



**NATIONAL DIALOGUE REPORT**  
on  
**LINKAGES BETWEEN TRADE, DEVELOPMENT  
AND POVERTY REDUCTION**

under  
**TDP PROJECT**

held at  
**Hotel Equatoria on September 1, 2005**

Organised by  
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## Introduction

The 1<sup>st</sup> national dialogue on trade, development and poverty under the TDP Project, titled **Linkages between Trade, Development and Poverty Reduction** was held on Thursday September 1, 2005 at Hotel Equatoria, Kampala, Uganda. Consumer Education Trust (CONSENT) organised the dialogue as the local advocacy partners undertaking the project with CUTS-Centre for International Trade, Economics & Environment CUTS-CITEE, Jaipur with support from Ministry of Foreign Affairs, The Netherlands and Department for International Development (DFID), UK.

The dialogue attracted more than 60 stakeholders from different sectors in the country that included policy makers from government departments, regulatory agencies, civil society organisations (CSOs), consumers, development partners, private sector, academia, researchers and mass media.

## The Dialogue ...

### Official Opening

The opening session was chaired by Mr Kimera Henry Richard, Chief Executive, CONSENT, who also delivered the **welcome remarks**.

Welcomed stakeholders in their respective capacities to the 1<sup>st</sup> national dialogue in the series during the four year TDP project implementation.

Thanked CUTS International and Partners for the opportunity where CONSENT is partnering in two projects: 7Up3 and TDP Project with support from Department for International Development (DFID) United Kingdom, Norwegian Agency for Development (NORAD), Oslo and the Ministry of Foreign Affairs, The Netherlands.

Said the partnering is an opportunity and challenge, as partners have to live-up to the projects expectations and uphold the capacity acquired in awareness, advocacy, research and human skills to serve society better during and after the project.

Led the stakeholders through the objectives and expectations of the dialogue that included cross-fertilization of experiences and lessons learnt on linkages between trade, development and poverty reduction in the developing countries; and developed appropriate policy responses at national and international levels through collective synergies between governments and CSOs of the North and South.



Highlighted CONSENT's role as an advocacy partner and noted that with fair trade, ideally there would be development linked and coherent with good governance, stability, accountability, pro-poor policies and other national development initiatives. Called on government to facilitate the National Planning Authority to effectively do its job; and enacted the Consumer Protection Bill, Competition Bill, finalised Trade Policy and addressed the rampant corrupt practices at all levels of society.

Observed that the different initiatives to fight poverty were at stake and challenged by corruption, ignorance and lack of policy coherence, framework and institutions to effectively implement respective programmes.

Finalised appreciating the TDP initiatives and called for the enactment of laws that enhance standards of living for the populace, promote fair trade and boost national economic development.

### **Introductory remarks**

Mr John Ochola, Director, CUTS International – Nairobi Resource Centre (CUTS-NRC) summarised the **Overall TDP Project Framework**.

In his introductory remarks, he outlined the four-year TDP project and noted that the dialogue was one among many project activities being implemented in 14 countries in Africa, Asia and Europe.

Noted that the goal of the project was to move away from the narrow definitions or approaches of the multi-lateral arrangements like in the World Trade Organisation (WTO).

Observed that at the end of the project it will have contributed to trade, development and poverty reduction issues enormously with real case studies to be learnt from and acted upon by different stakeholders. As the project activities like dialogues would help point out issues like:

- How the trade policy affects poverty through growth and income.
- What the country really needs i.e. does the country need a few trade bans or protectionism?
- The need to create synergies between trade and development.
- How to strengthen the abilities of developing countries.
- How the private sector can work better with the government.
- Ensure development of trade policies that are people friendly.

Informed stakeholders that perception surveys were carried out in project countries so that needs of the country are highlighted and addressed. It formed the basis for the different stakeholders to meet and discuss findings and make



recommendations in relation to national, regional and global trends in trade and development to address poverty. They would be capacity building.

Concluded expressing his belief and trust that the project was to tease out the issues affecting trade, development and poverty reduction globally.

## **Presentations**

### **Overview of Stakeholder Perspective on Trade, Development and Poverty from Eastern and Southern Africa regions**

by Mr Alexander Werth, Consultant (*report/presentation is annexed*)

Mr Werth presented highlights of the outputs the study from selected number of TDP Initiatives (TDPIs) in Eastern and Southern African (ESA) countries provided by both governmental and inter-governmental institutions. He placed the objective of the study as:

- Reviewing the origin, objectives and outcomes of these focus TDPIs;
- Gathering information necessary for making recommendations on how to make existing TDPIs more relevant for ESA development and poverty reduction efforts; and
- Taking into account trade related aspects of the country specific Poverty Reduction Strategy Papers (PRSP) in the survey.

Focus of the study:

- One bilateral TDPI each in Kenya, Uganda and Zambia namely DFID- Kenya Trade and Poverty Programme (KTPP); the EU-Uganda Programme on Trade Opportunities and Policy (UPTOP); and the USAID-Zambia Trade and Investment Enhancement Project (ZAMTIE)
- One regional TDPI each under COMESA, EAC and SADC.
- One international TDPI like World Bank, IMF, UNCTAD, WTO, ITC, UNCDP

Synthesis of stakeholder feedback got through direct interviews as the main research tool, which include:

- Underlying rationale of TDPIs
- Main focus of TDPIs
- Major modes of implementation
- TDPI resource of TDPIs/ Replicability
- Consultation with target recipients
- Involvement of civil society
- Holistic approach on TDP
- Mainstreaming trade into Development & Poverty Reduction strategies



- What are the main limitations?

