



1. Project Data:		Date Posted : 08/19/2002	
PROJ ID: P002977		Appraisal	Actual
<b>Project Name:</b> Cotton Subsector Development Project	<b>Project Costs (US\$M)</b>	31.4	28.5
<b>Country:</b> Uganda	<b>Loan/Credit (US\$M)</b>	14.0	13.8
<b>Sector(s):</b> Board: RDV - Agricultural extension and research (33%), Central government administration (27%), Tertiary education (27%), General agriculture fishing and forestry sector (9%), Agro-industry (4%)	<b>Cofinancing (US\$M)</b>	12.5	11.3
<b>L/C Number:</b> C2609			
	<b>Board Approval (FY)</b>		95
<b>Partners involved :</b> IFAD	<b>Closing Date</b>	12/31/1999	12/31/2001
<b>Prepared by :</b>	<b>Reviewed by :</b>	<b>Group Manager :</b>	<b>Group:</b>
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## 2. Project Objectives and Components

### a. Objectives

Within the broader sectoral objective of increased agricultural growth and diversification, the project had an overall objective and three secondary objectives :

- **revive cotton production and exports** through increased competition in cotton processing and marketing and improved supporting services;
- **improved performance in the cotton industry** , through liberalization of cotton processing and export marketing, establishment of an efficient regulatory framework for the cotton industry, and improved managerial, technical and operating efficiency in a creditworthy ginning industry;
- **improved efficiency and impact of supporting services** through support for the national research and extension program; and
- **improved delivery mechanisms and availability of credit and seed** .

### b. Components

There were three components:

- **Restructuring the Cotton Industry** (US\$5.9 million/23 per cent of base costs):  
(a) revision of the **legal framework** , liquidation of Government regulatory and marketing agency and establishment of an industry based regulatory body, and support of operations of the regulatory body, on a declining basis;  
(b) transformation of Cooperative Union owned **ginneries** into creditworthy operators, including strengthening management and technical training to the industry; and  
(c) **subsector policy reform and inter -agency coordination** through support to the Agricultural Policy Committee (APC);
- **Supporting Services** (US\$6.7 million/26 percent) - support for national research and extension programs; and
- **Credit and Seed Program** (US\$13.1 million/51 per cent) - provision to farmers of short-and medium-term credit through intermediaries (e.g. ginneries and NGOs), and improved quality seed.

Project activities were restructured after the MTR to replace three unsuccessful activities with more constructive ones: the two non-performing extension subcomponents were closed and replaced with a pilot extension program implemented by the National Agricultural Research Organization (NARO); the component for rehabilitation of cattle holding grounds was cancelled as government's restocking program had failed; and a microfinance capacity -building component was added (US\$1.25 million).

### c. Comments on Project Cost, Financing and Dates

IFAD was to provide most of the funding (US\$12.5 million) for the Credit and Seed Program. US\$2.7 million of the IFAD funds were reallocated from this component to the pilot extension program (after a year's delay), and to

research, ginnery restructuring, monitoring by CDO and project coordination . The five-year implementation period was extended to seven years.

### 3. Achievement of Relevant Objectives:

The project substantially achieved its main objectives . The cotton industry has been revitalized, but there are some shortcomings which threaten future continued growth and sustainability . **Cotton production** reached 75 per cent of the appraisal target with two years delay and **export earnings increased** despite depressed prices (attributable to tripling of production, an efficient processing and marketing system and the premium grade of cotton produced ). This was despite a serious drought in one year, farm power constraints and other input shortages . The **performance of the cotton industry** as a whole improved producing increased quantities of premium grade cotton in response to project activities (especially restructuring, rapid liberalization, and privatization of ginning and trading ). **Supporting services, delivery mechanisms and the availability of credit and seed** were improved after slow starts and missteps in some cases, but more needs to be done .

