

PARLIAMENT OF UGANDA



REPORT OF THE COMMITTEE ON AGRICULTURE, ANIMAL INDUSTRY AND FISHERIES ON THE COTTON DEVELOPMENT (AMENDMENT) BILL, 2024

Office of the Clerk to Parliament

April, 2024

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1.0 INTRODUCTION

The Cotton Development (Amendment) Bill, 2024 was read for the First Time on 4th April, 2024 and referred to the Committee on Agriculture, Animal Industry and Fisheries in accordance with Rule 129 (1) of the Rules of Procedure of Parliament.

The Committee scrutinised the Bill in accordance with rules 129(2), (3) and (4) of the Rules of Procedure and now begs to report.

This report is being presented in compliance with Rule 130(2) which states that, "The Chairperson of the Committee to which the Bill is referred or a Member of the Committee designated by the Committee or by the Speaker shall, after the Motion for the Second Reading has been moved under sub-rule (1) and seconded, present to the House the report of the Committee on the Bill."

BACKGROUND TO THE COTTON DEVELOPMENT COTTON (AMENDMENT) BILL, 2024

2.1 Background to rationalisation

On 22nd February 2021, Government under Cabinet Minute No.43 (CT 2021) adopted the policy to rationalise Government Agencies and Public Expenditure with the aim of-

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- (a) merging, mainstreaming and rationalisation of agencies, commissions, authorities and public expenditure thereby, inter alia relieving the Government of the financial drain on its resources and the burden of wasteful administration and expenditure;
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- (b) providing efficient and effective service delivery by clearly delineating the mandates and functions of Government agencies and departments and thereby avoiding duplication of mandates and functions;
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It is estimated that the cotton sub-sector directly and indirectly employs 2.5 million people as farmers and farm workers, cotton seed buyers, transporters, ginnery workers, cotton exporters, textiles and garment manufacturers, and oil millers.

The Cotton sub-sector has 5 major segments, namely; Production, Research, Ginning, Marketing, Quality and Standards and Value Addition. Cotton, having one of the longest agriculture commodity value chains, was identified as one of the strategic commodities under NDP III's Agro-Industrialization Program.

3.1 Object of the Bill

The policy behind the Bill is to give effect to the Government Policy for Rationalisation of Government Agencies and Public Expenditure (RAPEX) which was adopted by the Cabinet on 22nd February, 2021.

Rationalisation of Government Agencies and Public Expenditure (RAPEX) which was adopted by the Cabinet on 22nd February, 2021.

3.2 Justification for the Bill

Over the years, there has been a proliferation of agencies established by Acts of Parliament, Executive Orders and administrative arrangements. Whereas most of the agencies are necessary due to the critical nature of the functions they perform, a certain limited number of agencies were established without due consideration to the aspects of institutional harmony, functional duplications, overlaps and affordability. Also, some agencies have served the purposes for which they were established. The mandate of a few other agencies has been overtaken by events. Such agencies need to be rationalised.

Additionally, the high cost of administering the agencies has drained the at the expense of effective service delivery. This has over-stretched the capacity of the Government to sustain them. The generous salary structures of the agencies have created salary disparities between employees of the agencies and officers in the traditional civil service, leading to demotivation of employees in the mainstream public service.

The Cotton Development Organisation has been identified as one of the agencies for rationalisation based on the above grounds. The justification for rationalisation of Uganda Cotton Development Organisation raises the following issues:

1. Whether there are mandate overlaps between Uganda Cotton Development Organisation and the Ministry of Agriculture, Animal Industry and Fisheries;
2. Whether the Uganda Cotton Development Organisation has served the purpose for which it was established;
3. Whether the Uganda Cotton Development Organisation's costs of administration drain the Treasury at the expense of service delivery;

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4.0 METHODOLOGY

While considering the Cotton Development Cotton (Amendment) Bill, 2024, the Committee used the following methods:

4.1 Meetings

The committee held meetings with the following entities:

