

'UGANDA COMPETES'

**Uganda Competitive Private Enterprise and Trade Expansion Project
(COMPETE)**

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I. EXECUTIVE SUMMARY

A. INTRODUCTION

Today's global markets have obtained more freedom from trade barriers than ever before with rapidly growing numbers of sophisticated consumers looking for quality goods from around the world. These markets offer vast opportunities to companies that understand what consumers want, keep abreast of market trends, select the market niche(s) they can best fill and produce with consistent quality. To be successful, companies must also enjoy an enabling business environment in which tax structure, transportation systems, skilled human resources and overall government policy are conducive to a time- and quality-sensitive production process. For that to happen, a nation's leaders, government institutions, private sector executives and its workforce must understand the benefits of export competitiveness and build the necessary public-private partnerships to successfully reach international markets.

Competitive Private Enterprise and Trade Expansion (COMPETE) was an 18-month pilot project designed by USAID to begin to show-the-way to export competitiveness in Uganda. COMPETE's mission was twofold. First, select target economic sectors, form public-private Working Groups, create action plans and then implement a handful of pilot initiatives. Second, design and implement a Uganda-wide public information campaign using those sector action-plans and pilot initiatives, to stimulate a national discussion on the way forward for export competitiveness.

B. TARGET SECTORS

Coffee, cotton and fisheries were chosen as the target sectors--together with a cross-cutting sector, information and communications technology (ICT)--utilizing selection criteria emphasizing overall economic potential, demographic impact, foreign investment potential and the availability of a critical mass of commitment and resources to achieve change.

B.1. Cotton: Strategy and Results

Uganda cotton is of the highest quality in the world and attractive apparel manufacturing opportunities are now available targeting the U.S. market through the African Growth and Opportunity Act (AGOA). Cotton is critical to the incomes of 10% of Uganda's population (2.5 million people). But in 1999-2000, cotton exports were 14,500 metric tons compared to 86,300 metric tons when cotton peaked in 1969-1970.

Two objectives were agreed to by the cotton sector Working Group: reestablish profitable, high quality cotton production and effective ginning and develop specialty, high quality apparel production. Results of COMPETE's work in the cotton sector include:

- More than 1,000 cotton-growing demonstration plots were created and visited by 47,000 farmers in 9 Districts in collaboration with partner organizations and

projects. Yields averaged 350% higher than with traditional practices and returns per kilo were 110% higher.

- A targeted foreign direct investment recruitment effort netted a commitment from Sri Lanka's largest garment manufacturer and exporter to build an apparel manufacturing enterprise in Uganda catering principally to the American market under AGOA.
- Public-private partnership agreements were negotiated to create a garment and textile job-training center and a textile technology-training center.

B.2. Coffee: Strategy and Results

World coffee supplies are growing at a rate of 3.6%, while demand is increasing by only 1.6%, and it is forecast that Uganda's 2001/02 export revenues will barely reach US \$100 million for the first time since the 1964/65 season. Approximately 500,000 smallholder farmers produce coffee. By-and-large, they are oblivious to international consumer markets and unaware of the intense competition between growers around the world. Furthermore, Uganda has been unprepared to deal with the present coffee glut, with no specialty Uganda coffees to fall back on.

The coffee Working Group designed strategies to focus on improving each of four key elements: production, processing, marketing and a cluster of sector support requirements.

- A first-ever coffee auction, the Uganda Coffee Auction Ltd., was formally registered to create a marketplace and draw buyers for high-value specialty coffees. A Board of Directors was inaugurated, a business plan developed and a warehouse and auction floor provided by the GOU.
- Shade-grown and eco-friendly coffees were promoted and a shade-grown demonstration program was initiated on 125 small coffee farms in partnership with two leading farmer associations.
- Sixteen wet-processing plants targeting specialty washed Robustas have been supported through collaboration with partner organizations and projects.
- Four Uganda appellation zones were created to provide brand-of-origin designations for specialty coffees from these areas.

B.3. Fisheries--Strategy and Results

Water covers 18% of the Uganda landscape. In 1999, 250,000 fisher-folk and approximately 750,000 others benefited from fisheries activities. In 2001, fish exports contributed nearly US \$78 million--almost all being Nile Perch--making it Uganda's second largest foreign currency export earner.

Only 17% of the US \$50 billion worldwide fisheries trade comes from developing countries and Uganda has been very successful with its Nile Perch fresh-fish-fillet exports into European markets. In order to take advantage of this huge international market without over-fishing the resource, a Nile Perch aquaculture

research program offers great promise. So does improving the net usable yield of the existing Nile Perch harvest.

- First-ever aquaculture tank and net-cage trials to rear Nile Perch in Lake Victoria have been initiated in partnership with the Fisheries Resource Department, Makerere University and three commercial businesses.
- COMPETE worked with four Ugandan processors to develop eight new, value-added Nile Perch products, conduct marketing surveys in six European countries and prepare point-of-purchase promotional materials to accompany displays of new products by Ugandan processors at the 2002 Boston and Brussels seafood expositions.

B.4. Information and Communications Technology (ICT)–Strategy and Results

Utilization of ICT to strengthen coffee, cotton and fisheries is mandatory because communications technology is so critical for achieving international competitiveness. An ICT assessment of mobile phone service providers, FM radio stations, farmers and fisher-folk found potential for cost-effective, easy-to-operate mobile telephone technologies in the agricultural and fisheries sectors. A growing number of fisher-folk were accessing mobile phones and 60% of them said they had no access to market information--especially price information.

- A decision was made--in partnership with wireless-phone service provider, MTN--to pilot a wireless market information service (WMIS) short messaging system (SMS) to provide users with exact price information for all Lake Victoria Nile Perch landing sites.
- A market survey confirmed high initial demand, a tapering-off and then a demand-rise shortly before the end of the pilot phase. This information convinced COMPETE's pilot project partner, MTN, to actively explore the introduction of WMIS/SMS--emphasizing the concept of real-time, relevant and affordable business information packages--to other sectors.

C. NATIONAL CONSENSUS-BUILDING: 'UGANDA COMPETES'

Effective implementation of a national export competitiveness program will require all Ugandans to understand basic export market principles and learn to benefit from making Uganda competitive in today's global economy. So COMPETE designed a communications strategy to "teach" competitiveness--with particular attention to world-market prices, trends and tastes in the three pilot sectors of coffee, cotton and fish.

The teaching began with Uganda's top leadership: public policy-makers and company chief executives. Also targeted were print journalists, FM Radio and TV presenters and other communicators. They, too, have an insufficient background in international economics and need that grounding in order to provide business information and reporting on export markets to farmers, fisher-folk and others.

- His Excellency President Yoweri Museveni hosted a first-ever National Competitive Conference for 350 government and private sector leaders, farmer and fisher-folk business associations and international professionals. They crafted *A Strategic Agenda for Export Competitiveness*--under the slogan, 'compete or perish'--targeting 8 export sectors and emphasizing aggressive investment promotion, backward linkages from consumer to producer and a sense of national urgency to produce significant, visible results. President Museveni immediately endorsed the plan, saying: "The way forward is trade, not aid.... We either wake-up now and compete, or we perish!"
- A 6-language series of programs was aired nationwide on 5 FM Radio stations. A print media campaign produced 62 news features and more than 200 communicators (information officers, newspaper reporters, FM Radio and TV presenters) were trained in the principles, issues and terminology of export competitiveness.
- Uganda product-marketing images, an FDI film and point-of-purchase information materials were designed for Uganda coffee, Uganda cotton and Uganda fish.

D. THE WAY FORWARD--'COMPETE OR PERISH'

Sir Winston Churchill used two very memorable phrases to describe his feelings about Uganda. The first was his well-known description of the country as "the pearl of Africa." Uganda can indeed be the pearl of Africa--as a travel destination and as a provider of quality food products for the world. Uganda, a country that contains the source of the Nile, the world's most fabled river--the only river that travels north, literally sustaining the African Continent -this is the vision. And this is the potential because Uganda has so successfully maneuvered itself through a period of reform that is one of the brightest stars in the constellation of developing African nations.

Winston Churchill also urged his readers to 'concentrate on Uganda'. What he meant was that this beautiful and fertile land had immense opportunity. What he implied, is that a lot of work needed to be done. Transformation of Uganda from commodity producer of fish, coffee, cotton, flowers and the fabled Frisian cattle to value-added manufacturer of high quality, pre-packaged consumer products is the challenge that Uganda has now decided to embrace under the theme, 'compete or perish'. In order to compete, there must indeed be a concentration of activity. The pilot initiatives created by each sector Working Group must continue to be supported and the sector action plan strategies must continue to be implemented. This means, specifically, that:

- Ugandan brand-of-origin specialty coffees must be developed, planted, auctioned and sold in niche markets worldwide.
- Ugandan made, pre-packaged cotton clothing must be manufactured and sold at leading retail outlets in the United States, Europe and Asia.

