appendix A.

In the course of three workshops, the Task Force and the COMPETE team reached agreement on the criteria for prioritizing the opportunity areas. Members of the Task Force submitted a “long-list” of the country’s economic sectors deemed most significant in terms of their contribution to Uganda’s GDP, employment, and export potential.

Selection Criteria

While each of the following sectors was considered significant in Uganda’s economy, the Task Force agreed that criteria would be established to select those that could have the most immediate and positive impact on the economy if improvements in their competitive position could be achieved. The Task Force agreed to examine the following criteria:

- *Macroeconomic Impact:* Which export sectors will have the greatest potential impact on the country’s development? Under macroeconomic impact, the key criteria examined included:
 - Potential size of foreign exchange earnings that could be generated by the sector
 - Percentage of Uganda’s population whose incomes will be improved by increased exports from these sectors

- *Sector Level Competitiveness:* Which sectors have the strongest capacity to compete in international markets?
 - Size and growth trends of international markets for these products
 - Ability of Uganda’s producers to meet international standards
 - Price competitiveness of Uganda’s products in world markets
 - Producer/management skill base available to strengthen the sector

- *Institutional, Legal, and Regulatory Environment for the Sector:* In which sectors can national export initiatives be organized most quickly and effectively?
 - Existence of strong institutional support within the sector to undertake initiatives.
 - Ease of overcoming regulatory and infrastructure barriers in the sector

Sector Selection Results

During a workshop in December 2000, the Task Force examined the initial list of approximately 20 sectors. Many sectors were eliminated at the initial screening stage, as they did not meet minimum criteria noted above. Thereafter, a short-list of sectors including coffee, cotton, fish, tea, tourism, horticulture, floriculture, maize, leather, power, information and communications technology, education, beef, and textiles was analyzed. The most recent data and analyses of these sectors and their export performance were studied.² Data on the value of exports, volume of exports, contribution to GDP, contribution to employment, quality and competitiveness of

² A complete list of source materials is attached in Appendix C.

products, and other information from these studies and official statistics were used in the selection process.

In December and January, the COMPETE team organized additional discussions. With facilitation by the COMPETE team, the Task Force ranked the sectors according to the key criteria noted above for macroeconomic impact, sector level competitiveness, and institutional, legal, and regulatory environment. A ranking scale of 1 to 5 was applied, with 1 indicating the lowest potential for impact, and 5 the highest. The rankings by sector are attached in Appendix B.

The ranking criteria provided a straightforward method for eliminating sectors for which there was a low chance of success under the time frame of the COMPETE project. For example, while the beef sector looks promising at first glance, it was eliminated because of its minimal export potential: beef is produced in abundance in neighboring countries. The power sector was eliminated because the growth potential is too long-term: the sector requires massive capital investment, a regional grid, as well as close cooperation with neighboring Kenya. The garment sector was discussed but eliminated because currently its products are not competitive: there is limited capacity to produce in Uganda since capital investment in the industry has been extremely low over the past 30 years.

In the final meeting held on January 22, 2001, the COMPETE team presented these preliminary findings to the Task Force for final review. Based on these findings, the Task Force designated eight sectors as the first candidates for national export initiatives. The sectors, by ranking, were as follows:

1. Coffee
2. Fisheries
3. Cotton
4. Information and Communications Technology
5. Floriculture
6. Tea
7. Horticulture
8. Tourism

The COMPETE team indicated that limited time and financial resources would permit it to focus on only four of these sectors during the period of the project. USAID representatives furthermore noted that under its current IDEA project (that promotes non-traditional agriculture exports), a successful effort is already underway to promote exports of floriculture products to foreign markets.

Sector Strategy Development

During the months of February-April 2001, the COMPETE team is developing the strategic framework for improving export competitiveness in each of the opportunity areas. Experts in international markets for coffee, fisheries, and cotton are in Uganda to forge partnerships in these sectors. The COMPETE team is seeking to persuade Uganda's private sector to take full ownership of the export competitiveness program by identifying its own 'champions' in each

sector who will work closely with COMPETE's team of experts in small 'working groups'. Similarly, the team is seeking to involve those government officials, both administrative and technical, who likewise will contribute significantly to strengthening the ability of the sectors to compete.

The strategies for each sector will define results objectives (such as changes in product and process of manufacture, product quality and differentiation, product diversification, penetration into new markets, as well as expansion into existing markets), select activities to achieve these objectives, establish indicators to measure outputs /results of these activities, and identify constraints (such as regulatory and infrastructure barriers) that impede improvements in exports. In such situations the Government and the private sector will jointly identify alternatives to overcome such barriers.

Once sector strategies have been defined and 'working groups' have been formed in each sector, the sector teams will define regular three-month rolling work plans of activities. Specific roles for participating firms and associations will be defined for each quarter. Schedules for activities will be outlined and targets set.

This report gives an overview of the three sectors covered, with some initial indication of the strategies to be followed.

The Coffee Sector

Macroeconomic Impact of Coffee Exports

Foreign Exchange. In recent years, coffee export earnings have ranged from a high of \$433 million in 1994-1995 to a low of \$165 million in 1999-2000. Currently prices are at historic lows and this year's crop of about three million bags is expected to earn around \$120 million. Coffee export earnings fluctuate in line with the price of coffee quoted on the relevant commodity exchange: robustas quoted in London, arabicas in New York.

Population Reached. Small holdings account for about 94 percent of the total area planted to coffee. About 450,000 farms in the densely populated band around the northern shore of Lake Victoria (the 'Lake Crescent') plant an average of a quarter of a hectare to robusta coffee, while 50,000 farms in the mountainous areas of the east and west plant an average of a third of a hectare to arabica coffee—some 12 percent of the population of Uganda.

Sector Level Competitiveness

Market Size. Ugandan robustas—90 percent of coffee exports—compete in the 'commodity' segment of the world coffee market. Total world trade in commodity coffee amounts to about 6.4 million tons worth \$8 billion at current prices. Uganda has about 1.2% of the world coffee market.

Product quality and capacity to compete. The weighted average price of all grades of Ugandan robustas free on board (FOB) Mombassa is roughly equal to the price quoted on the London International Financial Futures Exchange for robusta coffee. Since ocean freight, insurance and unloading increase the actual cost of delivering Ugandan coffee to a warehouse in London, it follows that Ugandan robustas cannot be delivered to the London exchange except at a loss. In other words, they must be sold elsewhere at a premium to the exchange price. This premium reflects quality attributes that exceed the requirements of the London exchange.

For decades, the Uganda Coffee Marketing Board was a coffee monopsony and sole exporter that maintained the reputation of Uganda robustas through strict quality control. When the Board ceased operations in 1991, numerous firms entered the Uganda coffee trade as exporters and as intermediaries between farmers and exporters. The resulting competition induced traders, then farmers, to relax practices designed to preserve quality in an attempt to maintain margins.

Over recent years, some roasters, unable to justify the premium price, have stopped buying Ugandan robustas. Others have warned the Ugandan coffee industry that they may also cease buying at a premium unless robusta quality improves.

Consequently there is a double threat to export earnings: low market prices and an evaporating premium. The resultant prices for farmers are likely to approach or drop beneath the cost of production. Without the cash income from coffee, small-holders cannot obtain the capital they need to invest in their operations.

Institutional, Legal, and Regulatory Environment for the Sector

Institutional support. The Uganda coffee industry is characterized by organizations that represent single components of the coffee system: the Ugandan Coffee Trade Federation represents mostly exporters; and the Ugandan Coffee Farmers Association mostly small-holders. Within the Ugandan coffee industry there is a consensus among knowledgeable players that the first step to improve competitiveness should be the restoration of Uganda's image for quality robustas. The second should be an increase in production so that foreign exchange earnings are maximized. Similarly there is agreement that such moves require that the linkages between the components need to become more constructive.

Ease of overcoming barriers. Farmers, processors, exporters and the Ugandan Coffee Development Authority understand the technical means of improving coffee quality. The challenge is to establish linkages between key components of the coffee system—farmers and exporters, exporters and roasters—that reward the preparation and preservation of good quality coffee.

In a free market, these linkages are of a different order from those that pertained under the Uganda Coffee Marketing Board system. Nonetheless there exist new Ugandan models where satisfactory linkages between farmer and exporter have been achieved. Other farmers, and possibly some exporters, are expressing an interest in following these models.

The Ugandan coffee industry has the potential and the will to re-establish the unique quality of its robustas and consolidate the premium over robustas from other origins, thereby partially insulating itself from troughs in the world market price. This 'buffer' would contribute to the alleviation of poverty by helping to stabilize the cash income of almost half a million small-holders.

Defining a Competitiveness Strategy

The competitiveness model consists of a process that begins with the market. The working group will define the consumer or a proxy. In the case of Uganda coffee, it is the international coffee roaster who incorporates Ugandan robustas into arabica:robusta blends, transforms it into soluble coffee or markets it as niche product, for example espresso.

The first task in the process requires the private sector members of the 'working group', assisted where appropriate by their public sector counterparts, to agree upon an understanding of the market that is transformed into a pragmatic national marketing strategy.

Success in implementing this strategy depends upon:

- Mobilizing a number of linked organizations in the Ugandan sector - basically farmers+processors+exporters, who with the support of key services, such as, utilities, information and finance, meet or exceed the needs of the international buyers;
- Identifying and deploying processes and practices used by such successful linkages;
- Comparing actual with ideal performance measures, and defining the gap to be bridged. When this gap is quantified, intermediate goals can be set;

- Identify all existing activities that are contributing to the ideal marketing strategy, including uncoordinated initiatives (such as isolated efforts in agronomics or working capital finance).

COMPETE's role will then be to:

- Introduce/propose successful initiatives, particularly those that can serve as models (nucleus estates, exporter premium programs);
- Identify success factors that produce results in export initiatives;
- Build and strengthen linkages among components (agronomy, promoting farmer-owned businesses) of the system so that the joint efforts can help the Ugandan industry meet intermediate goals;
- Undertake actions within the scope of the COMPETE project that complement or enhance the work of successful linkages (surveys, management development of key organizations);
- Promote and help coffee farmers, processors, and exporters to solicit help from international donors and others to further their efforts;
- Introduce new players - international or local - to accelerate progress towards an effective marketing strategy;
- Measure progress;
- Communicate achievements by the Ugandan industry in closing the gap between current coffee quality and the quality that meets or exceeds roasters expectations.

The Fisheries Sector

Currently, virtually all fish exports originate from Lake Victoria. While there are natural limitations to the fish stock, with proper preservation and management of these stocks in the lake, the fish resources can continue to provide a source of valuable foreign exchange and economic development over the longer-term.

Macroeconomic Impact of Fishery Exports

Foreign Exchange. In terms of the economic impact, the fisheries sector is the second largest foreign exchange earner for the country. Currently fish exports are estimated to total approximately \$60 million, or 7 percent of total exports, according to the Bank of Uganda. The Uganda Fish Exporters Association estimates that the likely maximum yield for Uganda from Lake Victoria will total between \$100 and \$110 million, given the current state of stock management.

Population Reached. In terms of the larger impact on incomes, the Ugandan Fish Exporters Association estimates that well over 140,000 artisan fisherman are directly involved in the catch of both Nile perch (*Lates Niloticus*) and various species of Tilapia. The Department of Fisheries estimates that over 700,000 people depend on fisheries and related activities for their subsistence.

Fisheries Production: The principal species of food fish harvested in Uganda, are Nile Perch

(Lates Niloticus) and various species of Tilapia. (*Oreochromis niloticus*, *Tilapia zilli*). In 1999 over 111,000 tons of fish were harvested from Lake Victoria. Other lakes, principally Lake Kyoga, produced almost 80,000 tons of fish, largely for the domestic market. However, with development of inland fisheries, and the promotion of new aquaculture production techniques, fish resources for export may well broaden. Moreover, the potential for fish farming and aquaculture, both in Lake Victoria and in other lakes and waterways in Uganda, is only beginning to be assessed. Currently most of the aquaculture emphasis has been on small Tilapia ponds for subsistence farmers. With proper technologies and environmental controls, it is expected that commercial fish farming can become another important source of fish for both domestic consumption, and for the export market.

Sector Level Competitiveness

Market size. Judged on the basis of the natural competitiveness of Ugandan fisheries in international markets, the fish sector ranks very high. International demand for high quality white fish like Nile perch is high, and growing. Even during the period of the EU ban, Ugandan processors were quickly able to find alternative markets in North America and Asia. The recent EU quotas imposed on North Atlantic fishing for cod will decrease the current supply of white fish in European markets and increase demand and price for Nile perch.

Product quality and capacity to compete. The quality of Nile perch is uncontested and as a result of the continued improvement of the sanitary conditions, and the EU sanctioned testing program, the EU ban has recently been lifted. Therefore Ugandan fish exports are now meeting or exceeding all market criteria, and the market demand will continue to grow. Air transport facilities out of Entebbe have made shipments to Europe and beyond timely and competitive, and allowed the Ugandan exporters to ship a higher valued fresh “chilled” fillet to the European market. The selling price has steadily increased since the lifting of the EU ban.

Competitive cost. The harvesting of the Nile Perch is carried out by small artisan fishermen using hand-made gill nets and hand-held fishing lines. Many of the fleet of approximately 140,000 wooden fishing boats are not motorized and do not have a large capital investment. The medium sized fishermen make investments in canoes with motors, more costly nets, and equipment. Even using motorized fishing and transport boats, the variable cost of the fish is estimated to be \$0.36 per kilo. The fish traders and transport boats increase the price to approximately \$0.45 per kilo. Therefore the landed price of fish is driven by competition for the raw materials, and the growing demand for the Nile Perch in the international market.

Commercial aquaculture. The expansion of the market for Nile Perch has also caused both the sales price and the price of the fish paid to fishermen to increase. The dockside landed price of the fish is now at a point where commercial scale aquaculture of the principal export species can now be considered. The COMPETE Project will therefore investigate the possibility of using commercial aquaculture as a complement to the captured fisheries production. The project will develop a model for the adoption of appropriate technology, hatchery and feed technology that could be tested in a pilot project and adapted on a commercial scale.

Institutional, Legal, and Regulatory Environment for the Sector

Institutional support. The Task Force and the COMPETE team also judged that the fisheries sector has developed very strong institutional support, both from the private and public sector sides. Processors have come together in the Ugandan Fish Processors & Exporters Association, which has been instrumental in successfully addressing problems facing the sector, such as the EU ban. Assistance from the Ugandan Investment Authority has also been critical in attracting private laboratory and testing facilities into the country to certify sanitation and quality of fish for export. Government bodies such as the Department of Fisheries Resources, the Food and Science Research Institute in the NARO, and the National Environmental Management Association are also partners to the sector, thereby facilitating efforts to improve export competitiveness.

Defining a Competitiveness Strategy

Based on COMPETE's assessment during February, 2001 of the fisheries sector, the team is developing a strategic plan based on several conclusions concerning the current status of the sector:

- Improving the value of the current exports:

Since it is not advisable at this time to increase the harvest volume of Nile Perch, an increase in the value of the fish being harvested and exported is the most feasible approach. The fish processing industry has made the plant improvements necessary to meet international export standards. The industry currently has the plant capacity and ability to expand into value-added processing. These products would include pre-packed, vacuum packed portions. In addition to smaller natural fish fillet, the larger fillets can be cut to specific sizes, and packed for the retail and supermarket trade. Institutional and food service packages, especially breaded fish steaks and "fish fingers" have the ability to compete with Cod and other white fish that have traditionally dominated the institutional market.

- Increase the value of fisheries by-products:

At present, only the fish bladders command a reasonable price as a Nile Perch by-product. The fish frames (head and skeleton), and the meat trimmings from the fillets are sold locally for animal feed. A strategic approach is to experiment using the trimmings and neck meat for a fish ball formula. A ground fish and filler formula can be developed that is dense and cost effective to ship as frozen product to the Asian countries. The heads and cheek pieces may also have a market in the Asian countries.

- Investigate other production areas, and develop landing sites:

Other production areas, especially Lake Albert and Lake Kyoga require additional investigation. From Lake Victoria itself, Kenya is harvesting approximately 180,000 metric tons of fish with 11% of the lake in its territory. Uganda is harvesting 110,000 metric tons with 41% of the lake in its territory. Fish being harvested from the areas bordering Kenya are currently being traded in Port Victoria in Kenya. If fish landing sites were developed in areas in the district of Iganga, more fish harvested in Uganda waters could be processed and exported by Ugandan processors.

- **Commercial aquaculture development:**

A combination of factors contributes to making the introduction of commercial aquaculture timely and important. Improvements in market demand have increased the dockside price for Nile Perch, especially smaller sized fish, (minimum allowable size is 18 inches). Since a majority of the fish is being exported as fresh "chilled" fish fillets, at a premium price, the market is demanding a smaller size of Nile Perch fillet. The higher dockside price and the demand for smaller size fish now make commercial aquaculture a more feasible commercial venture. Analysis should be done on the reproductive biology of the Nile Perch, and in-lake field experiments be carried out using net cages to determine growth rates and input costs. At the same time additional studies are needed relating to the environmental conditions in influencing the breeding and migration of species. The in-lake net cage experiments should also be carried out for Nile Tilapia (*Oreochromis niloticus*). The effects of these in lake production systems should be carefully monitored with water quality indicators carefully recorded. Modeling can be carried out, in order to determine if this form of production is appropriate to Lake Victoria.

The Cotton Sector

Macroeconomic Impact of Cotton Exports

Foreign Exchange. The Special Task Force determined that the cotton sector is able to make a critical contribution to Uganda's longer-term economic development and its export growth. The re-establishment and expansion of this sector, which dominated the economy in the 1960s, also can support value-added activities in the areas of textiles, garments, and oilseed crushing as well as specialty products such as sanitary and medical products. These activities can support export growth and enhance foreign exchange earnings. This is especially relevant with the enactment of the African Growth and Opportunities Act (AGOA) by the United States Congress. Uganda is well placed to benefit from AGOA through establishment of textile manufacturing using local cotton to supply textiles to the garment industry both at home and in the United States. The likely prospects of Uganda becoming a significant textile and garment producer, as well as specialty producer of cotton based organic and sanitary/medical products needs to be integrated into the country's longer-term strategy.

In terms of broad economic impact, the COMPETE team and the Special Task Force concluded that the potential would be significant for foreign exchange earnings as well as support for incomes of a large percentage of the population. According to the latest available statistics from the Bank of Uganda, cotton is currently the fourth largest export commodity after coffee, fish and tea. It is also a major supplier of raw materials for the edible oil, soap, and livestock feed industry, thereby providing support linkages to other manufacturing sectors.

Population reached. According to the Cotton Development Organization (CDO), the number of cotton growers totaled approximately 430,000, and was estimated to increase to 500,000 by the year 2000. This compares to over 700,000 in the early 1970s, before the collapse of the Uganda

economy. Cotton production increased to near 120,000 bales in 2000, compared to only 10,000 bales in 1991 and 60,000 in 1995/6. The 2000/01 harvest is estimated at 90,000 bales, down from 1999/00 because low prices discouraged farmers from producing the crop. Cotton growing is distributed across a large portion of Uganda, principally in the eastern, northern, and western regions and hence has an important impact on mitigating rural poverty. For many rural people it is their only cash crop.

Sector Level Competitiveness

Market size. Uganda's climate and agronomic conditions offer good support for the revival of the cotton growing and ginning industry. A resurgence has already begun as a result of the Cotton Sub-Sector Development Project (CSDP) that began in 1994. With its favorable growing conditions, Uganda can produce substantial quantities of high quality medium staple length cotton. It is estimated that with the right technological inputs, Uganda could well exceed production rates of the former peak years and re-establish itself as a supplier of choice. A revival and expansion of the cotton sector can generate nearly four times its present contribution to the economy.

Product quality and capacity to compete. Ugandan cotton ranks very high in terms of product quality, competitive cost of production, and its the future capacity to compete. Uganda's medium staple length cotton is considered a quality for which international markets are continuing to grow and for which premiums are being paid.

Competitive cost. Good growing conditions make cotton production relatively cost effective when international prices are at average levels. However, land transport costs through Kenya reduce cost advantages, although the product can still be competitive. This transportation cost does argue for increased value added at the point of origin in Uganda. Current under-utilized ginning facilities will permit Uganda to expand yarn and textile production without major investment in gins. With this raw material base and infrastructure in place, it is more likely that the textiles industry can be revived and expanded in the near future when equal playing fields are in place with respect to competitors. Presently, textile manufacturers indicate that the playing field between Uganda and India and Pakistan is not equal due to export incentives provided by the governments of India and Pakistan.

Institutional, Legal, and Regulatory Environment for the Sector

Institutional Support: In terms of institutional support to the cotton sector, the recent creation of the Cotton Development Organization (CDO) in 1994 and the Ugandan Ginners and Cotton Association (UGCA) will facilitate a successful export initiative in the sector. The Cotton Sub-Sector Development Project (CSDP) stimulated the development of a new strategy for the sector and led to the creation of these support bodies. The appointment of the ACE group (Audit Control and Expertise) by the UGCA to oversee quality control and monitoring at the ginnery level is a key support factor in the process of ensuring the quality of Uganda's exports. The activities of NARO (National Agricultural Research Organization) in the area of cotton research, the credit program directed by the Development Finance Department of the Bank of Uganda and commercial banks all constitute solid institutional support for the cotton sector.

Overcoming Barriers. The barriers facing the industry have been addressed but constraints still exist, particularly with respect to cotton productivity. Solutions will require close government cooperation with the private sector. Services that can help educate farmers on growing techniques, use of fertilizers, pesticides, and other inputs and production practices need to be channeled through a strengthened extension service system. Proper use of essential inputs such as pesticides must be monitored to ensure that the quality of cotton is not compromised.

The Information and Communication Technology and Education sector

Export from the information technology and education sector was determined by the Task Force as an important area of opportunity. Uganda's institutions of higher education have traditionally been centers of research and training in East Africa, attracting students and researchers from throughout the region. The development of information technologies that can support the development of Uganda's and East Africa's economies can be an important source of export receipts and economic development. The development of these technologies will be closely linked to Uganda's educational establishment.

The COMPETE team is in the process of analyzing this sector, and has proposed that work in the sector be of a cross-cutting nature, focused on strengthening the competitiveness of the coffee, cotton, and fisheries sectors. This would also serve as a point of departure for developing the sector more broadly.

APPENDIX A

Task Force Representatives Participating in the Sector Selection Process for COMPETE

Name	Institution	Designation	Contact
1. Mr. Keith Muhakanizi	Min. of Finance Planning & Economic Development	Commissioner - Economic Development Policy Department	230290
2. Mr. Lance Kashugyera	Min. of Finance, Planning & Economic Development	Principal Economist	349130 077441662
3. Mr. A. N. Bisamaza	Office of The President	Acting Director/Econ. Affairs	344014
4. Dr. Maggie Kigozi	Uganda Investment Authority	Executive Director	251916
5. Mr. Gideon Badagawa	Private Sector Foundation	Senior Policy Analyst	236394
6. Mr. Jacob Opolot	Bank of Uganda	Senior Banking Officer	258441
7. Mr. John Munanuka	Uganda National Chamber of Commerce and Industry	Secretary General	259554 077 441804
8. Mr. John Ssenyonjo	Min. of Tourism, Trade and Industry	Director	343947
9. Mr. John R.W. Aluma	National Agricultural Research Organization	Deputy Director General Research	320264/320472
10. Mr. Ben Manyindo	Uganda National Bureau of Statistics	Head of Technical Department	222367/9
11. Mr. Michael Atinlet	Bank of Uganda	Director – Research Dept.	230791
12. Ms. Glorie Kempaka	Economic Policy Research Centre	Executive	541023
13. Mr. Charles Gashumba	Agricultural Policy Secretariat	Executive	233819
14. Mr. Peter Fairman	Min of Finance, Planning & Economic Development	Advisor	234702
15. Mr. Robert Rutaagi	Uganda Export Promotion Board	Executive Director	259779
16. Mr. Ron Stryker	USAID	Agriculture and Economic Growth	258983
17. Mr. Anthony Way	DFID Department of International Development	Advisor – Enterprise Development Ass.	348727
18. Mr. Solomon Rutega	Uganda Coffee Exporters Association	Ag. Executive Director	077 408474
19. Mr. Dick Wadada	Uganda Coffee Development Authority	Ag. Principal Quality Controller	257139
20. Mr. Waniaala	Private Sector Foundation/Trade Policy Project	Director	348731

Name	Institution	Designation	Contact
21. J.G. Munabi	Uganda Tea Association	Executive Secretary	231003
22. Mr. Patrick Mubiru	Uganda Tea Growers Corporation	Financial Controller	0483 22122
23. Ms. Jolly Sabune	Cotton Development Organization	Managing Director	230402
24. Ms. Marina Reusens	Uganda Fish Exporters Association	General Secretary	075 749400

APPENDIX B: SELECTION RANKING

Macroeconomic Impact: Which export sectors will have the greatest potential impact on the country's development?

Table 1 ECONOMIC IMPACT - WEIGHTINGS

PRODUCT AREA	Foreign Exchange					% Population Reached					SUB-TOTAL
	5	4	3	2	1	5	4	3	2	1	
COFFEE	5					5					10
COTTON	5					5					10
FISH	5							3			8
TEA		4					4				8
IT/EDUCATION	5					5					10
TOURISM		4					4				8
HORTICULTURE			3					3			6
FLORICULTURE			3					3			6
MAIZE					1	5					6
LEATHER				2			4				6
POWER			3							1	4
BEEF				2		5					7
TEXTILES			3					3			6

Scoring: (5 = high potential; 1 = low potential)

Foreign Exchange: Potential size of foreign exchange earnings that could be generated by the sector

% Population Reached: Percentage of Uganda's population whose incomes will be improved by increased exports from the sector

Sector Level Competitiveness: Which sectors have the strongest capacity to compete in international markets?

Table 2

COMPETITIVENESS - WEIGHTINGS

PRODUCT AREA	Market Size					Product Quality					Competitive Cost					Capacity to Compete					SUB-TOTAL
	5	4	3	2	1	5	4	3	2	1	5	4	3	2	1	5	4	3	2	1	
COFFEE	5					5					5						4				19
COTTON	5						4								1		4				14
FISH	5					5					5					5					20
TEA	5					5							3					3			16
IT/EDUCATION			3				4					4						3			14
TOURISM	5								2					2					2		11
HORTICULTURE	5						4				5							3			17
FLORICULTURE	5						4				5						4				18
MAIZE					1			3							1					1	6
LEATHER	5							3				4							2		14
POWER		4				5									1			3			13
BEEF			3					3							1					1	8
TEXTILES	5								2						1					1	9

Scoring: (5 = high potential; 1 = low potential)

Market Size: Size and growth trends of international markets for these products

Product Quality: Ability of Uganda's producers to meet international standards

Competitive Cost: Price competitiveness of Uganda's products in world markets

Capacity to Compete: Producer/management skill base available to strengthen the sector

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Table 3

EASE OF IMPLEMENTATION - WEIGHTINGS

PRODUCT AREA	Institutional Support					Overcoming Barriers					SUB-TOTAL	GRAND TOTAL	RANKINGS
	5	4	3	2	1	5	4	3	2	1			
COFFEE	5					5					10	39	1
COTTON	5						4				9	33	3
FISH	5							3			8	36	2
TEA		4						3			7	31	5*
IT/EDUCATION		4					4				8	32	4
TOURISM		4						3			7	26	7
HORTICULTURE	5								2		7	30	6
FLORICULTURE	5								2		7	31	5*
MAIZE					1					1	2	14	11
LEATHER			3							1	4	24	8
POWER					1					1	2	19	9
BEEF					1					1	2	17	10*
TEXTILES					1					1	2	17	10*

Scoring: (5 = high potential; 1 = low potential)

Institutional Support: Existence of strong institutional support within the sector to undertake initiatives

Overcoming Barriers: Ease of overcoming regulatory and infrastructure barriers in the sector

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The following bibliography lists resources that have been consulted as part of the sector selection process. These resources include government reports, statistical data, reports from previous donor funded projects and sector association reports, among others. The bibliography is sorted by sector, beginning with the four covered under COMPETE, followed by thematic topics.

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COMPETE
Quarterly Report
April to June 2001

Prepared by Anton
Balasuriya



QUARTERLY ACTIVITY REPORT

Second Quarter April-June 2001

SUMMARY OF COMPLETED TASKS FOR SECOND QUARTER

During the second quarter of 2001, CARANA completed Phase I of COMPETE and launched implementation of Phase II, as outline below:

Phase I

- Formation of sector working groups for coffee, cotton and fisheries
- Development of competitiveness strategies and formulation of working group action plans for each sector, defining priority actions and responsibilities
- Development of three-month rolling work plans and notional work plans through May 2002 for each sector based on the action plans
- On-going liaison with the Presidential Task Force on Export Competitiveness
- Development of preliminary indicators and benchmark baselines for measuring progress in each sector
- Assessment of the role of information and communications technologies to support the competitiveness drive in the selected sectors
- Preliminary design of a national communications strategy designed to mobilize both public and private sector support for the competitiveness initiative

Phase II

- Launched implementation of action plans in each sector

SUMMARY OF PLANNED TASKS FOR THIRD QUARTER

- Continued implementation of actions plans
- Finalization of ICT and communications strategies with working groups
- Plan national competitiveness conference



COMPLETED TASKS FOR SECOND QUARTER

Phase I

1. Formation of sector working groups for coffee, cotton and fisheries

During the April-June period, CARANA established three sector working groups comprising individuals representing different stakeholders in each sector, including producers, processors, other intermediaries, exporters, representatives of sector associations, donor projects, and research and government institutions. In some cases, it was the first time that the cluster members had all met together to discuss sector issues. The objective of the working groups is to forge public-private cooperation in implementing the action plans and develop self-sustaining leadership groups in each sectors that can give long-term continuity to the competitiveness process.

The role of the government as a stakeholder and partner with these sectors was established through several alliances. At the highest level, the COMPETE team is working with a special Presidential Task Force on Export Competitiveness chaired by the Ministry of Finance, Planning and Economic Development. This allows COMPETE to position its project goals at the highest levels of government. Working collaboratively with USAID and the Task Force, the COMPETE team has been able to present its concepts and activities to the President and expects to continue this consultation during the next quarter. The Task Force is proposing to the President the convening of a national Export Competitiveness Conference that will focus national attention and resources on the needs of Uganda's economy to improve its export performance in world markets.