- Ministry of Agriculture, Animal Industry and Fisheries (MAAIF)
- Ministry of Justice and Constitutional Affairs
- Ministry of Public Service
- Uganda Cotton Development Organisation

4.2 Document Review

The Committee reviewed and referred to the following documents:

- The Constitution of the Republic of Uganda
- The Cotton Development Act, Cap 30
- Uganda Bureau of Statistics Statistical Abstract, 2022

5.0 COMMITTEE FINDINGS AND OBSERVATIONS

5.1 Whether there are mandate overlaps between Uganda Cotton Development Organisation and the Ministry of Agriculture, Animal Industry and Fisheries

The Cotton Development Organisation was established in 1994 by an Act of Parliament to monitor the production, processing and marketing of cotton so as to enhance the quality of lint exported and locally sold, to promote the distribution of high quality cotton seed and generally to facilitate the development of the cotton industry.

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CDO is mandated to set standards for Uganda seed cotton and lint against international standards as provided for by Section 5 of the Act. CDO is also a member of the International Cotton Association (ICA) - Liverpool and the Bremen Cotton Exchange for purposes of setting quality standards for Uganda's cotton; without which the cotton would not be traded. Every two years, CDO presents its standards to these two bodies for approval and accreditation. The approved standards are used for trading Ugandan cotton on the international market. CDO is also responsible for determining the farm-gate prices at the commencement of cotton market season based on the market price analysis.

This function of setting the standards requires a specialised body accredited internationally to be able to monitor the production, processing and marketing of cotton and development of cotton industry.

The Committee notes that in countries such as Kenya, Zambia, Zimbabwe and Malawi which liberalised their cotton industry without setting up a regulator like CDO, the sub-sector collapsed.

The Committee observes that regulating on farm and off farm cotton activities is a function that requires full time attention by a specialised agency that is internationally accredited. Such a role is not duplicated anywhere in the mandates of MAAIF or any other Government agency. Accreditation can only be done by a body corporate thus the need to maintain CDO.

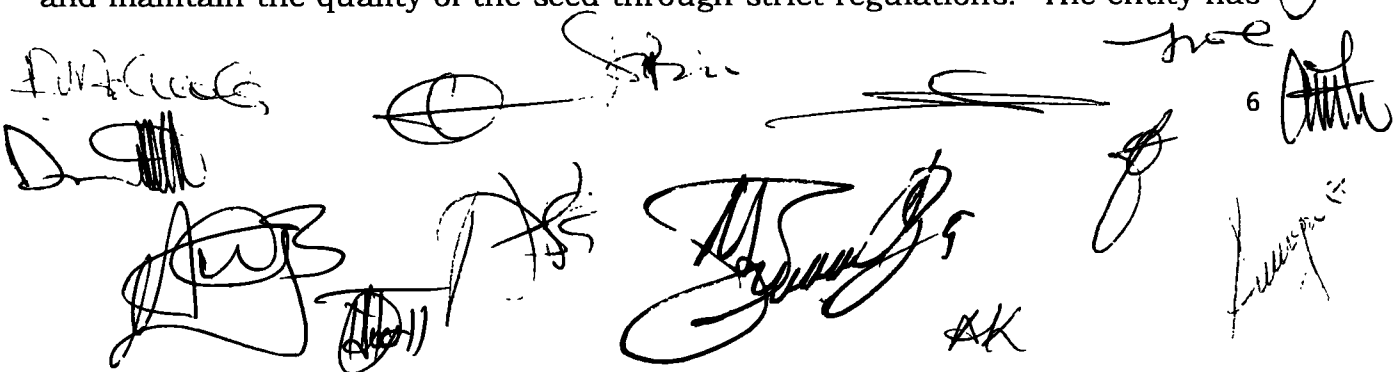
5.2 Whether the Cotton Development Organisation has served the purpose for which it was established

CDO is charged with monitoring the production, processing and marketing of cotton in Uganda. It is also responsible for developing cotton planting seeds and maintain the quality of the seed through strict regulations. The entity has

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also put in place third party ginnery monitoring systems to ensure that the quality of seed cotton entering the ginnery meets the requisite standards.