- Ugandan Nile Perch must be sustainably grown, harvested and transformed into a variety of products so that it becomes as well known as Atlantic cod.

It also means that crosscutting national barriers must be broken through the leadership of the President and top-levels of government and business. Specifically,

- Because Uganda is an entrenched commodity-market producer where farmers, fisher-folk and others lack knowledge of international consumer markets and the technologies to reach them, *a national public communications campaign is needed to transform export competitiveness from an academic-sounding concept into a national imperative.*
- Because of the prohibitive costs and hassles of getting product from a landlocked nation to international markets, *a new national transportation policy will be needed.*
- Because Uganda must attract the capital, gain the market access and develop the manufacturing know-how to penetrate lucrative niche foreign consumer markets, *a 'make-it-in Uganda' and 'made-in-Uganda' foreign direct investment and product promotion drive must be planned and implemented.*

These are the collective actions that can transform Uganda from being a lovely, lush homeland haunted by an Idi Amin legacy into an African Lion economy producing quality finished goods for the world.

II. COMPETE PROJECT BACKGROUND

A. THE MISSION

By the end of the 1990s, a consensus had emerged--within government and between government and the donor community--that aggressive private sector growth was the best way forward for Uganda. The reason was obvious: No other course of action could sustain the very high growth rates achieved during the preceding period of dramatically successful macro-economic liberalization!

A decision was made at the highest level of Government to put in motion a series of steps to literally change the system--in both the public and the private sector--to promote sound business development and greater productivity in key sectors of the economy. A *Medium-Term Competitiveness Strategy for the Private Sector* was developed by The Ministry of Finance, Planning and Economic Development and approved by the Cabinet in February 2000. The 2000 Government of Uganda (GOU) budget included new efforts to address the enabling environment for private sector growth, with special emphasis on export expansion. And a Special Task Force on Export Competitiveness was created.

With an overall goal of achieving a trade and investment focus linked to greater Ugandan exports and foreign investment, the United States Agency for International Development (USAID) added two new project initiatives to its already operational programs (IDEA, PRESTO, Trade Policy Reform). The first was "Uganda Support for Private Enterprise Expansion and Development" (SPEED), a 3-year activity to address the needs of micro, small and medium sized businesses that became operational in October 2000. Second was "Competitive Private Enterprise and Trade Expansion" (COMPETE), an 18-month pilot project established "to enhance the global competitiveness of Ugandan businesses in up to five sectors where large industry-wide impacts on employment and growth can be achieved in the next 5-10 years."

CARANA Corporation of Arlington, VA was awarded the contract to implement COMPETE and commenced work in November 2000. In addition to a series of written submission requirements (3-month rolling work plans and a notional 18-month work plan) that have been submitted to USAID during the course of the project, the USAID terms of reference--which incorporated CARANA's project proposal--stipulated the following major tasks:

- Select target sectors within the first three months of the project in consultation with a high-level public-private advisory group (Special Task Force on Export Competitiveness).
- Form sector Working Groups and develop sector action plans inclusive of priority activities to be undertaken by COMPETE.
- Deliver targeted technical assistance, ad hoc advice, on-the-job-training and workshops/seminars/conferences--an average of 2 per month--to organizations and individuals connected with the target sectors.

- Develop and present to the Special Task Force on Export Competitiveness data on policy, legal and regulatory constraints in each target sector.
- Draw attention to the crosscutting role of Information and Communications Technology (ICT) in the target sectors.
- Formulate and implement a public information strategy--inclusive of a National Conference on Competitiveness--to stimulate debate on export competitiveness, marshal public support for needed reforms and disseminate information generated through project activities.
- Prepare a COMPETE project Final Report and a policy memorandum with recommendations to government and the private sector--inclusive of benchmark indicators--for actions that need to be taken after COMPETE completes its work.

B. TARGET SECTORS

In consultation with USAID and the Special Task Force on Export Competitiveness, a short-list of 14 sectors was created. A thorough analytical exercise was then conducted to determine each sector's competitiveness potential. Six key evaluation criteria were utilized:

- *Economic Potential*--emphasizing opportunity areas where success will have multiple impacts throughout the country because of upstream and downstream linkages and opportunities for significant numbers of firms.
- *Demographic Impact*--seeking to work with opportunity areas that cover many regions of Uganda--in particular rural areas and with maximum impact on the livelihood of women.
- *Foreign Investment Potential*--assessing the likelihood for these opportunity areas to attract foreign investment and technology over the long run.
- *Available Resources*--determining opportunity areas most supported by other programs (such as SPEED, IDEA and other donors), thus offering the greatest potential for success.
- *Degree of Commitment and Capability*--coming to conclusions about those opportunity areas where stakeholders have the greatest energy, commitment, capability and desire for change.
- *Level of Effort*--identifying sectors where the chances of success relative to the available project budget, combined with other leveraged resources, are realistic within the life of the project.

Based on the results of this analysis, COMPETE recommended--and the Special Task Force on Export Competitiveness concurred--that coffee, cotton and fish sectors be selected because they appeared to have the highest export competitiveness potential.

COMPETE's competitiveness analysis of these three sectors in world markets also revealed that Ugandan products are by-and-large not sold directly to consumers. In the case of coffee and cotton, Uganda exports raw coffee beans and raw ginned

cotton with low value-added. Though fish is experiencing some added value--as it is being exported in fillet form and sold to consumers--it is not yet being sold as ready-to-eat products such as specially cut packaged portions. Furthermore, the quality of exported coffee beans, ginned cotton and fish has been uneven. So despite the conclusion that these three sectors seemed to have the best export potential in the medium and long term, they are not very competitive in world markets. As a result, consumers know little about Uganda products.

Putting all this together, the COMPETE team concluded that, if Uganda is to develop a dynamic and competitive export sector, it must change its strategy from a focus on primary goods and commodities--such as bagged, unwashed coffee beans; bagged, ginned cotton; and unprocessed fish. The new strategic focus must target production, processing and marketing. The goal is to achieve increased production and raw-product handling at the farm and fisher-folk level, together with niche market product development supported by new and improved value-added processing.

Given this broad challenge, the COMPETE project retained partnership teams of Ugandan and international production and market professionals to support the three sector working groups. The same approach was used to develop and implement a national public information strategy to mobilize the country's leaders and convey the critical importance of export competitiveness--as well as its benefits--to all Ugandans. Finally, a partnership team was also convened to create and undertake an ICT initiative to show how wireless communications can revolutionize the delivery of critical market information to everyone in the production, processing and marketing chain.

III. SECTOR PROGRAMS

COMPETE began its work with the coffee, cotton and fish Working Groups by undertaking an in-depth SWOT (Strengths-Weaknesses-Opportunities-Threats) analysis to identify Uganda's current position on the competitiveness ladder in each sector. Armed with this new strategic overview, the Working Groups, COMPETE professionals and Special Task Force on Export Competitiveness were together able to identify and prioritize needed actions.

A. COTTON

A.1. The Challenge

Cotton has traditionally been one of Uganda's important export commodities and currently accounts for 3.6% of the country's foreign exchange receipts--well below coffee and behind fisheries. In 1999-2000, cotton exports were 14,500 metric tons compared to 86,300 metric tons when cotton peaked in 1969-1970. At that time, cotton contributed 40% of total foreign exchange earnings. Cotton however remains critical to the incomes of 10% of the country's population (2.5 million people) in the rural areas of the North, East and West.

Uganda cotton is of the highest quality in the world--second only to Egypt--and textile manufacturing opportunities are now particularly attractive following the opening of the U.S. market through the African Growth and Opportunity Act (AGOA). The competitive challenge in the cotton sector is to increase cotton production and add value in Uganda before it is exported. If farmers cannot realize adequate cash returns for their efforts, they will discontinue producing cotton. If ginners do not receive increased cotton supplies to more effectively utilize gin capacity, gin margins will continue to be squeezed and more ginners will exit the industry. If the textile sector--spinners and textile mills--cannot be upgraded to produce fabric of international standard, prohibitively expensive imported fabric will prevent Uganda from taking full advantage of its AGOA opportunity by attracting foreign direct investment from international garment manufacturers.