### **Achievements of TDPIs / Replicability**

Donors are more positive about the volume of capacity being provided than the recipients; while recipients are more confident of the replicability of the actually transferred knowledge by recipient stakeholders than the donors. However, donors are mostly satisfied with both achievements and replicability of negotiating skills development.

The focus on trade liberalisation is mainly donor-driven while South African recipients are interested in support though actual interest that would be in political cooperation/ integration, the supply side dimension, institutional capacity building, good donor relation and funding etc.

The possible explanation for why the process of trade integration proceeds much slower than often hoped by TDPI providers would be the diverging motives of donor/ recipients.

**At the concrete TDPI design stage**, donors sometimes come with full-fledged packages i.e. 'take it' or 'leave it' though TDPIs are more or less responsive to demands. Donors most of the times ask consultants to undertake needs assessments and come up with project proposals to be approved or checked with recipients like Ministry of Tourism, Trade and Industry (MTTI).

At times, initiative clearly comes from within but explicit donor interest in trade related work seems instrumental.

**At the TDPI implementation stage**, the government and the public sector which usually are the key targets have strong influence on the work programme and at times take part in priority setting as well as how much is spent on what. Noted that the research showed that consultations were mostly done with ministry, regional, secretariat official, apex business associations and research institutes and CSOs but hardly with grassroots shareholders.

Concluded observing that in order **to achieve better coherence between TDPIs** it was found out that it is useful to establish overseeing committee including development partners and key stakeholders to coordinate all TDPIs, offered to a country/ regional body.

## **2. TDP Project Study in Uganda on Trade Liberalisation and Its Impact on Poverty by DENIVA**

Mr Twine presented an Overview of the TDP Project Study Report carried out by Dr Godfrey Bakunda, a Trade Consultant and Senior Lecturer at Makerere University Business School (MUBS) on behalf of DENIVA (*report/presentation is annexed*).



Mr Twine started the presentation stressing that trade alone cannot eradicate poverty but collective, coherent and consulted policies, national development strategies and initiatives that work closely with household beneficiaries to ensure that they can use profitably what they have.

Reported that the research was to find out impact and sectors that performed well under liberalisation and those that did not.

Noted that during the study one of the main reasons noted why trade liberalisation did not worked well was poor infrastructure like roads, lack of communication and scraping of facilities and access production support. Pointed out that there are hardly any information centres in the country.

Observed that different circles look at economic growth rather than economic development to the detriment of the poor. Noted that there has been failure to determine operational concepts that would work like literacy. Pointed out areas that has grown as:

- Formal centres though they are still small hence no employment
- Revenue from imports grew
- Need for consumption grew

On a sad note, reported that exports have not grown. Advised that emphasis on different economic approaches at the expense of agriculture, and to say that Uganda greatly depends on agriculture is a miscalculation.

Concluded by warning that emphasis should not be on models like privatisation alone for development but to look out for other viable ventures.

### **3. Role of Trade in Sustainable Development and Poverty Reduction with Reference To Millennium Development Goals (MDGs)**

by Emmanuel Mutahunga (Senior Commercial Officer, MTI)

- Started the presentation by defining sustainable development as ensuring that development meets the needs of the present without compromising the ability of future generations to meet their own needs.
- Pointed out that poverty defers from one area to another implying that it is important for a poverty line to be defined before poverty reduction can be defined, and in the case of Uganda the poverty line being all those living below one dollar a day.
- Linked the different initiatives and MDGs to trade, development and poverty reduction. Noting that there are additional aspects to address and protect needs of the landlocked and small island developing countries affected by natural disasters like the Tsunami incident.



- Emphasised the need to cooperate with developing countries in order for least developing countries (LDCs) to develop decent and productive work for the vulnerable goods.
- Went on to say the reason that there have been fights when coming up with policies is that a number of people who benefit from the policies don't want them changed.
- Encouraged stakeholders to find a way whereby there would be a balance between natural resources and their use.
- Concluded by encouraging stakeholders to look at issues like how to derive better impact on MDGs; how trade policy affects imports and exports. Pointed out that there are policies that should be looked at from the national level since some of them cannot be worked on at international level.

#### **4. Role of Trade in Sustainable Development and Poverty Reduction from a Civil Society Perspective**

by Mr James Kintu (Program Officer, Food Security, Action Aid International-Uganda) (*the presentation is annexed*)

The presentation focused on two areas:

1. How trade can be a threat to development and poverty reduction efforts in poor countries (LDCs).
2. Recommendations of what can be done to ensure that trade lead to sustainable development and poverty eradication.

Pointed out that many economists argue that trade is the engine of growth, but growth does not necessarily mean development. There can be trade without development or development without much trade. Real development covers eradication of poverty while co-existence of wealth with a great mass of poverty cannot be regarded as progress in any case.

Noted that trade liberalisation enhanced market access does not necessarily equal poverty reduction because most poor countries undertook extensive trade liberalisation in the 90's, and also received some degree of preferential market access from developed countries, but performed poorly in reducing poverty.

Highlighted that UNCTAD warns that if past trends continue, the poorest countries in the world will continue to lag behind till 2015, the year by which the international community hopes to halve the proportion of the global population living in extreme poverty.

Stressed that sustainable development, on the other hand, is the development that meets needs of the present without compromising the ability of the future generations to meet their own needs.



Outlined some of the reasons why trade may not deliver on sustainable development and poverty eradication in economically weak countries. The reasons include among others:

- Indiscriminate trade liberalisation and market deregulation;
- Unregulated foreign direct investments (FDIs);
- Inability to access agricultural market access at the local and international levels;
- Commercialising intellectual property rights (IPRs) and its impact on access to essential drugs and biodiversity;
- Supply side constraints;
- Tariff escalation; and
- Dumping cheap products.

