

Annex J: Case study from Uganda: Gulu Fashion

The international high fashion industry is hardly the most likely sector to spawn development successes. However, the B2B engagement of Noir Illuminati Holding Aps (Noir) back in 2008 was instrumental in creating and growing the Gulu Agricultural Development Company (GADC) in Uganda, which appears as one of the best developmental projects that B2B has had a hand in.

Noir started in 2005, with fair trade and organic production being a strong element of their fashion brand of textiles. Through B2B, Noir came into contact with Bo Weevil Uganda, which is a big organic farmer in the country, and together they decided to do a B2B pilot to test the feasibility of importing organic cotton into Noir's textile production chain.

For different reasons the cooperation did not work out, and Bo Weevil withdrew from the project. However, Noir wanted to continue as they still thought profitable business was possible based on organic and fair trade based cotton. The embassy assisted Noir in finding a new partner, namely GADC. This was a recently started company by Bruce Robertson, which had extensive experience from the cotton industry. He also had a taste for challenges. In 2009, the Ugandan parastatal Cotton Development Organisation invited him to lease a cotton ginning factory in Gulu.

This town in Northern Uganda was the epicentre of the war with Joseph Kony and his Lord's Resistance Army (LRA). It was from 1995 to 2007 one of the most dangerous places on earth, where whole villages were exterminated and the sheer human misery indescribable. Most population was cleared off the farmland throughout the whole of Northern Uganda, and instead deposited in Internally Displaced Peoples camps (IDP). In 2007 however, the Ugandan army finally managed to chase LRA out, and a fragile peace was established.

While NGOs came in with humanitarian aid, there was a desperate need to get production and other economic activities going again. Gulu needed investments, and asked Robertson if he would try to get the ginnery to work. Cotton had been a major crop in Northern Uganda in old times, before Idi Amin. Robertson described the situation as follows: *"The ginnery had been looted, bullet holes everywhere, it hadn't operated for 15 years, there were no skilled workers and farmers had lost their cotton growing skills. Anyone under the age of 30 didn't know what work was as they had sat in IDP camps since childhood."*¹ The main challenge was perhaps not to rehabilitate the factory buildings, but to teach farmers how to grow organic cotton and other crops that could be sold to an international market.

The main amount in the project phase of the B2B is thus spent on organising and training farmers, so that they can deliver raw materials to GADC. That this was well spent funds is seen from the extraordinary results five years later. At the end of 2013, GADC has sales of about USD 9 million annually, with a decent profit margin of 8-10%, and where about USD 8 million are paid out to farmers. It has roughly 33,000 farmers registered as suppliers of organic cotton, sesame, and chili. Having three crop options reduces household economic risk, and GADC is now one of the world's largest exporters of organic sesame. GADC is internationally certified organic producer and exports most of its produce. Moreover, GADC employs directly 400 ginnery staff and 140 buying agents. Some of the cash from the cotton has been invested in planting trees. In 2011

¹ Speech to Acumen investor gathering on 6/11 2013, New York.

GADC started Gulu Timber Company which to date has planted about 600,000 trees on 1,200 acres and created 70 permanent jobs.

Noir and GADC never ventured into a joint venture. The cooperation was rather based on a contractual agreement that Noir would buy cotton from GADC – a buyer-seller arrangement. Unfortunately, it soon proved too expensive for Noir to buy from GADC. The cotton had to be shipped to a weaving mill outside – in Turkey – and that proved too expensive. Noir also developed its own financial problems, went through ownership changes and re-organisations, and has had to concentrate on its own survival. Thus, there has not been much collaboration between the two in the latter phases of the B2B project.

The B2B has not been the only donor/investor involved in GADC. ABI Trust, Acumen Capital, Root Capital, SPGS and MercyCorps have all supported GADC with funds or with technical advice at some stage. However, the B2B funds allowed GADC to start the initial training of farmers that was crucial to get the operation going. There is a high upfront cost involved in organising and training farmers, which a private company would seldom have the resources to do. Robertson says as follows: *“Grant funding was crucial to building a field network, training farmers and getting organic registration. Without that we would have had to slog it out against other cotton and sesame buyers. We would have had a business, but far lower developmental impact”*.