In order to ensure that the ginneries comply with the standards, CDO has put in place a cotton classing laboratory located at Cotton House in Kampala which is equipped with 2 High Volume Instrument (HVI) testing machines for computerized fibre testing to carry manual classing of cotton lint, prepare Fair Average Quality (FAQ) standards of cotton seed to guide ginners during the marketing period and to provide technical advice on cotton quality issues for the cotton stakeholders.

CDO is currently carrying out cotton seed development under the value addition component from which seeds are supplied to 13 oil millers. Cotton seeds are so unique that are not easy to get on the market and are developed by specialised teams. This is a continuous activity season after season.

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The table below shows the contribution of cotton to household incomes of farmers and foreign exchange earnings. Cotton contributes 14% to agricultural exports.

Table 1: Trend of cotton production sub-sector FY 2018/19 to FY 2022/23

Season	Cotton Product ion Bales @ 185 kg	EARNINGS FROM LINT			EARNINGS BY FARMERS		SALE OF SEEDS BY GINNERS	
		Ave. Lint Price US \$/Kg	Value US \$ Million	Ave Farm gate price	Value (Sh. Billion)	Total quantity of seed produced (MT)	Ave. Price Per MT (Sh)	Total value of seed (Sh. Bn)
2018/19	189,444	1.65	57.83	1,800	180.73	43,193	500,000	21.60
2019/20	173,457	1.32	42.36	1,500	114.48	39,543	600,000	23.73
2020/21	50,709	1.41	13.23	1,700	37.93	11,562	1,000,000	11.56
2021/22	69,049	2.51	32.06	2,850	86.59	15,562	1,500,000	23.611
2022/23	115,976	1.72	36.90	2,000	102.06	26,442	900,000	23.80
Total	598,634		182.38		521.79	136.488		104.3

Source: CDO

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- Top center: "John"
- Top right: "me" and "On"
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- Middle center: "R. B. R."
- Middle right: "B" and "C. M. H."
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- Bottom center: "H. B. H."
- Bottom right: "A. M. P. S."
- Bottom center: "AK"

Committee observations

- (a) Monitoring cotton production, processing and marketing plus quality control requires swiftness and high levels of efficiency which can only be provided by a specialised and accredited agency like the CDO.
- (b) With the overwhelming demand of textile products in Uganda and abroad, the task ahead is so enormous that it requires empowering and supporting CDO to mobilise farmers to grow more cotton, quality assurance, consolidate and build on its achievements. Mainstreaming CDO into MAAIF will lead to failure to promote quality cotton and loss of market.

5.3 Whether the Cotton Development Organisation's costs of administration drain the Treasury at the expense of service delivery

Cotton remains an important cash crop in Uganda, ranked third after coffee and tea. It is the main source of income for about 250,000 households, who cultivate cotton under rain-fed conditions and with minimal use of inputs such as fertilisers and chemicals.

The Cotton Development Organization over the year has painstakingly built the cotton quality system through rigorous training of staff and investment in cotton laboratories. CDO runs a modern cotton classing laboratory with internationally accredited Cotton Classers which has resulted into the recognition of Ugandan cotton at the international market where it fetches a premium price.

Cotton being a seasonal crop requires timely supply of viable planting seed. CDO has maintained the quality of cotton planting seed through strict regulation of ginning and management of cotton seed.

CDO staff have built expertise over time and currently, a Ugandan who is a Cotton Classifier now serves on the International Cotton Association/Bremen

Cotton Exchange (ICA Bremen) Cotton Testing Laboratory Certification Committee.