A.2. Cotton Sector Working Group

A 14-member cotton sector Working Group was convened with membership from a full spectrum of industry participants: producers, ginners, spinners, textile manufacturers, oil millers, exporters, bankers, donor representatives, and GOU regulatory and policy-making bodies. From the private sector, the Uganda Ginners and Cotton Export Association (UGCEA) was a particularly active participant--both directly and through the participation of a number of their member companies--and has been particularly successful at bringing together farmers and ginners. The Cotton Development Organization (CDO) is the primary organization in the public sector with responsibility for regulatory, policy and enforcement issues and for coordinating the interface between the private sector and the GOU. This participation by the leading government and private sector institutions assured strong support for the action steps identified by the Working Group.

There were two other important participant groups. First was the donor community--represented by SPEED, IDEA and the private Sector Trade Policy Capacity-Building Project--which provided a direct support link to critical areas like cotton productivity enhancement, gin and textile mill upgrading audits, human resource development, market development and financial assistance. Second, non-governmental organizations, such as the Lango Organic Farmers Association, contributed to the success of industry objectives at the rural farmer community level and--via ACDI-VOCA and the International Executive Service Corps (IESC)--to the project's need for technical expertise to support pilot activities.

A.3. Cotton Sector Barriers

As COMPETE got underway in late 2000, cotton production was just beginning to recover from a period of spiraling decline and several principal barriers were identified:

- Low world-market prices for raw cotton
- High-cost transportation due to Uganda's landlocked situation
- Low production, productivity and input availability at the farm level
- Low utilization of gins causing many marginal operations
- Low utilization of textile mills and low quality fabric
- Low-quality apparel products that could not meet international market requirements
- Lack of knowledge about market niches for value-added products
- Lack of a strategy to penetrate the American market through AGOA
- Lack of adequate financing to support farm production
- Lack of technical information, research and training support systems

A.4. Cotton Sector Strategy

The strategy adopted by the Working Group for reviving the cotton and textile sector was to reestablish vertical integration (producer-ginner-fabrics-garments) within the sector in order to serve domestic and international markets. Two objectives were then agreed to. First, reestablish profitable, high quality cotton production and effective ginning. Second, develop specialty, high quality apparel production to meet market opportunities--particularly those offered through AGOA. To accomplish this second objective, a reliable supply of Uganda-produced fabric was also deemed to be critical. This is because the high cost of transporting fabric through the Port of Mombasa and overland to Uganda means that the country will have great difficulty competing under AGOA unless a domestic fabric-milling industry evolves to supply the apparel manufacturers.

A.5. Specific Actions and Results

To achieve these strategic objectives, several actions were identified for implementation. These are set out below together with results achieved.

A.5.1 Production

- Worked with the CDO, UGCEA and the IDEA Project to establish a national cotton-farming demonstration plot program to show improved practices. A total of 1,062 demonstration plots were implemented in 9 districts. These plots produced yields on average 350% above those achieved with traditional farming practices. Input costs per kilogram of cotton produced were 50% below those incurred with traditional farming practices, while returns were 110% higher per kilogram.
- Prepared an agronomic practices video for use in training farmers and, during the course of the 6-month demonstration plot program, 47,000 farmers visited one, or more, of the demonstration plots.
- Implemented a cotton-quality monitoring program and conducted training sessions in Lira, Kamuli and Mbale through collaboration with a consultant sourced by ACDI/VOCA.
- Examined block farming practices in Kasese and replicated them through 2 workshops in Mbale and Lira.
- Assisted NARO to develop a cotton research agenda. (Efforts are now being made by NARO and the Working Group to source financial support for that agenda.)
- Organized a Working Group team-visit to Tanzania to study cotton production, research and marketing systems.

A.5.2 Processing

- Conducted a comprehensive review of textile and garment products produced in Uganda to inventory products for export under AGOA, produced a report titled *Inventory of the Cotton and Textile Sector in Uganda* and distributed it widely within the sector.
- Carried out a testing program of textile samples from a leading Ugandan mill and presented the results to mill management.
- Organized and obtained an agreement with the Working Group and CDO for a technical audit of ginning facilities.
- Invited Sri Lanka's largest garment manufacturer and exporter to participate in the President's Conference on Poverty Alleviation Through Export Competitiveness.

A.5.3 Marketing

- Analyzed incentives provided by African nations to textile and apparel manufacturers; produced and distributed a report titled, *Summary of Investment Incentives in AGOA Qualifying Countries*.
- Worked with Sri Lanka's largest garment manufacturer and exporter and facilitated negotiations with government and other key parties to secure a foreign direct investment (FDI) in garment manufacturing targeting both the American market under AGOA and other markets.

- Invited a Korean textile fabric manufacturer to visit Uganda to pursue a foreign direct investment in fabric manufacturing.

A.5.4 Sector Support

- Worked with the Private Sector Trade Policy Capacity-Building Project to evaluate the readiness of Uganda's textile and garment sector to meet AGOA product standards. (Two reports were produced and distributed titled, *Uganda Textile-Cotton Export Prospects: Final Report* and *Uganda Textile Company Rapid Appraisal*.)
- Helped negotiate a GOU/private sector partnership to establish a textile technology-training center.
- Performed a feasibility study for the establishment of a garment and textile job training center and prepared a training manual inclusive of trainee selection criteria.
- Produced a strategic document on the way forward for the cotton sector, which was presented at, and endorsed by, the President's Conference on Poverty Alleviation Through Export Competitiveness.

A.6. Lessons Learned

Early decisions made by the Working Group required that COMPETE develop a broad-based program of integrated actions to support the cotton sector and this has been done. At the same time, cotton production emerged as a very high priority and implementation of demonstration plots proved to be highly successful as a training tool with small rural farmers in Uganda.

The second high priority that emerged was the current poor condition of the cotton industrial infrastructure--gins, fabric millers and apparel manufacturers--versus Uganda's extraordinary opportunity to add value to its cotton through the apparel export opportunities provided by AGOA. To address these twin priorities demands that the private sector and government work very closely together to understand the requirements of international buyers, achieve internationally competitive standards and periodically review the vital regulatory and coordinating role of CDO to be sure that sector stakeholders and Government are marching together.

A.7. Next Steps

The cotton sector requires continued implementation of the vertical integration initiative started through COMPETE. This focus is three pronged: increased production, enhanced industrial capacity utilization and a strong market position for Ugandan products. In recent weeks a major garment manufacturer decided to invest in Uganda. This investment commitment can be a new engine for growth because it will require increased cotton production (500,000 bales annually by 2005--up from 100,000 presently), better gin utilization, domestic milling of cotton fabric meeting international standards and development of new manufacturing job skills. Accomplishing all this will demand several urgent actions in each key component of competitiveness: production, processing, marketing and sector support. The most critical next steps appear below (and several other forward steps identified by the

Cotton Sector Working Group at its most recent meeting--May 2002--are in the COMPETE files held by USAID).

A.7.1 Production

- Continue a strong demonstration-plot program of up to 10,000 plots nationwide for the next two to three years utilizing training videos in all parishes to increase farmer awareness of agronomic practices that can increase cotton productivity and profitability.
- Continue to demonstrate block farming--with the active involvement of Uganda's 34 ginners--with an objective of establishing 2 block-farming or commercial nucleus farm groups of 1,000 acres in each of the 40 cotton-growing districts.
- Attract private sector participants to work with NARO in funding a joint cotton research agenda with three priorities: first, control the bacterial blight and cotton wilts common in the East and the North of the country; second, develop high-yielding seed varieties resistant to these afflictions; third, produce varieties with high lint-to-seed ratios while maintaining superior fiber qualities.

A.7.2 Processing

- Gin, textile and garment audits initiated under COMPETE need to be completed. To increase utilization of gins from 25% to 75%, a three-fold increase in cotton production will be required. To increase fabric mill utilization, it is essential to examine the present condition of equipment and facilities. These audits will help identify the areas where new technology and re-capitalization are required.
- Complete implementation of a garment and textile job-training center jointly planned by Government and the private sector investor, Tri Star. This center will, by year-end 2002, train 3,000 persons in Kampala in the skills required by investors.

A.7.3 Marketing

- Continue work aimed at promoting Uganda as a destination for Foreign Direct Investment in the textile and garment industry. Entry of these investors greatly enhances the competitiveness of this important Ugandan industry. For example, one current potential investor is committed to establishing both a garment factory and garment job-training center (with plans for an additional 10 factories and 4 training centers country-wide within three to five years).
- Develop opportunity profiles of cotton sector investment ventures to enhance cotton by-product utilization. Total product utilization is important to make sure that the industry and the nation gains maximum value from all currently unused by-products.

A.7.4 Sector Support

- Accelerate implementation of textile and garment standards being developed by the Uganda National Bureau of Standards (UNBS). This is essential to ensure that the Ugandan industry is providing internationally competitive products.