In each of the three sectors, the COMPETE team has been able to integrate government participation in the sectors' specific activities:

- In the cotton sector, COMPETE is working in close cooperation with the Cotton Development Organization (CDO), which has designated a senior representative to serve as an active member of the cotton sector working group.
- In the coffee sector, COMPETE has established a cooperative partnership with the Uganda Coffee Development Authority (UCDA), a statutory body of the government. A senior representative of the Authority is a member of the working group. He will serve as liaison between the government and the various players in the coffee sector.
- In the fisheries sector, the Department of Fisheries (DOF) has seconded a senior official to ensure cooperation between the government and the fisheries sector, with a strong focus on aquaculture development.



These government and quasi-government representatives are in a unique position to promote the goals of COMPETE. Their involvement is designed to address specific interventions of the government in the area of policy and help overcome infrastructural and administrative constraints that hamper progress toward more competitive export sectors.

Each of the working groups identified partners within USAID and other donor financed projects, institutions and associations. These partners have pledged collaborative assistance to support strategic interventions, including funding and technical assistance, on a sector-by-sector basis. The COMPETE team has developed working relationships with SPEED, IDEA, ACDI/VOCA, and Private Sector Trade Policy Capacity Building Projects. In addition, COMPETE is developing joint activities with other expatriate and Ugandan groups such as UIA, PSF, UCDA, UFTA, UCFA, CDO, FPAEA, UNIDO, ITC/UEDB, UCGEA, UMA, and UNCCI.

2. Development of competitiveness strategies and formulation of working group action plans for each sector, defining priority actions and responsibilities

Once the sector selection was finalized, COMPETE assigned industry experts to serve as Team Leaders for each work group, conduct detailed analysis of the competitiveness factors and develop a preliminary set of actions for development. Based on that research, detailed action plans were developed through facilitated brainstorming sessions with each working group in early May, aimed at identifying priorities and establishing responsibility for follow up.

3. Development of three-month rolling work plans and notional work plans through May 2002 for each sector based on the action plans

Based on the results of the brainstorming sessions, the Team Leaders developed detailed notional work plans for each sector, which were submitted in May, and established three month rolling work plans for the coming quarter (attached).

4. On-going liaison with the Presidential Task Force on Export Competitiveness

The COMPETE COP has maintained on-going communications with Keith Muhakanizi, the key point of contact at the Presidential Task Force, to ensure that they reviewed and approved the action plans.

5. Development of preliminary indicators and benchmark baselines for measuring progress in each sector.

During the current quarter the sector working groups began to discuss the types of practical measurements or benchmarks that can be monitored over time to determine the extent of improvement. By the end of June, the groups identified preliminary measures. During the month of July, each working group will decide on two or three benchmarks for their sectors that will be used as points of reference to assess their progress in terms of competitiveness. A



baseline measure will be determined, against which progress can be measured every six months. The working groups hope to show visible progress by the December-January period on at least some of the measures, but it will vary by sector. For example, in the cotton sector there is only one crop per year and it will be difficult to measure visible progress this season.

6. Development of the role of information and communications technologies to support the competitiveness drive in these specific sectors

In May, COMPETE launched the development of an ICT cross cutting strategy by assigning a consultant to work with each working group to identify opportunities to apply new technologies to improve competitiveness in each sector. The result of that assignment was:

- Preparation of a proposal for constitution of an ICT working group and process for developing and vetting a cross cutting ICT strategy for the sectors
- Establishment of parameters and assumptions for a cross cutting ICT strategy
- Identification of initial ideas for ICT activities under COMPETE and SPEED (to be vetted and developed in working group process)

7. Development of a national communications strategy designed to mobilize both public and private sector support for these efforts

In the second quarter, COMPETE assigned a consultant to develop an outreach strategy for mobilizing public and private support of the competitiveness initiative, championed by the President. An initial proposal has been developed for consideration of the working groups and USAID, which involves a four-phased program aimed at: mobilizing participation of leaders, educating key members of the media, outreach to the general public, and marketing to potential investors and external buyers

Phase II

1. Launched implementation of action plans in each sector

Attached to this report are detailed sector reports for coffee, cotton, and fisheries, in addition reports on communications strategy and information and communications technology (ICT).

SECTOR REPORT: COFFEE

Planned Activities.

- Establish sector working group
- Develop sector action plan
- Develop three month rolling work plan and notional plan through May 2002
- Launch action plan implementation

Completed Activities. COMPETE facilitated consultations with sector stakeholders and established a Coffee Working Group. A stakeholders' workshop was conducted to discuss the baseline findings on sector competitiveness in demand, factors of production, cluster support and firm strategies. The Coffee Working Group strategy focuses on *enhancing productivity and expanding production, establishing a quality standard for coffee, strengthening sector institutional structures, and establishing competitive market channels*. The highest priorities are:

1. To identify customer needs and expectations.
2. To establish a quality standard for coffee and inaugurate a quality benchmark (seal) for Ugandan export.
3. To establish stringent guidelines for process handling and quality enhancement.
4. To restructure the coffee trading system.
5. To establish a socio-economic support structure for the coffee sector.
6. To develop a mechanism to assure the flow of accurate and timely information on present and future markets, and technical and quality aspects of coffee production and marketing
7. To strengthen the institutional cluster support system.

Results. The Team Leader undertook an survey of US and European roasters and attended a trade show in Miami, to identify their requirements and judgment of the quality of Ugandan coffee.

Problems and Issues. The process of establishing a quality standard requires a review of Ugandan legal enactments pertaining to coffee quality standards and strengthening of the institutions regulating the coffee industry. Sectoral organizations, such as UCDA, UCTF and UCFA are being evaluated for restructuring to meet the challenges of competitiveness. In the second quarter, COMPETE decided to replace the coffee advisor, delaying implementation in that sector. The new advisor has been approved and will start July 1. Moreover, the priority actions and content of the action plan has changed and is reflected in the difference between the second quarter rolling work plan and the third quarter rolling work plan (attached).

Next Steps/Rolling Work Plan for the Quarter.

- Establish the preconditions for a quality seal for coffee
- Undertake an assessment of UCDA to develop a technical assistance plan for strengthening institutional capacity



- Examine opportunities for entry of Ugandan coffee into niche markets, especially the fair price market where buyers buy directly from growers.
- Disseminate the findings from the customer needs assessment to target stakeholders with a view to creating awareness of the practices and standards in the coffee industry.
- Approach ACIDI/VOCA to identify people with “hands-on” expertise in agronomics, tissue culture, soil science/sampling, farmer association capacity building, wet-coffee processing, environmental science, roasting & blending and international marketing.



SECTOR REPORT: COTTON

Planned Activities:

- Establish sector working group
- Develop sector action plan
- Develop three month rolling work plan and month notional plan through May 2002
- Launch action plan implementation

Completed Activities. COMPETE facilitated a working session of the Cotton Advisory Working Group (CAWG) that resulted in a strategy and action plan that identifies the constraints on competitiveness of the sector at all levels of the commodity system from farm producer to ultimate consumer and then prioritizes them and identifies specific actions to be taken to remove constraints. The CAWG strategy focuses on *increased cotton productivity and production, improved utilization of ginneries and textile mills, increased production of value added products in an effort to benefit from the AGOA legislation and research, and institutional strengthening to support these production thrusts.* Implementation of action items began immediately with:

- *Demonstration plots.* Through collaboration with IDEA, the COMPETE team was able to leverage an existing project to immediately launch pilot demonstration plots for the 2001/2002-crop year. Without this cooperation it would not have been possible to get the demo plots in place in time for the season. These plots will permit the development of video materials that will help cotton productivity efforts via training programs in the off-season.
- *Review of AGOA.* A team from the Private Sector Trade Policy Capacity Building Project carried out this work.
- *Technical assistance.* Terms of Reference were prepared for technical assistance.
- *Research assessment.* Questionnaires were prepared to survey stakeholders' regarding their opinions with respect to research needs.

Results.

- *Demonstration Plots.* The results of the demo plot program will be the implementation of 1200 demo plots that farmers will be able to visit and learn from. Also, these plots will show practices to farmers that are practical and can be implemented by them. The plots will permit preparation of video material that will be used in preparing training materials.
- *AGOA.* The review of AGOA defined next steps for getting Uganda registered as a participant.
- *Research assessment.* Results of the survey will be used to develop a strategy for improving and enhancing the cotton sector research agenda.

Problems and Issues.

- COMPETE's ability to proceed fully with the action plan requires a waiver to the Bumpers amendment allowing provision of assistance to all levels of the cotton sector.
- Securing commitments from other USAID and donor projects is difficult due to the fact that implementing organizations must get approval for adding or modify their own work plans.



- Cluster organization and integration remains a critical need.
- There has been lack of political will for getting Uganda registered under AGOA
- The Cotton Conference cannot be scheduled until the date of Export Competitiveness Conference is determined.

Next Steps/Rolling Work Plan for the Quarter.

- Ensure with IDEA that farmers are taken to see the cotton demo plots.
- Identify and establish input distribution points in Parishes (IDEA distributors & others), and get suppliers lined up to serve the distribution points before the next crop year.
- Organize to improve practices used by farmers at harvest time so quality can be kept high.
- Organize for the video monitoring of demo plots and make the shootings at appropriate times throughout the cotton-growing season.
- Start to promote block farming and expansion of large nucleus type estates.
- Gather input with respect to research needs, and develop ideas concerning an on-going research strategy for the sector, which includes the private and public role.
- Prepare baseline memo on financing of the cotton sector, and develop a finance strategy for the sector that will ensure trade needs.
- Obtain STTA assistance to carry out a technical audit of gins. The SOW has been prepared.
- Examine and understand the practices used to ensure cotton quality, and where necessary suggest improvements.
- Conduct trip to Tanzania to examine the cotton sector practices there to identify steps that might be taken to ensure competitiveness in Uganda.
- Obtain STTA assistance to carry out a technical audit of the textile mills. The SOW has been prepared.
- Gather input via survey of industry participants to determine information needs of the sector.
- Continue to monitor progress on registration of Uganda under AGOA, and continue to make firms aware of the opportunities under AGOA.
- Prepare a brochure that inventories firms and products in the textile and garment sector, so as to be better prepared to meet AGOA market opportunity.
- Assist in making industry aware of the standards that must be met by products exported via AGOA.
- Assist in helping to bring together Ugandan and US firms to take advantage of AGOA.
- Work on preparation for a national cotton conference to be held later in the year.
- Inventory existing cotton sector associations, identify needs of these associations, and develop programs for organizing and developing new associations.

SECTOR REPORT: FISHERIES

Planned Activities:

- Establish sector working group
- Develop sector action plan
- Develop three month rolling work plan and notional plan through May 2002
- Launch action plan implementation

Completed Activities. COMPETE facilitated a working session of the Fisheries Working Group that resulted in a strategy and action plan based on *improving the production value of existing fisheries harvest, expanding production through commercial aquaculture, and developing new markets*. Implementation of action plan items began immediately, including:

- Preparations for an aqua culture initiative including hatchery trials
- *Market development.* Investigation into export market diversification into added value fish products in the United States, Europe and Asia.

Results.

- *Aquaculture.* Makerere University Biology department and the Environment Authority have pledged close cooperation with the breeding trials.
- *Market development.* The members of the working group agreed to prepare samples to be sent to prospective buyers. Samples prepared were frozen fish meat blocks and fish heads. These were carried by the COMPETE team to buyers both in Singapore and China. Mr. Kaelin also visited the Boston and the European seafood expositions. It was found that in both markets, Nile perch is considered a low cost alternative to cod and other types of white fish. The SPEED project has agreed to support two market surveys in Europe and Asia to further investigate the demand for various fish products.
- In order to increase fish production and avoid waste, it was also decided to evaluate the introduction of a more cost effective boat, and better handling of fish through a modern receiving station. SPEED has been requested to support these two interventions as well.
- The project supported the UNIDO initiative in ISO standards and five factories are set to obtain ISO 9000 standard.

Problems and Issues.

- The need to be informed of the demand for various fish based products in markets in the US, EU and Asia.
- The objections raised by Kenyan and Tanzanian authorities to fish cage farming in Lake Victoria. Fair progress has been made to overcome these barriers. Following the objections raised by Tanzanian and Kenyan authorities, the COMPETE team met with the Fisheries Commissioner to discuss these objectives. He advised that the trials be conducted after a proper environment assessment study has been completed in lakes that are within the jurisdiction of Uganda, such as, Lake Kyoga.
- The need to enact new laws to establish ownership of fish cages in the lakes.



- To obtain comprehensive data on fish breeding trials that have been done earlier on Nile Perch.

Next Steps/Rolling Work Plan for the Quarter

- Development of new value added products idea, with culinary and supermarket experts, and product trials
- Implementation of hatchery trials
- Implementation of net cage trials
- Development of environmental monitoring and modeling program for net cages
- Research on financing sources
- Assessment of landing site infrastructure and identification of alternative models



COMMUNICATIONS STRATEGY REPORT

Planned Activities:

- Begin work on a communications strategy for COMPETE project.
- Gain acceptance of high level government and private sector leaders for COMPETE program.

Completed Activities.

- Four-phased program proposed: mobilization & participation (of leaders), teach (the media/key communicators), reach (Ugandans) and reach out (to investors).
- COMPETE's work with Special Task Force, USAID Director's CG presentation & President's response created opportunity for high-level attention and participation.

Problems and Issues.

- Project needs a Ugandan communications officer.
- Business press needs to understand principles of competitiveness and be mobilized to begin writing and talking about them.
- Special Task Force role (and perhaps membership) needs clearer definition.
- President, top government officials and private sector leaders need to be mobilized.

Next Steps

- Finalize communications strategy for COMPETE project focusing on a national competitiveness strategy, President's Competitiveness Conference and information needs within cotton, coffee and fisheries sectors.
- Convene business press for a seminar on COMPETE project and principles of competitiveness.
- Obtain President's endorsement of/participation in President's Competitiveness Conference.
- Explore feasibility of transforming Special Task Force into a public-private "Board of Directors" of "Uganda, Incorporated".
- Hire Ugandan communications officer.
- Finalize agenda and organizing responsibilities for President's Competitiveness Conference.
- Work with Special Task Force to conceptualize and design implementation strategy for Uganda, Incorporated.
- Work with Special Task Force (Board of Directors of Uganda, Incorporated) to prepare proposals for presentation and discussion at President's Competitiveness Conference.
- Implement President's Competitiveness Conference.

INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT) REPORT

Planned Activities:

- Parameters and assumptions for a cross cutting ICT strategy
- Identification of initial ideas for ICT activities/pilots under COMPETE and SPEED
- Proposal for constitution of ICT working group and process for developing and vetting a cross cutting ICT strategy for the sectors

Completed Activities.

- *Consultations with each sector working groups* to better understand the priorities for each sector, identify opportunities for ICT related interventions to support the action plans, and discuss their viability with working group members from each sector.
- *Consultations with ICT industry* to explore opportunities for private sector cooperation in COMPETE.
- *Consultations with USAID and other donor projects*, including SPEED and IDEA to identify opportunities where objectives and customer needs coverage and can be addressed through cooperation in implementing an ICT pilot.

Results.

- *Plan for ICT sub-working group.* Consistent with the COMPETE approach, a cross-cutting ICT strategy for supporting competitiveness in all three sectors will be developed and vetted in close collaboration with the sector working groups. For that purpose, COMPETE will facilitate the creation of an ICT sub-working group, comprising representatives from each of the sector working groups in addition to representatives of local private sector ICT firms, relevant government officials, and donor project representatives.
- *Parameters and assumptions for a cross cutting ICT strategy.* To ensure that the ICT component is focused on the needs of the COMPETE sectors, the criteria for selecting pilot activities will be based on two principles: must be driven by the needs of the sectors to achieve competitiveness; and, must be demand driven and build on initiatives that can be enhanced by a technology application. In addition, we will seek partnerships with the private sector, build on successful models, and leverage the opportunities that presently exist while being pragmatic about what is realistically achievable in the current ICT context.
- *Development of initial ideas for ICT cross cutting activities.* Based on the parameters described above, and on the substance of the sector actions plans, COMPETE has tentatively identified several opportunities, which will be further investigated and developed into concept papers:
 - *E-commerce initiative that builds on sector Quality Seal initiatives*, introducing technology applications that creates an incentive for adhering to quality standards through virtual linkages between producers and buyers, using a combination of website, barcode, MIS and GIS technologies.
 - *Wireless market information service*, to deliver real-time price information using cell phone Short Messaging Service (SMS) technologies.



Next Steps.

- Evaluate the technical, financial, institutional, and informational requirements of the two pilot concepts
- Develop scopes of work for ICT consultant to develop framework for Wireless Market Information System
- Develop framework for *e-commerce* quality seal concept.
- Develop ICT strategy and draft action plan for review by the sector working groups
- Facilitate working group sessions
- Finalize composition of ICT sub working group
- Finalize strategy and action plan with ICT sub working group

Project Management Activities	APR	MAY	JUN
Planning Strategy			
Interview industry stakeholders			
Share ideas regarding competitiveness of the sector			
Meet and discuss objectives with UCDA,UCTF			
Meet and discuss observations with USAID			
Share Ideas with Connected Institutions			
Meet with UIA and get counterpart appointed			
Meet with PSF and get counterpart appointed			
Meet with SPEED, ACDI/VOCA/other related institutions			
Prepare Selected Documents			
Prepare consultative group presentations			
Prepare condensed version of report			
Prepare work plan through June			
Develop power point presentations for donor meeting			
Preparing Strategies Planning Workshop			
Revisit SWOT & competitive diamond analysis			
Prepare documentation for strategic planning workshop			
Identify the Customer Needs and Expectations			
Contact and identify customer standard quantity, price etc			
Identify other customer group, demand, quality and price			
Establish a Quality Standard			
Obtain standards available for robustas in other parts of the world			
Identify good methods of processing to obtain top quality			
Commence steps to obtain an ISO 9000 standard and a quality seal			
Identify the role of government, UCDA, UCTF, UTA, PSF			
Action Plan Implementation			
Establish Stringent Guidelines for Processing and Handling			
Measure the current capability of processing plants in terms of coffee quality			
Establish a procedure for disposing off grade material which does not prejudice exports			
Introduce nucleus farm concepts to rural entrepreneurs, investors and associations.			
Financial schemes for sector specific needs			
Establish information network			
Establish an extensive training network			
Restructure the Coffee Trading System			
Study also systems prevalent in other agricultural export products			
Evaluate past system of Coffee Marketing Board			
Establish a Socio Economic Support Structure for the Coffee Sector			
A survey on needs assessment of finance among the different category of stakeholders			
A survey on infrastructure needs of coffee stakeholders			
A survey of irrigation needs of coffee farmers			
A survey of fertilizer needs of coffee farmers			
A survey of processing factors such as tarpaulin drying mats, floors etc.			
Strengthen the Institutional Cluster Support System			
Identify the good practices of the Coffee Marketing Board			
Evaluate the present strengths and weaknesses of UCDA			

Uganda COMPETE

Sector: Coffee

Period: 3rd Quarter, July - September 2001

Action Plan Implementation	Key Partners	JUL	AUG	SEP
Enhance productivity and expand production	IDEA			
A survey of finance needs of stakeholders				
A survey of infrastructure needs of stakeholders				
A survey of fertilizer, farm implements and processing materials				
Establish a demonstration system on productivity				
Establish an extension and consulting system on production				
Evaluate social needs of the family units dependent on the coffee sector				
Introduce nucleus farm concepts to rural entrepreneurs				
Establish a quality standard for Coffee	UCDA, CWG			
Identify good methods of processing to obtain top quality	SPEED			
Obtain standards available for Robustas elsewhere in the world				
Test standards required by Roasters				
Establish a continuous assessment of quality maintenance				
Commence steps to obtain an ISO 9000 standard and a quality seal				
Examine the legal enactments to support quality				
Develop an information and education campaign on quality				
Obtain presidential support for quality initiative				
Measure quality standards of all processing plants				
Establish a procedure for disposing off grade material				
Revise procedures for maintaining hulleries				
Establish strategically located model washing stations				
Establish ecologically friendly technology in washing Robusta				
Establish an extensive training network				
Strengthen Institutional Structure	UCDA, CWG			
Study the system of commodity auction elsewhere				
Study also systems prevalent in other agricultural export products				
Identify the good practices of the defunct Coffee Marketing Board				
Evaluate the present strengths and weaknesses of UCDA				
Develop a new structure and business plan for UCDA				
Present to government new UCDA proposal				
Identify laws and regulations, in the sector which are weak and ineffective				
Building capacity of coffee farmers' associations				
Investigate the need for dedicated research in the coffee sector				
Re-examine the role of UCTF				
Establish a Quality Assurance Board				
Identify and establish marketing channels	ACDI/VOCA			
Identify the standards required by roasters	IESC			
Identify other customer group, demand, quality and price				
Comparative analysis of coffees purchased from competitors				
Carry out a survey on information needs and establish database				

Action Plan Implementation	APR	MAY	JUN
PRODUCTION LEVEL:			
Objective 1: Increase Productivity (Prepare Demo Plots):			
Identify target farmers with whom to work in each Parish & the plots			
Identify district (DC) and site coordinators (SC) to implement & monitor sites			
Establish the proper design layout for demo plots			
Organize proper input package for each demo plot			
Show SC's how to plant the demonstration plot			
SC's plant demonstration plots			
Train site coordinators for farmer training			
Conduct observation-training visits by farmers			
Prepare means for showing farmers results of demo plots			
Objective 2: Increase Productivity (Provide Farmer Access to Inputs):			
Ready & Provide seed to farmers			
Identify and establish input distribution points in Parishes			
Distribute inputs to sale points where farmers can access them			
Establish supplier credit terms with input suppliers			
Site coordinators monitor use of inputs and production problems			
Suppliers monitor payment for inputs			
Objective 3: Increase Productivity (Ensure Cotton Research Program):			
Develop desired research agenda/needs			
Identify an action program to pursue in meeting research needs			
Delineate the private/government role for supporting and implementing research			
GINNING LEVEL:			
Objective 6: Improve Gin Utilization and Effectiveness			
Continue assistance aimed at increasing cotton production/supply			
VALUE ADDING LEVEL:			
Objective 8: Improve yarn & textile mill utilization and Effectiveness			
Gain yarn and textile sector assistance in helping to increase cotton production/supply			
Objective 9: Determine actions necessary to export under AGOA			
Review and discuss AGOA legislation with AGOA Project			
Make industry & government fully aware of how AGOA can work for the cotton sector			
Objective 10: Promote Value Adding Activities:			
Obtain or prepare a baseline document for the value adding sector			
Prepare a list of identified value adding opportunities			
SUPPORT LEVEL:			
Objective 11: Identify & Improve Financing for all levels of the Industry			
Prepare baseline memo on present financing of the cotton sector			
Investigate supplier credits			
Investigate local commercial bank financing for working capital & fixed investments			
Investigate financing from international development banks			
Investigate financing from donor programs for agriculture, etc.			
Investigate opportunity for loan guarantees, from government or donors			
Investigate buyer credits			
STTA to assist in developing a finance strategy for the industry			
Objective 12: Establish Technical and Market Information Service			
Determine what stakeholders need for information			
Prepare for and implement a National Cotton Conference			
Objective 13: Ensure Effective Coordinative Support for the Industry			
Continue CDO in the regulatory and coordination role			
Establish an Industry Working Group for COMPETE project			
Review the industry association structure to determine strengthening needs			
Maintain a liaison with the special task force on export competitiveness			
Establish direct role in the cotton sector policy debate			

▲ Signifies action completed; no triangle signifies action continues in next quarter

Action Plan Implementation	Key Partners	JUL	AUG	SEP
PRODUCTION LEVEL				
Objective 1: Increase Productivity (Prepare Demo Plots):	IDEA			
Identify target farmers with whom to work in each Parish & the plots				
Identify district (DC) and site coordinators (SC) to implement & monitor sites				
Establish the proper design layout for demo plots				
Organize proper input package for each demo plot				
Show SC's how to plant the demonstration plot				
SC's plant demonstration plots				
Train site coordinators for farmer training				
Conduct observation-training visits by farmers				
Prepare means for showing farmers results of demo plots (Film, Photo, Data, etc.)				
Land Preparation				
Planting (seed bed prep, seeding, fertilization, etc.)				
Weed control				
Pesticide control (spraying)				
Harvest & On Farm Post Harvest Handling				
Prepare the training materials (Film, Photo, Data, etc.)	Media Plus			
Invite farmers to see the technical results (off season training)				
Show farmers the impact of results on their cash returns				
Objective 2: Increase Productivity (Provide Farmer Access to Inputs):	IDEA, CDO			
Ready & Provide seed to farmers				
Identify and establish input distribution points in Parishes (IDEA distributors & others)				
Distribute inputs to sale points where farmers can access them				
Seed Distribution by CDO				
Fertilizer, herbicides, pesticides, etc. by Commercial Agro Input Suppliers				
Establish supplier credit terms with input suppliers				
Find out how ATAIN program operates				
Get involvement of IDEA & others project in input distribution arrangement				
Site coordinators train distributors & monitor use of inputs and production problems				
Suppliers monitor payment for inputs				
Objective 3: Increase Productivity (Ensure Cotton Research Program):	CAWG, NARO			
Develop desired research agenda/needs (questionnaire circulating to CAWG & Hans)				
Identify an action program to pursue in meeting research needs				
Delineate the private/government role for supporting and implementing research				
Determine the NARO activities and expected role				
Determine the private sector involvement in support of NARO research				
Implement research program				
Objective 4: Ensure Cotton Quality	CDO			
Review & improve farm handling methods of seed cotton				
Provide farmers a proper harvesting package (proper picking bags, etc.)				
Monitor harvest practices to identify areas for quality improvement				
Ensure timely movement of cotton to gin				
Ensure farmers are properly paid by gin at time cotton is received				
Objective 5: Promote Larger Cotton Production Farms:	CDO, UIA, UNFA			
Promote block farming				
Examine Kasese Experience & determine replicability				
Identify in collaboration with CDO & UNFA potential cotton farmer associations				
Explain block farming concept to identified groups				
Promote Private Large scale cotton farming				
With UIA identify the areas available and determine terms				
Prepare prefeasibility documentation for a prototype project				
Identify a list of target investors to be contacted (UIA/COMPETE)				
Promote the project scheme to targeted investors				
GINNING LEVEL				
Objective 6: Improve Gin Utilization and Effectiveness	CDO			
Continue assistance aimed at increasing cotton production/supply				
Conduct TechAudit of Gins (double roller and saw)				
Delineate action plans for improved competitiveness based on TechAudit				
Implement identified action plans				
Objective 7: Maintain the Cotton Quality Monitoring Program				
Examine the present quality control system and identify possible improvements				
Delineate actions for improvement derived from the survey				
Implement identified improvement plans				

Period: 3rd Quarter, July - September 2001 cont'd

Action Plan Implementation	Key Partners	JUL	AUG	SEP
VALUE ADDING LEVEL				
Objective 8: Improve spinning & textile mill utilization & effectiveness	ACDI/VOCA			
Gain spinner and textile mill help in increasing cotton production/supply	IESC			
Conduct TechAudit of spinning & textile mills				
Delineate action plans for improved competitiveness based on TechAudit				
Implement identified action plans				
Objective 9: Determine actions necessary to export under AGOA	Nathan Trade Policy			
Review and discuss AGOA legislation with AGOA Project				
Monitor the progress on AGOA project Registration				
Delineate actions necessary to ensure operation under AGOA				
Implement identified action activities				
Make industry & government fully aware of how AGOA can work for the cotton sector				
Objective 10: Promote Value Adding Activities:	UIA, Trade Policy			
Obtain or prepare a baseline document for the value adding sector				
Inventory the firms and products produced by the sector				
Prepare a list of identified value adding opportunities				
Prepare prefeasibility evaluations for target value adding opportunities				
Identify a list of target investors for each value adding opportunity				
Promote value adding opportunities to targeted investor groups				
SUPPORT ACTIVITIES				
Objective 11: Identify & Improve Financing for all levels of the Industry	SPEED			
Prepare baseline memo on present financing of the cotton sector				
Investigate supplier credits				
Investigate local commercial bank financing for working capital & fixed investments				
Investigate financing from international development banks				
Investigate financing from donor programs for agriculture, etc.				
Investigate opportunity for loan guarantees, from government or donors				
Investigate buyer credits				
STTA to assist in developing a finance strategy for the industry				
Objective 12: Establish Technical and Market Information Service	CDO			
Determine what stakeholders need for information	ICT Industry			
Design an information system to meet the needs of stakeholders				
Implement the designed system				
Prepare for and implement a National Cotton Conference				
Objective 13: Ensure Effective Coordinative Support for the Industry	CDO, CAWG, SPEED			
Continue CDO in the regulatory and coordination role				
Establish an Industry Working Group for COMPETE project				
Review the industry association structure to determine strengthening needs				
National Level				
Regional Level				
District Level				
Farmer local associations				
Maintain a liaison with the special task force on export competitiveness				
Establish direct role in the cotton sector policy debate				

Uganda COMPETE

Sector: FISHERIES

Period: 2nd Quarter, April - June 2001

Project Management Activities	Key Partners	APR	MAY	JUN
Planning Strategy				
Interview/consultations with industry stakeholders				
Share ideas regarding competitiveness of the sector				
Meet and discuss objectives with UFPEA, individual Producers				
Meet and discuss observations with USAID				
Share Ideas With Connected Institutions				
Brief relevant government agencies on fisheries initiative				
Brief fisheries commissioner on COMPETE project				
Meet with SPEED, ACDI/VOCA/other related institutions				
Prepare Selected Documents				
Prepare fisheries action plan				
Prepare condensed version of report				
Prepare 3 month rolling work plan				
Preparing Strategies Planning Workshop				
Revisit SWOT & competitive diamond analysis				
Prepare documentation for strategic planning workshop				
Organizational Work				
Development of fisheries strategy				
Meetings with fisheries working group				
Hire Local Fisheries Consultant				
Modify Action Plan agreed to by Working Group				
Conferences				
Strategic Planning Workshop				
COMPETE/SPEED Planning Meeting				
Action Plan Implementation				
Improve Production Value of Existing Harvest				
Attend European Seafood and Fisheries Exposition				
Make contact with European distributors				
Follow up on European expo contacts				
Value added product trials				
Reproductive Biology, Hatcheries Trials				
Initiate feasibility study of Nile Perch breeding and fish culture				
Finalize budget for hatchery and production trials				
Inlake Net Cage Trials				
Finalize agreements with private sector partners				
Initiate cost and feasibility study of net cage fish culture				
Request for bids for net cage trials				
Finalize budget for net cage production trials				
Monitoring & Modeling				
Locate net cage modeling consultant				