Despite the above achievements, the Government of Uganda during the FY 2023/24 allocated only UGX 5.37 billion to the CDO. The CDO has been an under-funded entity yet over 250,000 households in Uganda survive on cotton. Besides the allocated funds and being a marginalised sub-sector, the CDO was able to contribute UGX 4.1 billion as Non-Tax Revenue (NTR) to the Consolidated Fund.

The committee notes that the Certificate of Financial Implications provided by the Ministry of Finance only focuses on the savings calculated based on non-taxable revenues contributed by the sector without valuing the technical advice and quality assurance provided by CDO.

6.0 CONCLUSION

The Committee is alive to the Government's intentions to revive the cotton production value chain, investment in apparel for export and garment production in the country. The Committee further appreciates the role played by CDO in promoting quality cotton production and market access.

CDO is a member of international cotton standard bodies namely; The International Cotton Advisory Committee, the International Cotton Association-Liverpool and the Bremen Cotton Exchange. To be a member of this cotton standard bodies, it is a requirement for a country to have a cotton regulatory body for purposes of standards enforcement. Without a Cotton Regulatory body, it will be difficult to sell Ugandan cotton on the international market at a premium price.

The Committee therefore notes that the justification to rationalise the Cotton Development Organisation is not tenable and not good for the economy and

recommends that the Bill entitled, "*The Cotton Development (Amendment) Bill, 2024*" should not be passed.

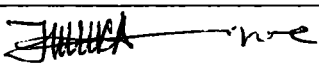
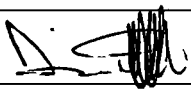

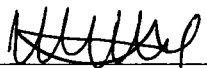
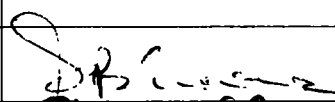
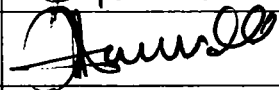

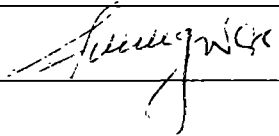
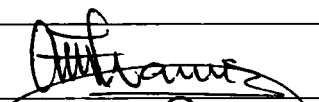

Rt. Hon. Speaker and Hon. Members,

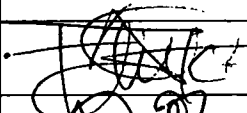
I beg to report.



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COMMITTEE ON AGRICULTURE, ANIMAL INDUSTRY & FISHERIES
ENDORSEMENT OF THE REPORT ON THE COTTON DEVELOPMENT
(AMENDMENT) BILL, 2024

NO	NAME	SIGNATURE
1	Hon. Okori-Moe Janet Grace	
2	Hon. Auma Linda Agnes	
3	Hon. Driwaru Jennifer	
4	Hon. Magoola Racheal	
5	Hon. Christine Akello	
6	Hon. Mbayo Esther	
7	Hon. Biraaro Ganshanga Ephraim	
8	Hon. Migadde Robert Ndugwa	
9	Hon. Anywar Ricky Richard	
10	Hon. Muhumuza David	
11	Hon. Okullo Abuka Anthony	
12	Hon. Kasaija Stephen Kagwera	
13	Hon. Acen Dorcus	
14	Hon. Alyek Judith	
15	Hon. Esenu Anthony Alden	
16	Hon. Lokii John Baptist	
17	Hon. Mary Begumisa	
18	Hon. Nyongore Enock	
19	Hon. Komol Joseph Midi	

20	Hon. Lematia John	
21	Hon. Oulanyah Andrew Ojok	
22	Hon. Dr. Abed Bwanika	
23	Hon. Tusiime Julius Karuhanga	
24	Hon. Mugabi Susan	
25	Hon. Matovu Charles	
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27	Hon. Apolot Stella Isodo	
28	Hon. Ekanya Geoffrey	
29	Hon. Lukwago John Paul M	
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31	Hon. Obong Vincent Shedrick	
32	Hon. Namutaawe Joan	
33	Hon. Mukasa Julius Opondo	
34	Hon. Maj. Gen. Sam Kavuma	