- Establish a technical and market information center for the industry. This would help stakeholders to become and remain competitive by obtaining materials on technology and markets.
- Implement a long-term cotton, textile and garment industry support policy and industry-support program.

B. COFFEE

B.1. The Challenge

The COMPETE project mandate in the coffee sector was to define sector impediments, design strategy and develop pilot projects to help improve the export competitiveness of Uganda's coffee products in the world market. Above all, the approach to strengthening the long-term competitiveness of the coffee sector began with understanding the market and what the customer will buy. And in the case of coffee, quality always determines the premium that the customer is willing to pay.

The coffee sector has historically been Uganda's largest generator of export revenues. When world coffee prices were high in 1994 and 1997, the sector earned over US \$400 million annually. With the current world price at a 40-year low, it is forecast that 2001/02 export revenues will barely reach US \$100 million for the first time since the 1964/65 season. Approximately 500,000 smallholder farmers, distributed over two-thirds of the country, produce coffee on an average farm size of less than one hectare. In 2000-2001 Uganda produced 3.3 million 60-kg. bags of Robusta coffee on 261,000 hectares and 400,000 60-kg. bags of Arabica on 45,000 hectares.

The big-picture trend shows world coffee supply growing at a rate of 3.6% and demand increasing at only 1.6%. Warehouse inventories are over 26 million bags - a 4-month supply of world export demand. This supply and demand imbalance has led to the current crisis in the world coffee market. But low world price is not the only challenge facing Uganda's coffee sector. The average age of the country's coffee plant population is 40 years. These older trees are suffering from declining productivity and they need to be replaced. Moreover, a soil borne fungal pathogen (*Tracheomyces*, commonly known as coffee wilt) is killing 5% of Uganda's Robusta plants annually. That means that in 2002, coffee wilt is expected to kill about 15 million of Uganda's 300 million coffee plants. Time and events have placed the country's coffee sector in a difficult situation. Uganda needs to rebuild its core business at a time when both revenues and productivity are low and this makes the task even more challenging. But it must be done in order to ensure the long-term sustainability of the sector.

B.2. Coffee Sector Working Group

In an effort to achieve an effective national competitiveness initiative for the coffee sector, COMPETE brought all key participants into a coordinated effort. A coffee sector Working Group worked in close collaboration with a number of public and private sector organizations to plan and implement pilot initiatives in the coffee sector. The private sector was targeted to take the lead role through active

participation by executives and members of the Private Sector Foundation, Uganda Coffee Traders Federation, Uganda Coffee Farmers Association, Eastern Coffee Farmers Association, East African Fine Coffees Association and Kibinge Coffee Farmers Association. Government's role as a mobilizer of support, guarantor of exported coffee quality and technical services deliverer was also critical to the strategy. Therefore many government institutions participated: Uganda Coffee Development Authority, Coffee Research Institute, Uganda Wildlife Authority, Forestry Resources Research Institute and the Ministry of Finance, Planning and Economic Development. Non-governmental and donor organizations provided international technical assistance and training and support for new coffee-processing techniques to farmers, handlers, processors and exporters. Especially important contributions were made by ACDI/VOCA, SPEED, International Center for Research in Agro-Forestry and the Sustainable Tree Crops Program.

B.3. Coffee Sector Barriers

The coffee sector Working Group began its work with an analysis of international markets. The conclusion was that the Uganda coffee industry has been lulled into the assumption that Ugandan coffee will always be in demand and will obtain a premium in world markets. (This idea is so ingrained that coffee was not included in government's "Big Push" economic development strategy.) As such, growers are oblivious to international consumer market tastes and demand trends. They are also unaware of the intense competition between growers around the world and the ascendancy of Vietnam as a large grower of Robusta coffee. Subsequently, when the present glut appeared, Uganda was totally unprepared for the shockwaves that followed.

The principal barriers to export competitiveness in the coffee sector identified by the Working Group included:

- Poor quality image of Uganda coffee caused by poor production and handling practices, together with adulteration of Uganda coffee by off-grade product. The result is a misrepresentation of Uganda's coffee quality in international markets and the current reality is that the Uganda Coffee Development Authority lacks the power to enforce quality.
- Higher-value Uganda coffees are unknown as brand-of-origin coffees in international markets.
- Uganda lacks an appellation system to differentiate and promote its higher-quality coffees.
- The majority of Uganda's coffee exports are lower-value, unwashed Robustas and because the industry does not sell value-added products to specialty markets, there is little, or no, incentive for farmers to improve agronomic practices.

B.4. Coffee Sector Strategy

The COMPETE team, in partnership with the Working Group, designed and adopted approaches that were based on recognized principles of international export competitiveness. As such, the strategies focused on improving four key elements of

sound competitiveness: production, processing, marketing (demand) and the cluster of interlocking activities that constitute the coffee sector.

B.5. Specific Actions and Results

B.5.1 Production

Factors of production that were examined for strengthening included physical assets (coffee processing equipment), human resources (training, information to growers and associations) and capital (availability of credit to those in the production chain). Given the strategic priorities established by the Working Group and the time period available for the COMPETE Project to implement pilot initiatives, the following action steps were taken:

- A shade-grown coffee demonstration program was designed and implemented on approximately 120 hectares of existing small coffee farms belonging to 125 farmers who are members of Kibinge Coffee Farmers Association and Eastern Coffee Farmers Association. Training workshops were then organized for all participating farmers.
- Promotion of organic, shade-grown and bird-friendly (also known as eco-friendly) coffees through numerous orientation sessions with sector stakeholders utilizing marketing program approaches and materials developed by the Smithsonian Institution.

B.5.2 Processing

COMPETE worked with the SPEED Project and organized a feasibility study for wet coffee-processing facilities, inclusive of the development of financial models for establishing medium-scale (1.5 tons per hour) processing plants. Sixteen wet-processing plants have been supported through a cooperative arrangement between SPEED and the Uganda Coffee Development Authority.

B.5.3 Marketing

Responding to demand issues, the strategy emphasized communicating to all coffee stakeholders what constitutes market value to each link in the coffee production chain. This strategy was based on achieving increased market value through cooperation between everyone in the chain: from farmers to processors, to other intermediaries, to final consumers.

- A market research report was prepared on roaster requirements in traditional and emerging markets.
- A report on coffee marketing by auction was prepared following visits to the Nairobi, Kenya and Moshi, Tanzania coffee exchanges.
- COMPETE developed and shared with all stakeholders a coffee auction marketing strategy. Following acceptance of the proposal, a business plan was developed, the Uganda Coffee Auction Ltd. was formally registered and a Board of Directors inaugurated. The Government made a commitment to provide an auction warehouse space in a publicly owned building under a long-term lease.

- Four Uganda appellation zones were identified and mapped-out in Mbale, Nebbi, Kasese and Kisoro/Rukungiri Districts. Appellation boundaries have been recorded using a geographical information system (GIS) program. This has created a foundation for web-based promotion--backed-up by auctioning to achieve the greatest possible return to farmers--of specialty, high-value coffee from these new appellation zones.
- COMPETE invited one of the largest U.S. importers of specialty coffees to identify niche market opportunities for high-value Uganda coffees and then to participate in the President's Conference on Poverty Alleviation Through Export Competitiveness.

B.5.4 Sector Support

- COMPETE conducted a comprehensive review of coffee sector regulations, the UCDA statute and UCDA management systems. A management-training workshop was conducted for senior staff and recommendations for revised regulations and the restructuring of UCDA were prepared and forwarded to the UCDA Board for final adoption.
- COMPETE prepared a coffee development strategy for the next five years that was presented to, and endorsed by, the President's Conference on Poverty Alleviation Through Export Competitiveness.

B.6. Lessons Learned

Early decisions made by the Working Group required that COMPETE take on the role of mobilizing support from all stakeholders around a national coffee export initiative. The COMPETE team quickly learned that effective communication and sensitization were required and that this work was best done through an ongoing series of training and development workshops.

During the course of the project's early communications facilitation work, Uganda's coffee quality emerged as the major concern of all those connected with the sector. A clearly defined national target--the Uganda Coffee Auction Ltd. as a quality gate for coffee exports--became critical to galvanize both debate and support. It served, as well, to accelerate and focus discussions on restructuring public and private institutions to make them better able to play specific constructive roles in upgrading quality standards across the board.

Initial planning deliberations within the Coffee Sector Working Group also led to the conclusion that additional assistance was required to improve production, handling, transport and processing systems. To achieve this, technical assistance, training, public information and communications have all been put to work. But as the reform process goes forward, growers and processors need to be further sensitized on how to meet demanding export standards. Reaching out to this population will involve additional demonstration projects being launched and replicated, together with a continuing series of institutional workshops and seminars.