Made recommendations that address grey picture of trade, development and poverty eradication including:

- Economic literacy and awareness directed to all stakeholders right from the grassroots levels;
- Government should also intervene and provide support to the productive sector to address supply side constraints;
- Protection of infant industries;
- Government should do an assessment before opening social services;
- Poor countries should negotiate for trade preferences to access rich country markets to improve national revenues and incomes;
- Intensification of capacity building for exporters and provide support to comply with standards and safety requirements; and
- Enactment of a comprehensive national trade framework that promotes interests of nationals.

Concluded stressing that trade and markets can be important instruments for achieving economic development and poverty eradication. However, they must be regulated and managed fairly to enhance opportunities for the poor and protect the vulnerable. Trade liberalisation alone will not boost growth and poverty reduction in Africa.



Discussions: Comments, Question and Answer Session

This session was interesting and a number of issues, challenges to the project, including different stakeholders and governments in general in regards to trade, development and poverty were raised. The session was a battle of minds among various academics and economic scholars. Below are the highlights of the session.

Rural stakeholder involvement:

- Considering that major stakeholders of TDP project are the rural people, how far does the implementation of the project go and how does it emancipate the rural people?
- Was needs assessment done to identify gaps that need to be addressed before a linkage is identified and accomplished?
- Work has to be done in the rural areas to address challenges that greatly lead to poverty like land ownership, urbanisation of rural areas, commercialisation of agriculture and so on. Are they to be discussed in the project?
- Can trade also work with subsistence farming?
- How would different stakeholders in their respective capacities look for ways to help local farmers out of poverty?
- How did they commend and question the level of the spread of the project and its activities to the rural areas and communities?

Policies linkages include:

- Forestry sector has a lot to play in the development and poverty alleviation process in the country. Its development is important as it provides resources for economic activities plus revenue although challenged by the different policies and national development strategies like the Revised Poverty Eradication Action Plan (PEAP), political statements and interferences, Plan for the Modernisation of Agriculture (PMA), National Environment Management Authority (NEMA) and increase demand of land and fuel.
- High prevalence of corruption, weak governance, flaccid policy and legal framework, incoherent policy and strategy, and diversion of development funds etc., are impeding trade facilitation, sustainable development and poverty eradication.
- Questioned the link between the project title and social services.
- There is irrational prioritisation in Uganda, given the background that agricultural sector is the most productive and the biggest employer, very low attention has been paid and little budget allocations to facilitate its development has been provided.
- Questioned the roles, functions and mandate of the entitled National Planning Authority in Uganda.



- Questioned the linkage and relationship of the between TDP project and the Uganda National Bureau of Statistics (UBOS) focusing on poverty statistics and project output.
- Policy formulation, structure and output is western based – donor driven.
- Uganda’s achievement in implementing the MDGs, its challenges and causes were questioned.
- MDGs achievement to an extent depends on the northern countries, what was being done in reference to MDG 8 as a lot is required to realise them.

Cross cutting issues:

- In reference to the project title, stakeholders questioned:
  - Trade with whom?
  - Development for whom? And
  - Poverty reduction for whom?
- Need to identify the causes of poor trade, low level of development in order to facilitate poverty reduction.
- Commended the TDP project, as it will compliment to the enhancement of trade, development and poverty reduction.
- CSOs urged to join hands to increase awareness programme, develop public versions and translate the consumer rights and responsibilities into local languages.
- The TDP title should include a word ‘sustainable’ to give title complete dimension.
- The project title should be reformulated to read: ‘Linkages between Democracy, Peace, Development and Poverty Reduction’. Democracy and peace are correlated with trade and development. Additions make the project comprehensive to address realities in society.
- Why is poverty increasing when people are getting richer?
- Poverty is the major factor impeding trade and development.
- Noted that Uganda and Ugandan farmers are price takers on the local and global markets there is need to empower farmers to negotiate, promote value addition and comply with safety and quality requirements.
- Poor working culture and laziness were attributed to the increasing poverty and poor skills witnessed in the country.
- Variable alternative models need to be adopted to increase Ugandans household income.
- Development does not depend on individuals but is about people who are able to feed for themselves.
- Poverty reduction is in a value chain as there are sectors in the critical path that need to be worked on before agriculture can effectively benefit farmers.
- There are difference between equality and equitability although development narrows the gap between the richest and the poorest, does



not mean the two are equal. Hence, no development is actualised if the poor are getting poorer and the rich are getting richer.

- Development is not about per capita income. As economic growth is the quantitative increase in income, economic development is the qualitative and quantitative increase in income. Economic growth relates to per capita income where some will grow rich and others may grow even poorer. Hence, there is difference between economic growth and economic development.