▲ Signifies action completed, no triangle signifies action continues in next quarter

Uganda COMPETE

Sector: FISHERIES

Period: 3rd Quarter, July - September 2001

Project Management Activities	Responsible	JUL	AUG	SEP
Planning Strategy				
Interview industry stakeholders				
Share ideas regarding competitiveness of the sector				
Meet and discuss objectives with UFPEA, individual producers				
Meet and discuss observations with USAID				
Share Ideas with Connected Institutions				
Brief relevant government agencies on fisheries initiative				
Brief fisheries commissioner on COMPETE project				
Meet with SPEED ACDI/VOCA/other related institutions				
Prepare Selected Documents				
Prepare Fisheries Action Plan				
Prepare condensed version of report				
Prepare 3 month rolling work plan				
Develop action plan for 2002				
Actualize action plan				
Preparing Strategies Planning Workshop				
Revisit SWOT & competitive diamond analysis				
Brief fisheries commissioner on COMPETE project				
Prepare documentation for strategic planning workshop				
Organizational Work				
Development of fisheries strategy				
Meetings with fisheries working group				
Hire local fisheries consultant				
Implementation of fisheries strategy				
Modify action plan agreed to by working group				
Conferences/Meetings				
Arrange for Ugandan space at Boston and European Expos				
Strategic Planning Workshop				
COMPETE/SPEED Planning Meeting				
ISO 9000 planning workshop				
Organize processors value added workshop				
Obtain government support quality initiative				
Action Plan Implementation				
Improve Production Value of Existing Harvest				
Attend European Seafood and Fisheries Exposition				
Make contact with European distributors				
Follow up on European expo contacts				
Develop new value added product ideas				
Visit of culinary expert				
Visit of European supermarket expert				
Value added product trials				
Alternative product development, fishballs etc.				
Value added product, market trials				
Reproductive Biology, Hatcheries Trials				
Finalize agreements with private sector partners				
Initiate feasibility study of Nile Perch breeding and fish culture				
Request for bids on breeding and reproductive biology				
Finalize budget for hatchery and production trials				
Award bid for reproductive biology and hatchery trials				
Establish the proper design layout for Hatchery Trials				
Activate hatchery location				
Accumulate brood stock				
Stock hatching tanks, begin reproductive trials				
Hatching trials				
Review results from hatching trials				
Modify hatching trials				

Uganda COMPETE

Sector: FISHERIES

Period: 3rd Quarter, July - September 2001 cont'd

Project Management Activities	Responsible	JUL	AUG	SEP
Inlake Net Cage Trials				
Finalize agreements with private sector partners				
Initiate cost and feasibility study of net cage fish culture				
Request for bids for net cage trials				
Finalize budget for net cage production trials				
Award bid to net cage technician				
Finalize net cage production design				
Environment assessment Net Cage Experiments				
Construct net cages from local materials				
Accumulate Nile Perch fingerlings				
Stock first net cage trials				
Net cage trials				
Review results of net cage trials				
Modify net cage trials				
Develop procedures manual for the Culture of Nile Perch				
Monitoring & Modeling				
Identify an action plan for environmental monitoring				
Develop monitoring indicators in consultation with NEMA				
Locate net cage modeling consultant				
Develop modeling plan				
Finalize budget for net cage modeling				
Initiate modeling program				
Review modeling plan, NEMA, net cage experiments				
Monitor net cage trials				
Review results of monitoring				
Enter data into model				
Facilitate Finance and Credit Facilities				
Investigate net cage development funding				
Investigate funding for carrying capacity studies of net cages				
Investigate funding for ISO 9000 implementation				
Investigate financing for fisher folk				
Investigate opportunities for loan guarantees				
Support New Fisheries Management Plan				
Determine information needs of fisher folk and processors				
Design an information system for fisherfolk and processors				
Determine support for fisheries authority				
Improve the Infrastructure of the Sector				
Investigate island landing site model				
Investigate alternate landing site locations				
Design cost effective boat				



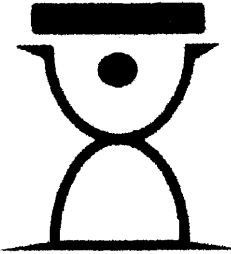
COMPETE

Quarterly Report

July - September 2001

Prepared by Anton
Balasuriya

**EXPORT
COMPETITIVENESS**



A USAID PROJECT

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ACRONYMS

AGOA	African Growth and Opportunities Act
CAWG	Coffee/Cotton Advisory Working Group
CDO	Cotton Development Organisation
COC	Conference Organizing Committee
COMPETE	Competitive Private Enterprise and Trade Expansion
EAFCA	East Africa Fine Coffee Association
EU	European Union
GOU	Government of Uganda
ICT	Information and Communication Technology
IDEA	Investment in Developing Export Agriculture
ITC	International Trade Centre
NARO	National Agricultural Research Organisation
PSF	Private Sector Foundation
Q3	Third Quarter (July/August/September)
Q4	Fourth Quarter (October/November/December)
SME	Small and Medium Sized Enterprise
SPEED	Support for Private Enterprise Expansion and Development
SPIECS	strategy for Public Information on Export Competitiveness
STTA	Short-term Technical Assistance
TOR	Terms of Reference
UBJF	Uganda Business Journalist Forum
UCDA	Uganda Coffee Development Agency
UCFA	Uganda Coffee Farmers Association



UCTF Uganda Coffee Trade Federation
UEPB Uganda Export Promotion Board
UIA Uganda Investment Authority
USAID Unites States Agency for International Development
WMIS Wireless Market Information System



QUARTERLY ACTIVITY REPORT

Third Quarter

July – September 2001

I. SUMMARY OF ACTIVITIES

A. SUMMARY OF COMPLETED TASKS FOR THIRD QUARTER

During the third quarter (Q3) of 2001, CARANA continued implementation of Phase II activities as outlined below:

COFFEE:

- Institutional Strengthening
- Regulatory Reform
- Productivity Enhancement
- Market Development

COTTON:

- Production level initiatives
- Ginning level initiatives
- Quality and mill efficiency
- Support to African Growth & Opportunities Act (AGOA)

FISHERIES:

- Value Added Products
- Fish Cage Culture
- Competitiveness issues

B. SUMMARY OF PLANNED TASKS FOR FOURTH QUARTER

- Continue implementation of action plans in Coffee, Cotton and Fisheries components
- Information, communication Technology – ICT:
 - Launch pilot on wireless market information system
 - Develop pilot for bar coding
- Communication & Public Relations – SPIEC:
 - Stimulate a national debate on competitiveness thorough media, workshops, communicator training, radio programs and television programs

II. COMPLETED AND ON-GOING TASKS IN THIRD QUARTER (JULY TO SEPTEMBER 2001)

A. COFFEE

- **Institutional strengthening:**

COMPETE has commenced the evaluation of the Coffee Development Authority.

COMPETE was also instrumental in linking the Coffee Farmers Association with the Private Sector Foundation which is supported by the World Bank.

- **Regulatory reform:**

The issue of weak regulations contributing to laxity and hesitancy on the part of Uganda Coffee Development Authority (UCDA) to maintain quality was identified as an issue. A Task Force of professionals was appointed to evaluate existing regulations and report on changes, if necessary. The proposals for changes and additions to regulations have been completed and the report to Parliament is being finalized.

- **Productivity Enhancement:**

Three major initiatives were identified as a precursor to increase productivity. The first is the catalytic role played by COMPETE in the promotion of “wet washing” of ripe beans as opposed to direct sun drying of beans. A second major initiative during this quarter was to identify the marketing platforms to launch Uganda coffee, as coffee of origin in the specialty markets. Some such examples of marketing platforms are “shade grown,” “fair price” and “organic”.

Hence COMPETE in partnership with East African Fine Coffee Association (EAFCA) is preparing a plan to obtain appellation status for coffees originating from different regions in Uganda. The third major area of attention is the establishment of demonstration plots to show best practices of coffee growing in order to increase productivity. This was postponed due to the absence of a sponsor.

- **Market Development:**

One of the major events in Q3 was the gaining of support and confirmation both from the public and the private sector stakeholders to establish a voluntary coffee auction. Such an auction will promote market transparency and efficiency, while at the same time reducing transaction costs and guaranteeing quality of auctioned coffee. COMPETE approached the Ministry of Finance, Planning & Economic Development to obtain state-owned warehouse facilities and received an extremely positive response. A pre-feasibility study has been prepared.



B. COTTON

- **Production level initiative:**

A major achievement in the Cotton sector at the production level was the initiative by COMPETE to obtain the cooperation of different actors in the area of establishing 1200 demonstration plots. This is to encourage farmers to increase productivity by efficient farming methods. These demonstrations also offer the opportunity to produce training materials in the form of a documentation film to be used in the future for demonstration purposes. The first results of the demonstration plots are extremely satisfactory, showing a three-fold increase in productivity.

- **Ginning level initiatives:**

Another important area that was addressed by the project is gin effectiveness. Terms of reference were prepared in close collaboration with CDO and SPEED and a consultant has been identified. The audit will be carried out in the fourth quarter (Q4) to identify the efficiency of existing gins.

- **Quality and mill efficiency:**

The other area in increasing the product competitiveness of the sector is the improvement in quality control of cotton as well as increasing the textile mill efficiency. Two consultants have been identified, terms of reference (TORs) have been prepared and the two consultants are expected to commence work in the 4th quarter.

- **African Growth & Opportunities Act (AGOA):**

AGOA provides the Ugandan Cotton sector a prime opportunity to market value added products to the US market. However, delays in executing an agreement between the US and Uganda has blunted so far this opportunity. Another major draw back is the absence of a large 'state of the art' textile sector and the non-existence of an export garment manufacturing capability at present to utilize the opportunities presented by AGOA.

Despite limited resources COMPETE has executed a five-pronged plan to improve Uganda's access to the US market.

The first is COMPETE's intervention in accelerating the approval process under AGOA. The second is the preparation of an inventory of Ugandan textile/garment manufacturers and support services. The third is the survey conducted to identify the competitiveness of Uganda *vis-à-vis* 36 other AGOA qualifying countries in attracting foreign direct investment to the sector. The fourth is a survey that is being presently carried out to identify the information needs of the sector. The fifth is a catalytic activity to review the financial needs of the sector. TOR has been prepared, a candidate has been identified and SPEED has agreed to finance



the consultancy.

C. FISHERIES

- **Value Added Products:**

The major achievements during Q3 was the identification by a European based marketing expert of the potential for Uganda to enter the value added market segments and defining the platform on which differentiated products should be marketed in Europe and the USA.

- **Fish cage culture:**

Due to the established market potential for fish products in developed consumer markets of the world and the prospect of depleting resources of the Ugandan fish stocks, COMPETE introduced the concept of breeding fish in captivity. This is to maintain a continuously renewable supply, based on this expanding export product.

Four initiatives were taken during the quarter. The first being to grow fish fingerlings caught in the wild and the second, to carry out breeding trials to hatch fish in captivity. These two initiatives form the basic foundation for the third major initiative, which is fish cage culture introduced in Ugandan waters. These two breeding initiatives also become major components in GOUs National Fisheries Plan: to provide fingerlings for seeding all the Ugandan waters (over 150 water bodies). The fourth initiative was a review of existing laws and regulations to facilitate aquaculture.

- **Other Issues of Competitiveness:**

The COMPETE team also identified a number of other areas where intervention is necessary to consolidate the competitiveness of the sector. However, due to limited resources in this pilot program, these proposed activities will be presented to other projects such as SPEED as well as to other donors.

Some of the initiatives are:

- The construction of a prototype of a wind power/motor power boat that will have greater carrying capacity of stackable fish boxes, flake ice, fishing gear and will also provide cheaper and speedier transport.
- Another initiative that will be combined with these boats is the prospect of introducing "mother barges" to collect fish harvests in midstream from the individual boats.

These two initiatives are closely aligned with improving the handling of fish and maintaining quality. At present, due to bad handling nearly 30% of the catch gets rejected at the intake point in processing factories.

A third initiative is the need to address the area of finance and credit facilities



available to the sector. This is also within the scope of the SPEED project.

D. CROSS CUTTING ACTIVITIES

Major supporting activities to complement the total COMPETE program were carried out during Q3. These activities fall in the following areas:

- **Establishment of strategic liaison between major stakeholders of competitiveness:**

COMPETE team members liaised with officials of the Presidential Secretariat, the Prime Ministers office, the Ministry of Finance and Planning and Economic Development, the Ministry of Tourism & Trade Industry, Ministry of Agriculture Animal Industry and Fisheries, the World Bank, International Trade Center (ITC), United Nations Industrial Development Organization (UNIDO), Food and Agriculture Organization (FAO), Department for International Development (DFID) UK, EAFCA, Lake Victoria Fisheries Project (LVFP) of European Union, SPEED, ACDI/VOCA, GTN, Trade Policy Project, IDEA, Makerere University, UIA, PSF, UMA, UCDA, UCTF, CDO, FRD. In addition, COMPETE had two strategic meetings each with the Sector Working Groups in Coffee, Cotton and Fish and one each with ICT and SPIEC Working Groups.

- **Launching of an Information and Communication Strategy (SPIEC)**

A major achievement was the launch of a country-wide awareness campaign on competitiveness called the Strategy for Public Information on Export Competitiveness (SPIEC). This began with a presentation to the Special Task Force on competitiveness followed by a presentation to the media through the Uganda Business Journalists Forum (UBJF). The strategy on Information & communication comprises of four key areas:

- A media campaign termed 'Uganda Competes',
- Training of 150 media, public relations and local government officials on competitiveness.
- The establishment of a national radio network on export competitiveness.
- The organization of a conference termed 'The President's Conference on Poverty Alleviation Through Export Competitiveness'.

- **COMPETE strategy for Information and Communication Technology (ICT):**

In this quarter efforts were made to utilize ICT as a means for supporting competitiveness and quality in Coffee, Cotton and Fisheries Sectors. A major activity during the quarter was a pilot survey in the Fisheries sector to be repeated in the other two sectors as well. This survey is planned to collect baseline data on the socio-economic status of the sector, identify demand for

market information, extent of utilization of Wireless Market Information System (WMIS) and the potential demand for WMIS. The purpose is to tailor ICT to meet the needs of stakeholders, seek opportunities to create low cost access, and leverage existing demand.

III. SECTOR REPORTS

A. COFFEE SECTOR REPORT

A.1. Planned Activities

- Institutional Strengthening:
 - Evaluation of and strengthening of UCDA
 - Strengthen coffee farmers associations
- Regulatory Reform:
 - Identify ineffective regulations in the coffee sector
 - Develop proposed regulatory changes for the sector
- Enhance Productivity:
 - Provide Analysis of value added coffee processing options
 - Identify sound production practices with market benefits
 - Plan and organize coffee demonstration plot net-work
- Market Development:
 - Development of a private-voluntary coffee auction
 - Identify strategies that target high value markets
 - Develop strategy to promote Ugandan coffee in world market
- Coffee Sector Workplan
 - Improved sector focus and priority setting of the workplan

A.2. Completed Activities

Strengthen Institutional Structures: In Q3 of 2001 the project has worked closely with the UCDA to analyze its organizational structure and develop a business operating model for UCDA which focuses on maximizing productivity by rationalizing and empowering its workforce.

A second institutional strengthening activity that the Project has been engaged in is its work with of the Ugandan Coffee Farmers Associations (UCFA). COMPETE worked with UCFA and the Private Sector Foundation (PSF) to link



these two organization and assist UCFA in the development of a proposal to access approximately 80K USD funding for development of coffee farmer associations. These associations are viewed by COMPETE as key SME participants in the Uganda coffee auction and a conduit through which more coffee export revenues can flow directly to the farmer.

Regulatory Reform: In concert with the Coffee Working Group (an advisory body comprised of businesses, associations and government agencies operating in the sector) the Project has completed a review of the sector's regulations and developed a comprehensive list of proposed changes to be introduced to the government for action. At the current time, a final draft of these proposed regulatory changes has been distributed to stakeholders and final comments will be considered before the proposal is sent to Parliament for consideration.

Enhance Productivity: Although COMPETE lacks the mandate and resources to take an active role in developing programs that directly address production issues at the farm level, it has developed a synergistic relationship with other USAID project to achieve its targets in this area.

By developing a financial model for coffee wet-milling businesses, COMPETE has assisted the SPEED project in its effort to analyze and structure a loan package for farmer associations and independent businesses interested in adding value to robusta coffee by delivering a semi-washed product to market.

COMPETE has also examined ways of adding value to coffee in Uganda through the introduction of niche market development. Examples of the niche markets include organic, shade-grown, bird friendly coffee as well as the development of a coffee appellation system for the country. At the current time it is felt that the appellation system provides the best opportunity to add value to Ugandan coffee and that organic, shade-grown and bird friendly will provide value addition opportunities in the longer term.

By leveraging its resources in concert with the IDEA project's farm demonstration plot activity, COMPETE is in the process of developing a coffee farm demonstration activity that will place emphasis on production of coffee using environmental sound production practices that will include but not be limited to the production of organic, shade grown, bird friendly coffee. COMPETE recognizes that these concepts are new to the Ugandan coffee industry and that this activities is a component of a larger strategy to add-value and promote Ugandan coffee in the international market. By working towards the introduction of shade-grown coffee, the Project is addressing both key environment and market issues as well as supporting the UCDA in its goal to introduce coffee in the northern region were producing of shade grown coffee could reduce crop drought stress.

Market Development: A fundamental part of COMPETE's coffee sector work is the development of a private-voluntary auction for high value coffees produced in



Uganda. The auction will promote market transparency, reduce transaction costs, improve market efficiency, promote Ugandan coffees and increase the accessibility of the export markets to SME's and farmer associations. The first step in the developing the auction is to create a detailed business plan that will provide a road map as to the operational mechanics and financial systems for the auction. Work on the auction is ongoing and will continue through the second quarter of 2002.

Coffee Sector Workplan: In conjunction with UCDA and UCTF, COMPETE has worked continually to improve its sector focus and define priorities in its workplan. Project staff has focused their efforts on institutional strengthening, regulator reform, enhanced productivity and market development. After consultation with the Coffee Working Group, the project reduced or dropped activities in several areas including the implementation of farmer surveys to assess infrastructure needs, social needs, farm input use and availability and the development of a production consulting system. In addition COMPETE and the Coffee Working Group has agreed to drop activities in the areas of milling operations and managing quality standards at the milling level. Rather than expend resources at the firm level, it was determined that it would be more efficient to address quality issues at the regulatory level. The stakeholders also agreed that the project should forgo expending resources to undertake a variety of studies and surveys. Rather than spend funds on studies, it was felt that a hands-on approach designed to change the way the Ugandan coffee sector operates will yield greater results.

Results: In the area of institutional strengthening the project has completed its review of the UCDA organization structure and utilization of its human resources, the next step in this area is to meet with the entire UCDA staff and together with them, develop and implement a restructured operating model for the organization.

The key activity in the area of regulatory reform has been the review of existing regulations that govern the coffee sector and the drafting of recommended changes in the regulations. These would be designed to create a more efficient market environment and improve the quality of coffee exported while reducing questionable business practices that have damaged Uganda's image in the world market.

COMPETE is in the planning and design stage to enhance coffee sector productive by introducing environmentally sound production practices (organic, shade grown, bird friendly coffee demonstration plots) that will ultimately result in the creation of value added coffee products from Uganda while creating a more bio-diverse environment.

The auction business plan was developed in the 3rd quarter of 2001 and a review of this document is scheduled to take place in mid-October by project stakeholders. In interviews with industry and government stakeholders, the idea



of an auction has been well received.

The project has completed a full review of its workplan and made adjustments to improve its focus and more clearly defined priorities.

Problems and Issues: The coffee auction will require approximately 500K USD to implement. UCDA, UCFT and COMTETE plan to approach a number of donors and debt capital sources to secure the required fund by the end of the 4th quarter.

Locating warehouse space for the coffee action is one of the key concerns in the implantation of the coffee auction. The GOU has a large coffee warehouse complex, which is not being used, but it is unclear if this asset will be available to the coffee industry for use as part of the auction system.

Next Steps/ Rolling Work Plan for the Quarter: The primary activities that the coffee sector's staff will focus on in Q4 of 2001 include the following:

- Send coffee sector regulatory changes to Parliament for action, coordinate stakeholder lobbying effort, move government to take action
- Finalize and implement the updated organizational structure of the UCDA
- Identify coffee growing appellations in Uganda and register the appellations as legally recognized geographies (trade marks)
- Design legal structure of the auction (including: corporate charter, articles of incorporation, formation/ makeup of the board, and stock type and ownership)
- Acquire GOU approval for use of the coffee board warehouse by the auction
- Secure financing for auction (grant and/or debt capital)
- Secure commitment from current exporters and consolidators to place a fixed weekly volume of coffee on auction to insure its smooth startup
- Complete design and begin implementation of the coffee demonstration plots in concert with the IDEA Project



B. COTTON SECTOR REPORT

B.1. Planned Activities

Production Level:

- Increase productivity of cotton:
 - Continue implementation of demo plots
 - Continue with development of training materials based around video monitoring of the cotton demonstration plots.
 - Show and explain results of the demonstration plots to farmers
 - Examine input supply situation to farmers
- Research Support:
 - Collect information on research needs & development of an action program
 - Isolation and screening of causative organisms for cotton wilts

Ginning Level:

- Increase gin effectiveness:
 - Audit of gins
- Cotton quality control:
 - Examine the cotton quality monitoring program

Value Adding Level:

- Value addition:
 - Audit of textile mills
 - Continue to push for AGOA participation
 - Develop inventory of potential AGOA firms

Support Level Activities:

- Conduct review of financing at all levels of cotton sector
- Cotton sector information support
 - Develop information needs survey document
 - Survey information needs of farmers, ginners, and exporters
- Ensure Effective Coordinative Support
 - Prepare TOR for CDO strategy review



- Review cotton sector association structure

B.2. Completed Activities

During Q3, COMPETE continued implementing the Cotton Advisory Working Group (CAWG) strategy and action plan that identifies the constraints on competitiveness of the sector. The CAWG strategy focuses on increased cotton productivity and production, improved utilization of ginneries and textile mills, increased production of value added products in an effort to benefit from the AGOA legislation and research, and institutional strengthening to support these production thrusts.

The following action items have been implemented:

Production Level:

- *Increase productivity of cotton:* During Q3 the collaborative efforts of the UCGEA/CDO/IDEA/COMPETE groups continued implementation of 1200 demo plots in 10 districts.
- *Development of training materials:* Filming of the cotton demonstration plots for development of training materials started during the quarter and will continue through harvest. The stages filmed so far are land preparation, planting, thinning, cultivation and disease control.
- *Input supply situation:* Information gathering was initiated to understand what presently happens.
- *Research support:*
 - Surveys were distributed to members of the CAWG and about 50% have been returned.
 - A TOR for STTA from a plant pathologist that would assist in the examination of concerns related to an expanding cotton wilt problems was prepared and approved by NARO (SAARI). ACDI/VOCA is actively seeking a person to undertake this assignment.

Ginning Level:

- *Increase gin effectiveness:* Candidates for execution of the work spelled out in the TOR have been identified.
- *Cotton quality control:* TOR has been prepared, and candidates able to execute the work are in the process of being identified.

Value Adding Level:

- *Increase textile mill effectiveness:* Candidates for execution of the work spelled out in the TOR have been identified. Candidates from IESC are prepared to



assist once samples have been provided and examined.

- **Activities Related to AGOA**
 - *Status of AGOA:* Appears that all approvals are in place and Uganda is now registered under AGOA.
 - *Firm inventory:* We have contracted assistance in preparation of an inventory of textile/garment manufacturers. The report is under review and a booklet will be issued soon.

Support Level Activities:

- *Review of cotton sector financial support:* Candidates for execution of the work spelled out in the TOR have been identified. SPEED is participating in the support of this assignment.
- *Information support:* During the quarter a sector wide survey form was prepared. In addition a team from within the CAWG traveled to Tanzania to gain a full appreciation for the organization and management of the Tanzanian cotton sector.
- *Ensure effective coordinative support:* Discussions concerning coordinative support for the sector and association development were initiated.

Problems and issues:

- Securing commitments from other USAID and donor projects is difficult due to the fact that implementing organizations must get approval for adding or modifying their own work plans.
- Cluster organization and integration continues to be a challenge, and via the Cotton Advisory Working Group (CAWG) we hope to build greater coordination between cluster players at different levels.
- Action plans determined to be essential by our CAWG often are frustrated by the fact that they depend on financial support from sources outside their direct control.
- Establishing a full effective relationship with stakeholders in the industry is sometimes frustrated by the fact that the project's support for them does not address their immediate financial requirements.
- Training materials planned for the sector will be delayed and refocused to ensure that the materials are environmentally sensitive.
- Because cotton is an annual crop and our initiatives are only beginning it will be difficult to see impacts that result from these initiatives within the life of the project. Also, it inhibits some long term planning.

Next Steps/Rolling Work Plan for the Quarter:

- Ensure with IDEA that farmers are taken to see the cotton demo plots; i.e.,



organize farmer field days in selected Parishes to show farmers practices (planting, seeding, cultivation, harvesting, etc) at all levels.

- Assist in helping to ensuring cotton quality by focusing on improved handling, storage and distribution between farm and gin.
- Complete video monitoring of demo plots and make remaining shootings at appropriate times throughout the remainder of the cotton-growing season.
- Analyze gathered inputs and develop ideas concerning an on-going research strategy for the sector, which includes the private and public role.
- Develop crop budgets that compare the results of traditional Vs advanced technical production practices.
- Begin discussions with CDO, UIA, and farmers methods for increasing farm size (block farming, integrating existing agricultural land holdings).
- Prepare the Pesticide Evaluation Report and Safe Use Action Plan, which will be required to go to farmers with the video training materials. Need to be sure environmental awareness of farmers is raised.
- With the research survey information obtained from CAWG members prepare an action oriented research plan. Encourage its implementation.
- Prepare baseline document in collaboration with SPEED on financing of the cotton sector, and develop a finance strategy for the sector that will ensure trade needs.
- Obtain STTA assistance to carry out a technical audit of gins. The SOW has been prepared, and consultants identified by COMPETE. Now it is necessary to get the person on the job and SPEED has agreed.
- Obtain STTA assistance to carry out an examination that will provide an understanding of the practices used to ensure cotton quality, and where necessary suggest improvements. The SOW has been prepared, and some consultants identified.
- Prepare document on the trip to Tanzania by members of the CAWG.
- Obtain STTA assistance to carry out a technical audit of the textile mills. The SOW has been prepared, and the consultants identified by IESC. (Review & refocus the SOW in view of Greenwood report)
- Continue to push for participation by garment manufacturers so as to ensure that firms are aware of the opportunities under AGOA. Assist in making industry aware of the standards that must be met by products exported via AGOA.
- Finalize the booklet that will show the inventory of firms and products in the textile and garment sector, which may meet AGOA market opportunity.
- Assist in helping to bring together Ugandan and US firms to take advantage of AGOA.

- Modify and implement the information needs survey to gain greater insight for development of warehouse receipt system, risk management procedures, and industry communication.
- Prepare the appropriate SOW for the internal strategy review of CDO together with industry players.
- Inventory existing cotton sector associations, identify needs of these associations, and develop programs for organizing and developing new associations.

C. FISHERIES SECTOR REPORT

C.1. Planned Activities

- Improve production value of existing harvest
- Conduct Reproductive biology and hatcheries trials
- In lake net cage trials
- Monitoring and Modeling
- Sector Working Group meeting
- Facilitate finance and credit facilities
- Support New Fisheries Management Plan
- Improve the infrastructure of the sector

C.2. Completed Activities

Improve production value of existing harvest: Mr. Ram Avasarala, a Marketing Consultant on value added fish products in the European markets, was in Uganda over a period of 8 (eight) days to evaluate the existing market potential and capacity of Uganda processors. He evaluated the current levels of processing, packaging, and airfreighting finished products to the European market. He visited six fish processing factories, the cold storage facilities at Entebbe for handling fish exports and one fish-landing site. He presented his findings at a Special Sector Workshop on the feasibility of fish exporters in meeting existing market demands in Europe.

Conduct Reproductive Biology and Hatcheries trials: The COMPETE team met with the Commissioner for Fisheries on two occasions to develop synergy between the Project and the future plans of the Fisheries Department. Discussions were also held with officials of the Department of Zoology, Makerere University regarding the setting up of aquaculture trials.

In lake net cage trials: Consultations were made with serious investors and



site visits were made to possible locations. Limited data was obtained on fish breeding and Biology of the Nile Perch. The team visited possible net cage sites for rearing fish along the Victoria Nile in Kamuli District.

Monitoring and Modeling fish Cages: This activity is a follow up on the in-lake cage trials. COMPETE identified a consultant who is being recruited to work out the monitoring scheme that will assure the stake holders that net cage fish farming is environment friendly. The same consultant will also develop suitable net cage models.

Sector Working Group: A meeting was held to discuss the progress of the Sector activities and to review the modified program.

Facilitate Finance and Credit Facilities: To facilitate finance and availability of credit to the sector, COMPETE collaborated with members of the Business Development Services unit of the SPEED Project.

Support New Fisheries Management Plan: COMPETE provided support to the Fisheries Resource Department in facilitating a workshop to redraft aquaculture regulations under the new fisheries management plan.

Infrastructure improvement and access to information: In conjunction with the SPEED Project, COMPETE participated in planning improvement of landing sites to facilitate exports to EU Market. A survey was conducted at selected fish landings on Lake Victoria, to determine the information needs of fisher folk to service the exports of the fisheries sector.

Results:

- Marketing Specialist on value added products identified potential for diversified high value products by better utilization of the current by-products such as trimmings from fish processing plants. The utilization of the whole fish was explored for processing special products like nuggets, brochettes, loins, fish sausages and cocktail fish balls for the European market.
- The meetings with The Commissioner for Fisheries are a continuous process of keeping him briefed on activities of the project. COMPETE was also able to obtain his cooperation to utilize the aquarium tanks at the Fisheries Resource Department premises for the initial growth studies of Nile Tilapia and Nile Perch. COMPETE rehabilitated the tanks and redesigned the water flow system and the backup electrical layout.
- Nile Tilapia and Nile Perch fry and fingerlings were introduced into the aquarium tanks on trial basis.
- The net cage trial program commenced with the identification of the possible locations of sites along the Victoria Nile between the Owen Falls dam and Lake Kyoga. All sites chosen were entirely within Ugandan

borders due to the objections made by Tanzania and Kenya in developing trials in Lake Victoria which is shared by all three countries. Private Sector participation in the trials was assured through close collaboration and visits and discussion with the three investors identified earlier. Contacts were made with two additional likely investors.