B.7. Next Steps

Over the short and longer-term, Uganda's coffee sector must continue making the structural adjustments that will enable it to achieve and maintain a stronger competitive position in the global market. Public and private sector efforts must target many areas in the value chain. But the focus should be on strict adherence to the quality standards preferred by international markets. To achieve these objectives, the following actions are of paramount importance:

B.7.1 Production

- Continue an aggressive campaign to produce shade-grown coffee (as well as other organic and eco-friendly specialty coffees) as the lead product in a drive to diversify into higher-value niche markets with Uganda brand-of-origin products.
- Expand the development of Arabica coffee--to respond to the declining world coffee price of Robustas--with a Ugandan brand-of-origin Arabica coffee that can fetch premium prices when produced in volume and processed for the specialty market.
- Develop and strengthen farm-level organizations that can attract investment in centralized wet processing, reduce the cost of extension service delivery and produce substantial volumes of uniform-quality, regional appellation coffee that can be marketed through the coffee auction.

B.7.2 Processing

- Invest in processing technologies--especially centralized wet-milling/pulping facilities-- that will produce a major shift in the quality standards of Uganda's coffee exports.
- Pursue foreign direct investment (FDI) in roasting, grinding and blending facilities--as well as instant coffee--targeting niche markets.

B.7.3 Marketing

- Continue aggressive work to develop the Uganda Coffee Auction Ltd. in order to reward and enhance quality throughout the value-chain by encouraging a transparent pricing system, providing lowered transaction costs to buyers, maximizing returns to farmers and promoting Uganda as a recognized origin.
- Continue aggressive work to develop the four identified regional coffee-of-origin appellations.
- Support the Uganda Crane Brand instant and ground coffee marketing initiative in China.
- Support Uganda coffee blends, specialty brands and direct-to-consumer promotions in targeted international markets and key capitals of the world.

B.7.4 Sector Support

- Develop a wilt-resistant variety that can be speedily multiplied in order to create an ongoing pipeline of new genetic material to help control the coffee wilt pathogen that is greatly affecting Robusta coffee farmers.
- Develop a coffee-market research capacity in coffee-consuming countries to determine and monitor changing consumer requirements and preferences.
- Undertake an aggressive infrastructure development program to provide water and electricity (for wet-processing) and motorable roads in the producing countryside.

C. FISHERIES

C.1. The Challenge

The Uganda fisheries industry is based on inland capture from lakes, rivers and swamps covering 18% of Uganda's 241,038 square kilometers. Total fish production in 1999 was estimated at 223,800 metric tons. There are an estimated 250,000 fisher folk and approximately 750,000 others who benefit from related activities (processing, trading, research, extension and management services). The major commercial fish species include Nile Perch (*Lates niloticus*), Nile Tilapia (*Oreochromis niloticus*) and Mukene (*Rastreneobola argentea*). In the year 2001, fish exports contributed nearly \$ 78 million--almost all being Nile Perch--making it Uganda's second largest foreign currency export earner.

The fisheries trade worldwide is worth in excess of \$ 50 billion; with 83% of product coming from higher-priced developed countries. Uganda has been very successful in the development of a lucrative and growing Nile Perch fresh-fish-fillet export business--principally into European markets starved for white fish due to dwindling stocks of cod and haddock in the Atlantic Ocean. The current opportunity is to take advantage of existing and growing international market demand without over-fishing the resource. The competitive challenge in the fisheries sector is therefore to increase the export value of the existing harvest and to introduce commercial aquaculture to create a larger, renewable supply source of the principal fish species, Nile Perch.

C.2. Fisheries Sector Working Group

An 11-person Fisheries Sector Working Group was formed with leading members of the private sector representing all parts of the sector, as well as government institutions directly involved in developing the fisheries sector. It was the focal point for the national fisheries export initiative, making recommendations to both the public and private sectors. Participants from the public sector included Fisheries Resource Department, the principal governmental regulatory and fisheries resource management body, and National Environmental Monitoring Agency (NEMA), the agency that oversees net-cage culture and international water quality standards to ensure conformity with environmental standards. There was strong participation by the private sector as well, primarily by the Uganda Fish Processors and Exporters Association (UFPEA) and many of its individual members. Fisher-

folk were represented by the Uganda Fisheries and Fish Conservation Association (UFFCA) who organize fisher-folk at landing sites and undertake annual World Fisheries Day activities. Participation by local authorities was also important because it is they who control field extension officers, provide landing sites and maintain access roads.

C.3. Fisheries Sector Barriers

The Fisheries Sector Working Group concluded that, although a market did exist for Ugandan white fish (Nile Perch), serious issues need to be addressed:

- Diminishing stocks of Nile Perch.
- Lack of awareness of specialized markets and international market information for value-added fish products leads to minimal product diversification.
- Weak institutional support to meet a series of fisheries sector infrastructure needs:
 - Open fishing with no licensing or control of the fish-catch.
 - Minimal enforcement means little attention is paid to conservation of the resource.
 - Outdated fish-capture, handling practices and support facilities (e.g., inefficient boats and equipment, illegal nets, hook and line fishing methods, inadequate cold storage facilities, only a few sanitary landing points) have caused 3 European fish bans and lead to a high percentage of Uganda's Nile Perch harvest being non-exportable due to its poor quality.
 - Insufficient research and extension support to Nile Perch, the principal export species.
 - Little awareness of aquaculture as an alternative fish supply source for export markets.
 - Difficult border enforcement leading to loss of fish harvest to Kenya.
 - Poor access to financing for fisher folk.
 - Poorly designed taxation system that encourages multiple levels of taxation (on boats, motors, equipment, whole fish and processed fish) and leads to non-competitive pricing of final product.
- High cost of transporting frozen fish exports through the Port of Mombasa.
- No brand-of-origin recognition for Uganda products in international markets.

C.4. Fisheries Sector Strategy

COMPETE's 18-month pilot project offered an opportunity to focus on a 2-part strategy. The first objective was to launch a viable and aggressive public-private aquaculture research program. Aquaculture offers an opportunity to increase productivity of an important protein source. Commercial aquaculture offers a unique opportunity to provide a significant additional volume of Nile Perch for export. The net-cage production methodology was chosen for initial Nile Perch

aquaculture trials because it requires less capital investment and will allow small, poor fish-farmers to participate in production. The second objective was to improve the net usable yield of the existing harvest and spur new value-added product development by bringing international fish market niches to the attention of Uganda fish processors. New Nile Perch products supported by a high quality Uganda point-of-purchase advertising program can show the way for future initiatives.

C.5. Specific Actions and Results

C.5.1 Production

To date most of the work carried out on aquaculture has been targeted at the subsistence culture of Tilapia. In the case of Nile Perch, this is the most challenging species, and work is only beginning on the culture process. The COMPETE project has determined that the domestication of the Nile Perch and subsequent commercial aquaculture production would significantly impact both the supply of fish available for export and national foreign exchange earnings. There are two phases of development: baseline research and technology transfer. The research stage uses captured Nile Perch fingerlings from the wild to establish information critical for the handling, feeding, spawning and production of the species. In the technology transfer phase, knowledge of spawning, maturation and hatchery development is disseminated to support commercial production of the species. The following steps in this two-phase process have so far been taken:

- Organized Nile Perch-rearing, net-cage trials in Lake Victoria in partnership with the Fisheries Resource Department and three commercial businesses. The goal is to establish a base line of research information on the behavior in captivity of this species in the fingerling, juvenile and adult stages.
- Procured technical assistance from two Taiwanese aquaculture professionals to advise on all stages of the trials and on feed requirements.
- Undertook preliminary hatching experiments in an attempt to spawn Nile Perch.
- Proposed and negotiated the participation of graduate students from Makerere University with the related aim of developing new knowledge and practical experience in aquaculture practices. A biodata survey and practical water-quality testing were then undertaken.
- Worked with ACDI/VOCA to secure loaned executive assistance to develop fish-feed formulations using locally produced ingredients in order to compare growth rates using these natural feeds versus artificial feeds.

C.5.2 Processing

There is little value-added in the Nile Perch product line. Fresh fillets flown to Europe are very successful. Little else has been done, yet there is significant flesh wastage following preparation of the large fillets. Ugandan processors welcomed assistance to learn about new product possibilities.

COMPETE procured technical assistance from an international seafood-marketing professional to work with four Ugandan processors on the development of value-

added products. Eight new products were developed from the reformulation of by-products after the filleting of Nile Perch: cut Nile Perch portions, Fish tikkas (on skewers), fish rolls (made from thin fillet pieces), one kilo quick-frozen fish packs, fish roe, fish 'cheeks', fish skins, frozen fish trimmings and fish heads (to China).