### **Responses in general**

- The TDP project places comprehensive focus that includes peace and democracy elements that can facilitate trade, development and poverty reduction.
- The TDP project focuses at cross fertilisation of opinions and forging policy options. Trade is also looked at all levels domestic – national, regional and international. All levels have a role to play and trade at each level feeds into each other plus supporting environment.
- The TDP project has a multiplier effect and in principle stakeholders attending dialogues should adopt shared opinion and incorporate them in their programme as follow-up to also benefit rural communities.
- Development is looked at in its entirety in positive and negative aspects and angles like economic development, social development and environmental development.
- Individual and CSOs as stakeholders should intensify their efforts and time in influencing policymaking to benefit the resource poor and promote trade, development and poverty reduction rather than adopting donor designed policies.
- Some policies and strategies do not benefit beneficiaries because they are out of reach. Like the PMA and National Agriculture Advisory Services (NAADS) are demand driven and yet the rural people do not have the capacity to demand for them as resources imply that they have not been very useful to the rural people.
- There is need for Uganda to do research to find out what are the best, effective and viable alternative and responses to the challenges of trade liberalisation, multilateral agreements and market entry among others.
- On prioritising agriculture, the dialogue was referred to the African Union – MAPUTO Declaration by African Heads of States/Governments to spend 10 percent of annual GDP of their respective countries on agriculture every year.
- Development of simple and popular versions of frameworks and translation of awareness materials of paramount and will be taken a step further in the TDP project.
- The consumer rights and responsibilities are translated in five local languages
- The Consumer Protection Bill is not yet enacted: it is one of the elements for trade, development and poverty reduction. It promotes better fair trade



practices, safety, equitable development and reduction in waste of merge resources and enhancement of living standards.

- Uganda's MDGs achievements include Universal Primary Education, gender equality and empowerment of women, reduction in child mortality through encouraging of parents to ensure immunisation of their children, including an improvement in maternal health.
- Some of the causes of inequality of incomes are low labor productivity, laziness of the Ugandan workforce, and corruption among other causes.
- Policy and strategy incoherence are at times due to wrong advice, political influences and patronage.
- Developing countries need to research and identify competitive and strategic needs, position them and pushed forward at national, regional and international forums.

### **Dialogue Wrap-Up and Way Forward**

Mr Kimera concluded thanking and commending stakeholders for putting off time to engage in the cross-fertilisation dialogue.

Noted that the level of discussions was healthy and rich in highlighting challenges, proposals and possible alternatives to influence policy and strategy development to address concerns impeding trade, development and poverty reduction. The deliberations were to feed into the global dialogues and future national dialogues improvement to which they will be invited.

Wrapped up the dialogue with four way forward pointers and actions summing up the discussions:

- There is a need for an advocacy action plan in reference the TDP project to influence pro-people and development policies development, enactment and implementation to address national, rural and urban community concerns in a coherent manner to efficiently use the scare resources.
- There is need to increase awareness, community action and change of culture in order to question and address issues like corruption, poor prioritisation of resources, poor work attitudes, incoherence in implementation of national development programmes among others.
- Research facilitating informed policy options, development strategies and effective implementation to address trade, development and poverty challenges.
- Stakeholders need to enhance dialogue, cooperation, work with the rural poor and sharing the deliberations for a multiplier effect.

## **Annex I**



**Stakeholder Feedback on TDP Initiatives in Eastern and  
Southern Africa:**

*Key Messages and Possible Way Forward*

**- A Civil Society Perspective -**

Prepared for

**Consumer Unity Trust Society (CUTS) – Centre for  
International Trade, Economics and Environment (CITEE)**

By

**Alexander Werth, Kampala/UGANDA**



**GLOSSARY**

ACBF	African Capacity Building Foundation
ACP	African, Caribbean and Pacific states
AGOA	US African Growth and Opportunity Act
AMDP	Agricultural Marketing Development Plan
ATTP	Africa Trade and Poverty Programme
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung
CBO	Community-Based Organisation
COMESA	Common Market for Eastern and Southern Africa
CSO	Civil Society Organisation
DFID	Department for International Development, UK
DTIS	Diagnostic Trade Integration Study
EABC	East African Business Council
EAC	East African Community
EBA	Everything But Arms initiative
EDF	European Development Fund
EPA	Economic Partnership Agreement
ESA	Eastern and Southern Africa
EU	European Union
GSP	Generalised System of Preferences
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit
IF	Integrated Framework
IMF	International Monetary Fund
ITC	International Trade Centre
JITAP	Joint Integrated Technical Assistance Programme
KEPLOTRADE	Kenya-EU Post Lomé Trade Negotiations Support Programme
KTPP	Kenya Trade and Poverty Programme
LDC	Least Developed Country
MCTI	Ministry of Commerce, Trade and Industry, Zambia
MTI	Ministry of Trade and Industry, Kenya
MTCS	Medium-Term Competitiveness Strategy
MTI	Ministry of Tourism, Trade and Industry, Uganda
NAMA	Non-Agricultural Market Access
NGO	Non-Governmental Organisation
PEAP	Poverty Eradication Action Plan
PMA	Plan for the Modernisation of Agriculture
PRSP	Poverty Reduction Strategy Paper
PSFU	Private Sector Foundation Uganda
RTFP	Regional Trade Facilitation Programme
SADC	Southern African Development Cooperation
SEP	Strategic Export Programme
SME	Small- and Medium-sized Enterprise
SPS	Sanitary and Phytosanitary measures
SQMT	Standardisation, Quality assurance, accreditation, Metrology and Testing
TA	Technical Assistance
TDP	Trade, development and Poverty Reduction
TDPI	Trade, Development and Poverty Reduction Initiative
TRCB	Trade-Related Capacity Building
UMA	Uganda Manufacturers' Association
UNCCI	Uganda National Chamber of Commerce and Industry
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UPTOP	Uganda Programme on Trade Opportunities and Policy
USAID	United States Agency for International Development
WTO	World Trade Organisation
ZAMTIE	Zambia Trade and Investment Enhancement programme



**EXECUTIVE SUMMARY**

**Stakeholder Feedback<sup>1</sup>**

**TDPI rationale:** According to providers of Trade, Development and Poverty Reduction Initiatives (TDPIs), the underlying rationale of the different TDPIs<sup>2</sup> is to stimulate trade and investment in order to spur economic growth, which, for its part, is seen as an important tool for poverty reduction. This is mainly being done by assisting policymakers in creating an enabling environment for trade and investment, and by supporting business organisation and business development – both with a view to increasing participation of poor countries in global trade. From the recipients' point of view, the reasoning for supporting and implementing the TDPIs at issue is principally capacity building – sometimes also to provide continued support after the termination of an earlier TDPI.