- Negotiations continued with official of the Zoology Department, Makerere University to use students and supervisors to carry out the trials in the aquarium tanks. A memorandum of understanding has been drafted.
- The Sector Working Group approved the activity work plans for July to September and beyond to the 4th quarter. The Group also discussed with the Marketing Consultant the need for Ugandan fish products to be promoted for the export market using an image of originality.
- Messrs Impact Associates a Consultant group presented preliminary results of a survey of the information needs of the sector.
- Final draft of the Aquaculture Regulations was prepared for enacting into law.
- There was close collaboration between COMPETE and SPEED in identifying areas of investment in fish farming.
- In a collaborative spirit the personnel of COMPETE and SPEED identified fish landing sites to develop feasibility studies for improvement of infrastructure and identification of possible donors for actual investment in infrastructure.

Problems and/or Issues:

- To determine the specifications of the required value added products and identify the capability of Uganda fish processing industry to meet those requirements.
- The objections raised by Kenyan and Tanzanian authorities to fish cage farming in Lake Victoria. This has partly been solved through continuous briefing of the Commissioner for Fisheries especially with the location of the preliminary fish trials at the Fisheries Resource Departmental premises. This issue will be handled after COMPETE achieves success in the trials that will be conducted in Ugandan waters outside the boundaries of Lake Victoria.
- Developing a marketing platform to promote the purity of the Nile Perch and give it ethnicity and originality as proposed by the Consultant.
- Finalizing of negotiations with officials of the Zoology Department of Makerere University and executing a Memorandum of Understanding so that the trials can be conducted.
- Identification of suitable feeds for the captive rearing of Nile Perch and



Nile Tilapia.

- Encouraging investment in packaging industry to promote the packaging of new value added fish products that are to be launched on the market.
- Supporting of the drafting and /or revision of the law to provide guarantees of tenure or the ownership of the net cages of individual farmers.
- To ensure that environmental risks are at a minimum with regard to net cage trials.
- The problem of getting down the identified Consultants due to the present difficulties of travel.

Next Steps/Rolling Work Plan for the Quarter:

Identify the specific markets for value added products in at least 4 European countries including the potential for Nile Perch skins. Thereafter formulate a diversified product base in association with suitable fish processing plants.

- Develop balanced marketing platform with concepts of purity and originality of fish products.
- Sign MOU with Makerere University on the Fisheries Biology studies of the Nile Perch and Nile Tilapia to provide a baseline for net cage farming.
- Promote mitigation measures on environment effects of net cage technology so as to alleviate the doubts and reservations, if any, of the neighboring states.
- Formulate artificial feeds for rearing of Nile Perch and Nile Tilapia.
- Model fish cages.
- Monitor rearing of Nile Perch in experimental tanks.
- Prepare new fish based products.
- Carry out an environment assessment of fish cage farming.
- Continue collaborations with fish processing industry, the Fisheries Resource Department, the National Environment Management Authority (NEMA), the fisher folk, SPEED, and other stakeholders.
- Collaborate with SPEED in sourcing finances for studies and development in aquaculture and landing sites.
- Continue close collaboration with the Commissioner for Fisheries on breeding trials.



D. COMMUNICATION AND PUBLIC RELATIONS SECTOR REPORT

D.1. Planned Activities

- Develop a Strategy for Public Information on Export Competitiveness (SPIEC)
- Recruit and select a Coordinator of Communications and Public Relations
- Prepare a plan for the President's Conference
- Initiate a Uganda Competes media campaign
- Develop a plan to train 100 communicators on principles of export competitiveness:
- Develop a plan to create a national radio network programming on export competitiveness

D.2. Completed Activities

Developed a Strategy for Public Information on Export Competitiveness (SPIEC): In the process of developing the strategy, both internal and external consultations were made with key individuals and organizations and these included:

- Sector Coordinators and Working Groups members in cotton, coffee, fish and ICT.
- Central Broadcasting Service (CBS) and FIT Uganda (founders of a national radio network).
- WBS and Channel Television Stations for input on television as a medium of communication.
- The Monitor Group and the New Vision media houses in representation of the print media.
- Professional individuals in the Media Industry such as the Public Affairs Officer of the US Embassy in Kampala and Mr. Vincent Musubire a Lecturer of media studies at Makerere University and Uganda Management Institute.
- The Executive Managers of Uganda Investment Authority and Private Sector Foundation among the project's key partners.
- Mr. Patrick Rader at the USAID office contributed to the discussions made on the draft strategy document.

An Advisory Group was formulated to oversee the implementation of the SPIEC program activities and the group constitutes the following members: (1) Ms Mary Jeffers, US Embassy Kampala (2) Mr Enoth Mbeine, FIT Uganda (3) Mr. Robert Kintu, FIT Uganda (4) Mr. Abey Lule, Uganda Business Journalists' Forum (5) Mr. Vincent Musubire, Musubires' LEAP 2000 (6) Mr. Odrek Rwabogo, TERP Consult, and (7) Mr Tharun Patnaik, Channel Television. Three meetings have



since been held which focused on reviewing the draft SPIEC strategy document, the President's Conference program and the proposed Q3 program activities.

Recruited and selected a Coordinator of Communications and Public Relations: Ms. Susan Bingi is the new Coordinator who commenced work as from 1st August 2001.

Prepared a plan for the President's Conference: A Conference Organizing Committee (COC) was constituted with executive membership from: Private Sector Foundation; Uganda Investment Authority; Uganda Export Promotion Board; USAID; and Ministry of Finance, Planning and Economic Development. Three COC meetings were held and these focused on the review of the conference agenda and development of the invitees list. A conference-organizing firm was identified and selected. These made a presentation to the COC on their proposed action plan.

A conference agenda consisting of plenary & discussion sessions, speakers, moderators, resource persons, special Conference events, dinners, receptions and support materials was prepared.

A Critical Path Analysis of organizing activities was prepared for the organization of the President's Conference.

Initiated a 'Uganda Competes' media campaign: A public relations firm was selected with the aim of coordinating the media campaign before, during and after the conference. Target audiences and appropriate media channels were determined and these are reflected in the SPIEC strategy document. The process of developing campaign themes and content has begun.

A workshop to inform business journalists on the activities of the project was conducted jointly with the Uganda Business Journalists Forum (UBJF) in July that attracted 25 journalists, Sector Working Group members and the executive managers of UIA, CDO and SPEED.

Special media features that focused on public awareness run in the Monitor Newspaper (July 28th, August 2nd and August 16th 2001) and also on the 'Business Outlook' Program of Channel Television on the dates of 7th and 14th August 2001.

Developed a plan to train 150 communicators on principles of competitiveness: A firm was interviewed, selected and terms of reference provided to develop and teach the curriculum. The process of research on the content for the export competitiveness curriculum has been started.

Developed a plan to create a national radio network programming on export competitiveness: Interviewed, selected and developed terms of reference for a firm to develop and implement a national FM radio programming. A survey on the information needs of farmers and fisherfolk has begun,



spearheaded by the ICT Sector and findings from the survey will be used to determine the content for the radio programming.

Other activities undertaken: Re-sequenced all SPIEC activities following the postponement of President's Conference.

Problems and Issues: Uncertainty regarding availability of funds to implement proposed SPIEC activities has delayed finalization of contracts and commencement of work/services.

The significantly increased vision/scope of work for the President's Conference has required constant rescheduling and reprioritizing of work activities.

Terrorist attacks at US sites forced postponement of President's Conference

Next Steps/Rolling Work Plan for Next Quarter: The SPIEC goal under the COMPETE Project is to stimulate a national debate on competitiveness, with the President's Conference on Poverty Alleviation Through Export Competitiveness as its focal point. However, because the current international terrorism crisis poses danger for air travel and gatherings of high level officials, the President's Conference has been postponed to the tentative dates of February 15 & 16, 2002. As a result, SPIEC's 6-month future activity strategy has been re-sequenced. The new sequence of activities positions the President's Conference as the peak event in an ongoing public information campaign that includes national FM radio programming, video filming, television and print media coverage, and export competitiveness curriculum development and training for journalists and other communicators.

Accordingly, the principal elements of the UGANDA COMPETES public information campaign in the next 3 months will be as follows:

- Embark on a 'Uganda Competes' media campaign
- Implement a Parliamentary Workshop on Export Competitiveness
- Develop a curriculum and train communicators on export competitiveness
- Create radio programming on export competitiveness
- Facilitate the creation of television programming on export competitiveness

E. INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT) SECTOR REPORT

E.1. Planned Activities

- Develop ICT cross cutting strategy and action plan
 - Develop draft strategy and pilot concepts for review by working groups
 - Develop action plan based on working group input
 - Determine mechanism for ICT sector participation in COMPETE (as sub-working group or as members of each sector working group)
 - Identify ICT sector participants and solicit interest in participating in COMPETE
- Develop WMIS pilot
 - Conduct feasibility study for WMIS and develop pilot framework
 - Research existing price/market information services
 - Conduct information and communications needs assessment

E.2. Completed Activities

Develop ICT crosscutting strategy and action plan. The draft ICT strategy was completed and reviewed by the fisheries sector working group. Due to schedule changes at the end of July, however, the plan has not been reviewed formally by the cotton or coffee sector working groups. The draft ICT strategy was presented to the Presidential Task Force and the Uganda Business Journalists Forum.

An action plan was developed, based on the draft ICT strategy, including:

- Incorporation of ICT sector representatives as members of the standing working groups, recognizing the critical role of the ICT sector as a supporting industry for increasing competitiveness
- Development and implementation of the WMIS, and
- Further investigation of the barcode/quality seal concept.

Develop WMIS pilot. In July, the technical and data requirements for a WMIS pilot were developed and proposed pilot sites recommended in each sector. The fisheries sector was recommended as the most promising pilot sector, due to:

- Relatively higher incomes due to high prices for Nile Perch
- Familiarity and use of mobile phones in the sector
- Existing network and distribution coverage by at least two of the cellular



service providers

- Expressed interest in price information among stakeholders
- Support of the Fisheries Working Group
- Complementarities with SPEED, which has targeted the fisheries sector

Questionnaires were developed for assessing the information and communications needs in the cotton, coffee, and fisheries sectors, and a contract let to conduct the fisheries survey in August.

Results

- During the fisheries working group meeting held in August, Impact Associates, COMPETE's local partner for ICT activities, presented the draft ICT strategy and WMIS concepts to the working group for discussion. As a result, substantial buyin was generated and we expect active participation and cooperation of various stakeholders in the pilot, which will enhance its effectiveness. The question of tracking and quality control using barcode technology was also discussed, prompting support for activity in that area.
- As a result of the presentation to the Task Force, Kenneth Mugambe expressed interest in COMPETE's participation on a newly formed GOU ICT working group.
- Discussions with Celtel and MTN have been extremely productive, with each actively participating in the development of the overall concept, as well as developing their own strategies for leveraging the pilot. UTL Mango has shown less enthusiasm for the concept, but we will continue to include them in all activities to ensure a level playing field.
- A survey of the information and communications needs in the fisheries sector was conducted in August and the analysis is now being completed. Initial results indicate that the assumptions upon which WMIS are based are valid.

Problems and Issues

WMIS Pilot. The implementation of the WMIS pilot was delayed by the events of September 11, due to canceled travel. This pushes the implementation phase to approximately Jan-Feb (1st Quarter 2002), which may mean we will have some results from the pilot to present at the national conference. We also may consider launching it at the conference. One caveat is that implications of the post 9/11 global economy for the Ugandan fisheries and ICT sectors are not yet clear, and may have an impact on the viability of WMIS. The concern is that the possibility of falling exports and thus incomes at the producer level could dampened demand as expressed in the August survey.



Barcode/Quality Pilot. Due to budget constraints and limited LOE for ICT, the 4th quarter plan to begin to develop a pilot for an e-commerce concept using bar code technology to track products along the supply chain has been eliminated. Regardless, the fisheries working group expressed strong interest in the concept and COMPETE is identifying alternative resources for addressing the issue.

Next Steps (4th Quarter)

- **Finalize ICT strategy**
- **Finalize WMIS design and implementation with stakeholders**
 - Using results of survey, finalize details of pilot with stakeholders, including SPEED
 - Finalize SOW and budget for content provider
 - Negotiate agreements with participating cell phone companies
 - Negotiate agreements with participating MFIs
 - Procure content provider and begin development of price information database
 - Negotiate agreements with sector associations (fisheries)
 - Coordinate with UCC and donors to identify synergies
 - Coordinate marketing with public outreach efforts (radio)
 - Finalize indicators and evaluation plan
- *National Competitiveness Conference.* Work with conference team to plan ICT component of the national conference.



IV. APPENDIX: ROLLING WORK PLANS
Quarter 4, 2001



Uganda COMPETE

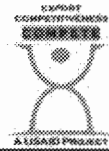
Sector: Coffee

Period: 4th Quarter, October - December 2001

Action Plan Implementation	Key Partners	Oct	Nov	Dec
Strengthen Institutions				
Restructuring Workshop with UCDA & COMPETE	UCDA	■	■	
UCDA implements workshop results	UCDA		■	■
Regulatory Reform				
Regulatory reform final comments	CAWG/UCTF	■	■	
Proposed regulatory changes sent to Parliament	CAWG/UCTF		■	■
Coffee Working Group/ COMPETE lobby Parliament	CAWG/UCTF		■	■
Enhanced Productivity				
Sound environmental production practices designed	CORI/ICRAF	■	■	■
IDEA Project demonstration coordinators trained	CORI/ IDEA		■	■
Demonstration plots established/ farmers trained	CORI/ IDEA		■	■
Shade grown, bird friendly baseline field research	UWA/ CORI		■	■
Start Smithsonian MBC-SG/BF certification design	SMBC/UCDA		■	■
Market Development				
Auction business plan submitted to stakeholders	CAWG	■	■	
Final comments from stakeholders on business plan	CAWG		■	■
Legal structure of auction developed	SPEED		■	■
Auction board of directors identified	CAWG		■	■
UCDA signs secure lease with auction for warehouse	UCDA			■
Secure commitment for auction volumes by exporters	CAWG			■
Auction presentation to donors and credit providers	CAWG			■

Key to Acronyms

- CORI -Coffee Research Institute
- CAWG- Coffee Advisory Working Group
- ICRAF -International Centre for Research in Agroforestry
- IDEA -Investment in Developing Export Agriculture
- SMBC -Smithsonian Migratory Bird Centre
- SPEED -Support for Enterprise Expansion and Development
- UCDA -Uganda Coffee Development Authority
- UCTF -Uganda Coffee Trade Federation
- UWA -Uganda Wildlife Authority

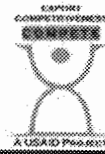


Uganda COMPETE

Sector: COTTON

Period: 4rd Quarter, October-December 2001

Action Plan Implementation	Key Partners	OCT	NOV	DEC
PRODUCTION LEVEL				
Objective 1: Increase Productivity (Prepare Demo Plots):				
Identify target farmers in each Parish & the plots				
Identify district (DC) and site coordinators (SC)				
Establish the proper design layout for demo plots				
Organize proper input package for each demo plot				
Show SC's how to plant the demonstration plot				
SC's plant demonstration plots				
Train site coordinators for farmer training				
Land Preparation				
Planting (seed bed prep, seeding, fertilization, etc.)				
Weed control				
Pesticide control (spraying)				
Harvest & On Farm Post Harvest Handling				
Prepare the training materials(Film, Photo, Data, etc.)	Media Plus			
Invite farmers to demonstration field days (off season training)	IDEA, CDO			
Show farmers the impact of results on their cash returns				
Objective 2: Increase Productivity (Provide Farmer Access to Inputs):				
Ready & Provide seed to farmers				
Identify and establish input distribution points	IDEA, CDO			
Distribute inputs to sale points where farmers can access them				
Seed Distribution by CDO				
Inputs by Commercial Agro Input Suppliers				
Establish supplier credit terms with input suppliers				
Find out how ATAIN program operates	IDEA			
Get IDEA & other projects in input distribution arrangement				
Site coordinators train distributors & monitor use of inputs				
Suppliers monitor payment for inputs				
Prepare Environmental Pesticide Report & Safe Use Action Plans	IDEA			
Objective 3: Increase Productivity (Ensure Cotton Research Program):				
Develop desired research agenda/needs	NARO			
Identify an action program to pursue in meeting research needs				
Delineate the private/government role for research				
Determine the NARO activities and expected role	NARO			
Determine the private sector support for NARO research				
Implement research program	NARO			

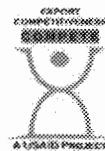


Uganda COMPETE

Sector: COTTON

Period: 4rd Quarter, October- December 2001 cont'd

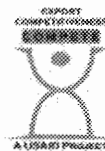
Action Plan Implementation	Key Partners	OCT	NOV	DEC
PRODUCTION LEVEL (cont.):				
Objective 10: Promote Value Adding Activities:				
Obtain or prepare a baseline document for the value adding sector				
Inventory the firms and products produced by the sector				
Prepare a list of identified value adding opportunities				
Prepare prefeasibility for target value adding opportunities	UIA			
Identify a list of target investors for value adding opportunities	UIA			
Promote value adding opportunities to targeted investor groups				
Support Activities:				
Objective 11: Identify & Improve Financing for all levels of the Industry				
Prepare baseline memo on financing of the cotton sector	SPEED			
Investigate supplier credits				
Investigate local financing for capital & fixed investments				
Investigate financing from international development banks				
Investigate financing from donor programs for agriculture				
Investigate opportunity for loan guarantees, from govt.				
Investigate buyer credits				
STTA for developing a finance strategy for the industry				
Objective 12: Establish Technical and Market Information Service				
Determine what stakeholders need for information				
Design an information system for the stakeholders				
Implement the designed system				
Prepare for and implement a National Cotton Conference				
Objective 13: Ensure Effective Coordinative Support for the Industry				
Continue CDO in the regulatory and coordination role				
Conduct CDO strategy review				
Establish an Industry Working Group for COMPETE project				
Review the industry association structure to determine strengthening needs				
National Level				
Regional Level				
District Level				
Farmer local associations				
Maintain liaison with Task Force on Competitiveness				



Uganda COMPETE

Sector: FISHERIES
4rd Quarter, October - December 2001

Project Management Activities	Key Partners	OCT	NOV	DEC
Planning Strategy				
Consultations with industry stakeholders		■		■
Share ideas regarding competitiveness of the sector			■	■
Review progress with UFPEA, Individual Producers		■		■
Meet and discuss observations with USAID		■		■
Share Ideas With Connected Institutions				
Brief relevant government agencies on fisheries sector		■		■
Brief fisheries Commissioner on COMPETE project			■	■
Meet with SPEED, ACDI/VOCA/other related institutions		■		■
Prepare Selected Documents				
Prepare fisheries action plan				
Prepare 3rd quarter report				■
Prepare 3 month rolling work plan				■
Preparing Strategies for Presidential Conference				
Revisit SWOT & competitive diamond analysis			■	■
Prepare documentation for Conference		■		
Organizational Work				
Development of fisheries strategy		■		■
Meetings with fisheries working group				
Hire International Fisheries Consultant on Value added products		■	■	
Implementation of fisheries strategy		■	■	■
Conferences and Workshops				
Competitive Forum for Uganda Business Journalists		■		
Organise processor Added Value Workshop				
Action Plan Implementation				
Improve Production Value of Existing Harvest				
Attend European Seafood and Fisheries Exposition				
Make contact with European distributors by VA consultant				■
Follow up on European expo contacts by VA Consultant				■
Value added product trials			■	■
Reproductive Biology, Hatcheries Trials				
Initiate feasibility study of Nile Perch breeding and fish culture				■
Finalize budget for hatchery and production trials				■
Inlake Net Cage Trials				
Finalize agreements with private sector partners				
Initiate cost and feasibility study of net cage fish culture				
Request for bids for net cage trials				
Finalize budget for net cage production trials				
Monitoring & Modeling				
Locate net cage modeling consultant				

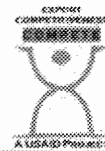


Uganda COMPETE

Sector: FISHERIES

Period: 4th Quarter, Oct - December 2001

Project Management Activities	Responsible	OCT	NOV	DEC
Planning Strategy				
Consultations with industry stakeholders				
Share ideas regarding competitiveness of the sector				
Consultations with UFPEA, individual producers				
Meet and discuss observations with USAID				
Share Ideas with Connected Institutions				
Brief relevant government agencies on progress				
Brief fisheries Commissioner on COMPETE project				
Meet with SPEED, ACDI/VOCA/other related institutions				
Prepare Selected Documents				
Prepare Fisheries Action Plan				
Prepare condensed version of report				
Prepare 3 month rolling work plan				
Develop action plan for 2002				
Actualize action plan				
Strategies on Presidential Conference on Competitiveness				
Revisit SWOT & competitive diamond analysis				
Brief fisheries commissioner on COMPETE project				
Prepare documentation for Conference				
Organizational Work				
Development of fisheries strategy				
Meetings with fisheries working group				
Hire fisheries consultants-fish feeds, net cage monitoring, modeling				
Implementation of fisheries strategy				
Modify action plan agreed to by working group				
Conferences/Meetings				
Arrange for Ugandan space at Boston and European Expos				
Presidential Conference on Competitiveness				
COMPETE/SPEED Planning Meeting				
ISO 9000 planning workshop				
Organize processors value added workshop				
Added value Workshop				
Action Plan Implementation				
Improve Production Value of Existing Harvest				
Attend European Seafood and Fisheries Exposition				
Make contact with European distributors				
Follow up on European expo contacts				
Develop new value added product ideas				
Visit of culinary expert				
Visit of European supermarket expert				
Value added product trials				
Alternative product development, fishballs etc.				
Value added product, market trials				
Reproductive Biology, Hatcheries Trials				
Finalize agreements with private sector partners				
Feasibility study of Nile Perch breeding and fish culture				
Request for bids on breeding and reproductive biology				
Finalize budget for hatchery and production trials				
Award bid for reproductive biology and hatchery trials				
Establish the proper design layout for Hatchery Trials				
Activate hatchery location				
Accumulate brood stock				
Stock hatching tanks, begin reproductive trials				
Hatching trials	32			
Review results from hatching trials				
Modify hatching trials				



Uganda COMPETE

Sector: FISHERIES

Period: 4th Quarter, Oct - December 2001 cont'd

Project Management Activities	Responsible	Oct	Nov	Dec
Inlake Net Cage Trials				
Finalize agreements with private sector partners		■		
Initiate cost and feasibility study of net cage fish culture			■	■
Request for bids for net cage trials				■
Finalize budget for net cage production trials			■	■
Award bid to net cage technician			■	
Finalize net cage production design			■	
Environment assessment Net Cage Experiments		■	■	
Construct net cages from local materials				
Accumulate Nile Perch fingerlings		■	■	■
Stock first net cage trials				■
Net cage trials				■
Review results of net cage trials				■
Modify net cage trials				■
Develop procedures manual for the Culture of Nile Perch				■
Monitoring & Modeling				
Identify an action plan for environmental monitoring		■	■	
Develop monitoring indicators in consultation with NEMA		■	■	
Locate net cage modeling consultant		■	■	
Develop modeling plan		■	■	
Finalize budget for net cage modeling		■	■	
Initiate modeling program			■	■
Review modeling plan, NEMA, net cage experiments				■
Monitor net cage trials				■
Review results of monitoring				■
Enter data into model				■
Facilitate Finance and Credit Facilities				
Investigate net cage development funding			■	■
Investigate funding for carrying capacity studies of net cages			■	■
Investigate funding for ISO 9000 implementation			■	■
Investigate financing for fisher folk		■	■	■
Investigate opportunities for loan guarantees		■	■	■
Support New Fisheries Management Plan				
Determine information needs of fisher folk and processors		■	■	
Design an information system for fisherfolk and processors		■	■	
Determine support for fisheries authority		■	■	
Improve the Infrastructure of the Sector				
Investigate island landing site model		■	■	■
Investigate alternate landing site locations		■	■	■
Design cost effective boat		■	■	■



Uganda COMPETE

Unit: Communications and Public Relations
 Period: 4th Quarter, October - December 2001

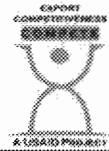
Action Plan Implementation	Key Partners	Oct	Nov	Dec
UGANDA CAN COMPETE media campaign				
Finalize contractual agreement with media & PR firm	TERP Consult LTD	■		
Develop themes and content for campaign	TERP, FIT, LEAP	■	■	
Develop campaign theme song & related radio jingles	TERP & FIT	■	■	
Implement media campaign activities	TERP Consult LTD	■	■	■
Conduct the UBJF Seminar series	TERP & UBJF		■	
Develop filming to fold into the campaign	TERP Consult LTD	■	■	■
Solicit sponsorship for airing of radio & TV programs	TERP Consult LTD			■
Develop visual information materials	TERP Consult LTD			■
Parliamentary Workshop on Export Competitiveness				
Plan and organise for workshop	UIA		■	■
Implement Workshop	UIA, TERP			■
Curriculum development and training of 150 communicators				
Finalize contractual agreement with educational firm	Musubire's LEAP	■		
Develop a curriculum on competitiveness topics	Musubire's LEAP	■	■	
Select participants for training-of-trainers	Musubire's LEAP	■	■	
Implement training-of-trainers course	Musubire's LEAP		■	
Implement nationwide training of communicators	Musubire's LEAP			■
Radio programming on export competitiveness				
Finalize contractual agreement for FM radio programming	FIT Uganda Ltd.	■		
Analysis of sector info. needs to determine content	FIT Uganda Ltd.	■	■	
Develop Demo tapes for each sector	FIT Uganda Ltd.	■	■	
Commence airing of the programs	TERP & FIT			■
Television programming on export competitiveness				
Select subject matter for initial programming	CTV, WBS, UTV	■	■	
Gather needed content from sector Working Groups	CTV, WBS, UTV	■	■	
Commence airing of the programs	TV stations & TERP			■
President's Conference				
Finalize contractual agreement with conference org.	Global Evts. Mgt.	■		
Convene Conference organizing Committee meeting		■	■	
Finalize agenda and confirm all presenters	Conf. Org. Com.		■	
Provide instructions to all presenters			■	
Finalize invitation list	Global Evts. Mgt.			■

Uganda COMPETE

Sector: ICT
Period: 3rd Quarter, Jul-Sep 2001

Activities and Tasks	Key Partners	3rd Quarter		
		JUL	AUG	SEP
Develop ICT cross cutting strategy and action plan	Ciepiela, WGs	■	■	■
Develop draft strategy for review by working groups		■	■	■
Develop concepts for pilot initiatives for discussion by working groups		■	■	■
Conduct working group sessions to obtain feedback on action plan and pilots			■	■
Revise strategy and action plan			■	■
Presentation for <i>National Competitiveness Conference</i>			■	■
Participate in GOU ICT working group			■	■
Engage ICT sector in working groups	Ciepiela, Kyerere		■	■
Identify ICT sector participants			■	■
Invite ICT participants to sector working group meetings (<i>ad hoc</i>)			■	■
Identify core group of ICT sector representatives to serve as ICT advisory group				■
Invite ICT advisory group to participate in <i>National Competitiveness Conference</i>	Bingi			■
Wireless Market Information System Pilot	Ciepiela Tetelman	■	■	■
Conduct feasibility study and develop project framework		■	■	■
Develop technology related questions for survey instrument to collect data about information needs in each sector		■	■	■
Work with cell companies to identify samples in sector communities		■	■	■
Develop technical specifications for a pilot project		■	■	■
Develop financial specifications for a pilot project		■	■	■
Identify proposed pilot locations		■	■	■
Review pilot framework with working group			■	■
Research existing price/market information services	Kyerere	■	■	■
Identify and evaluate existing services		■	■	■
Identify potential content providers		■	■	■
Develop information specifications (sources, language, collection, formats, etc.)		■	■	■
Develop budget specifications for content development		■	■	■
Conduct information needs assessments/demand survey in fisheries sector	Kyerere	■	■	■
Develop questionnaire, sample and methodology		■	■	■
Conduct survey			■	■
Draft report			■	■
Final report			■	■
Share report with stakeholders and arrange meetings to finalize details of pilot	Lubega		■	■
Using results of survey, design pilot with stakeholders	Tetelman, Kyerere, WGs	■	■	■
Develop SOW for content provider		■	■	■
Negotiate agreements with participating cell phone companies		■	■	■
Negotiate agreements with participating MFIs		■	■	■
Procure content provider	Lubega	■	■	■
Negotiate agreements with sector associations		■	■	■
Coordinate with UCC and donors to identify synergies		■	■	■
Coordinate marketing with public outreach efforts (radio)	Bingi	■	■	■
Develop indicators and evaluation plan		■	■	■
Identify COMPETE project coordinator	Lubega	■	■	■

Completed ■■■■
Planned ■■■■
Postponed ■■■■



Uganda COMPETE

Sector: ICT

Period: 4th Quarter, Oct-Dec 2001

Activities and Tasks	Key Partners	4th Quarter 2001		
		OCT	NOV	DEC
Develop ICT cross cutting strategy and action plan	Ciepiela, WGs			
Develop draft strategy for review by working groups				
Develop concepts for pilot initiatives for discussion by working groups				
Conduct working group sessions to obtain feedback on action plan and pilots				
Revise strategy and action plan				
Presentation for <i>National Competitiveness Conference</i>				
Participate in GOJ ICT working group				
Engage ICT sector in working groups	Ciepiela, Kyerere			
Identify ICT sector participants				
Invite ICT participants to sector working group meetings (<i>ad hoc</i>)				
Identify core group of ICT sector representatives to serve as ICT advisory group				
Invite ICT advisory group to participate in <i>National Competitiveness Conference</i>				
Wireless Market Information System Pilot	Bingi			
Conduct information needs assessments/demand survey in fisheries sector	Ciepiela			
Final report	Kyerere			
Share report with stakeholders and arrange meetings to finalize details of pilot	Lubega			
Using results of survey, design pilot with stakeholders	Ciepiela			
Develop SCW for content provider				
Negotiate agreements with participating cell phone companies				
Negotiate agreements with participating MFIs				
Procure content provider	Lubega			
Negotiate agreements with sector associations				
Coordinate with UCC and donors to identify synergies				
Coordinate marketing with public outreach efforts (radio)				
Develop indicators and evaluation plan	Bingi			
Identify COMPETE project coordinator	Lubega			
Launch pilot				
Develop price information service	Content provider, associations			
Train trainers in SMS	COMPETE?			
Test WMIS	Content Provider cell companies			
Market WMIS	Cell companies, COMPETE, MFIs, associations			
Sign up subscribers	Cell companies			
Develop and deliver WMIS through cellphone SMS platform	Cell companies			
Sell and distribute cell phones and service	Cell companies			
Provide micro loans to eligible subscribers in target communities	MFIs			
Conduct impact assessment	COMPETE			
Determine lessons learned and rollout options	COMPETE ICT working group			
Barcode/Quality Pilot				
Develop pilot framework	Ciepiela, team leaders			
Identify sector opportunities (based on existing quality programs)	Nuebert, Kaelin			
Identify buyer(s) for pilot product	Tesco			
Identify product, quality, packaging, environmental and other specifications for certification program (e.g., HACCP, EU, National Management Plan priorities)	COMPETE			
Identify association partners and host for website	COMPETE			
Identify producer groups that can participate	STCP, IDEA, ACCI			
Identify MIS and website developer	COMPETE			
Identify barcode consultant	COMPETE			
Develop indicators and evaluation plan	COMPETE			
Identify COMPETE project coordinator	COMPETE			
Identify and negotiate cooperation with existing donor projects	STCP, IDEA, ACCI			
Review pilot framework with working groups	working groups			

Completed ■■■■
 Planned ■■■■
 Postponed ■■■■



CARANA Corporation

THE COMPETE PROJECT

Competitive Private Enterprise and Trade Expansion

Position Paper

**STRENGTHENING THE EXPORT COMPETITIVENESS OF
UGANDA'S COFFEE SECTOR**

Submitted to

**United States Agency for International Development
Kampala, Uganda**

**Prepared by David
Neubert**

April 18, 2001

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STRENGTHENING THE EXPORT COMPETITIVENESS OF UGANDA'S COFFEE SECTOR

The Challenge

Coffee traditionally has been Uganda's most important export sector, currently accounting for over 60% of the country's foreign exchange receipts. Moreover, coffee is critical to the incomes of 20% of the country's population. It is estimated that between three and four million Ugandans depend directly or indirectly on coffee growing and trading for part of their livelihood. Furthermore, Uganda's soil, climate and altitude make it an ideal area to grow relatively high quality 'robusta' coffees that normally command a premium on international markets. Ugandan robustas are prized for their 'soft' taste that permits roasters often to utilize them instead of higher-priced 'arabicas' in their blends.