C.5.3 Marketing

Armed with knowledge of new processing possibilities, European, Asian and American markets needed to be explored and niche opportunities seized.

- New product samples were developed--based on recommendations of the seafood marketing professional--and sent to China, Singapore and Taiwan.
- A marketing survey was conducted in six European countries and recommendations were presented to Ugandan processors.
- Point-of-purchase promotional materials and literature were developed on a pilot basis to accompany displays by Ugandan processors (utilizing new products proposed by the seafood marketing professional) at the 2002 Boston and Brussels seafood expositions.

C.5.4 Sector Support

To effectively implement the project, the following additional actions were undertaken:

- COMPETE sponsored a workshop to establish updated aquaculture regulations that support net-cage culturing.
- The Fisheries Resources Department received assistance to upgrade health certification procedures for Uganda fish exports.
- Aquaculture tank facilities at the Fisheries Resources Department and Makerere University were upgraded to facilitate high priority net-cage trials research and training.
- Direct support to fisher-folk through provision of 'safety-at-sea' equipment and support to a Working Group subcommittee that harmonized training curricula in the fisheries sector.

C.6. Lessons Learned

Lessons learned in the fisheries sector stem from the new public-private dialogue that has been started through the COMPETE Project and the early-on conclusion of the fisheries sector Working Group that it is time to aggressively pursue aquaculture of Nile Perch.

- There is a surprising lack of information and research on the biology of the Nile Perch species.
- Fisheries training provided by universities, vocational training institutes and the Fisheries Training Institute does not incorporate aquaculture industry

requirements and needs to be more in-tune with the needs of processors and the fishing industry.

- The anticipated proliferation of net-cage culture--expected to occur following the results of current trials--will necessitate enactment of a new enabling law governing the allocation and use of public water in Lake Victoria (and other water bodies) so as not to interfere with the public right to access and use of the same waters. Studies will also be required to indicate appropriate locations and densities of net-cages and to determine the carrying capacities of suitable locations.
- It was determined that local ingredients could be used for fish-feed formulation, especially the abundant supply of *mukene* (a small, common bait-fish) that could be used for a fish meal source. However, the harvesting, handling and drying methods of *mukene* will need to be improved.
- Fish processors work very well together in Uganda, but have little experience working together to participate in international marketing expositions and exhibitions.

C.7. Next Steps

There are three priorities associated with enhanced competitiveness in the fisheries sector. First, sustainability of the Nile Perch stock in all Uganda lakes and rivers is an urgent issue and agreement must be reached on the status of stock levels and acceptable exploitation. Second, significant value is being lost from the Nile Perch harvest and new products can be produced to maximize the net usable yield from each and every harvested Nile Perch. Third, while the Nile Perch is a successful export, it is not at all associated with Uganda and an international marketing platform is needed to support this highly lucrative Uganda fisheries export.

C.7.1 Production

- Initiate active research into the spawning, growth, fertilization, feeding and maturation of the Nile Perch, the single most important fish species and one of Uganda's top three exports.
- Vigorously pursue and expand the fledgling net-cage research program initiated through COMPETE--with special attention to the Nile River, Lakes Victoria and Kyoga--emphasizing different net-cage construction models, water-space leasing, lease-purchase (and other) financing, training and extension.
- Develop an investment promotion program to attract FDI into commercial hatcheries to supply Nile Perch fingerlings for stock enhancement and aquaculture support.
- Develop prototypes of a motor and sail boat with ice and tray-stacking capacity and a 'mother-barge' to collect and process fish on the lake.

C.7.2 Processing

- Continue to assist Uganda processors with international market product ideas and prototype development that can increase low net usable yields of the Nile Perch.
- Continue to improve sanitary conditions and process control and expand ISO 9,000/9,002 and ISO 14,000/14,002 certification of Ugandan processing.

C.7.3 Marketing

- Develop an integrated international Uganda Nile Perch marketing support program featuring regular market intelligence, buyer-seller visits, new packaging concepts, point-of-purchase promotional materials and seafood exposition booths.
- Develop an investment promotion program to attract FDI into Nile Perch aquaculture ventures utilizing Ugandan farmer 'out-growers'.
- Improve food safety by developing an aquaculture product 'trace-ability' program that allows product to be traced from the final consumer back to the importer, the processor, and ultimately to the harvest source.

C.7.4 Sector Support

- Establish a levy on the export value of Uganda's fish production and establish a statutory public-private body--with full participation by all stakeholders--to apply the proceeds of the levy to a program of effective stock assessment and monitoring, surveillance, quality assurance, landing-site development and marketing.
- Support creation of an expanded aquaculture and food science curriculum at Makerere University.

D. INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT)

D.1. Background

Utilization of ICT to strengthen these three sectors was a key element of the COMPETE project because of the critical role played by communications technology today in achieving international competitiveness. COMPETE undertook a preliminary assessment in conjunction with the sector Working Groups, ICT industry (mobile phone service providers, FM Radio and TV stations), sector producers (farmers, fisher-folk, processors and exporters) and Ugandan consulting firms. The goal was to explore opportunities where the capabilities and new business ideas of the ICT sector converged with the drive for increased productivity, quality and better practices in COMPETE's three sectors.

D.2. ICT Strategy

An ICT assessment conducted by CARANA Corporation in 2000 for USAID/Uganda found inadequate support for advanced ICT applications in most areas outside of Kampala. (Moreover, small-holder access to the Internet in the COMPETE sectors

is low.) But the ICT assessment found that there was potential for cost-effective, easy-to-operate mobile telephone technologies in the agricultural and fisheries sectors. And several mobile phone providers had been experimenting with strategies for delivering and financing equipment and services to rural communities.

More specifically, there appeared to be a high demand by farmers, fisher-folk and local associations for affordable access to market information--especially price information. Furthermore, while FM Radio is the most effective delivery mechanism to reach the widest possible audience in Uganda, wireless market information services (WMIS)--through voiceless text messaging known as SMS (short messaging systems)--would allow users to obtain the exact information they need, when they need it. So the COMPETE team set out to explore a concept calling for cell-phone companies to provide the delivery mechanism and sector associations (initially through COMPETE) to provide the content.

D.3. Specific Actions and Results

- A pre-feasibility survey was undertaken in each of the 3 COMPETE sectors with the assistance of the sector Working Groups. This led to the design of an information-needs assessment in the fisheries sector. That study identified a need for low-cost, reliable and relevant market information. Specifically, it was found that 60% of fisher-folk interviewed said they had no access to information. And yet, a growing number of fisher-folk were accessing mobile phones (thus gaining access to low-cost SMS services).
- A decision was made, in partnership with wireless-phone service provider, MTN, to pilot a WMIS/SMS activity in the fisheries sector. At about the same time, the COMPETE team introduced new FM Radio programming on export competitiveness that explained how fisher-folk could access (via SMS on MTN) Nile Perch pricing information for Lake Victoria landing sites.
- A careful evaluation of demand for the SMS pilot revealed that use was very high initially due to an advertising campaign, the FM Radio programming connection and well-publicized inauguration of the SMS service at the President's Conference on Poverty Alleviation Through Export Competitiveness. Demand then tapered off. But significantly, demand then began to rise again shortly before the end of the pilot phase.

D.4. Lessons Learned and Next Steps

- Innovative ICT applications built on existing use-platforms are effective and feasible to target export competitiveness and to do so to rural producers and fisher-folk--provided training and awareness programs are conducted, and provided that content is real-time and reliable.
- Sustainability is dependent on generating high SMS volumes. Thus, broad partnerships with many different sector stakeholders should increase commitment and performance.
- The extension of WMIS/SMS to other sectors--emphasizing the concept of real-time, relevant and affordable business information packages--has very real

potential and is already being explored, as a result of the WMIS/SMS pilot activity, by COMPETE's pilot project partner, MTN.

- The benefits of a vertically integrated export competitiveness drive from such an ICT activity are comprehensive:
 - Producers make better decisions about where to sell, based on knowledge of where the best prices are being paid in their areas.
 - Processors reach producers with specifications and quality requirements for which they are willing to offer premium prices (e.g., a fish processor has received an order for 8-inch Nile Perch fillets and can instantly call suppliers on the lake to let them know what he needs).
 - National level associations and research agencies have the wide network and efficient mechanisms for collecting real-time market information.
 - Producer organizations and landing-site associations derive an additional incentive to grow their membership to access needed business support services.
 - The collective power of ICT providers (FM Radio, TV, cellular phone companies) is marshaled in support of small-scale producers and fisher-folk.