**TDPI focus:** According to the providers, the TDPIs are more or less evenly addressing: firstly, skills development of workers and producers; secondly, enhancement of regulatory compliance; and, thirdly, skill enhancement for trade negotiations; and lastly, enhancement of TDPI component as the strongest. Recipients, however, see a strong bias against skills development in most TDPIs. Yet, as some of the newer TDPIs are envisaging more work on skills development of workers and producers, the picture may be more balanced once these components are being implemented.

**Modes of implementation:** Major modes of TDPI delivery are: technical assistance to Trade Ministries or the Secretariats of the regional bodies; capacity building workshops; training of trade officials; institutional capacity building to Secretariats, Ministries or private sector apex bodies; multi-stakeholder policy dialogue; trade policy research; facilitating participation in negotiations; logistical support; and information dissemination.

**Resource persons and implementers:** Resource persons involved in TDPI implementation are mainly government officials, research institutions, and independent consultants – from both inside and outside. The selection is usually done in consultation with the donor, with more discretion usually given to recipients in the selection of researchers, while donors are often more influential in other areas such as in the selection of TDPI management staff or advisors. The general ratio of domestic to external staff involved in TDPI implementation is around 50/50. Much of the TDPI funds are being used for technical assistance (TA), while recipients would like to see a stronger emphasis on

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<sup>1</sup> Main research tool was direct interview, as well as in a few cases interview by using questionnaires, with select trade officials at Trade Ministries and Secretariats of regional bodies, on the one hand, and donor agency representatives and project managers/implementers, on the other. The information gathered through the interview process was later complemented by review of relevant information in existing and practically obtainable literature, as well as in the Internet.

<sup>2</sup> This survey looked: firstly, at one bilateral TDPI each in Kenya, Uganda and Zambia, namely the DFID - Kenya Trade and Poverty Programme (KTPP); the EU - Uganda Programme on Trade Opportunities and Policy (UPTOP); and the USAID - Zambia Trade and Investment Enhancement Project (ZAMTIE); secondly, at one regional TDPI each under COMESA, EAC and SADC, that is the African Capacity Building Foundation (ACBF) - COMESA Capacity Building Project; the BMZ/GTZ – Technical Assistance to the EAC Secretariat project; and the DFID – Regional Trade Facilitation Programme (RTFP) for SADC; and, lastly, at one international TDPI, which is the IMF/ITC/UNCTAD/UNDP/World Bank/WTO-led Integrated Framework (for the LDCs Uganda and Zambia).



capacity building. TA can be a contentious issue as mutual trust is a key for success here. This concept does not work if the TDPI provider mainly uses the technical assistant/advisor or other programme staff directly placed with the recipient for fencing off TDPI funds against inappropriate prioritisation and resource use while the recipient often suspects TA provision to be a tool enabling the donor to push through a donor-driven agenda in-house.

It does not matter much *who* implements – be it personnel from governmental aid agencies, inter-governmental organisations, civil society groups or consultancy firms. Every actor pursues a certain agenda – be it political or commercial - and everyone has its distinct competencies and expertise. What matters most is the involvement of local resource persons as well as the human aspect, as ‘some people listen, and some simply don’t’. All in all a due consultative process between provider and recipient seems to be the best tool for addressing the various challenges and concerns.

***Southern vs. Northern TDPI providers:*** Technical assistance and capacity building provided by Southern actors can be preferable due to the similarities in donor and recipient country; however, also Southern TDPI providers are not ‘agenda-free’, and what might have worked in their home countries in terms of development and poverty reduction strategies must not necessarily work in the recipient country.

***TDPI achievements/replicability:*** Focusing on three groups of TDPI stakeholders – that is workers and producers; regulatory officials; and trade negotiators – most recipients found that the respective TDPIs had enhanced skills and capacity of the three groups “to some extent”; whereas all three groups got the highest score (‘considerably’) for being able to replicate the capacity building through the TDPI. Providers generally gave better grades to all groups under TDPI achievements, but also lower grades (‘to some extent’/‘no impact’) under replicability. Yet providers generally gave very good marks for negotiating skills development, both under achievements and replicability.

***Demand vs. donor drivenness of TDPIs:*** The overall motivation for engaging in TDPIs, as tools promoting trade liberalisation for growth stimulation and poverty reduction is clearly donor-driven. Eastern and Southern African (ESA) recipient countries are rather interested in the political cooperation and development dimension; in good relations with donors; institutional capacity building; supply side issues; and the funding aspect. This divergence in the motivation can be a possible explanation for why the process of trade integration proceeds much slower than often hoped by TDPI providers. The strong focus of donor initiatives on trade integration is the result of the ‘sex appeal’ this concept has amongst the donor community.

At the actual design stage, TDPI development is more or less responsive to the ‘demands’ by recipients, but in few cases donors come with full-ledged packages, which are offered on a ‘take-it-or-leave-it basis’. In many cases, the initiative clearly comes from within yet explicit donor interest in trade-related work can also play an instrumental role here. While donor-recipient consultations are a key component of TDPI design, format, intensity and most importantly the level of real consensus-building varies significantly. At the implementation level, the key targets recipients of TDPIs i.e.



governments and private sector apex organisations usually have a strong influence on and often formulate, the actual TDPI work programme.