In recent years, external and internal factors have combined to dramatically reduce coffee's contribution to economic growth, foreign exchange earnings, and rural incomes. Externally, world coffee prices have declined precipitously, and appear set to remain at a low level. Internally, the quality image of Ugandan coffee has suffered greatly as a result of the imperfect, poorly regulated quality of the exported product. Uganda's high quality 'washed robustas' have disappeared and the 'unwashed robustas' it now produces cannot attain comparable quality.

Uganda must address this crisis in its coffee sector as a matter of urgency. Both the private and public sectors need to engage in a 'national export initiative' to enhance and rehabilitate coffee's contribution to economic growth and foreign trade.

The Problem

Externally, the dramatic decline in world coffee prices over the past few years has been devastating for the country's foreign exchange receipts and coffee's contribution to rural incomes. While the volume of coffee production has remained relatively stable over the past five years, the value of exports has dropped from \$433 million in 1994/95 to \$165 million in 1999/00. It is estimated that foreign exchange earnings will reach only \$100-\$120 million in 2001. Farm gate prices for growers have declined by 50% since 1994/95, bringing the price growers receive perilously close to their cost of production.

Internally, since the dismantling of the Coffee Marketing Board in 1991, effective quality control of the country's coffee exports has been lost. This has led to many new entries into coffee trading operations, with the result being that quality of exported coffee has not been systematically monitored or certified. The result has been a general decline in the quality of coffee that Uganda exports. International roasters, the ultimate customers for exported coffee, have become increasingly skeptical of Ugandan robustas, discounting their price and even rejecting Ugandan coffee deliveries outright.

The internal trading system is chiefly responsible for this poor quality. The Ugandan Coffee Development Authority, responsible for registering and monitoring coffee trade participants and controlling export quality, has been unable to monitor the country's 600 primary processing plants. The present system encourages the adulteration of higher quality export coffee. The current regulations do not permit the Authority to prohibit the export of coffee with these taste defects.

There is little communication of market standards from the exporters, who understand them best, to other parts of the production chain, namely farmers, processors, and intermediaries. Furthermore, the cash problems of farmers, due in large part to low prices for their output, leads to inadequate fertilization and slow replacement of aging bushes.

While quality standards and control are the most serious internal problem confronting the competitiveness of Ugandan coffee, *other factors also contribute to the sector's problems.* Lack of institutions and processes to test and certify quality in the coffee growing regions, as well as to instruct growers and processors in quality assurance, is a high priority that needs to be addressed. Physical infrastructure (in particular storage facilities, transportation, and rural telecommunications connectivity) is poor, further hindering the competitiveness of the sector. Improved credit facilities, needed to install 'wet milling' equipment and expand coffee planting, are lacking.

The Opportunity

Uganda has the capacity to restore its quality image through effective management of both people and processes. Uganda's agricultural and climatic conditions permit it to be a premier producer of quality robusta coffees. Restoration of the quality of its robustas in international markets should enable it to maintain and even increase its premium price for exports. By maintaining high quality of its exports, Uganda can partially mitigate the impacts of the decline in world coffee prices.

To regain its lost market position, immediate and urgent priority should be given to measures that are needed to ensure quality exports. *An objective must be to establish a 'Uganda Coffee Quality Seal'* which certifies to international customers (principally a small number of roasters in Europe) that Uganda's exported coffee has been carefully tested to meet their standards.

Both the private sector and government must work together to develop the certification process, as well as provide technical assistance, training, and information to growers, processors, and exporters that enables them to produce and ship quality coffees to roasters. Exporters, traders, and roasters should be involved directly in this process to make certain that production and quality standards are clearly defined and communicated.

Pilot projects to upgrade quality must be immediately launched around Uganda with the support of government and private organizations to demonstrate how quality coffee must be grown, processed, and shipped. These projects need to be publicized and replicated as rapidly as possible to ensure that maximum benefits are obtained by Uganda's rural population and enterprises dependent on the coffee trade.

The Strategy

The approach that Uganda must follow should be based on the recognized principles of international competitiveness. A sound competitiveness strategy must focus on four key elements: demand, factors of production, strategy, and the cluster of interlocking activities that constitute the coffee sector. Above all, the approach to strengthening *the long-term competitiveness of the coffee sector must begin with understanding the market and what the customer will buy*. In the case of coffee, quality determines the premium that the customer will pay.

Responding to demand, the competitive strategy must be to *communicate what constitutes market value to each link in the coffee production chain*. This strategy must be based on achieving cooperation among the components in the chain, including farmers, processors, intermediaries, exporters, and roasters (who are the final customer) to achieve that market value. Other stakeholders must be incorporated into the process, namely, farmers associations, government authorities, private associations, and the donor community. Factors of production that must be strengthened include physical assets (coffee processing equipment), human resources (training, information to growers and associations alike) and capital (availability of credit to the components in the production chain).

The strategy will require that the government take an important role in mobilizing the voluntary support of all stakeholders around a national coffee export initiative, even though it is private initiatives that will drive this process. Effective communication is required as well as a clearly defined national target, such as a Ugandan Quality Seal for export coffee. Institutions must be devised or restructured to implement this effort. These institutions, both public and private, must be oriented (and funded) to play specific constructive roles in upgrading quality standards across the board.

Quality 'control' alone is not enough. *Assistance must be given to improve production, handling, transport, and processing*. To achieve this, technical assistance, training, finance, and information/communications technology must be provided to the sector through a variety of channels, whether via government, private associations, or donor organizations.

Using revised quality standards as a baseline, growers and processors must be educated how to meet these standards. Reaching out to this population will involve a range of media and institutions that need to be coordinated. To achieve this, *successful demonstration or pilot projects must be quickly launched that can be replicated across the sector*.

Therefore, a *strategy*, responding to *demand*, that skillfully focuses on strengthening the *factors of production* can put Uganda's coffee sector in a far stronger competitive position in international markets.

Action Steps

Uganda's competitive challenge is principally about people and processes. The intrinsic quality of Uganda robusta coffee is high. The tasks remains to mobilize a private sector effort to improve and protect that quality so that customer satisfaction is guaranteed and that Uganda coffee sustains an image of a high-grade, reliable product. Organizing people and processes will involve several steps:

- *Understand the range of customer requirements*

Continual contact must be maintained with ultimate customers to monitor trends in the market, changing standards, and the competition. A Ugandan coffee export strategy must include strong interaction with these customers, mostly a small number of European roasters.

- *Redefine quality standards and disseminate these standards widely.*

The standards of acceptable exported coffee must be effectively articulated and distributed to all links in the production chain.

- *Develop a new, credible certification process for exports.*

A tangible, visible certification is need such as the award of a Ugandan Coffee Quality Seal that is recognized by customers and producers alike.

- *Develop the delivery mechanisms for:*

- certifying export quality
- delivering technical assistance and information to farmers, hullers, intermediaries, and exporters for upgrading quality
- regulating traders and other intermediaries
- promoting 'wet milling' for export of 'washed' robustas

- *Continuously communicate new information and techniques to growers and processors*

Reaching farmers, farmers associations, processors, and intermediaries requires the use of appropriate media and training techniques, adapted to their unique working environments and communication channels.

- *Develop demonstration models*

- nucleus farms
- association training in 'best business practices'

Over the longer term, Uganda should seek to make structural improvements in the production of coffee. The development of models as nucleus farms will be needed for Uganda to maintain its competitive position.

- *Assist credit facilities to provide credits to growers and processors*

Access to capital remains a critical need for farmers and processors and needs to be addressed in a national coffee strategy.

The Participants and Their Roles

For an effective 'national export initiative' for the coffee sector, all key participants must be brought into a coordinated effort. While the private sector must ultimately take the lead, the role of government, non-governmental organizations, and donors will be critical to the success of the strategy.

- *Private sector*

All links in the production chain must be included in the effort over time. While this may be a slow, gradual process, a sustained effort must be undertaken to continually draw in larger number of producers and processors into the effort to upgrade the coffee product.

- *Public sector*

Government's role as a mobilizer of support and resources will be critical to the success of the strategy. Government institutions can play an important role on assisting in the quality certification process for exported coffee and the delivery of services to the coffee sector. As the principle provider of infrastructure for the sector, the government's role is crucial.

- *Non-governmental organizations*

Technical assistance and training services provided by the NGO community will be important in reaching the target population of farmers, handlers, and processors.

- *Donor organizations*

Uganda's need for assistance from the donor community in restructuring its coffee sector is apparent. Investment is needed in coffee processing techniques, human resource development, access to capital, and physical infrastructure.

Responsibilities for developing a National Export Initiative for coffee

Several of the critical groups in developing and implementing a National Coffee Export Initiative will include the following:

- *The Special Task Force for Export Competitiveness* chaired by the Ministry of Finance, has lead responsibility in implementing the country's *Medium-Term Competitive Strategy for the Private Sector*. The Task Force will be the leading policy recommendation body that will propose actions to the President and Cabinet.
- *A Coffee Sector Working Group* will be composed of leading members of the private sector representing all parts of the sector, as well as government institutions directly involved in developing the coffee sector. This group will be the focal point of the national exports initiative in the sector, making recommendations to both the public and private sectors.
- *USAID's COMPETE Project* will provide technical advise to the Working Group and will provide advice to the Special Task Force and other governmental organizations.
- *Private sector associations* such farmers associations, other nongovernmental associations responsible for working with elements of the production chain and the Private Sector Foundation will be key figures in an advisory capacity. The Working Group will work closely with their constituents to transmit information on the new competitiveness efforts.

- *Public sector agencies* such as the Uganda Coffee Development Authority responsible for defining and enforcement of quality standards for export coffee, the Uganda Standards Bureau, and the National Environmental Management Authority will be key players in the process. Relevant governmental departments and the Uganda Investment Authority will be partners in developing new incentives and initiatives for the coffee sector.
- *Non-governmental organizations* will for deliver technical advice to producers and processors.

Short and Longer-Term Work Plan

To strengthen coffee's competitive position in international markets, a sequence of steps must be followed. Several immediate actions are needed in the first year of the strategy. Thereafter, structural changes in the production and processing of coffee need to be pursued that require a sustained effort over several years.

- *Initiation/Announcement of the National Export Competitiveness Strategy at a National Conference on Coffee in 2001.*
Announcement by the President or Cabinet of a 'National Export Initiative' that will involve a multi-year coordinated effort throughout the country, involving public and private sectors.
- *Year 1 Action Plan: Short-term measures to enhance quality*
In the short-term, Uganda needs to act urgently on the restoration of high quality robusta production, processing, and exporting. A series of immediate measures are required:
 - Revise coffee export standards. This will involve consulting with customers to define coffee standards, defining standards for exported coffee, instituting a Ugandan Quality Seal for coffee exports, and designating procedures to enforce standards.
 - Disseminate/publicize standards. This will be accomplished through consulting with producers and processors, preparing a public awareness campaign, designing enforcement procedures, creating an outreach program, and launching a pilot demonstration of best practices to meet international standards.
 - Roll out of new certification system for export coffee. This will involve reinforcing participant understanding of requirements, demonstrating enforcement procedures and, issuing Uganda Quality Seals to processors and exporters of coffee that meet new standards.
 - Feedback, monitoring, and revisions to quality control systems. This will be done by measuring the impact/adherence to new standards, identifying problems, and introducing modifications.

Years 2-5 Action Plan: Longer-term measures to improve and restructure coffee sector

Over the longer-term, Uganda's coffee sector must make structural adjustments that will enable it to achieve and maintain a strong competitive position. Public and private sector efforts must be focused on several areas:

- Continuous improvement of export quality with strict adherence to Quality Seal requirements
- Wider production of 'washed' robustas through expansion of wet milling facilities
- Promotion of direct sales from farmers to processors to exporters to roasters, eliminating intermediaries that have reduced price and quality of export coffee
- Introduction of nucleus estates and expansion of farmers associations to strengthen production and processing
- Upgrading business skills of different components in production chain
- Improve communications connectivity to coffee regions and processing centers
- Improve physical infrastructure in coffee growing areas
- Extend credit facilities to coffee producers and processors
- Seek alternative methods for value added products
- Increase productivity of coffee farms

Projected Results

- More stable international market position as result of certified, reliable quality
- More reliable source of foreign exchange earnings
- Stable price premium for Ugandan producers and exporters
- Increased roaster satisfaction with purchase of Ugandan robustas
- Greater volume of 'washed robustas' and better quality 'natural robustas'
- More cohesive, mutually supportive coffee industry
- More farmer-owned and farmer-managed coffee processing businesses
- Improved incomes and quality of life in coffee producing areas
- Increase in production per hectare of coffee
- Identification of alternative markets
- Diversification into value added products

Disclaimer

This document was prepared in the absence of having approval of the Coffee Sector Working Group, and as such some of the action programs indicated may be modified to meet industry stakeholder needs.

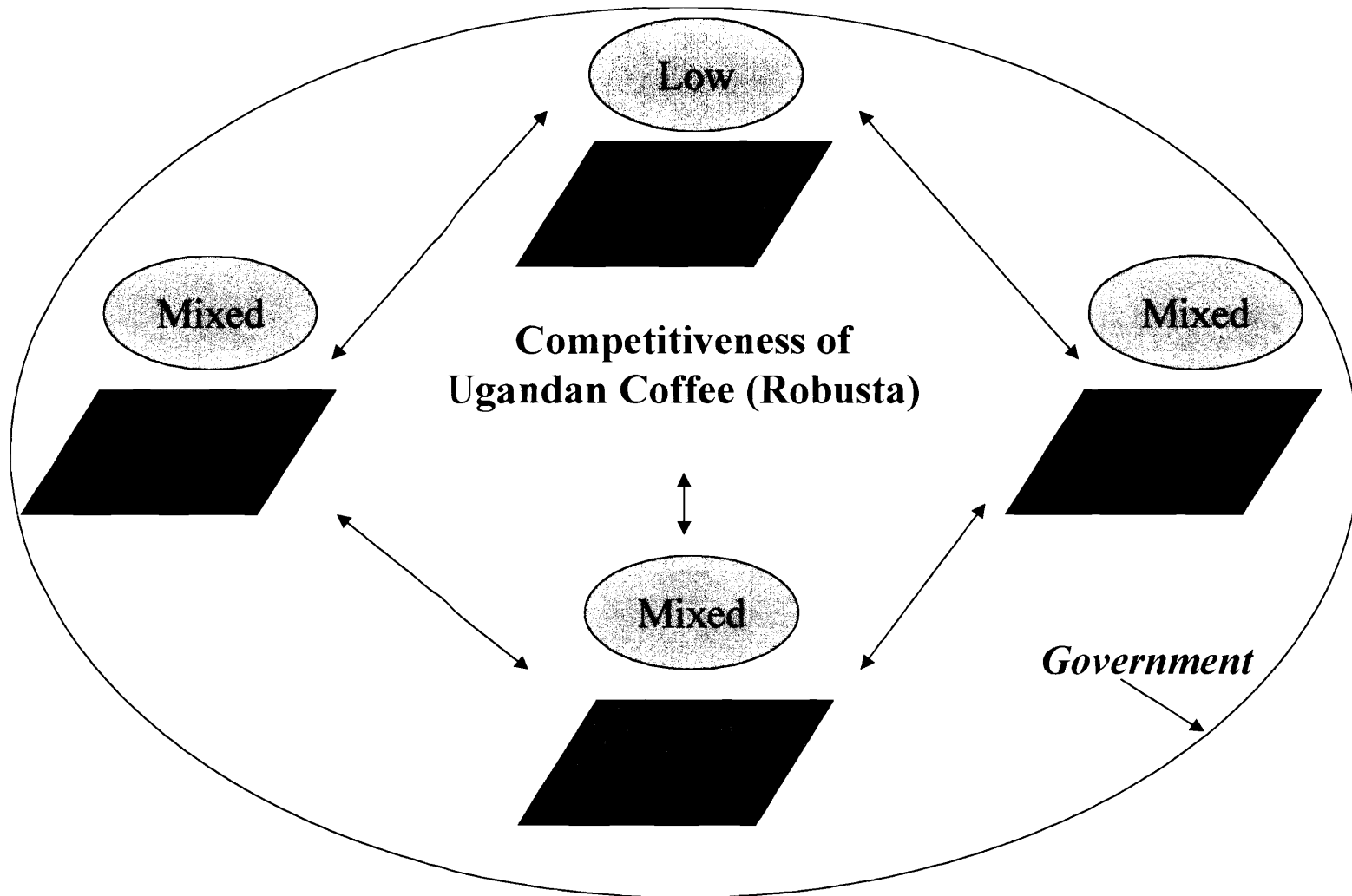
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ANNEX I

**The Competitiveness of Uganda's Coffee
Exports**

A Competitive Diamond &
SWOT Analysis of
Coffee (Robust)

Uganda's Coffee (Robusta) Exports: A Competitive Diamond



Competitiveness Diamond for Ugandan Coffee (Robusta)

1. **Strategy, Structure and Rivalry -- Low**

- +- Good Quality Possible
- +-Innovation Into New Products
- - Poor Local Processing, Roasting Facilities Absent
- - Farmers Not Trained in Better Processing
- - Lack of Quality Controls
- - Little Product Innovation
- - Low Management Skills
- - Bulk Exports
- - No Established Strategy
- - Not Accessing Niche Markets
- - Roasters Decide Quality, Low Bargaining Power and No Strategic Partners
- - Many Possible International Competitors (Vietnam, Indonesia, Tanzania), With Low Production Costs

2. **Demand -- Mixed**

- + Existing Market For Specialty Coffees and Special Blends
- + Hidden Demand for Good Quality Robusta Coffee
- + Specialty Coffee Has a Niche In Beverage Industry
- + Coffee Is Drunk All Over the World
- + High Quality Robusta Coffee, With a Soft-Neutral Taste
- - Low Knowledge of Specialty Buyers
- - Limited Exposure To The World Marketplace
- - Limited Market Research and Trade Exposition Participation
- - Little Direct Knowledge of End Users
- - In the 1990s, Real Prices Declined Substantially

3. **Factors of Production -- Mixed**

- + Good Quality Water
- + Introduction of Clonal Coffee
- + Strong, Favorable Macro-Economic Environment
- + Low Labor Costs
- +- Highly Educated Farmers
- +- Mixed Policy Signals from Government
- - Poor Production Practices (Harvesting, Drying, Processing)
- - Prevalence of Coffee Wilt Disease
- - Land Fertility Declining
- - Use of Aged Coffee Trees
- - Poor Physical Infrastructure
- - Low Levels of R&D Output
- - Poor Extension Services
- - Poor Financial Extension Services and Business Development Services

4. **Cluster -- Mixed**

- + Presence of Supporting Industries
- + Extending to Include Joint Ventures
- + Nucleus Farm Concept Emerging
- +- Weak Quality Testing Facilities
- +- Weak Training Institutions
- +- Ineffective Research & Weak Research Activities
- +- Mixed Government Support
- - Poor Production and Marketing Linkages
- - Absence of Major Roasting Facilities
- - Wet Processing Infrastructure is Weak

SWOT ANALYSIS OF THE COFFEE SECTOR IN UGANDA

RESEARCH & PRODUCTION:

Strengths:

- There is a well established Coffee Research Centre (COREC)
- Well trained, however small, cadre of researchers.
- Existence of coffee nurseries to plant and/or replace old or wilt infected coffee trees.
- Coffee produced in Uganda is of an organic nature.
- Ugandan coffee has a unique quality which increases its value.
- Various season of rainfall favors coffee production throughout the year.
- Coffee employs over 3.5 million people throughout the production, processing and marketing phases.

Weakness:

- Limited funding for coffee research.
- Limited support staff to conduct research.
- Limited research infrastructure.
- Limited housing for research staff at COREC.
- Limited coffee based extension system.
- Limited land access for coffee production.
- Lack of organized input distribution system to trigger production.

Opportunities:

- Increased amounts of funding for research.
- Infrastructure at COREC has been expanded to allow for increased experimentation and staff housing.
- Increased manpower development at COREC.
- Increased planting of high yielding clonal coffee varieties to restore production.
- Investment in input distribution system to restore lost productivity at the farm level.
- Investment in low cost primary technology (hand hullers) to ensure high quality processing techniques at the ideal moisture content.

Threats:

- Research activities are not responsive to industry needs, resulting in the creation of a weak database of information.
- Limited funding hampers research.
- Limited housing for research staff affects efficiency and timeliness of research results.
- Coffee Wilt Disease is not occurring at a rate of 5%.
- Increased infection of arabica coffee diseases resulting from limited use of pesticides and fungicides.
- Aged coffee tree stock has surpassed the optimum production age of 40 years and need to be replaced.

SWOT ANALYSIS OF THE COFFEE SECTOR IN UGANDA

PRIMARY PRODUCTION:

Strengths:

- Easy access to primary processing machinery
- Open market competition.
- Availability of financing.
- Open access to roads.
- “On-the-spot” payment to farmers for delivery of product.
- Farmers capture nearly 70% of export value.

Weakness:

- Overabundance in processing facilities relative to available crop.
- Low drying standards at the farm and processor level.
- Poor harvesting methods.
- Poor storage and handling standards.
- Primary processing of wet coffee at hulling stage.
- Poor storage of wet coffee at farm and processor levels.
- Poor supply of wet coffee to processors.

Opportunities:

- Increased investment in drying yards to avoid contamination.
- Increased investment in wet processing robusta coffee by means of reviving central processing and hand pulpers.
- Improved quality control at the farm level.

Threats:

- Mold growth (OTA) and other diseases.
- Further quality deterioration though poor agricultural and processing processes.
- Demand exceeding supply resulting in low quality in market.

SWOT ANALYSIS OF THE COFFEE SECTOR IN UGANDA

SECONDARY PRODUCTION AND EXPORTATION:

<p>Strengths</p> <ul style="list-style-type: none"> • Coffee exports still account for over 50% of Uganda's foreign exchange earnings. • Easy access to processing machinery. • Open competition. • Availability of financing. • Access to road networks • Ranked 2nd in Africa and 9th in the world. • Unique quality with special characteristics. • Robusta receives a high premium than other types of coffee. 	<p>Weakness:</p> <ul style="list-style-type: none"> • Processing of wet coffee. • Excess consumption. • Local financing is expensive and results in less profit. • Low levels of domestic coffee consumption. • Under invoicing of coffee at export stage. • Export of contaminated and very low quality coffee. • Limited quality control at secondary processing and export phases. • Lack of promotional and marketing strategies, both locally and internationally. No concentrated international market penetration. • Ugandan robustas are sold to roasters as filler for arabica roasts. • Loopholes in quality standards. • Roasters are monopoly buyers. • Ugandan coffee not exposed to final consumers. • No quality arbitration prior to exportation. • Inefficient transport facilities.
<p>Opportunities:</p> <ul style="list-style-type: none"> • New laws and regulations to be established. • Reintroduction of wet and pulp processing. • Increased financing to the sector. • Increased domestic consumption. • Promotion of Ugandan coffee in markets other than Europe (i.e. China, Russia, etc.) • Increased investment in domestic coffee roasting for export of added value coffee. • Enforcement of quality control laws by grassroots leaders and extension agencies. • Regulated quality control procedures at regional and district levels through establishment of quality corridors as control points. • Establishing quality label for Ugandan coffee in world markets. • Potential for specialty coffees. • Export platform as an organic coffee. 	<p>Threats:</p> <ul style="list-style-type: none"> • Continued depression of world coffee prices. • Loss of premium on Uganda robustas as a result of poor quality. • Ugandan coffee facing competition from other emerging producers such as Vietnam, Indonesia, India and others. • Limited participation of local traders at export phase due to high cost of operating capital. • Foreign exchange fluctuation. • Price volatility, both locally and internationally.

ANNEX II

MEMORANDUM TO THE SPECIAL TASK FORCE ON
EXPORT COMPETITIVENESS

**MEMORANDUM TO THE SPECIAL TASK FORCE ON
EXPORT COMPETITIVENESS**

**STRENGTHENING THE EXPORT COMPETITIVENESS OF
UGANDA'S COFFEE SECTOR**

The Challenge:

- Coffee has traditionally been Uganda's most important export sector, currently accounting for 60% of the country's foreign exchange receipts and contributing to the incomes of 20% of Uganda's population
- However, in recent years, external and internal factors have dramatically reduced coffee's contribution to Uganda's economic growth and foreign exchange earnings.
- Uganda must address the crisis in its coffee sector as a matter of urgency.

The Problem:

- Externally, the dramatic drop in world coffee prices is responsible for the sharp decline in foreign exchange earnings and rural incomes in coffee-growing regions
- Internally, the quality of Uganda's coffee exports has significantly deteriorated in the past 10 years. International customers (mainly European roasters) complain that Ugandan coffee is increasingly of low and unreliable quality compared to the past.
- The internal trading system in Uganda is largely responsible for this poor quality. There is very little quality control of coffee sold by exporters, resulting in large discounts, and even outright rejections, by the final customers (roasters).
- There is little communication of market standards from exporters, who understand those standards, to Ugandan farmers and processors. This lack of information puts Ugandan producers at a serious disadvantage.

The Opportunity:

- Uganda's soil, climate, and altitude permit it to produce an intrinsically high quality robusta coffee.
- The country has the opportunity to restore its quality image of robusta coffee through effective management of quality and processes
- By establishing a 'Ugandan Coffee Quality Seal' for its exports that certifies to international customers that the coffee exported by Uganda meets the highest robusta standards, Uganda can regain its position in these markets.
- By persuading private and public sectors to work together to develop an effective certification procedure as well as processes that enhance coffee quality, Uganda can overcome the internal competitive obstacles it currently faces.

The Strategy:

- The competitiveness of Uganda's coffee in world markets begins with an understanding of what the customer will buy. Ugandan coffee must meet the standards of the most demanding buyer. Those standards must be widely understood and adhered to.
- Communication with all links of the production chain about acceptable standards and processes becomes indispensable.
- The government needs to take a leading role in mobilizing national support behind an effort to improve coffee's competitive position.
- Assistance must be given to improve production, handling, processing, transport, and marketing.
- Pilot projects to upgrade coffee quality must be launched immediately that can lead to longer-term restructuring and strengthening of the sector.

Action Steps:

- The private sector and government must understand and communicate the requirements of international buyers to the entire coffee sector
- Export quality standards for coffee must be refined, articulated, and disseminated widely
- A sensible, workable certification process for export coffee must be set up.
- Institutions and delivery mechanisms for standards certification, technical assistance to the sector, regulation of intermediaries, and longer-term restructuring of the sector must be set in place.
- Continuous communication of new information and techniques to growers and processors must be undertaken, including demonstration projects of best practices.
- Credit facilities for growers and processors must be expanded so as to permit investments in 'wet-milling' that will enhance the premium paid for Ugandan robustas.

The Participants:

- Highest levels of government, preferably the president, should mobilize support for a 'national export initiative' to restore coffee's international competitive position.
- The Special Task Force on Export Competitiveness should incorporate the key public and private groups that can make change happen.
- The Coffee Sector Working Group, comprising leading components in the sector, should recommend wide-ranging actions and policy changes.
- The COMPETE project (funded by USAID) will provide technical assistance to the Working Group.
- The Uganda Coffee Development Authority, or alternative body, should be restructured and properly funded to play a constructive role in reestablishing coffee export standards.
- Private sector organizations should take on active roles in communicating market standards to their members and constituents.
- Donors and non-governmental organizations should be invited to participate in key components of the export development strategy.

Short and Longer-Term Action Plan:

- *Launching of a National Export Initiative for Ugandan coffee*
 - Announcement by the President and Cabinet at the National Conference on Coffee.
- *Year 1 Action Plan -- Quality Upgrading*
 - Revise and publicize Uganda's coffee export standards based on customer requirements.
 - Inaugurate a Uganda 'Quality Seal' for export coffee that meets the standards
 - Develop, test, and roll out a workable, simple certification system that growers, processors and exporters can participate in.
 - Develop communication channels for reaching all segments of the coffee sector.
 - Launch pilot demonstration projects to demonstrate 'best practices' needed to meet international standards.
- *Years 2-5 Action Plan -- Restructuring the Coffee Sector*
 - Expansion of quality-enhancing systems such as wet-milling to produce higher value 'washed robustas' for the international market.
 - Restructuring of trading system to facilitate direct sales from processors to exporters to roasters (removing intermediaries who reduce quality and price).
 - Delivery of technical assistance, training, and credit to coffee growers and processors.
 - Improvement of physical infrastructure in coffee growing regions that impacts on production and maintenance of coffee quality.
 - Increase in productivity of coffee farms.
 - Seek alternative markets for value added products.