IV. NATIONAL CONSENSUS-BUILDING: 'UGANDA COMPETES'

A. THE CHALLENGE

The challenge of transforming each of these sectors--indeed the challenge of transforming the Uganda economy as a whole--from commodity producer to competitive producer of high quality 'brand-of-origin' products for the international marketplace is daunting. The reasons are many. Uganda has a relatively low level of value-added investment, especially in cotton and coffee. Farmers--particularly those with crops like cotton and coffee that were introduced to Uganda by colonialists--have experienced poorer returns since liberalization. Third, effective differentiation of Uganda products in the marketplace--for instance, from products produced in other East African countries like Kenya--is also a daunting task.

But so was Uganda's transition to a free enterprise democracy that was effectively achieved through a national public information program that reached every Ugandan. And in like manner, effective implementation of a national export competitiveness program requires that each Ugandan understand basic export market principles and learn to benefit from making Uganda competitive in today's global marketplace.

To design a communications strategy that could launch this national export competitiveness-awareness drive, and then begin its implementation, was a further challenge given to the COMPETE project. The goal was to "teach" competitiveness with particular attention to world-market prices, trends and tastes in the three pilot sectors of coffee, cotton and fisheries--thus demonstrating how the approach could be applied effectively to other sectors of the economy. The hoped-for outcome was that terms like 'consumer taste', 'market demand', 'competitive advantage' and 'quality

assurance' would begin to become household words, joining other new international global economy household terms like 'foreign exchange', 'inflation' and 'structural adjustment'.

B. THE STRATEGY

To reach this goal, a sequential and inter-related program approach was adopted, culminating in the President's Conference on Poverty Alleviation through Export Competitiveness in February 2002. That program was titled, *Strategy for Public Information on Export Competitiveness* (SPIEC). Designed and implemented with guidance from a SPIEC Advisory Committee consisting of consulting public relations career professionals, as well as journalists from FM Radio, TV and print media, SPIEC was a 4-part program emphasizing the need to:

- Marshall support and participation from national opinion leaders: *Mobilize*
- Recruit a cadre of national 'communicators' and train them in competitiveness: *Teach*
- Undertake a Uganda public information campaign on competitiveness: *Out-Reach*
- Promote Uganda products and investment opportunities in international markets: *Reach- Out*.

C. SPECIFIC ACTIONS AND RESULTS

C.1. Mobilize

Uganda's top leadership was aware that export-led growth is of vital importance to the nation's continued emergence as a regional and international development "star." But the majority of Uganda's leaders in the public sector (and many in the private sector, as well) lacked knowledge and experience in global markets. These markets want--and place a premium on--specialty products demanded by consumers because of their quality and consistency. Firms that can meet this market demand rapidly grow their nation's competitiveness. But how to spawn this economic activity, what policies to introduce and what programs to follow remained mysteries for most public policy-makers and many company chief executives.

A media campaign was planned and the content developed with the participation of various media stakeholders through the SPIEC Advisory Group. Themes were developed and so were a theme song, promotional video and sector-marketing images. Target audiences and appropriate channels of communication were identified with an overall goal of developing an increased awareness of both export competitiveness principles and the associated benefits of making Uganda more competitive in the global marketplace.

The February 2002 President's Conference on Poverty Alleviation Through Export Competitiveness was a highly successful and memorable event organized by COMPETE with assistance from a Conference Organizing Committee comprised of the sector Working Groups, Uganda Investment Authority, Private Sector

Foundation, and Uganda Export Promotion Board. Chief Guest, the Hon. Jose Figueres, former President of Costa Rica and Managing Director of the World Economic Forum, told delegates that the world today no longer rewards countries that are big, powerful, or "heavy", but rather those that are fast. The 350 Conference delegates--government leaders, private sector executives, District Chief Executives, farmer and fisher-folk business associations and sector professionals from Uganda and around the world--crafted a *Strategic Agenda for Export Competitiveness* and presented it to His Excellency President Yoweri Museveni under the slogan: 'Compete or Perish'.

As if he had been awaiting such recommendations for some time, President Museveni enthusiastically and immediately endorsed the action plan at the Conference closing session. "I am glad we finally have a strategy that combines the development of our natural and human resources.... We must attract foreign direct investment.... The way forward is trade, not aid." All in attendance were inspired when President Museveni said emphatically, "We either wake up now and compete, or we perish!"

Parliamentarians from four key Parliamentary Committees (Agriculture, Animal Industry and Fisheries; Tourism, Trade and Industry; National Economy; Finance, Planning and Economic Planning) were targeted with written briefing materials about COMPETE and competitiveness in preparation for the President's Conference.

An intense, ongoing print media campaign produced 62 news features (over a 6-month period preceding and following the President's Conference) in national and regional newspapers and magazines: New Vision, Monitor, East African, Industrial Review Magazine, Agricultural Review Magazine.

C.2. Teach

All countries have individuals who are perceived as the purveyors of truth and knowledge. When these individuals speak, or write, people listen and they believe. These national "voices" of Uganda needed a better understanding of what export competitiveness is all about.

So, too, were Uganda's business press and other members of the media community--as a group--hampered by a lack of specialized education and experience in international economics. In addition, business journalism is typically a later-to-develop field of specialization within a nation's emerging free press. For these reasons, Uganda's newspaper writers, FM Radio news reporters and TV journalists lacked a working knowledge of the principles and other-nation experiences in export-led economic development.

All of these Ugandan communicators needed greater familiarity with the subject of country competitiveness if they were to become effective observers, interviewers and commentators on Uganda's export competitiveness drive.

- Quarterly Press Discourses were organized in partnership with Uganda Business Journalists Forum (UBJF)--a newly formed, 30-member coalition of reporters

attempting to specialize in business and economic issues. These interactive workshops concentrated on awareness-raising, tips on business reporting and general knowledge on issues of export competitiveness in the three target sectors.

- A COMPETE training curriculum document on the principles of export competitiveness, information-sourcing and communication skills was designed and taught, in a train-the-trainers program, to 16 Ugandan 'communicators' drawn from the Districts most impacted by COMPETE's three target sectors.
- COMPETE identified 10 radio producers and presenters from 5 partner radio stations (Voice of Teso, Voice of Toro, CBS, Radio Paidha and Radio Uganda's Butebo FM) and trained them in concepts of export competitiveness and information sourcing.

C.3. Out-Reach

There was a dearth of critical business information (prices, inputs, markets, new production techniques and technologies and much more) available to farmers and fisher-folk. At the same time, FM Radio is the nation's most dynamic communications media--together, more recently, with wireless telephone networks. Every farm and fisher-folk family has at least one radio and the coverage provided by the nation's approximately 50 operating FM stations is truly countrywide. What is more, the FM Radio phenomena produced a handful of promising, popular, revenue-earning radio shows in 2000 and 2001 (e.g., *Nekolera Jange* on CBS and *Edoboozily abavubi* on Radio Simba) focusing on small business issues. So there was a real opportunity to build on this growing, interactive, small business programming by creating new program content on export competitiveness and recruiting input providers, exporters and financial institutions as sponsors.

Not to be forgotten, television--though hampered by Uganda's still relatively small number of TV sets--is the only media whose share of national advertising revenue is growing. And weekly business programs (*Business Today* on UTV and *Business Forum* on WBS) have the potential to attract ever-greater attention. Here again, COMPETE had a window of opportunity to help build and support these promising business oriented TV shows by adding new content on competitiveness that could, in turn, draw new sources of advertising revenues.

- The 16 communicator-trainers have trained 207 community workers in 36 districts based on the COMPETE-designed curriculum. These individuals have worked closely with COMPETE sector development activities in selected Districts.
- A total of 104 FM Radio programs, translated into 6 local languages, were aired nationwide. A listeners' survey was conducted to assess a number of success factors and the findings revealed a positive reception to the programs by listeners and a general willingness by the radio stations to continue airing the programs. Program design targeted grassroots stakeholders (farmers and fisher-folk) on production, harvesting and marketing aspects of COMPETE's three target sectors. In addition to the delivery of pre-prepared information, the

programs allowed for interactive sessions where trained radio presenters and sector professionals could respond to specific listener issues.

- A 'Uganda Competes' theme song was produced and used widely in association with the FM Radio programming.
- TV programs were initiated on private and publicly owned television stations. WBS and CTV aired 4 programs. UTV, the state-owned station with 12 million viewers, is currently airing a 3-month, 12-program feature on export competitiveness in COMPETE's three target sectors with resource persons drawn from the business community, public sector and donor community.