**Civil society involvement:** ‘civil society’ involvement mostly includes business NGOs and producer groups, but much less political and policy CSOs, and actually never community based organisations (CBOs). The usual modes of non-commercial CSO engagement is participation in multi-stakeholder fora; involvement in capacity building and sensitisation workshops; and beneficiaries of grants for research and dialogue. In few cases, membership in TDPI steering committees on consultations in project needs assessments by acting as consultancies (mostly technical NGOs) and in very few cases also as TDPI implementers. Increased involvement of policy and political CSO is desired, but these are ‘mostly rather inactive on trade’ and in some cases even disengaging. This could be explained with the lack of capacity to comprehend and follow the often very complex trade issues, a lack of pro-activeness, and missing trust in a particular TDPI process and direction.

**Holistic approach to TDP:** The trade, development and poverty reduction (TDP) nexus is a rather new concept, which still needs to be implemented. It is not enough to only look at trade integration, but also at complementary issues such as infrastructure, development integration, and supply constraints. While increased trade can have potentially positive poverty-reducing impacts through improving incomes, this can only materialise if trade development is addressed at the same time. TDPIs need to be embedded in existing development and poverty reduction strategies, which can be achieved by supporting work undertaken by Trade Ministries under the PRSPs.

**Mainstreaming trade in development/poverty reduction strategies:** As trade is often considered a ‘by-the-way’ by ESA governments, trade is heavily under-represented in PRSPs. Consequently, the strategic trade elements in poverty reduction strategies need to be expanded. Trade has to be looked at horizontally, not as a vertically. Coordinating Units overseeing the different TDPIs, including TDPI Steering Committees better coordination among line ministries and improvement of the institutional setting (e.g. giving *de facto* trade jurisdiction to only one ministry) are to be mentioned here. A solid national trade policy/strategy is required as a basis for action into which development- and poverty reduction-related aspects are mainstreamed through stakeholder empowerment and involvement.

**Inter-TDPI coordination:** An overseeing Steering Committee should be established, including development partners and key stakeholders, which would coordinate all TDPIs offered to one country/region. Another option is the establishment of a basket fund into which all donor money provided to a country/region will be channelled. Much could already be achieved if donors would thoroughly screen already existing TDPIs before developing a new one, engage more in co-financing of TDPIs, better coordinate their interventions at the bilateral and multilateral level, and if the existing formal and informal donor groups would meet more regularly. Also, multi-stakeholder project advisory bodies could help adjusting and streamlining different TDPIs. Closer coordination is needed between the Finance Ministries and Trade Ministries – coming along with a clear and streamlined articulation of needs and interests *vis-à-vis* the donors.



**When TDPIs work well:** Commitment and ownership of the ground-level stakeholders together with the ownership and good will of the political leadership is pivotal for the success of any TDPI. This can be achieved by inclusion, and full responsiveness to the needs, of all relevant interest groups. The TDPI constituency has to be broad-based and included in the whole project cycle. TDPI management and implementation should be autonomous, and bureaucracy limited to the greatest extent possible to enable decision-making, which is responsive to actual demands. A well-designed project governance structure is essential. In terms of TDPI implementation, a multi-level strategy, together with mixing both direct and indirect approaches and employing various modes of delivery, generally yield the best results.

**Main TDPI limitations:** The lack of adequate resources often impairs the effectiveness of a TDPI. Yet donor-money dependency can also constitute a barrier to becoming self-sustaining. Another major problem is the limited absorptive capacity due to resource constraints e.g. in Trade Ministries. In terms of project implementation and management, key limitations include: top-down approaches; bureaucratic bottlenecks on the provider's side; cash flow issues; and channelling of funds through (inter-) governmental agencies which 'tend to be very slow'. In terms of substance, major stumbling blocs are the lack of methodologies to effectively tackle TDP issues and the lack of willingness to really work with and trust local people.

TDPIs often lack the governmental commitment required to implement the envisaged TDPI components. However, top-down approaches, central administration and failure to reflect the actual needs of the government promote passivity from the governments. Due to the government-focus of most TDPIs, providers are forced to cooperate with officials who lack the absorptive capacity, the required efficiency, or who do not enjoy the full trust of the provider. TA is meant to overcome this quandary, but it cannot compensate for a frank and amicable donor-recipient relationship.

### **Stakeholder Recommendations**

Focus of TDPIs includes:

- 'Development' should be in the centre of every project;
- Raising living standard should be the overall aim;
- TAiming at establishing clearer T-D-P linkages;
- Linkages need to be built between macro- and micro-level;
- It is better to combat main constraints at micro-level rather than having a superficial programme targeting the macro-level;
- Use exiting programmes and tools (e.g. PRSPs) rather than inventing new ones;
- More focus needs to be put on supply-side constraints and major bottlenecks;
- More work on trade development is required;
- Address the complementary issues such as gender, health and conflict;
- Look at backward linkages in production;
- Promote linkages between poor ESA producers and markets, i.e. distributors in major consumer markets
- Employ issue or commodity-specific approaches;
- Focus on the key binding constraints for trade & investment expansion; and
- More emphasis on regional and domestic trade.