COMPETE Project



CARANA Corporation

THE COMPETE PROJECT

Competitive Private Enterprise and Trade Expansion

Position Paper

**STRENGTHENING THE EXPORT COMPETITIVENESS OF
UGANDA'S FISH SECTOR**

Prepared by
Andrew Kaelin

Submitted to

**United States Agency for International Development
Kampala, Uganda**

April 18, 2001

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STRENGTHENING THE EXPORT COMPETITIVENESS OF THE FISHERIES SECTOR

The Challenge

*Uganda's fishing industry constitutes its second most important export sector. Uganda's fish exports, primarily Nile Perch (*Lates Niloticus*), are highly valued and competitive in world markets. The natural resources of Lake Victoria, if properly managed and preserved, will continue to provide Uganda with a rich source of these fish products, and contribute to foreign exchange earnings, local employment and income generation for the fishing population and fish processors. Possessing 41% of the Lake and having developed state-of-the-art fish processing and sanitation testing facilities, the sector should be able to utilize this resource to its maximum sustainable capacity.*

Fish exports currently earn approximately \$60 million for the country, or 7% of total exports. *It is estimated that the maximum sustainable yield of the Lake's resources in Nile Perch will permit exports worth around \$100-\$120 million.* Therefore, the fishing industry, based on current resources, should have the potential of doubling its revenues and expanding its benefits well beyond the estimated 700,000 people who currently live off of fishing and fish processing.

To realize this sustainable yield, however, *proper environmental and stock management of this natural resource is vital.* Uganda must take integrated action with its neighbors, Kenya and Tanzania, to manage this valuable natural resource.

Even with good stock and environmental management, this resource is finite. Given the capacity limitations, *Uganda must protect its existing stock and look for new sources of fish. Similarly, Uganda's fisheries need to examine the potential for product and market diversification that it can realize from its current production and processing.*

The Problem

Preservation and management of fisheries resources remain a major problem for the sector. Environmental degradation and poor, unregulated fishing practices threaten the sustainability of the resource. Effluents from untreated waste, as well as the run off of herbicides and fertilizers from agriculture in the region, pose a serious threat to the sector.

Poor fishing practices by local fishermen continue. The 'line hook' method of fishing is not selective, capturing both breeding females and young fish less than 18 inches in length. These fishing methods continue to threaten stocks. In extreme cases, some fishing communities are known to use explosives and poisons to produce fish for local markets.

Maintenance of the quality of the exported product needs to continue. The ban on Ugandan exports by the European Union in 1999 pointed out the dangers of unregulated fishing and fish processing. Although no cases of infected perch were discovered, the ban prevailed until such a time when testing could be completed. Quick, forthright action by the sector to establish sound testing and certification of the quality of processed fish that would meet international standards succeeded in having the ban lifted.

The Lack easily accessible landing facilities and infrastructure has led to the loss of fish for Ugandan processors. A significant portion of fish caught in Ugandan waters is landed on Kenyan facilities. While 41% of the Lake lies in Ugandan territory and 11% in Kenyan territory, Kenya processes 180,000 metric tons compared to 110,000 tons in Uganda. Much of this is due to the lack of landing facilities in Uganda along the northeastern shores of Lake Victoria.

A large portion of harvested perch in Uganda (67%) is not processed into an exportable product. There is significant wastage, and foregone export receipts, in Uganda's processing techniques. Processing for export is limited largely to fillets, which constitutes only 33% of the tonnage harvested. Much of the remaining portion, which could be processed for markets other than the fillet market, is sold off on the domestic market as low value products, even though demand for other parts of the fish is strong in areas such as Asia.

The Opportunity

Ugandan white fish, namely Nile Perch, is highly valued in developed country markets where quality white fish can be sold at high prices. In Europe, current fishing quotas for cod, as well as health concerns with traditional meat products, has intensified demand for high quality white fish and cause prices to rise rapidly. This trend is unlikely to abate.

Furthermore, Uganda is blessed with outstanding inland water resources well suited for the development of fish cage farming and aquaculture. *Fish farming offers significant potential for product expansion and diversification, both in Lake Victoria and other inland waterways.* Exploiting this potential, however, will require technical assistance and capital investment.

Modified and diversified fish processing can provide new sources of exports. Fish parts currently sold at low prices on the domestic market can be converted into medium-value frozen products for export to non-traditional international markets such as the Far East.

The Strategy

To strengthen the competitive position of Uganda's fishing industry, the sector must focus on several key elements of widely-recognized international competitiveness models. The models usually refer to the four critical components as being (1) demand, (2) factors of production, (3) the clusters of economic activities, and (4) strategies for development. Uganda's fishing sector needs to incorporate each of these considerations into its efforts to ensure the competitiveness of the sector.

Market demand for high quality white fish, processed and transported according to recognized international standards, is likely to remain strong for years to come providing

exporters with high returns. Even during the European Union ban on Ugandan exports, local exporters were able to find alternative markets. The industry must therefore continue to assure the quality for its product by maintaining the highest health standards both at the harvesting and processing level.

Market demand for other products from these fish resources is strong, but has not been exploited by Ugandan processors. Much of Uganda's harvested fish is sold off at a low price on local markets, largely because the sector has not investigated alternative markets to chilled or frozen fish fillets. Large markets for medium-value products other than fillets exist around the world that the fisheries sector has not tapped into. Market research and contact with potential customers needs to be part of a future strategy.

With market demand strong, Uganda's foremost need is to focus on its factors of production, namely its fish resources and their health and preservation. *Uganda's strategy must therefore be to preserve this resource by rigorous enforcement and to ensure that fish harvesting and processing meet the highest standards. Therefore, environmental management as well as adherence to the strictest health standards becomes the critical requirements in the export competitiveness strategy for this sector.*

Management of the resource in Lake Victoria is vital and requires trilateral action on the part of all three countries. *Uganda, Kenya and Tanzania have mutual interests in actions that ensure good stock management and regulated fishing practices. Efforts are ongoing, but Uganda's competitiveness strategy must include strong demands that this cooperation be strengthened and that regulations be enforced.*

Uganda must look beyond the existing resource base for future fish production and harvesting. *The maximum sustainable yields from Lake Victoria will soon be reached at the current pace. To expand beyond this present resource, Uganda must look to fish farming and aquaculture potential by developing fish cage technologies that can be used effectively by the fishing population, not only in Lake Victoria but in inland waterways as well. Emphasis must be place on technology development, environmental protection, human resource development, and credit facilities.*

Developing cooperation between the fish harvesting, handling, processing, and transport activities of the fisheries 'cluster' must be given priority attention in the strategy. *A 'national export initiative' for the fisheries sector must draw attention to developing cohesion and cooperation among different elements in the sector. Information dissemination must be fostered, particularly to the fish communities that often are isolated from the processors and know little of market standards. Communications channels must be developed.*

Action Steps

A series of action steps are required, both in the short-term (first year) and medium to long term (two to five years). These steps may be categorized as follows:

- *Actions must be taken to preserve and maintain resources*

Fish stocks in Lake Victoria and elsewhere are a finite resource that must be protected. Policies and regulations need to be developed and strengthened in Uganda to foster enforceable stock management, optimum harvesting practices, and environmental protection of the Lake and inland waterways. Research is needed on the reproductive biology of Nile Perch to better understand breeding and spawning patterns.

Similarly, laws and regulations must be studied; passed, and enforced that are designed specifically to regulate use of the Lake's resources. Public and private consultation is needed to build consensus and mobilize public support for these management strategies.

Similarly, trilateral negotiations with neighboring countries must continue to ensure that all countries exploiting the resources of Lake Victoria play by similar rules and undertake strong enforcement measures. A tripartite action plan should be the product of a high-level conference on protecting the fisheries resources of the Lake.

- *'New product' resources must be developed*

Development of new resources through fish farming techniques is required over the long term to permit Uganda's fisheries to continue to grow and be self-sustaining. Research into appropriate technologies, locations, and systems for fish cage farming and aquaculture. A design for this development is required to expand Uganda's product base for the future.

- *Products for new markets must be investigated and developed.*

Market demand exists for types of fish products other than chilled and frozen fillets in many parts of the world that Ugandan processors have not yet investigated. Research and contacts with future customers need to be undertaken to identify new markets for fish products and by-products that Uganda currently produces in abundance but does not channel toward export markets.

- *Infrastructure development for traditional and new fish products*

Steps to improve physical infrastructure must be taken, both for continued exploitation of existing fish products, but also for the development of new products. These include, for example, landing and receiving facilities for fish handlers, boats and ice rooms and ice plants for handlers and collectors for the harvesting and transport of fish. For new product development, such as fish cage farming, new equipment and systems are needed, which need to be addressed by both public and private sectors.

- *Information and human resource development is needed to build fisheries' competitiveness*

Information and training at all links in the production chain will be needed to improve harvesting and processing practices. First, in traditional fish harvesting, fishing practices needed to be improved at the harvesting level so that the resource is not damaged or wasted. This requires information dissemination techniques that are adapted to this unique community.

Second, development of fish farming will require major education and demonstration efforts, adapted for these communities, to impart 'best practices' to the population that will be farming fish. Information and institutions need to be mobilized to assist in this process.

- *Finance and credit facilities must be expanded to support the fishing sector*

New equipment is required for both traditional fishing and fish farming. Credit facilities aimed at the fisheries sector must be provided with proper consideration of the natural limitations of fishing communities to meet traditional borrowing requirements.

- *Institutions are needed to work within the fishing communities and communicate both information and technologies*

Like both rural and commodity sectors, development of formal associations is difficult. However, as part of a competitiveness policy, information and training must be undertaken throughout the sector to achieve the objectives of a strong economy for these communities. Different institutional forms need to be developed, such as fishermen associations, fish handler groups, etc, through which information can be channeled.

The Participants and their Roles

The fisheries export sector includes several levels of participants including private and public sectors. The government has a critical role in the fisheries sector because of the critical importance of fisheries management and environmental policies as well as information to the various links in the production chain. The private sector's role is vital in following best practices in fish harvesting, fish farming, handling, and processing.

Non-governmental organizations and donors are important sources of technical assistance, training, and investment capital in new products and environmental protection.

Responsibilities for Developing a National Export Initiative for the Fish Sector

Several of the critical groups in developing and implementing a national fisheries export initiative will include the following:

- *The Special Task Force on Export Competitiveness*, chaired by the Ministry of Finance, has lead responsibility in implementing the country's *Medium-Term Competitive Strategy for the Private Sector*. The Task Force will be the leading policy recommendation body that will propose actions to the President and Cabinet.
- A *Fisheries Sector Working Group* will be composed of leading members of the private sector representing all parts of the sector, as well as government institutions directly involved in developing the fisheries sector. This group will be the focal point of the national export initiative in the sector, making recommendations to both the public and private sectors.

- The *COMPETE Project*, funded by USAID, will provide technical assistance to the Working Group and provide advise to the Special Task Force and other governmental organizations.
- *Private sector associations*, such as the Uganda Fish Processors and Exporters Association, the Private Sector Foundation, and other non-governmental organizations will be key figures in an advisory capacity to the Working Group and will work closely with their constituents to transmit information on the new competitiveness efforts.
- *Public sector agencies*, such as the Department of Fisheries Resources and the National Environmental Management Authority, will be key players in the process. Relevant governmental departments and the Uganda Investment Authority will be partners in developing new initiatives and incentives for the fisheries sector.

Short and Longer-Term Work Plan

Development of fisheries' export potential will require a series of measures, some for the immediate short-term and others that will take several years to implement. A strategy for this development should therefore integrate these actions.

- *Initiation/announcement of the National Export Competitiveness Strategy at a National Conference on Fisheries to be held in 2001.*
Announcement by the president or cabinet of a 'national export initiative' that will involve a coordinated initiative not only between the public and private sectors in Uganda, but with neighboring countries as well. This announcement will be designed to mobilize broad support for this effort as well as promote information exchange among the various links of the production chain.
- *Year 1: Maintenance*
- Initiate a dialogue with Kenya and Tanzania regarding the maintenance and preservation of the lake in terms of water quality and fish stock.
- Support the initiatives already underway in terms of fishing and fish handling practices as well as environmental management.
- The Fisheries Working Group will develop and present to the Special Task Force a plan for the development of fish cage farming in Uganda as an approach to expanding the resource base for Uganda's fisheries. A study on breeding habits will commence, along with experimentation with appropriate infrastructure for fish cage farming.
- The Working Group, supported by the COMPETE project; will undertake market surveys of the opportunities for new products. This survey will also focus on non-traditional markets that heretofore Uganda processors and exporters have not investigated. This will be done in close cooperation with the Uganda Fish Processors and Exporters Association.

- *Years 2-5: Expansion and Improved Quality Image*
- Investment promotion initiatives will be undertaken with the Ugandan Investment Authority to attract international capital and technology into the development of fish cage farming and aquaculture.
- Maintenance of Ugandan Quality Seal for fish products.
- Based on development of new products, initiate public relations and advertising campaign for Ugandan fish products in foreign markets.
- Expand fish cage farming from Pilot Stage to a commercial scale.
- Enrichment of the total fisheries sector through specific programs on training, education, improved infrastructure, technical services, and financial services.

Expected results from the National Export Initiative for fisheries

- Enhancement of Uganda's market image with foreign buyers.
- New markets developed for diversified fish products.
- New by-products also developed for diversified markets.
- Increase in foreign exchange earnings from exports of fish and fish products.
- Plan developed for new fish cage farming initiatives, with pilot projects developed in different parts of the country.
- Improvement/development of improved fish receiving stations on Lake Victoria.
- Introduction and utilization of better practices in fish capture and handling.
- New regulations/guidelines on optimum fish harvesting practices.
- Communications/information strategy design to transmit information to fishing communities.
- Development of a Quality Seal concept to be awarded to fish exports that have passed certification procedures.
- Socio-economic development of the fishing community through a package of services.
- A self-regulatory protocol for the maintenance and preservation of Lake Victoria in terms of water quality and the stock to be signed by Uganda, Kenya and Tanzania.

Disclaimer

This document was prepared in the absence of having approval of the Fish Sector Working Group, and as such some of the action programs indicated may be modified to meet industry stakeholder needs.

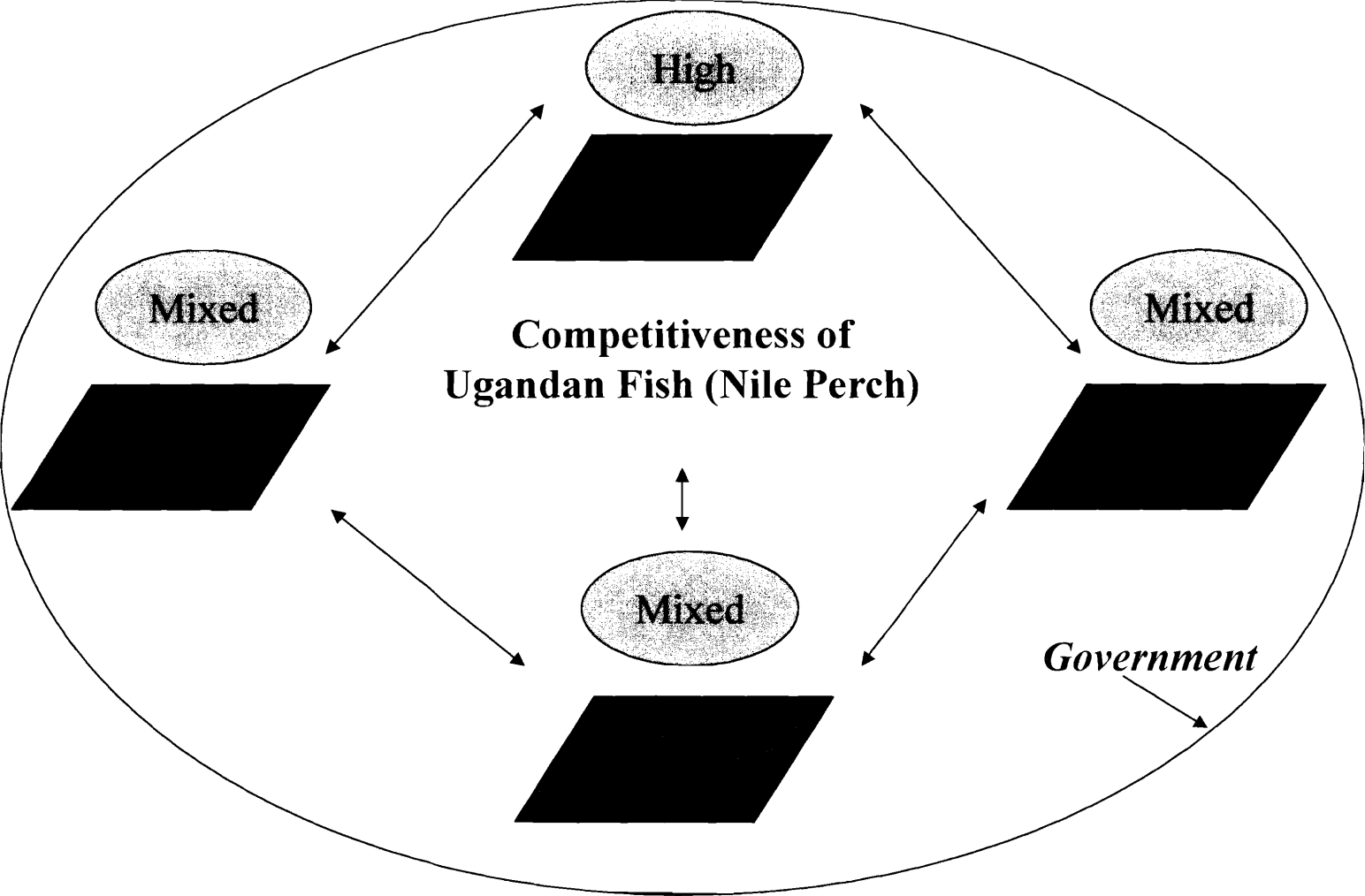
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ANNEX I

**The Competitiveness of Uganda's
Fish Exports**

A Competitive Diamond &
SWOT Analysis of
Fish

Uganda's Fish (Nile Perch) Exports: A Competitive Diamond



Competitiveness Diamond for Ugandan Fish (Nile Perch)

1. Strategy, Structure and Rivalry -- High

- + High Grade Processing Facilities
- + Depleting Cod Supply in Europe
- + High Demand for White Fish in Europe
- + Some Backward Integration
- + - Highly Dependent on Buyers, Some Strategic Partners
- + Trained Workers
- - Little Product Innovation
- - Little Forward Integration

2. Demand & Market -- Mixed

- + Fast Growing Market
- + Positive Future Consumption Trends in Europe and Asia
- + Weak Competition From Other Fish Producers
- + Demanding International Buyers
- + A High Quality Product
- - Little Knowledge of End User
- - Little Exposure to the World Market
- - Limited Market Research
- - Weak Trade Exposition Participation
- - Increased Competition from Kenya & Tanzania

3. Factors of Production -- Mixed

- + Large Fresh Water Resources
- + Increased Skills of Processing Workers
- + Private Capital and Entrepreneurs
- + Few Labor Problems
- +- Weak Levels of R&D
- +- Weak Infrastructure
- +- Weak Quality Control Facilities
- - Inadequate Fish Landing Sites
- - Inadequate Access to Ice & Refrigeration
- - Inadequate Research Backup

4. Cluster -- Mixed

- + Strong Private/Government Sector Role
- + Industry Associations Formed
- + Quality Standard Institute
- - Weak Supporting Services
- - Training Institutes Inadequate
- - Socio-Economic Support Structure Weak
- - Weak Finance Intermediaries

SWOT ANALYSIS OF THE FISH SECTOR

RESOURCES:

Strengths:

- Large fresh water resources
- Large population of fisherman
- The lakes adequately stocked with fish at present.
- Good quality of fish (Nile Perch)
- Water quality of lake free of pollution.

Weaknesses:

- Study on breeding habits of Nile Perch not available.
- No control mechanism for fish stock maintenance among the countries that share the lake.
- No coordination on control captured fish size.
- No adequate control on gill net sizes.
- Hook line fishing endangers future fish stock.
- No attempts made at fish cage culture to date.
- Inadequate Research backup on breeding, monoculture.
- Low level of Research and Development in the sector as a whole.
- Poor socio-economic extensions to Fisher families.
- Weak financial support structure to acquire and maintain fishing gear.
- Inadequate training facilities on better methods of capture and handling.

Opportunities:

- A joint management of Lake Victoria to preserve its water quality and fish stocks.
- Expanding fish stock by prevention of hook line method of capture and correct gill net size.
- Expanding fish stock by fish cage technologies.
- Developing cooperation between fish harvesting, handling, processing and transport activities.
- Improved communication and extension among fishing communities.

Threats

- Possible pollution of water table.
- Depletion of fish stock due to over fishing.
- Danger to natural increase of fish stock due to hook line fishing.
- Unlawful methods of fish capture (poison) resulting in export ban.
- Maintaining the health of the fish.
- New industries on borders of Lake disposing waste.
- The leakage of fish harvest to Kenya.
- Unplanned urbanization around the Lake increasing sanitation problems.

SWOT ANALYSIS OF THE FISHERIES SECTOR

PROCESSING AND HANDLING:

<p>Strengths:</p> <ul style="list-style-type: none"> • More efficient fish receiving stations being built. • Good cooperation/linkages among Fisherman, handlers and processors. • High quality processing factories. • High quality fish quality control facility. • Improved methods of handling harvested fish 	<p>Weaknesses:</p> <ul style="list-style-type: none"> • High level of wastage of fish carcasses. • Poor use of 'waste' as by products. • Weak infrastructure. • Inadequate access to ice and cold rooms • Poor post harvest handling
<p>Opportunities:</p> <ul style="list-style-type: none"> • Upgrading fish carcasses into medium and high quality fish products. • Increased fish meal production from waste. • Improving fish handling technology. • Expansion of modern fish receiving stations on Lake Victoria. 	<p>Threats:</p> <ul style="list-style-type: none"> • Maintenance of processing facilities. • Keeping the cost price ratios stable. • Fall back on quality processing. • Depletion of supply of fish.

SWOT ANALYSIS OF THE FISHERIES SECTOR

MARKET:

Strengths:

- Demand for Perch as a substitute for cod increasing in Europe and USA.
- European Union certified Export quality.
- Fish harvested from pollution free waters.
- New markets in USA.

Weaknesses:

- Limited exposure to the market place.
- No joint marketing of Nile Perch in Europe by the three suppliers.
- Un coordinated marketing efforts among Ugandan exporters.
- No diversification in product offered.

Opportunities:

- Enhancement of Uganda market image with foreign buyers.
- New markets developed for diversified fish products.
- New fish products for diversified markets.

Threats:

- Ability to maintain continuously the of quality of export fish.
- Fall in quality image.
- Failure in transport and delivery.
- Poor road transport to port of Mombassa.

ANNEX I

**MEMORANDUM TO THE SPECIAL TASK FORCE
ON EXPORT COMPETITIVENESS**

**MEMORANDUM TO THE SPECIAL TASK FORCE
ON EXPORT COMPETITIVENESS**

**STRENGTHENING THE EXPORT COMPETITIVENESS OF
UGANDA'S FISHERIES SECTOR**

The Challenge:

- Uganda's fish is the country's second most important export sector. Its export product, principally Nile Perch (*Lates Niloticus*), is highly valued and competitive in world markets.
- It is estimated that the maximum sustainable yield of Nile Perch from Lake Victoria will permit Uganda to double its current exports to around \$100-\$120 million.
- Strict environmental and stock management of this natural resource is indispensable if Uganda is to meet these targets and sustain them.
- However, to expand beyond these targets, Uganda must protect its existing stock and look for new sources of fish, such as fish farming and aquaculture.
- The sector also needs to explore the potential for product and market diversification from its current production.

The Problem:

- Preservation and sound management of fish resources remain a major challenge for the sector
- Poor fish harvesting practices by local fishermen which damage and reduce the stocks must be addressed
- Maintaining the quality of the processed product must be addressed on a continuous basis.
- Lack of proper infrastructure such as strategically located landing, transit and cooling facilities has led to loss of fish for Ugandan processors.
- A large portion of harvested perch (67%) is not processed into exportable products.

The Opportunity:

- Ugandan white fish, namely Nile Perch, is highly valued in developed country markets, a trend that is likely to continue.
- Fish farming offers enormous potential for fish stock expansion and diversification, with very positive impacts on exports.
- Modified and diversified fish processing can provide new products for exports to existing and new markets.

The Strategy:

- Uganda needs to address the need not only to preserve its current stocks but also to expand future fish production through fish farming and aquaculture.
- The focus must be on taking advantage of the very favorable conditions for fish farming and expanding this production throughout the country.
- Significant resources for infrastructure and technical assistance need to be provided to creating this new initiative to expand fish production

Action Steps:

- Vigorous action needs to be taken to preserve and maintain existing fish resources in Lake Victoria and other inland waterways
- Fish stocks must be expanded, namely through fish farming, by bringing in the technology, investment, and infrastructure needed to support this effort
- New market opportunities for diversified fish products in non-traditional markets need to be investigated, enabling Uganda to significantly increase its exports from current resources
- Infrastructure needs to be strengthened for both traditional and new fish products.
- Information and human resource development will be essential to building future competitiveness.
- Finance and credit facilities must be expanded to support the fishing sector.
- Institutions must be developed to work within the fishing communities to communicate information about best practices.

The Participants and their Roles:

- The Special Task Force on Export Competitiveness, to take the lead in recommending government policies and initiatives
- The Fisheries Sector Working Group, composed principally of private sector representatives, will drive the process of competitive reforms.
- The COMPETE team, funded by USAID, to advise the Working Group
- Private sector organizations such as the Uganda Fish Processors and Exporters Association and the Private Sector Foundation to coordinate activities in the sector
- Public sector agencies including the Uganda Investment Authority that can improve the operating environment for fisheries and attract foreign technology and capital.

Short and Long Term Plan:

- *Initiation/announcement of the National Fisheries Export Initiative*
- Announced by the President and the Cabinet to mobilize broad support for the initiative.
- Year 1 Action Plan -- Maintenance
- Initiate dialogue with Kenya and Tanzania regarding the preservation of Lake Victoria, its water quality, and its stock.

- Support the on-going initiative to develop and utilize better handling methods.
- Initiate a feasibility study of fish farming, focusing on breeding, infrastructure, ecology, training and cost.
- Undertake market surveys for opportunities in new, high value and medium value fish products, apart from fish fillets.

- *Years 2-5 – Expansion and Increased Quality Image*
- In collaboration with the Uganda Investment Authority, initiate investment promotion activities to attract international capital.
- Work towards developing a specific Quality Seal for Uganda fish products
- Based on the development of new products, expand into new and existing markets.
- With regards to fish farming, move from the pilot stage to a commercial stage.
- Work towards the development of a total package of services for the fish sector. Possible focus could be on investment, regulatory environment, information, training, and finance.

Expected Results from the National Export Initiative for Fisheries:

- Enhancement of Uganda’s market image and quality assurance with foreign buyers.
- New markets developed for diversified fish products.
- New by-products developed for non-traditional markets.
- Increase in foreign exchange earnings from exports of fish and fish products.
- New fish farming initiatives with pilot projects developed throughout the country.
- Improvement and development of new fish landing facilities on Lake Victoria.
- Introduction and utilization of better practices in fish capture and fish handling.
- New regulations and guidelines for optimum fish harvesting practices.
- Information campaign to transmit information to fishing communities.
- Development of ‘quality seals’ to be awarded fish processors that meet high processing standards for export.
- Socio-economic development of the fishing community through a package of services.
- A self-regulatory protocol for maintenance and preservation of Lake Victoria with regards to the water quality and fish stock signed by Uganda, Tanzania, and Kenya.

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Competitive Private Enterprise and Trade Expansion

Position Paper

**STRENGTHENING THE EXPORT COMPETITIVENESS OF
UGANDA'S COTTON SECTOR**

Prepared by Robert
Lee

Submitted to

**United States Agency for International Development
Kampala, Uganda**

April 18, 2001

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STRENGTHENING THE EXPORT COMPETITIVENESS OF UGANDA'S COTTON SECTOR

The Challenge

Cotton traditionally has been one of Uganda's important export commodities, currently accounting for 3.6% of the country's foreign exchange receipts. While well below the contribution made by coffee, cotton ranks fourth in importance among agricultural and fish products. In 1999/00, cotton exports were 14.5 thousand metric tons, compared to 86.3 thousand metric tons when cotton peaked in 1969/70. At that time cotton contributed 40% of total foreign exchange earnings. Moreover, cotton is directly critical to the incomes of 10% of the country's population (about 2.5 million persons, presently) in the rural areas of the east, north and west. Also, the sector contributes significantly to urban employment in some regions.

However, during the period from 1974/75 to 1993/94, *external and internal factors have combined to dramatically reduce cotton's contribution to economic growth, foreign exchange earnings, and rural incomes.* In fact, foreign exchange earnings directly from cotton were reduced to about 1.7% in 1995. With this decline came the decline of the ginning, textile, and oilseed processing sectors. Most importantly, Uganda lost its ties to the international trading community due to its reputation as an undependable supplier.

With the good climate and soils that Uganda offers for growing cotton, the commodity has the potential of being a much greater contributor to the economy. This contribution is beginning to be realized through the efforts of the Cotton Development Organization (CDO) and other industry organizations, resulting in foreign exchange earnings rising from 1.7% in 1995 to 3.6% in 1999/00. At full rejuvenation the sector should provide incomes to nearly 12% to 15% of the country's population in rural areas. Furthermore, when the value-added portion of this industry (textile mills, edible oil processors, soap producers, and the livestock feed industry) is rejuvenated and expanded, it will account for the income of another 2 to 3% of the country's population in urban areas.

The challenge is to bring cotton back to its former position and Uganda needs to continue to address the crisis of the sector. Both the private and public sectors involved in cotton need to be fully engaged in a "national export initiative" to revive and rehabilitate cotton's, and its value added products, contribution to economic growth and foreign exchange.