### 4. Significant Outcomes/Impacts:

**Restructuring of the cotton industry** was successfully achieved relatively quickly, with: appropriate **sector policies** and legislation; new internationally accepted premium quality standards for cotton; privatized **ginneries** with some expansion (including foreign investment) and an excellent ginnery training school; efficient private trading in seed cotton, seed and lint; prompt payments to farmers providing production incentives; the rehabilitation or construction of important facilities; and the formation of key industry institutions which now manage the sector (an effective industry-funded Cotton Development Organization and its offshoot, the Uganda Ginners and Cotton Exporters Association). **Supporting services** have been revived, led by cotton research, which has already had excellent results, and after weak starts, a decentralized extension service has been piloted, **rural credit** access is improving and the basis has been laid for a reliable **seed supply** system (with a model seed multiplication process delivering high quality pure varieties). Although poverty reduction was not an explicit project objective, the rate of rural poverty in Eastern Uganda fell from 61 per cent in 1992 to 38 per cent in 2000, and this must be partly due to increased cotton growing.

### 5. Significant Shortcomings (including non-compliance with safeguard policies):

Notwithstanding the low world price for cotton, weather and disease constraints, and continued insecurity in some cotton areas, the growth of cotton production and exports was also constrained by a number of failures and shortcomings of the project: limited farm power restricted the cultivated area (the project activity to increase the supply of draught animals was not implemented); the important seed supply and credit component (half of costs) was not adequately prepared and took time to produce results (with the delayed credit initiative only meeting half of target funding); the original extension component was designed more to fill gaps in another project than serve cotton farmers and was eventually replaced; the debt overhang problem of the ginneries was not fully resolved (a few ginneries are insolvent and many others have fragile finances and limited credit -worthiness); and, despite extraordinarily intensive Bank supervision, the absence of a monitoring and evaluation function missed the opportunity to identify and take action on these deficiencies more promptly and effectively . These matters will require attention to ensure the continued viability and growth of the cotton sector . The ICR states that the Borrower complied with safeguard policies.

6. Ratings :	ICR	OED Review	Reason for Disagreement /Comments
<b>Outcome :</b>	Satisfactory	Satisfactory	
<b>Institutional Dev .:</b>	High	Substantial	Although much was achieved, the crucial credit and extension activities have some way to go and there was no M&E .
<b>Sustainability :</b>	Likely	Likely	
<b>Bank Performance :</b>	Satisfactory	Satisfactory	
<b>Borrower Perf .:</b>	Satisfactory	Satisfactory	
<b>Quality of ICR :</b>		Satisfactory	

**NOTE:** ICR rating values flagged with '\*' don't comply with OP/BP 13.55, but are listed for completeness.

### 7. Lessons of Broad Applicability:

The first lesson is of broad applicability and hope, while the other two are not new, which is a fourth lesson of broad applicability in that lessons are not being learnt: (a) even when prices and natural conditions are unfavorable, a devastated agricultural industry can be relatively quickly put back on its feet by a committed government with appropriate policies and legislation, privatization of run-down assets and commodity trading, farmer production incentives and revived research and support services (inputs, credit and extension); (b) uneven preparation of components can show up later in implementation problems which can be hard to overcome . Project designs should be fully complete at approval so that all components are equally ready for start up; and (c) complex undertakings of this kind require a solid M&E component, not only for accountability reasons but to ensure that implementation performance problems are quickly identified and acted on (intensive Bank supervision was not sufficient to overcome

implementation problems promptly and efficiently).

**8. Assessment Recommended?** ☒ Yes ☐ No

**Why?** To learn positive lessons about the process and substance of institutional reform in the context of a commodity subsector approach to agricultural development . Also, as Uganda is one of the current African showcases, an audit would be appropriate to demonstrate success .

**9. Comments on Quality of ICR:**

The ICR was generally satisfactory in presenting a full and clear account of the project experience . Two small comments: the purpose and utility of the indicator column headed "Projected in Last PSR" is not clear and the MTR is not shown in Bank inputs.