**TDPI Process**

- Work only with partners who really see the meaningfulness of trade and investment expansion and who therefore 'live the talk';
- Increase ownership of TDPI recipients by requiring them to make more tangible contributions to the process;
  - Make a proper needs assessment before designing a new TDPI;
  - Develop each TDPI concept jointly with the target recipient(s);
  - Provide for adequate consultative and consensus-building arrangements;

Implement jointly by provider and recipient, according to recipient's priorities;

- Decentralise decision-making;

Ensure better structures on accountability and transparency (e.g. trade officials should provide capacity and forward relevant information to other involved stakeholders);

Include the poor and other 'trade policy users' in project planning and implementation;

- Involve only those who trust each other and work together;

Involve grassroots level stakeholders, especially civil society more proactively throughout TDPI process and do not rely on other stakeholders e.g. ministries or private sector organisation – doing that; and

Cooperate more with CSO actors as they operate faster, less formalistically and can interact with stakeholders more freely.

**Key Observations**

The overall theme of the governmental and inter-governmental TDP agenda – that is trade liberalisation – is donor-driven while the TDPI recipient's actual priorities are often neglected. The traditional government-to-government (G2G) setting is not always the ideal format for TDP cooperation as the level of mutual trust between TDPI partners can be low. Working as a donor together with a government 'which you actually do not trust', and then trying to kill the wedge in the donor-recipient relationship with technical assistance 'simply doesn't make sense'. Furthermore, the G2G mode of operation often fails to generate the necessary 'critical mass' for effectively working on trade and investment issues as tools for development and poverty reduction as some governments, ministries or trade officials simply do not 'live the talk' about trade and investment.

The ultimate TDPI beneficiaries i.e. the poor are very seldom directly involved in the TDPI process. There is a lack of focus on 'empowerment' of TDP stakeholders and trade policy users, including the poor and marginalised to come up with their own TDP agendas and advocate for them effectively in the TDP policy-making processes. The transfer of approaches and solutions to a few key stakeholders is still a key mode of TDPI delivery. This comes with a striking lack of innovative methodologies for building clear trade-development-poverty reduction linkages and providing for strategic coherence in TDPIs by also effectively addressing trade development and key bottlenecks for trade and investment expansion remains wanting.

**Looking Ahead: A Civil Society Perspective**

CSOs and CSO networks have a clear comparative advantage in areas such as confidence and consensus-building; outreach to, and empowerment of, the poor and other stakeholders at the grassroots-level; integrated work at both micro- and macro-level; as well as innovative and context-specific work on poverty in general. Also, non-governmental players do generally have better access to less bureaucratic and formalistic modes of operation, enabling them to operate faster, be more responsive to *ad hoc* demands, as well as to involve those actors and individuals which are ready and willing to work on, and implement, TDP programmes.

TDP-related work carried out by local as well as regional CSOs/NGOs can minimise perceived interference from 'outside' organisations, an aspect which seems particularly relevant when working on trade policy and trade negotiations. Local and regional CSOs/NGOs seem best placed to help developing applicable modalities for establishing concrete TDP linkages, especially if they have close ties to rural communities and/or community-based institutions, which are working with the poor and marginalised.

CSOs should play a much greater role in TDPIs. Interested CSOs/CBOs should seek much a stronger role as consultative partners in the design and implementation of TDPIs. Local and regional CSOs could explore and test further opportunities for attracting 'at-arms'-length' donor support to directly participate in the conceptualisation and implementation of TDPIs. In addition, they need to carry the onus for building partnerships with donors at the operational level. Taking into account the sometimes limited local civil society capacity on trade issues, pooling existing capacity in regional 'trade think tanks' or networks could be an option. This would also contribute to building up sustained and continuous CSO 'backstopping capacity' on trade issues in the ESA region. This effect could further be amplified by building strategic partnerships between local/regional CSOs and internationally operating CSOs with close ties to key trade policymaking centres and platforms.

In conclusion, if relevant CSOs, in their overwhelming diversity in location, thematic focus, approach and level of operation would effectively cooperate and strategise in the TDP debate and be increasingly involved in donor-funded TDP programmes, the outputs of such TDPIs could generate more 'ownership' amongst relevant TDP stakeholders, more commitment and enthusiasm, and could be more relevant for achieving their overall goal, that is fighting poverty and increasing inequality by using trade and investment as some of the available tools.

**Annex II**

**THE TDP PROJECT**

UGANDA: TRADE LIBERALISATION AND ITS IMPACT ON POVERTY

*Summary of the*

COUNTRY BACKGROUND PAPER

By

**DENIVA**

*(Development Network of Indigenous Voluntary Associations)*

JULY 2005

Presented by  
Elly R Twineyo

At the Launch of an advocacy initiative of the  
"Linkages between Trade, Development  
and Poverty Reduction (TDP)"

organised by CONSENT Uganda on

September 01, 2005

Hotel Equatoria, Kampala, Uganda



## **1.0 Introduction**

Uganda has implemented significant economic reform, including liberalisation of the trade regime since 1987. This has attracted FDIs mainly in manufacturing, and contributed to continued economic growth. Uganda's real GDP has grown at around 6 percent per annum on average and is expected to continue growing at about 7 percent per year in the medium term. Uganda is a member of EAC and COMESA where she enjoys reciprocal preferential trade arrangements (PTAs).

Currently, agriculture accounts for about 70 percent of employment and 38 percent of real GDP. As a result of diversification efforts, the share of industrial sector (including manufacturing, mining and quarrying, public utilities and construction) in real GDP has increased, from about 17 percent in 1986 to around 20 percent in 2004. The share of services in real GDP has increased to 42 percent in 2004 from around 20 percent since 1986.

The government of Uganda views foreign trade as an important stimulus for economic growth and its trade policies aim to contribute to poverty reduction, promotion of employment and diversification and promotion of exports particularly of non-traditional products. These policy objects have been pursued through continuing liberalisation, deregulation, privatisation and participation in regional agreements, particularly COMESA and EAC.