The Problem

Internally, *due to internal political disruptions*, cotton production entered a period of spiraling decline from a peak of 466,000 bales in 1969/70 to a low of 12,000 bales in 1987/88. It began to revive after this, but did not get a full boost until 1994 when under the Economic Recovery Program, the government liberalized domestic and export marketing, processing, and pricing and launched the Cotton Sub-sector Development Program (CSDP). Under this program five key initiatives were undertaken: support for research via NARO; establishment of an extension component via the Ministry of Agriculture; initiation of a credit

support program via Bank of Uganda; development of an Agricultural Policy Secretariat; and the establishment of the Cotton Development Organization (CDO). While all these initiatives were not directed at cotton alone, the CDO was and took on the role of regulating, and promoting the cotton industry. This has helped as gins have been transferred to creditworthy operators, and the industry has been actively working to improve the sector's production and profitability.

The sector still faces serious problems, some of which include:

- Low cotton productivity at the farm level.
 - Uncertainty with respect to seed and pesticide use
 - No utilization of fertilizers and notable soil depletion
 - Poor cultural practices by many farmers
 - Improper picking practices at harvest
 - Poor coverage by the agricultural extension agents
- Changes in the research approach due to shortages in funds and talent that will impact the attention cotton research receives.
- Lack of an adequate finance program to support farmers, ginners and value-adding firms.
- Recent low prices internationally for cotton and a continued outlook for expanded cotton production in 2002 that will continue to keep prices depressed.
- Lack of an organized information system that provides stakeholders with the information they need to make correct marketing decisions.
- Low utilization of gins making very marginal operations.
- Maintenance of a quality control program that ensures quality.
- A need for upgraded equipment at gins, which will help preserve the integrity of high quality Ugandan cotton.
- Lack of adequate storage facilities at gins.
- High cost slow transportation from gin to export point.
- Lack of a system that ensures that good Ugandan cotton is preserved for use by the indigenous value added textile firms and other users.

While many positive actions have been taken the return to previous levels has been slower than anticipated. This is due, in part, to controllable actions, but also because of uncontrollable actions such as price declines, and poor weather. Nevertheless, much work remains to accelerate cottons return to its previous position. And, if the productivity of cotton is not increased the margins to farmers and ginners will be very limited. Thus, many farmers and ginners will exit the industry while the international price is low. One could argue that this is what should happen, but at this stage in Uganda's effort to revitalize the industry this could be a mistake as many farmers and ginners are just starting to get back on their feet. Thus, efforts must be kept in place until the industry has had the chance to re-establish itself, with the threat of cancellation of the CSDP program at the end of 2001 a major force for change and reestablishment of the sector will be lost.

The Opportunity

Uganda has the capacity to restore the cotton sector through effective support for farmers, the management of processes that guide farmer, and building management capabilities at ginneries and value-adding levels of the industry. As indicated above, Uganda has the

agricultural and climatic conditions to produce one of the best quality cottons in the world. To realize the opportunity it will require expanded productivity at the farm level. This will require improvements in agronomic practices, use of high quality seed, proper application and use of organic and inorganic fertilizers, improved and properly applied pest and disease control measures, use of greater appropriate mechanization, and establishment of demonstration farms that show farmers the correct practices. Also, farmers must know what their economic gains will be from using these correct practices.

To maintain its market position, *it is essential to build on the positive goodwill effort in place between ginners and farmers that has been a focus of the CDO and UGCEA.* If the commitment to improved cotton productivity can be effectively implemented it will go a long way toward helping the industry reach prior levels of production. For the 2000/2001-crop year, CDO together with the ginners provided seed and pesticides to the farmers. Enough of these inputs were provided to produce 300,000 bales, but in actual fact 90 to 100,000 bales were produced. CDO and the ginners are ready to review the reasons for the shortfall and make corrections in the program to better ensure expected results for the 2001/2002-crop year, *and effective demonstration farms need to be a centerpiece of the effort.* The good news is that the industry has a sound coordinator in CDO, a group of committed gin operators, and farmers that are ready to respond with proper guidance. This public and private sector support is vital to the future realization of this sector opportunity.

In addition to the strong supportive role of CDO, Ginners, and farmers, other government agencies need to remain committed to the cotton sector and its resurgence. The government should not be dissuaded by the ups and downs that inevitably exist when dealing with agricultural commodity markets. A strong focused program of research to support the sector must be kept in place, and this program must work hand-in-hand with CDO, Ginners, and farmers to be sure that new seed varieties, and research developments are brought to the effective implementation by farmers. In fact, these roles need to expand it into new areas, particularly as relates to the value added and information support ends of the business.

Support and expansion of the value adding sectors of the cotton business (textiles, vegetable oils, soap, and specialty medical type products, etc.) need to receive more focus. The value-added sector offers the best way to retain for Uganda the value generated by the country's cotton sector. The time for this is now because the US government has provided several African countries the opportunity to export, duty free, their products to the US market under a program called African Growth and Opportunities Act (AGOA). The link to this part of the sector is not as strong as it is at the farmer, ginner level and the industry must bring these stakeholders in as integral members so that action plans for the future incorporate the contribution that value adding sectors can make.

The Strategy

The approach that Uganda must follow should be based on the recognized principals of international competitiveness. A sound competitiveness strategy must focus on four key elements: demand, factors of production (supply), strategy, and cluster of interlocking activities that constitute the cotton sector. Above all, the approach to strengthening *the long-term competitiveness of the cotton sector must begin with understanding the market and serving it with what the customer wants.* In the case of cotton the characteristics of cotton

with respect to staple length, micronaire, and color will determine the price that the customer will pay.

Responding to demand, the competitive strategy must be to *communicate what constitutes market value to each link in the cotton production system*. This strategy must be based on achieving cooperation and understanding at the various stages in the cotton system. This includes farmers, assemblers, ginners, exporters, and value adding users. In addition to the direct line stakeholders, related institutional stakeholders (farmer associations, government agencies (CDO)) need to be fully informed about what constitutes market value. Fortunately, the stakeholders in the cotton sector have a good understanding of cottons market value, and Ugandan cotton is of good value, and often commands a premium.

With respect to factors of production, they must be strengthened, particularly at the farm level. *The most serious problem facing the cotton sector is the low level of farm productivity. Upgrading this must be a major strategic thrust if competitiveness of the sector is to be enhanced.* Strengthening production will include training farmers in good cultural practice, the use of high quality seed, the use and proper application of fertilizer and pesticides, and in the proper control of weeds. Ugandan cotton farmers will need to have proper use of these inputs demonstrated to them in order to see how they can impact on yield and on the amount of money the farmer takes home for his efforts. Also, to ensure the use of these inputs it must be possible for farmers to access the required inputs; therefore, effective delivery systems need to be in place as well as the credit facility necessary to make the purchases.

When the factors of production used by farmers are properly used factors of production used by ginners will be maximized. Presently ginners do not use their factors of production to a maximum because there is not a sufficient cotton supply. Other factors of production used by ginners and value adding firms (textile mills) also need strengthening. It will require strengthening of physical assets (gin, and textile equipment), human resources (training, information and research to growers and workers) and capital (availability of credit to the various stakeholders in the production and processing system).

The strategy will require that the government representative, CDO, continues its important role in mobilizing and coordinating the support of stakeholders at all levels around a national cotton (raw or value added) export program, even though it will be executed by the private sector. The strategy will involve maintaining or improving quality, and placing an emphasis on improving productivity at all levels of the industry, but most particularly at the farm level. In addition to the full commitment of the private direct line stakeholders the stakeholder institutions, both public and private, must be oriented (and funded) to execute the vital coordinative and mobilization role. In addition to ensuring quality is maintained or improved, and productivity is increased at the farm level *other assistance will be required at the transport, storage, and marketing levels.*

Therefore, a *strategy, reinforcing demand, and focuses on strengthening the factors of production at farm, ginner, and value added level* can help put Uganda's cotton sector in a far stronger competitive position to serve the international market and the stakeholders of the industry.

Action Steps

Uganda's competitive challenge in the cotton sector is to increase the productivity of cotton and the economic returns to farmers. A failure to meet this objective can only have detrimental effects to the industry. If farmers cannot realize adequate profits (cash returns) for their efforts they will discontinue producing cotton. Also, if the supply of cotton is not increased to more effectively utilize gin capacity gin margins will continue to be squeezed and ginners will exit the industry. Another key area of focus must be the value-adding sector of the industry. *Uganda's competitiveness in the textile and other value adding sub-sectors of the industry must be fully realized to keep as much of the value generated by the industry at home.* To accomplish this competitiveness effort will involve several steps. Some key steps are set out below, but because this is a work in progress other steps will undoubtedly be identified

- *Increase the productivity of cotton and returns to farmers*

To increase the productivity of cotton a program of demonstration is urgently needed, where farmers can come to demonstration plots and see how proper practices of cultivation, planting, seed use, fertilizer use, pesticide use, herbicide use, and other good farming practices could help them increase productivity. Along with this initiative it is necessary to show farmers how these proper practices can increase their revenue from growing cotton. To accomplish this step several sub-steps are required and some include:

- Establish the correct number, and identify the sites for demonstration plots;
- Identify district and site coordinators to implement and monitor the plots;
- Train the site coordinators so that they can train farmers;
- Establish the proper design layout for each plot;
- Organize the proper preparation and planting of each plot;
- Conduct observation-training visits by farmers.

Through the proper organization of these demonstration plots the resources that CDO and the ginners are ready to provide will be used most effectively. But, for success it is absolutely critical that the proper design and implementation plan be followed.

- *Ensure that proper research support is provided to the cotton production sector*

Presently the cotton sector enjoys research support from a dedicated team of researchers. This has helped to improve the way seed is multiplied, insects managed, and disease controlled. Also, work has been done to determine the effectiveness of various fertilization regimes. However, this dedicated team is being threatened by a change in the way the national research efforts will be managed. The national program is moving to a "Managed Research Program" because of budget constraints as well as talent constraints. As this transition occurs the impact on the cotton research program could be negative.

- *Ensure that adequate financing is available for farmers, ginners, and value adding firms*

Clearly, if we are to teach farmers improved production practices, practices that may cost them more money than present practices, they will need to have credit support to implement the new practices. Some of these credit resources should come via supplier credits, but there may be a need for other sources and efforts should be made to identify how they can be put in place. Also, ginners will continue to need financial assistance via

present methods, but for longer-term credit needs other programs will need to be developed.

- *Improve gin utilization*

Presently many gins are underutilized. To increase utilization will depend on the success of the cotton productivity program. It is important to help increase the utilization of gins or dramatically improve methods for assembling cotton from the fields. By having gins located near farmers it provides a point of contact that helps support farmers, but if these gins do not increase utilization many may go out of business. If gins exit the business then the remaining gins will need to develop stronger programs for interacting with farmers in a much broader area.

- *Ensure the maintenance of a strong quality control program for cotton*

Presently the CDO maintains a quality control program that works effectively, and this program should be maintained and built on to ensure to the customers of the world that Ugandan cotton is of highest quality and meets certain established standards.

- *Develop and continuously communicate new information (technical, market, and other industry news) to farmers, ginners, and value adding firms.*

Reaching farmers, farmer associations, ginners, value adding firms, and other participants in the cotton commodity system requires the use of appropriate techniques to bring the information stakeholders need to them. The techniques used must be adapted to the unique working conditions of the participants.

- *Develop means for integrating the value adding sector into the decision making processes of the industry*

Presently the CDO is working most closely with ginners, but it is necessary to include the value adding portion of the industry because they can help to enhance the value of Uganda's cotton for Ugandans and this is important. With the advent of AGOA and the return of spinners and textile mills to operation these groups need to be included in the decision making process for the sector. For example, at present the value adding firms obtain the cotton they need from local suppliers from January to June, but after June the ginners have exported most of the cotton so the value-adding firms must import lower quality cotton from Tanzania or other neighboring countries. Efforts should be made to keep the good Ugandan cotton for use by the local value adding industry.

- *Ensure strong coordinative support for the industry with government*

Since the advent of CDO the industry has had strong support and help in dealing with concerns that bridge industry and government. It is important to keep this kind of support and coordinative activity in place, as it is vital that the industry have a direct ear to government.

The Participants

For an effective “national export initiative” for the cotton and cotton products sector, all key participants must be brought into a coordinated effort. While the private sector must ultimately take the lead, the role of government, and non-government institutions, and donors will be critical to the success of the strategy adopted for the sector.

- *Private sector*

In the cotton sector CDO and UGCEA have made a good start at bringing farmers and ginners together. This effort needs to be continued and built on, and farmer associations may need to be established, as well as much better linkages to the value-adding sector.

- *Public sector*

CDO has held a responsible role for coordinating the interface between government and the industry. This is essential as government institutions can play an important role in assisting the industry with certain regulatory, policy, and enforcement issues. Also, as the principal provider of infrastructure (roads, rail, research, education, and the like) for the sector government's role is critical.

- *Non-governmental organizations*

Technical assistance and training services provided by the NGO community can often times be important in reaching the target population of farmers, and rural institutions supporting the farm community.

- *Donor Organizations*

Uganda's need for assistance from the donor community in strengthening the cotton sector is evident. Investment is needed in cotton gin upgrades, textile mill upgrades, human resource development, access to capital, and physical infrastructure.

Responsibilities for developing and strengthening the cotton sector

- **The Special Task Force for Export Competitiveness**
Advises the President and Cabinet on actions to be taken to strengthen competitiveness of the cotton sector
- **Cotton Sector Working Group (yet to be established)**
Develops strategy for export competitiveness and coordinates activities
- **USAID's COMPETE project**
Technical advisors to the Working Group and the Special Task Force
- **Cotton Development Organization**
Created to promote and regulate the production and marketing of cotton in Uganda and as an autonomous agency, to represent the cotton industry in all aspects.
- **Private sector organizations**
Responsible for working with components in the production chain
- **Non-governmental organizations**

Responsible for delivering technical advice to producers and community based organizations

Short and Longer-Term Work Plan

To strengthen cotton's competitive position in international markets, a sequence of steps must be followed. Several actions have been identified as needed in a first year strategy. Because the growing season for cotton kicks off in May/June it will not be possible to realize all the actions that have to be organized before the planting season because industry stakeholders are in the midst of taking actions that will not be totally changed. Nevertheless, some elements that need to be pursued and require sustained effort over several years are indicated.

Initiation/Announcement of the National Export Competitiveness Strategy at a National Conference on Cotton to be held in 2001.

Announcement by the President or Cabinet of a "National Export Initiative" that will involve a multi-year coordinated effort throughout the country, involving public and private sectors.

Year 1 Action Plan: Short-term measures to enhance production

As indicated above the most urgent action is to help the farmer become more productive, and expand the utilization of the ginning sector.

- Identify and establish demonstration plots throughout the country:
 - Identify target farmers with whom to work, and their plots;
 - Identify district and site coordinators to implement and monitor the plots;
 - Establish the proper design layout for each plot;
 - Organize the supply of inputs for the demonstration plots;
 - Organize the proper preparation and planting package for each plot;Develop the ongoing program for the remainder of the first year together with the Cotton Sector Working Group.
- Show and explain demonstration plots to farmers:
 - Train the site coordinators so that they can train farmers;
 - Invite farmers to see the plots and explain what was done;
 - Field the farmer questions and develop effective means for responding;
- Show and explain Results of demonstration plots to farmers:
 - Prepare means for showing farmers results of demonstration plots;
 - Invite farmers to see results;
 - Develop means for showing farmers the impact on returns of results;

Years 2-5 Action Plan: Longer term measures to improve and strengthen the cotton sectors competitiveness.

Over the longer-term, Uganda's cotton sector must continue to strengthen the production sector, improve gin efficiency, improve export efficiency, and determine how best to expand the adding of value to the cotton at home. Through these efforts the sector will work to

achieve and maintain a strong competitive position on domestic and world markets. Public and private efforts will need to be focused onto several areas. Some of the areas include:

- Building a coalition of private and public groups to lead the programs of change. At the pinnacle of this group will be the CDO.
- Continuous work to improve the productivity of cotton and returns to farmers
- Continue to work to ensure that proper research support is provided to the cotton production sector
- Promote the expansion of large scale cotton production estates that also support out growers
- Continually work to arrange adequate financing for farmers, ginners, and value adding firms
- Improve gin utilization
- Ensure the maintenance of a strong quality control program for cotton
- Develop and continuously communicate new information (technical, market, and other industry news) to farmers, ginners, and value adding firms.
- Develop means for integrating the value adding sector into the decision making processes of the industry
- Promote the expansion of the value adding sector and exports of value added products
- Ensure strong coordinative support for the industry with government

Projected Results

- More stable international market for the premium cotton produced by Uganda
- Re-establish cotton as a reliable source of foreign exchange earnings
- Maintain and build the price premium that Ugandan cotton enjoys
- Build the commitment of farmers to the production of cotton as a cash crop
- Promote production of cotton to its prior peak
- Improve the information flows to the stakeholders in the cotton sector
- Promote the spinning, textile and other value adding sectors
- Continue to build a cohesive, mutually supportive cotton industry
- More farmer-owned and farmer participant management of cotton ginning
- Improved incomes and quality of life in cotton producing areas

Disclaimer

This document was prepared in the absence of having approval of the Cotton Sector Working Group, and as such some of the action programs indicated may be modified to meet industry stakeholder needs.

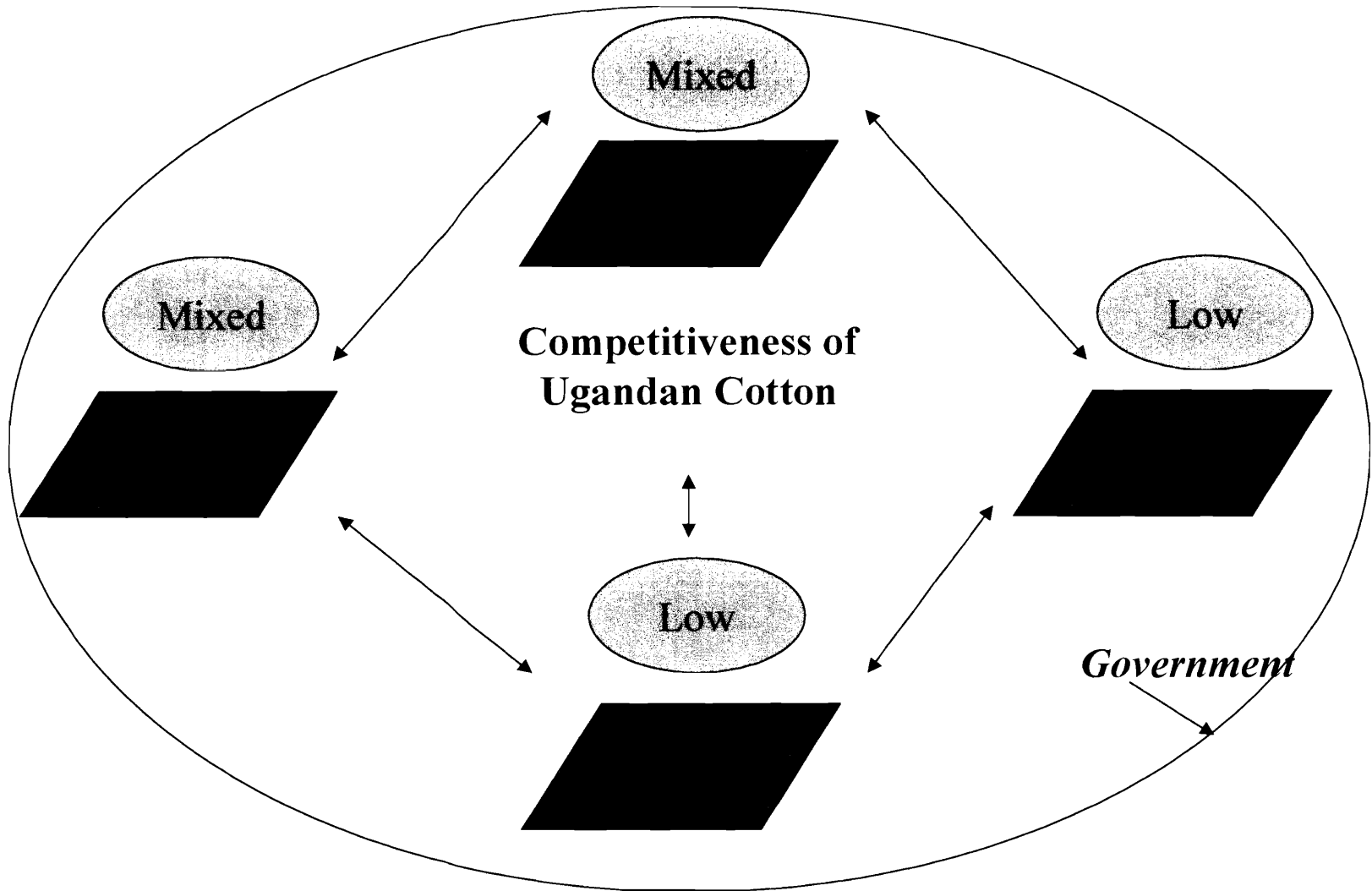
COMPETE Project

ANNEX I

**The Competitiveness of Uganda's
Cotton Exports**

A Competitive Diamond &
SWOT Analysis of
Cotton

Uganda's Cotton Exports: A Competitive Diamond



Competitiveness Diamond for Ugandan Cotton

1. Strategy, Structure and Rivalry -- Mixed

- + Adequate Ginning Capacity
- + An Established Name for Ugandan Cotton
- + Good Quality Long-Stapled Cotton
- + - Some Backward Integration
- + Well Trained Farmers/Workers
- +- Low Management Skills
- - Little Product Innovation
- - No Intra-Industry Dialogue
- - No Established Strategy
- - Not Accessing Niche Markets
- - Little Forward Integration
- - Industry Looks To Government For Action And Support

2. Demand & Market -- Low

- + High Grade Cotton
- + Steady Growth in World Market Demand
- + Wide Variety of Customers & Destinations
- - Strong Competition From China and USA
- - Small Local Market
- - Little Knowledge of End User
- - No Diversified Products
- - Little Market Research
- - Limited Exposure to the World Market

3. Factors of Production -- Mixed

- + Potential For An Increase in Production
- + Potential For An Expansion of Land Area
- + Good Climate
- + Low Labor Costs
- + Increased Availability of Good Quality Seed
- +- Limited Access to Quality Workers
- - Low Yields
- - Poor Physical Infrastructure
- - Low Levels of R&D
- - Small Plots of Cotton
- - Poor Soil Quality

4. Cluster -- Low

- + Strong Government Role in Forming Current Cluster
- +- Associations Emerging
- + Highly Trained Research Scientists
- +- Insufficient Cluster Linkages
- - Weak Financial Services Support
- - Inadequate Training
- - Industry Focuses Heavily on Government Support
- - Weak Related Support Activities
- - Poor Production and Marketing Linkages
- - Low Funding for Research

SWOT ANALYSIS OF THE COTTON SECTOR IN UGANDA

RESEARCH:

Strengths

- Development of black arm resistant cottons seed variety (*Gossypium hirsutum L*)
- Research Institute established in 1930s, was recently re-established and equipped.
- Highly trained research scientists working on cotton.
- Adequate experimental land available at SAARI (680 Ha).
- Ability to develop appropriate technological packages.

Weakness:

- Inadequate funding of cotton research activities.
- Poor remuneration of research scientists.
- Failure to transfer developed packages to farmers.
- Failure to facilitate mass production of technological packages developed.
- Loose link with the farmers.

Opportunities:

- Release of new varieties with improved quality characteristics every year.
- Collaboration with other research institutions worldwide to hasten research efforts.

Threats:

- Donor dependence for financing.
- Risk of losing newly released variety due to liberalized seed multiplication scheme.
- Brain drain.

SWOT ANALYSIS OF THE COTTON SECTOR IN UGANDA

PRIMARY PRODUCTION:

Strengths

- Poverty alleviation crop in rural areas.
- Grown in rotation and as source of cash income.
- Employing up to 2.5 million people.
- Hand picking and sorting helps to maintain quality.
- Organic production.
- Improved seed variety for yield.
- Increased value addition to lint quality.
- Government intervention thro CDO.
- Support by UGCEA to growers.
- Credit support thro ACE.
- High quality medium and long-term stapled cotton.

Weakness:

- Rudimentary mode of production.
- Very small-scale, non-commercialized production.
- Low level of input use and low productivity.
- Reliance mainly on family labor.
- Low adoption level due to poor extension services.
- Limited farmer exposure.
- Land fragmentation.
- Civil unrest in cotton growing areas.

Opportunities:

- Availability of land for increased production.
- Potential to produce up to 185,000MT of lint seasonally.
- Potential to improve productivity through intensive cultivation.
- Large scale production prospects.
- Establishment of a crop finance fund.
- Extensive research for better strains.
- Improved production environment.
- Improved extension services
- Genetically modified strains.

Threats:

- Over dependence on natural climatic and soil conditions.
- Competition for limited resources with other crops.
- Labor intensiveness.
- Lack of appropriate production/input credit.
- Disease/pest infestation.
- Poor soil fertility in some areas.
- High input cost.
- Price uncertainty.
- Production by other countries.
- Civil unrest within and beyond neighbouring borders.

SWOT ANALYSIS OF THE COTTON SECTOR IN UGANDA

PRIMARY MARKETING:

Strengths

- Payment of cash on delivery to growers.
- 'Lumpsum' income to farmers.
- Close links between farmers and ginners.

Weakness:

- Undercutting price payable to farmer.
- Price uncertainty.
- Trade in poor quality crop due to total liberalization and limited crop quantity.
- Lack of appropriate storage in some areas.
- Cut-throat competition leading to financial losses.

Opportunities:

- Increasing accessibility of trade finance through support from Common Fund or Commodities (CFC) project.
- Availability of mainly co-operative stores in some areas.
- Liberalized market environment.

Threats:

- Poor feeder road network.
- High fuel cost leading to high transportation cost.
- Little crop available seasonally.
- Risk due to civil unrest.
- High financial cost.
- Poor financial risk management.
- Lack of integrity in commercial deals.
- Un equal competition between local traders and international cotton merchants.

SWOT ANALYSIS OF THE COTTON SECTOR IN UGANDA

GINNING:

Strengths

- Relatively new machinery at many ginneries.
- Existing capacity to gin 74,000MT of lint within the recommended 120 days.
- Use of roller gin that preserves fiber staple.
- Many private operators owning approximately 80 percent of the ginning capacity.
- Well distributed ginning plants in all cotton growing areas.
- Fiscal incentives

Weakness:

- Weak capital base that render most ginneries very vulnerable.
- Use of saw gin for Uganda/long staple cotton.
- Supply demand gap leading to drop in quality.
- Poor information flow.
- Obsolete and outdated machinery poor and inadequate storage capacity.
- Mixing varieties in ginning.

Opportunities:

- More modern ginning machinery.
- Establishing forward linkages to yarn and textiles.
- Diversification into by products.
- Maintain backward linkages with farmers.

Threats:

- High interest rate on corporate finance.
- Lack of international trading skills.
- Unreliable power supply in some parts of the country and high cost.
- Inadequate cotton supply.
- Dependence on pre-financing by international cotton merchants.
- Poor communication infrastructure.

SWOT ANALYSIS OF THE COTTON SECTOR IN UGANDA

EXPORTS:

Strengths

- High-grade cotton attracting premium price.
- Superior Roller ginned cotton.

Weaknesses:

- Lack of export and trading skills by local entrepreneurs.
- Lack of up-to-date information on spot market prospects.
- Selling cotton at ginnery gate price.
- Extraneous matter in lint leading to arbitration threats.
- Failure to honor contract obligations.
- Dependence on international price setting.
- Poor road/rail infrastructure.
- Power shortages.
- Poor communication.

Opportunities:

- Direct export to spinners.
- Export to better markets as opposed to traditional European markets.
- Exported as organic products.

Threats:

- Land locked country.
- Absence of cheap transportation.
- Excessive export by other countries leading to glut and price fall.
- High cost of utilities.
- Limited trade finance.
- Insecurity in northern borders.

SWOT ANALYSIS OF THE COTTON SECTOR IN UGANDA

YARN/TEXTILES:

Strengths

- Proximity of textile mills to local raw materials.
- Readily available utilities such as hydroelectric power and water.
- Abundant supply of cheap labor.
- Relatively new machines.
- Ability to produce wide range of fabrics, denims and apparel.
- Niche markets for 'Kitenge' type products.
- Opening of US markets under AGOA.

Weaknesses:

- Operating at 30% capacity.
- Machinery not modern enough to meet export demands of highly competitive markets.
- Supply of raw material inadequate.

Opportunities:

- Two operating large textile mills (capacity 45 million meters annually).
- Existence of a spinning plant expected to be operational mid-2001.
- Contracting to produce for chain super stores in developed world.
- Joint partnership.
- Exploiting AGOA.
- Regional market.

Threats:

- More efficient textile mills in neighbouring countries.
- Imports of cheaply produced textile and used clothes.
- Failure to exploit economies of scale.
- High tariffs on corporate finance.

ANNEX II

**MEMORANDUM TO THE SPECIAL TASK FORCE ON
EXPORT COMPETITIVENESS**

**MEMORANDUM TO THE SPECIAL TASK FORCE ON
EXPORT COMPETITIVENESS**

**STRENGTHENING THE EXPORT COMPETITIVENESS OF
UGANDA'S COTTON SECTOR**

The Challenge:

- Cotton traditionally has been one of Uganda's important export commodities, currently accounting for 3.6% of the country's foreign exchange receipts, and contributing to the incomes of 10% of the country's population.
- However, during the period from 1974/75 to 1993/94, external and internal factors have combined to dramatically reduce cotton's contribution to economic growth, foreign exchange earnings, and rural incomes.
- With the good climate and soils that Uganda offers for growing cotton the commodity has the potential of being a much greater contributor to the economy.
- The challenge is to bring cotton back to its former position and Uganda needs to continue to address the crisis of the sector.

The Problem:

- Internally, due to internal political disruptions, cotton production entered a period of spiraling decline.
- The sector still faces serious problems, some of which include:
 - Low cotton productivity at the farm level.
 - Little research and training due to shortages of funds.
 - Lack of an adequate finance program.
 - Lack of an organized information system that provides stakeholders with the information they need to make correct marketing decisions.
 - Low utilization of gins making many very marginal operations.
- Low world market prices for cotton that are expected to continue to be depressed.
- With many farmers and ginners just starting to get back on their feet efforts must be kept in place to continue the reestablishment of the sector.