C.4. Reach-Out

During the first phase of the COMPETE project, action plans for the coffee, cotton and fisheries sectors were prepared and a number of strategic interventions were initiated focusing on increasing production and enhancing the quality of products going to export markets. These interventions highlighted attractive FDI opportunities, such as: new and expanded textile manufacturing facilities to access the huge American market through AGOA, an expanded product-line based on the Nile Perch, and wet-milling facilities to produce high quality washed Robusta coffee. These same interventions also led to the development of new specialty, value-added products that can attract a premium in international markets, especially if accompanied by targeted 'brand-of-origin' marketing campaign for Ugandan products.

Investment promotion targeting FDI and international Uganda product marketing were the twin goals of this 'reach-out' phase.

- COMPETE designed three Uganda product-marketing images for Uganda Coffee, Uganda Cotton and Uganda Fish. Built around core competitiveness themes, these images have been used to promote key messages of "care and quality" to targeted international markets (as well as to Ugandans through a 2002 calendar and to delegates of the President's Conference on Poverty Alleviation Through Export Competitiveness through the conference program brochure).
- Technical support was extended to the Uganda Fish Processors and Exporters Association in the design point-of-purchase information materials--utilizing the "care and quality" messages and images--in preparation for their participation in the Boston Seafood Exposition in March 2002 and the Brussels Fish and Fish Products Exposition in April 2002.
- A Uganda Competes film (*Working Today for Uganda's Tomorrow*) was created based on Uganda competitiveness themes in the three target sectors and has been distributed to UIA and the President's Office for use in investment promotion and international trade missions.

C.5. Lessons Learned and Next Steps

There is no question that the national communications and public awareness program that accompanied COMPETE's strategic interventions in the three target sectors and ICT have made a significant impact on Uganda. A national discussion is underway--led recently by President Museveni with his commentary about Uganda's 'strategic breakthrough'--and a consensus is emerging on the way forward. Furthermore, terms like AGOA, coffee auction, commercial aquaculture and 'care and quality' have begun to permeate public discussion. Indeed, the subject of Ugandan export competitiveness is now discussed on a daily basis in the newspapers, on TV and by FM Radio. Ugandans in government, the private sector, on the farm and in fishing boats have begun to take notice of international consumer markets and they are increasingly eager to learn how to benefit from international trade opportunities open to Uganda.

Just as Uganda's national drive to create a functioning, sustainable democracy will take continued time and effort, so too will Uganda's strategic breakthrough into international markets require continuing public discussion and ever more sophisticated media coverage of fast-changing international consumer markets. COMPETE has shown the way with pilot activities intended to *mobilize* the attention of national opinion leaders, *teach* principles of export competitiveness to communicators, begin the *out-reach* to Ugandans countrywide and *reach-out* to targeted international markets with news of Uganda products and Uganda investment opportunities. But the process has only just begun and, like any new product on the market, this one needs continuing promotion. Next steps should include the following:

- A national 'Uganda Competes' *out-reach* campaign needs to be designed to *teach* key messages (e.g., 'care and quality' from 'The Source') to all Ugandans. The campaign must, as well, reach District officials with the importance of designing competitive economic development strategies and facilities that can respond to new international export market business opportunities that will be promoted to Ugandans and foreign direct investors.
- The national 'Uganda Competes' campaign must then *reach-out* to target Ugandan and international investors to inform them of the unique opportunities in Uganda's priority international export sectors (e.g., fabric-milling and apparel manufacturing for the U.S. market under AGOA utilizing superior, Uganda-produced cotton; aquaculture production of the world-renowned Nile Perch; coffee-blending and packaging for specialty Asian, European or U.S. markets).
- The 'Uganda Competes' campaign must also *reach-out* to international product markets to create a new image for Uganda products. This 'Uganda Competes' international marketing program must identify high quality, value-added; 'made-in-Uganda' products (e.g., shade-grown, eco-friendly coffees; pre-packaged Nile Perch products; ready-made Uganda cotton shirts) assure their quality--ideally through a special quality-seal program--and promote them to targeted markets as Uganda brand-of-origin products from 'The Source'.

- The Uganda Business Journalists Forum should be supported as a permanent source of business information and as a focal-point organization for the mobilization and training of journalists, editors, radio and TV presenters and other communicators aspiring to understand, report on and offer their knowledge and insight in support of Uganda's evolving role in the global economy.
- Support should be provided--in partnership with Ugandan private and public sector institutions--for the continued development of FM Radio and TV programming that combines delivery of information on international markets and export competitiveness with interactive response to listener issues.

V. THE WAY FORWARD: COMPETE OR PERISH

A. SECTOR STRATEGIES: STAY THE COURSE

There is no question in the mind of President Museveni and other national public and private sector leaders that 'compete or perish' must be the rallying cry for the next stage of Uganda's economic emergence. The President's Conference on Poverty Alleviation Through Export Competitiveness was the culmination of months of work by the Government of Uganda and numerous international sector professionals. The Conference achieved the creation and ratification of a national *Strategic Agenda for Export Competitiveness* incorporating 5-year plans for 8 different export sectors, including coffee, cotton, fish and ICT.

The USAID-funded COMPETE pilot project has been able to show the way forward by targeting three traditional sectors with pilot export-market enhancement initiatives (e.g., an auction for specialty coffees, Nile Perch commercial aquaculture net-cage trials and a foreign direct cotton-apparel investment targeting the USA through AGOA) and using these initiatives to anchor an increasingly vigorous public discussion on how to achieve national competitiveness. By most any measure, COMPETE has succeeded in its mission of mobilizing the nation's leaders and beginning the planning, learning and change-making that will be necessary if Uganda is to become an African Lion economy and follow in the footsteps of its Asian Tiger predecessors.

But COMPETE was an 18-month exercise--not enough time to complete the job of restructuring major economic sectors like coffee, cotton, fisheries and ICT. In each of these sectors, the Working Groups must continue to work, the pilot initiatives must continue to be supported and the broader action plan strategies must continue to be implemented. This means:

- In the coffee sector, the coffee auction must be made operational, wet-processing plants must be supported, specialty coffees (shade-grown and eco-friendly) must be actively encouraged, regional appellations promoted and the UCDA restructured.
- In the cotton sector, FDI is the lead priority and high quality fabric milling will need to be in place in order to attract additional FDI in apparel manufacturing. Other key priorities are job-training to support future apparel manufacturing investments and expansion of high-productivity demonstration farms into a nationwide program.
- In the fisheries sector, aggressive research and development in support of Nile Perch-rearing could produce a huge breakthrough for Uganda and must be supported on all fronts. And with less than half the net-usable-yield of each Nile Perch now being used, product development and research into market niches must be continued.
- In the ICT sector, COMPETE has barely scratched the surface with its focus on crosscutting applications of communications technology to increase the

competitiveness of Uganda coffee, cotton and fish. That crosscutting public-private work should continue and a closer look must also be taken at Uganda's ICT investment environment.

B. ELIMINATE NATIONAL BARRIERS

In addition to concluding that a sector-by-sector approach--led by Working Groups comprised of principal public and private actors in each sector--is the best way to transform Uganda's highest potential export sectors, other cross-cutting lessons were learned that require the nation's attention.

First, Uganda is an entrenched commodity-market producer where farmers, fisher-folk and most others have little knowledge of international consumer markets. They also lack incentive to produce a quality product because, by-and-large, product-buyers make their money selling to bulk-commodity markets where 'care and quality' are relatively unimportant. All this must change.

Second, changing these attitudes and behaviors will require a new era of national awareness and mobilization in which everyone learns how to benefit from lucrative international niche consumer markets and public-private partnerships are established to sell Uganda. A national economic development marketing and public information program must be mounted.

Third, transportation realities pose specific challenges that must be addressed. Uganda is a landlocked nation, where rail transport to the Port of Mombasa is expensive, poor and dirty access roads to coffee and cotton farm areas and Nile Perch landing sites cause deterioration in product quality, and airfreight service to lucrative European, Asian and North American markets is very costly. A national transportation policy must be created.

Fourth, without new foreign direct investment (FDI), many elements that are essential in an international consumer market economy will be missing. For example, using Uganda-grown cotton as the raw product for high quality, ready-made and packaged apparel for the U.S. market under AGOA is an obvious and appropriate goal. But new machines, job skills, transportation systems and so much more all need to be put into place. The capital, market access, and manufacturing know-how exist elsewhere and must be attracted to Uganda. The nation needs a make-it-in Uganda and made-in-Uganda investment promotion and product-marketing program.

These national barriers must be broken if Uganda is to become rapidly, increasingly and sustainably competitive in the international marketplace. The way forward is a big-picture approach that produces visible short-term results. This means leadership by the President and from the top-levels of government and business. It means the participation of numerous key implementation actors through a public-private body like the Special Task Force on Export Competitiveness. The country has great potential to become 'Uganda Incorporated', an African Lion economy producing quality goods for the world from 'The Source'.