The Opportunity:

- Uganda has the capacity to restore the cotton sector through effective support for farmers and increased management capabilities at ginneries and value-adding levels of the industry.
- Uganda has optimal agricultural and climatic conditions.
- To maintain its market position, it is essential to build on the positive goodwill effort in place between ginners and farmers that has been a focus of the CDO and UGCEA.
- In addition to the strong supportive role of CDO, Ginners, and farmers, other government agencies need to remain committed to the cotton sector and its resurgence.

- Support and expansion of the value adding sectors of the cotton business (textiles, vegetable oils, soap, and specialty medical type products, etc.) need to receive more focus.

The Strategy:

- The long-term competitiveness of the cotton sector is based on knowing what the customer wants. Fortunately the characteristics of cotton from Uganda with respect to staple length, micronaire, and color meet the customer need, and must be maintained or improved.
- Effective communication of what constitutes market value to each link in the cotton production system is a corner stone for the strategy.
- The most serious problem facing the cotton sector is the low level of farm productivity, and to upgrade this must be a major strategic thrust if competitiveness of the sector is to be enhanced.
- When the factors of production used by farmers are properly used factors of production used by ginners will be maximized.
- The strategy will require that the government representative CDO continue its important role in mobilizing and coordinating the support of stakeholders at all levels around a national cotton (raw or value added) export program, even though it will be executed by the private sector
- Also, assistance will be required at the transport, storage, and marketing levels.

Action Steps:

- Uganda's competitive challenge in the cotton sector is to increase the productivity of cotton and the returns to farmers.
- Uganda's competitiveness in the textile and other value adding sub-sectors of the industry must be fully realized to keep as much of the value generated by the industry at home.
- Ensure that proper research support is provided to the cotton production sector.
- Ensure that adequate financing is available for farmers, ginners, and value adding firms
- Improve gin utilization so as to effectively support farmers.
- Ensure the maintenance of a strong quality control program for cotton.
- Develop and continuously communicate new information (technical, market, and other industry news) to farmers, ginners, and value adding firms.
- Develop means for integrating the value adding sector into the decision making processes of the industry
- Ensure strong coordinative support for the industry with government

The Participants:

- Highest levels of government, preferably the President, should mobilize support for the strengthening of the cotton sectors competitive position.
- The Special Task Force on Export Competitiveness should incorporate the key public and private groups that can make change happen.
- CDO has held a responsible role for coordinating the interface between government and the industry, and continuity in this effort needs to be maintained.

- The Cotton Sector Working Group, comprising leading participants and components in the sector, should recommend wide-ranging actions and policy changes. The COMPETE project (funded by USAID) will provide technical assistance to the Working Group.
- Private sector organizations should take on active roles in communicating technical and market information to their members and constituents.
- Donors and non-governmental organizations should be invited to participate in key aspects of building cottons export role.

Short and Longer-Term Work Plan:

- Initiation of the Export Competitiveness Strategy should be announced by the President and the Cabinet at the National Conference on Cotton.
- Year 1 Action Plan: Enhance Productivity & Production
 - Identify target farmers with whom to work, and their plots;
 - Identify district and site coordinators to implement and monitor the plots;
 - Establish the proper design layout for each plot;
 - Organize the supply of inputs for the demonstration plots;
 - Organize the proper preparation and planting package for each plot;
 - Develop the ongoing program for the remainder of the first year together with the Cotton Sector Working Group;
 - Train the site coordinators so that they can train farmers;
 - Invite farmers to see the plots and explain what was done;
 - Field the farmer questions and develop effective means for responding;
 - Prepare means for showing farmers results of demonstration plots;
 - Invite farmers to see results;
 - Develop means for showing farmers the impact on returns of results;
- Years 2-5 Action Plan: Maintain, Build, and Strengthen the Cotton Sector
 - Building a coalition of private and public groups to lead the programs of change. At the pinnacle of this group will be the CDO.
 - Continuous work to improve the productivity of cotton and returns to farmers.
 - Continue to work to ensure that proper research support is provided to the cotton production sector.
 - Promote the expansion of large-scale cotton production estates that also support out-growers.
 - Continually work to arrange adequate financing for farmers, ginners, and value adding firms.
 - Improve gin utilization.
 - Ensure the maintenance of a strong quality control program for cotton.
 - Develop and continuously communicate new information (technical, market, and other industry news) to farmers, ginners, and value adding firms.
 - Develop means for integrating the value-adding sector into the decision making processes of the industry.
 - Promote the expansion of the value adding sector and exports of value added products.
 - Ensure strong coordinative support for the industry with government.

COMPETE Project

**Improving Uganda's Export Competitiveness
Summary Plan of Action**

**Submitted by
Competitive Private Enterprise and Trade Expansion
The COMPETE Project**

Prepared by Anton
Balasuriya

A USAID Project Managed by



May 14, 2001

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I. COMPETE in the Context of an Export Oriented Growth Strategy for Uganda

Uganda has achieved remarkable success since 1992 in achieving economic stabilization and growth rates of 6.7% per annum, albeit from a depressed base. However, much of this growth has been driven by increased consumption, especially in urban areas, based on high level of donor support, repatriated earnings from Ugandans living abroad, and the short term benefits of economic liberalization. Given relatively low rates of investment and the limited size of the domestic market, economic growth rates are not sustainable and unlikely to support improved income levels for the majority of the population.

As with most emerging economies, exports must be the engine or driver of rapid and sustained economic growth. Export markets have sufficient size and buying power to absorb the output of agricultural, industrial or service “sectors” that can productively employ hundreds of thousands of Ugandans. The enhanced earning power of Ugandans selling into export markets can then generate demand for additional domestic providers of goods and services.

Uganda has previously been successful in export markets, especially with agricultural commodities. However, in recent decades, its competitive position in traditional commodity markets has eroded and only a few new opportunities have been taken advantage of in non-traditional export commodities (e.g. cut flowers, fresh fish). Gaining (or even defending) market share, in international markets is increasingly difficult as a result of ever more demanding customers (who have more and more choices) and stronger competitors from around the world. Successfully competing in international markets (competitiveness) is all about meeting market requirements (success factors) better than competitors. It is also about obtaining as much as possible of the value paid by final consumers for goods and services by focusing on appropriate niche markets and value added opportunities.

The mission of the Competitive Private Enterprise and Trade Expansion (COMPETE) project is to help Uganda implement an export-oriented growth strategy, within the context of the Government’s Medium Term Competitive Strategy for the Private Sector and the Plan for Modernization of Agriculture (PMA). Specifically, COMPETE has begun to:

- Focus on selected “sectors” or opportunity areas with the best chances for large-scale success in world markets, retain the highest possible value in Uganda and provide improved incomes for a significant percentage of the Ugandan population.
- Bring together the principal private and public sector actors within each sector or opportunity area to analyze present strengths, weaknesses, opportunities and threats and design aggressive, export based growth strategies;
- Develop catalytic activities through which private sector and government participants can commence implementation of these sector growth strategies.

- Design and implement a public information & communications program to stimulate a national debate on Uganda's competitiveness, disseminate knowledge of world markets, trends and tastes to producers, traders and exporters within each sector, and attract foreign investors and buyers to Uganda.
- Provide a model that can be replicated in other sectors and opportunity areas.

COMPETE is based on the following essential principles of country competitiveness:

- *Private sector leadership.* Since private investment is the most critical requirement for export-led growth, it is incumbent upon the private risk takers (from the smallest farmers to the larger international companies) to take the lead in driving competitiveness strategies. Although implementation requires the cooperation and collaboration of many stakeholders, from the producer to the exporter, from business associations to government officials and donors, the crucial focus is on mobilizing private investment while improving quality and productivity required for private business to succeed. Under COMPETE, sector competitiveness strategies are developed through a collaborative process led by the private sector, but in which all stakeholders identify and reach consensus on the key priorities and actions that are needed to increase competitiveness. The stakeholder working groups then become coordinators and monitors of implementation of the strategies.
- *Government as partner.* The Ugandan government's liberalization policies have resulted in a strong private sector response to market opportunities, demonstrating the constructive role that government can play in removing constraints to business, while at the same time facilitating a positive business environment. The COMPETE approach is aimed at reinforcing the constructive role of government as a stakeholder and partner with business, especially in addressing specific policy and infrastructural constraints to investment and exports. In addition, at its highest levels, Government is uniquely positioned to promote the strategies both to the Ugandan population and international investors and buyers.
- *Objective measurement of competitiveness.* The stakeholder working groups utilize the competitiveness "diamond" approach to identify and structure their sector strategies. This approach focuses on four elements, including the structure and strategy of the specific sector, the factors of production, the nature of market demand, and the degree of collaboration among the cluster of firms, supporting industries, government agencies, business associations, and financial institutions. In each of these areas, strengths and weaknesses are identified and implementation actions prioritized. Progress is then monitored relative to specific competitiveness benchmarks.
- *Implementation of Catalytic Activities.* Within each of the priority sectors selected for initial action, working groups will coordinate strategic interventions that remove the most critical bottlenecks or constraints to competitively meet international market requirements, while also demonstrating the effectiveness of the approach and creating local capacity to implement it in other sectors. Follow-up of cross-cutting policy issues or bottlenecks that affect all sectors will be

closely coordinated with the Special Task Force on Export Competitiveness, the Private Sector Foundation, Uganda Investment Authority and other relevant entities.

- *Leveraging Impact through Information and Communications Technology (ICTs).* COMPETE will apply the most appropriate available technologies to improve the competitiveness of firms in the selected priority sectors, while providing opportunities for expansion of the ICT sector through demand generation.
- *Country-wide public information strategy.* COMPETE will stimulate a national debate aimed at raising awareness of the implications of competitiveness for economic growth, encouraging participation in the process, and demonstrating how the approach can be applied effectively to other sectors of the economy. In addition, it will help improve the effectiveness of targeted promotion abroad in attracting investors and buyers (working with UIA and others), and enhancing the marketing and image of Ugandan products.

COMPETE was designed to respond flexibly to private sector initiative, and therefore is structured to be flexible, pragmatic, and hands-on. Consequently, COMPETE will focus on strategy, communications and facilitation of Ugandan stakeholder involvement, and will have a limited implementation role. This is consistent with the key emphasis placed on private sector leadership. COMPETE will collaborate with the other key components of USAID's overall private sector strategy, including SPEED, IDEA, and Trade Policy, which will take on implementation initiatives identified in the sector action plans, as will organizations such as Uganda Investment Authority, sector specific institutions and other donor projects. COMPETE, however, will have the capacity to directly support selected catalytic efforts aimed at demonstrating that a strategic competitiveness approach, as coordinated and implemented by the key stakeholders, can be effective in significantly increasing productivity, quality, value added earnings.

Immediately after project start-up in December 2000, COMPETE began coordinating closely with the Presidential Task Force on Export Competitiveness. The first collaborative activity was to carry out a rigorous prioritization process to select the four sectors or opportunity areas that would represent the principal focus of COMPETE activity. From a long list of 20 sectors, 14 were selected for further analysis. Based on rigorous criteria that considered macroeconomic impact, sector level competitiveness, and institutional and government support required to overcome infrastructural and policy barriers, the following sectors and opportunity areas were selected: coffee, cotton, fish and information/communications.¹ *Together with non-traditional agricultural exports, these sectors are expected to generate about \$450 million in additional export earnings by 2003², while directly benefiting almost nine million Ugandans.*

In mid-January 2001, the COMPETE team began an intensive period of research and interviews with government and private sector leaders in the coffee, cotton and

¹ Non-traditional horticulture, flowers and other agricultural exports are already being addressed by the IDEA project.

² The value of exports is of course highly dependent on international market prices.

fisheries sectors. In late April and early May, strategy development workshops were held with stakeholders to review, amend and enhance recommended actions. The information, analysis and proposed actions contained in this document are a direct result of that work.

The COMPETE team is confident of the wisdom and consensus behind these recommended actions. At the same time, international markets and private sector strategies are dynamic. Therefore, as COMPETE works through, and with, industry stakeholders, the strategies and actions presented in this document must be considered dynamic and subject to change.

Furthermore, now that proposed coffee, cotton and fisheries sector action plans have been prepared, the COMPETE team is commencing work on defining an Information and Communications Technology (ICT) strategy for supporting competitiveness in all three sectors. For that purpose, COMPETE will facilitate the creation of an ICT sub-working group, comprising representatives from each of the sector working groups and representatives of local private sector ICT firms. COMPETE will prepare a position paper for the sub-working group and conduct a stakeholders' workshop that will result in an action plan for ICT that supports all three of the sector action plans.

II. STRENGTHENING THE EXPORT COMPETITIVENESS OF UGANDA'S COFFEE SECTOR

1. The Challenge:

- Coffee has traditionally been Uganda's most important export sector, currently accounting for 60% of the country's foreign exchange receipts and contributing to the incomes of 20% of Uganda's population.
- In recent years, however, external and internal factors have dramatically reduced coffee's contribution to Uganda's economic growth and foreign exchange earnings.
- Uganda must therefore address the crisis in its coffee sector as a matter of urgency.

2. The Problem:

- Externally, the dramatic drop in world coffee prices is responsible for the sharp decline in foreign exchange earnings and rural incomes in coffee-growing regions.
- Internally, the quality of Uganda's coffee exports has significantly deteriorated in the past 10 years. International customers (mainly European roasters) complain that Ugandan coffee is increasingly of low and unreliable quality compared to the past. The premium that Uganda has traditionally received for its robusta coffee is under threat.
- The internal trading system in Uganda is largely responsible for this poor quality. There is inadequate quality control and enforcement of the grading system, especially at the processor level, resulting in large discounts, and even outright rejections, by the final customers (roasters).
- Productivity is also declining at the farmer level due to aging trees, disease and poor agronomic practices.

3. The Opportunity:

- Uganda's soil, climate, and altitude permit it to produce an intrinsically high quality robusta coffee.
- The country has the opportunity to restore the quality image of its robusta coffee through effective management of quality at all levels of the system: farmers, processors and exporters.
- Not only can Uganda retain and increase its premium on coffee sold to roasters, but it can also begin to capture additional value in niche markets for washed robustas, organic and other specialty coffee.
- Farmer income and export earnings can also be enhanced by increasing productivity at the farm level

4. The Strategy:

- Increasing the value of Ugandan coffee exports involves a four part strategy:
 - 1) An urgent campaign to salvage the price premium, based on improved grading, enforcement of quality standards and stakeholder education;
 - 2) A campaign to improve farm level productivity, based on a farmer education campaign on “best practices”;
 - 3) Penetration of new market channels and segments that capture greater value for Ugandan coffee while establishing an internationally recognized “quality brand”; and
 - 4) Strengthening the ability of private associations and government institutions to provide the necessary regulatory enforcement, research, marketing/ promotion and education

5. Actions:

- Improving the competitiveness of Uganda’s coffee in world markets begins with an understanding of the unique complexities and segmentation of the international market. Ugandan coffee must be carefully classified and upgraded to meet the standards of the most appropriate segments. Those standards must be widely understood and adhered to.
- Improved enforcement of coffee grading, especially at the processor level, is particularly crucial, although quality standards must be enforced at all levels.
- Better practices by participants at all levels of the coffee system (e.g. exporters, processors, collection agents and farmers) will be encouraged by a combination of “carrot and stick”—assistance to capitalize and improve earnings combined with stiff sanctions for failing to comply with regulations.
- Over time, it is essential that the international marketplace (and not just roasters) recognize Uganda coffee as being unique and differentiated from others, allowing it to be marketed directly to supermarkets, coffee house chains and other buyers.
- More focused research is required, both into improved varieties and agronomic practices, and market opportunities.

6. The Participants:

- Highest levels of government, preferably the President, should mobilize support for a ‘national quality initiative’ to restore coffee’s international competitive position.
- The Special Task Force on Export Competitiveness can help mobilize support for stronger policy/regulatory framework and enforcement and resources for implementation of the strategy.
- The Coffee Sector Working Group, comprising leading ‘players’ in the sector, has already prepared the present strategy, and will play the key role in implementation.
- The COMPETE project (funded by USAID), as well as SPEED and other donor projects; will provide technical assistance to the Working Group.

- The Uganda Coffee Development Authority (UCDA), working with the industry, must be empowered for stricter enforcement of quality standards.
- Private sector associations of exporters and farmers will play a crucial role in delivering marketing and technical information and support to their members.
- Research functions provided by National Agriculture Research Organization (NARO) must be carefully targeted on priority needs.

7. Short and Long -Term Action Plan:

Launching of a National Export Initiative for Ugandan coffee

- Announcement by the President and Cabinet at a National Conference on Coffee.

Year 1 Action Plan -- Quality Upgrading

- Revise and publicize Uganda's coffee export classification/grading system and standards (including standards for niche markets) as well as strengthened sanctions for violations.
- Strengthen the enforcement capability of the UCDA and industry associations.
- Launch an education campaign, aimed at all sector participants, to create awareness of the worsening crisis if the quality problem is not urgently addressed, together with practical measures on how to rapidly improve quality (such as improved drying techniques at the farm level).
- Develop communication channels for reaching all segments of the coffee sector.
- Initiate projects to demonstrate and communicate 'best practices' at the farmer level.
- Undertake market research and promotion to support marketing into specialty niche markets of the 500-1,000 tons of highest quality coffee, while developing a market strategy for a unique Uganda brand image.

Years 2-5 Action Plan -- Restructuring the Coffee Sector

- Expand quality-enhancing systems such as wet milling, roasting and packaging to produce higher value 'washed robustas' for the international market.
- Broaden the market channels for Ugandan coffee, with emphasis on reaching buyers other than the principal roasters on which the country has traditionally depended.
- Develop practical mechanisms for the delivery of technical assistance, training and credit to coffee growers and processors.
- Improve physical infrastructure in coffee growing regions that impacts on production and maintenance of coffee quality.
- Increase the productivity of coffee farms through improved cultivation techniques and replanting of old trees.
- Strengthen research into higher yielding, market pleasing, lower cost and disease resistant varieties.

- Strengthen the institutions that support the coffee industry.

8. Expected Results

- More stable international market position as result of certified, reliable quality
- More reliable source of foreign exchange earnings
- Stable price premium for Ugandan producers and exporters
- Increased roaster satisfaction with purchase of Ugandan robustas
- Greater volume of 'washed robustas' and better quality 'natural robustas'
- More cohesive, mutually supportive coffee industry
- More farmer-owned and farmer-managed coffee processing businesses
- Improved incomes and quality of life in coffee producing areas
- Increase in production per hectare of coffee
- Identification of alternative markets for Ugandan branded coffees
- Diversification into value added products roasted and blended to meet market requirements

III. STRENGTHENING THE EXPORT COMPETITIVENESS OF UGANDA'S COTTON SECTOR

1. The Challenge:

- Cotton has traditionally been one of Uganda's important export commodities, currently accounting for 3.6% of the country's foreign exchange receipts, and contributing to the incomes of 14% of the country's population.
- However, during the period from 1974/75 to 1993/94, external and internal factors have combined to dramatically reduce cotton's contribution to economic growth, foreign exchange earnings and rural incomes.
- With the good climate and soils that Uganda offers for growing cotton, it has the potential of being a much greater contributor to the economy.
- The challenge is to bring cotton back to its former position and Uganda needs to continue to address the crisis of the sector.

2. The Problem:

- Due to internal political disruptions, cotton production entered a period of spiraling decline.
- The sector still faces serious problems, some of which include:
 - Low cotton productivity at the farm level.
 - Little research and training due to shortages of funds.
 - Lack of an adequate finance program.
 - Lack of an organized information system that provides stakeholders with the information they need to make correct marketing decisions.
 - Low utilization of gins leading to a number of marginal ginning business operations.
- Low world market prices for cotton that are likely to continue depressed.
- With many farmers and ginners just starting to get back on their feet, efforts must be kept in place to continue the reestablishment of the sector.

3. The Opportunity:

- Uganda has the capacity to restore the cotton sector through effective support for farmers and increased management capabilities at ginneries and value-adding levels of the industry.
- Uganda has optimal agricultural and climatic conditions.
- To maintain its market position, it is essential to build on the positive goodwill effort in place between ginners and farmers that has been a focus of the Cotton Development Organization (CDO) and the Uganda Cotton Ginners and Exporters Association (UCGEA).
- In addition to the strong supportive role of CDO, ginners and farmers, other government agencies need to remain committed to the cotton sector and its resurgence.
- Support and expansion of the value adding sectors of the cotton business (textiles, vegetable oils, soap, and specialty medical type products, etc.) need to receive more focus.

4. The Strategy:

- The long-term competitiveness of the cotton sector is based on knowing what the market wants. Fortunately the characteristics of cotton from Uganda with respect to staple length, micronaire and color meet customer needs, and must be maintained or improved.
- Effective communication of what constitutes market value to each link in the cotton production system, and how best to capture increased value, is a cornerstone of the strategy.
- A second cornerstone of the strategy is to address the low level of farm productivity, which in turn will also improve the capacity utilization at the ginnery level.
- Uganda's competitiveness in the textile and other value adding sub-sectors of the industry must be fully realized to keep as much of the final market value generated by the industry in Uganda.
- The strategy will require that the CDO continue its important role in mobilizing and coordinating the support of stakeholders at all levels around a national cotton (raw or value added) export program, even though it will be executed by the private sector.
- Also, improvements will be required at the transport, storage and marketing levels.

5. Actions:

- Ensure that proper research support is provided to the cotton production sector.
- Ensure that adequate financing is available for farmers, ginners and value adding firms.
- Improve gin utilization so as to effectively support farmers.
- Ensure the maintenance of a strong quality control program for cotton.
- Develop and continuously communicate new information (technical, market and other industry news) to farmers, ginners and value adding firms.
- Develop means for integrating the value-adding sector into the decision-making processes of the industry.
- Ensure strong coordinative support for the industry by government.

6. The Participants:

- The highest levels of government—preferably the President—should mobilize support to strengthen the competitive position of the cotton sector.
- The Special Task Force on Export Competitiveness should incorporate the key public and private groups that can make change happen.
- CDO has held a responsible role for coordinating the interface between government and industry. This effort needs to be maintained.
- The Cotton Sector Working Group, comprising leading participants and components in the sector, has already begun to recommend appropriate actions and policy changes. The COMPETE project (funded by USAID) will provide technical assistance to the Working Group.

- Private sector organizations should take on an active role to communicate technical and market information to their members and constituents.
- Donors and non-governmental organizations should be invited to participate in key aspects of building cotton's export role.

7. Short and Long -Term Action Plan:

- Initiation of the Export Competitiveness Strategy should be announced by the President and the Cabinet at a National Conference on Cotton or Export Competitiveness

Year 1 Action Plan - Enhance Productivity & Production

- Identify target farmers (and their plots) with whom to work.
- Identify district and site coordinators to implement and monitor the plots.
- Organize implementation of the demonstration plots in coordination with IDEA, NARO, ginneries and other relevant groups (already initiated).
- Train the site coordinators so that they can train farmers.
- Invite farmers to see the plots and explain what was done.
- Develop audio, video and printed materials on "best practices".
- Disseminate information materials through mass media, input suppliers and ginneries, site coordinators and others.
- Develop means for showing farmers the impact of results on sale prices.
- Develop an ongoing program for the remainder of the first year together with the Cotton Sector Working Group, including a way of monitoring results.

Years 2-5 Action Plan - Maintain, Build and Strengthen the Cotton Sector

- Build a coalition of private and public groups to lead the programs of change. At the pinnacle of this group will be the CDO.
- Continue to improve cotton farmer productivity and returns.
- Continue to work to ensure that proper research support is provided to the cotton production sector.
- Promote the expansion of large-scale cotton production estates that also support out-growers, in collaboration with UIA.
- Continually work to arrange adequate financing for farmers, ginners and value adding firms.
- Improve gin utilization.
- Ensure the maintenance of a strong quality control program for cotton.
- Develop and continuously communicate new information (technical, market and other industry news) to farmers, ginners and value adding firms.
- Develop means for integrating the value-adding sector into the decision-making processes of the industry.
- Promote the expansion of the value-adding sector and exports of value added products, with special emphasis on opportunities presented by the African Growth and Opportunity Act (AGOA) adopted last year by the United States of America.
- Ensure strong coordinative support for the industry within government.

8. Expected Results

- More stable international market for the premium cotton produced by Uganda
- Re-establish cotton as a reliable source of foreign exchange earnings
- Maintain and build the price premium that Ugandan cotton enjoys
- Build the commitment of farmers to the production of cotton as a cash crop
- Promote production of cotton to its prior peak
- Improve the information flows to the stakeholders in the cotton sector
- Promote the spinning, textile and other value adding sectors
- Continue to build a cohesive, mutually supportive cotton industry
- More farmer-owned and farmer participant management of cotton ginning
- Improved incomes and quality of life in cotton producing areas

IV. STRENGTHENING THE EXPORT COMPETITIVENESS OF UGANDA'S FISHERIES SECTOR

1. The Challenge:

- Uganda's fish is the country's second most important export sector. Its lead export product, Nile Perch (*Lates Niloticus*), is highly valued and competitive in world markets.
- It is estimated that the maximum sustainable yield of Nile Perch from Lake Victoria will permit Uganda to double its current exports to around \$100-\$120 million.
- Strict environmental and stock management of this natural resource is indispensable if Uganda is to meet these targets and sustain them.
- However, to expand beyond these targets, Uganda must protect its existing stock and look for new sources of fish, such as fish farming and aquaculture.
- The sector also needs to explore the potential for product and market diversification from its current production.

2. The Problem:

- Preservation and sound management of fish resources remain a major challenge for the sector.
- Poor harvesting practices by local fishermen damage and reduce fish stocks, and this must be addressed.
- Maintaining the quality of the processed product must be addressed on a continuous basis.
- Lack of proper infrastructure such as strategically located landing, transit and cooling facilities has led to a significant loss of fish for Ugandan processors.
- A large portion of harvested perch (67%) is not processed into exportable products.

3. The Opportunity:

- Ugandan white fish, namely Nile Perch, is highly valued in developed country markets, a trend that is likely to continue.
- Fish farming offers enormous potential for fish stock expansion and diversification, with very positive impacts on exports.
- Modified and diversified fish processing can provide new products for export to existing and new markets.

4. The Strategy:

- Uganda must address the need not only to preserve its current stocks, but also to expand future fish production through fish farming and aquaculture.
- The focus must be on taking advantage of the very favorable conditions for fish farming and expanding this production throughout the country.
- Significant resources for infrastructure and technical assistance need to be provided to create this new initiative to expand fish production.

5. Actions:

- Vigorous action needs to be taken to preserve and maintain existing fish resources in Lake Victoria and other inland waterways.
- Fish stocks must be expanded, namely through fish farming, by bringing in the technology, investment and infrastructure needed to support this effort.
- New market opportunities for diversified fish products in non-traditional markets need to be investigated, enabling Uganda to significantly increase its exports from current resources.
- Infrastructure needs to be strengthened for both traditional and new fish products.
- Information and human resource development will be essential to building future competitiveness.
- Finance and credit facilities must be expanded to support the fishing sector.
- Modalities must be developed to work within the fishing communities to communicate information about best practices.

6. The Participants:

- The Special Task Force on Export Competitiveness, to take the lead in recommending government policies and initiatives.
- The Fisheries Sector Working Group composed principally of private sector representatives, to drive the process of competitive reforms.
- The COMPETE team, funded by USAID, to advise the Working Group.
- Private sector organizations such as the Uganda Fish Processors and Exporters Association and the Private Sector Foundation, to coordinate activities in the sector.
- Public sector agencies, including the Uganda Investment Authority, to improve the operating environment for fisheries and attract foreign technology and capital.

7. Short and Long Term Action Plan:

- Initiation of the Export Competitiveness Strategy should be announced by the President and the Cabinet at a National Conference on Fisheries or Export Competitiveness

Year 1 Action Plan – Maintenance

- Harmonize laws with Kenya and Tanzania regarding the preservation of Lake Victoria, its water quality and its stock.
- Support the on-going initiative to develop and utilize better fish handling methods.
- Initiate a feasibility study of fish farming, focusing on breeding, infrastructure, ecology, training and cost.
- Undertake market surveys for opportunities in new, high value and medium value fish products, apart from fish fillets.

Years 2-5 Action Plan - Expansion and Increased Quality Image

- In collaboration with the Uganda Investment Authority, initiate investment promotion activities to attract international capital.
- Work towards developing a specific Quality Seal for Uganda fish products
- Based on the development of new products, expand into new and existing markets.
- Move fish farming from the pilot stage to a commercial stage.
- Work towards the development of a total package of services for the fisheries sector focusing on investment, the regulatory environment, information, training and finance.

8. Expected Results

- Enhancement of Uganda's market image and quality assurance with foreign buyers.
- New markets developed for diversified fish products.
- New by-products developed for non-traditional markets.
- Increase in foreign exchange earnings from exports of fish and fish products.
- New fish farming initiatives with pilot projects developed throughout the country.
- Improvement and development of new fish landing facilities on Lake Victoria.
- Introduction and utilization of better practices in fish capture and fish handling.
- New regulations and guidelines for optimum fish harvesting practices.
- Information campaign to transmit information to fishing communities.
- Development of 'quality seals' to be awarded fish processors that meet high processing standards for export.
- Socio-economic development of the fishing community through a package of services.
- A self-regulatory protocol signed by Uganda, Tanzania, and Kenya for the maintenance and preservation of the Lake Victoria water quality and fish stock.

Competitiveness Links

1. <http://www.bg-competitiveness.org/links.htm> - The Bulgaria Competitiveness Initiative. This link provides access to 13 other useful competitiveness links.
2. <http://www.competitiveness.lk> - The Competitiveness Initiative by J.E. Austin & Associates. This site contains information on competitiveness in general, specific activities being carried out under the initiative, as well as a page with other useful competitiveness links.
3. <http://www.imd.ch/wcy/> - The World Competitiveness Yearbook. This site contains information about specific economies, the criteria used to measure competitiveness, and an informative Executive Summary forecasting changes in economies worldwide.
4. <http://www.sri.com/policy/econpract/cec.html> - Science, Technology, and Educational Development's Center for Economic Competitiveness. This site contains general competitiveness information (i.e. investment and cluster industries).
5. <http://www.imf.org/external/pubs/ft/staffp/1998/06-98/krajnyak.htm> - Excerpt from the journal IMF Staff Papers. Full text available for this article entitled "Competitiveness in Transition Economies: What Scope For Real Appreciation?" This site also provides access to abstracts for other articles.