Insufficient infrastructure coupled with Uganda's land locked status has impaired the growth of its exports and its economic progress. High production costs are evident across all economic sectors. The NTBs in Uganda's main export markets, drought, crop diseases and security problems in the region (due to war and civil conflicts) have negatively affected the economy.

### **1.1 Trade Reforms**

Tariffs have become Uganda's main policy instruments. Uganda has been applying the customs valuation methods based on the transaction value since July 2000. The tariff structure has been simplified through the reduction of the number of bands from 5 in 1995 to 3 (0, 10 percent, 25 percent), which are consistent with the EAC Union Common External Tariff (CET). In addition to tariffs, imports maybe subject to an import license commission of 2 percent, a 4 percent withholding tax as well as internal taxes such as the excise duty of 12 percent. (*See Annex I for table of trade reforms*).

## **2.0 The Poverty Eradication Action Plan (PEAP) 2004**

The government of Uganda has put in place the Poverty Eradication Action Plan (PEAP), which is a principle guide to all developmental activities of the central and local governments in the medium term. The PEAP 1997 and Vision 2025 set out the commitment of government to reduce the incidence of absolute poverty from 44 percent to 10 percent and relative poverty to 30 percent of the total population by 2017. The PEAP 2004 has five pillars namely:

- **Economic management:** It states the need for macroeconomic stability consistent with rapid private sector led growth.



- *Enhancing production, competitiveness and incomes:* It states the need for increased private sector competitiveness, strengthened infrastructure in support of increased production of goods and services and strengthened environmental and natural resource management.
- *Security, Conflict resolution and disaster management:* It highlights the protection of persons and their property through elimination of conflicts and cattle rustling, resettlement of Internally Displaced Persons (IDPs) and strengthened disaster management.
- *Good Governance:* It stipulates the need for strengthened political governance, improved human rights and strengthened legal and justice systems, strengthened public sector management and accountability.
- *Human Development:* It highlights the need for better-educated society, and healthier Ugandans.

Since 1997, the PEAP has endeavoured to address poverty and improved quality of life. However, it can be observed that there has been the over-focusing on agriculture, which is traditionally a vulnerable and volatile sector. It is apparent that there is need to focus on other sectors such as the service, tourism, Information and Communications Technologies (ICTs) and small scale enterprise development, energy sector and non traditional exports such as fish to have meaningful impact on poverty. The other major shortcoming of the PEAP has been the lack of focus on urban poverty.

### **3.0 Agricultural Sector**

This section looks at the general constraints to agricultural improvement under Liberalization because of the importance of agriculture to the economy.

#### **3.1 General Constraints to Agricultural Improvement under Liberalisation**

A critical review of the agricultural sector in Uganda shows some noticeable key weaknesses that have stifled agricultural improvement under a liberalised regime and ensured market forces do not engender positive benefits to those depending on agriculture. These key weaknesses are discussed below.

##### **3.1.1 The Structure of Ugandan Agriculture**

It is estimated that 70 percent of the Uganda's agriculture is of subsistence nature, 25 percent semi-commercial and only 5 percent commercial. Agricultural investment in Uganda is still a rural phenomenon coming from the poor subsistence farmers mainly for food requirements. This sector, therefore, is largely looked at as a way of life and not as a business like any other sector. In fact, investment in agricultural productivity improvement has remained very limited

##### **3.1.2 Inadequate Access to Credit**

Lack of capital, limited financial management skills and failure to access financial facilities limit investment in the agriculture sector. The emphasis on micro finance to small farmers itself poses



a serious threat because of high cost. Cheaper credit facilities are required if small farmers are to make viable agricultural investments and be efficient on their small farms.

### **3.1.3 Lack of Adequate Skills and Knowledge**

Due to low level of education (and sometimes conservatism) and lack of information, farmers do not adapt and practice the recommended crop, livestock, forestry, fishing, and husbandry practices. Inadequacy of extension services has exacerbated this situation.

### **3.1.4 Pests and Diseases**

In the crop sub-sector, the estimated loss due to pests and diseases is estimated at 35-40 percent. The situation is not different for livestock and fisheries sub sector. Inadequate mechanism for disease and pests control and precautionary capacity has remained a major threat, even to the export potential.

### **3.1.5 Research and Technology Development**

Inadequate research into better and high yielding varieties of crops, livestock, forestry, and fisheries still limits productivity and modernisation of the agriculture sector. New varieties still need to be developed and demonstrated close to farmers' fields for easy adoption. The dissemination of results of research has been less than adequate.

### **3.1.6 Poor Marketing and Market Infrastructure**

Serious constraints still exist which hinder successful marketing of agricultural products and realisation of profits. In many districts, ready markets are not available for sale of produce and purchase of inputs. A combination of long distances to markets, poor roads, lack of electricity, inadequate railway systems, air transport, poor marketing infrastructure, are still some of the major problems. Market information has remained a big constraint to the marketing process in rural areas, which largely leads to low farm-gate prices. The whole regulatory framework has been inadequate right from production up through the chain of marketing.

### **3.1.7 Low Investment in Agriculture**

Agriculture investment has remained unattractive relative to other sectors of the economy e.g. industry. The issue of agro processing and value addition is emerging pertinent and yet there is not enough investment being attracted. Most of the agricultural products are exported in a raw form, such as coffee, tea, cotton, fish, livestock and live products, horticulture etc. This has resulted in low incomes both for exporters and farmers.

### **3.1.8 Losses due to Post Harvest Handling, Storage and Management**

Post harvest losses have remained rather high largely due to little capacity for agro-processing and value addition. Post harvest losses are estimated at 15 percent for grains, 20-35 percent for root crops and 40 percent for perishables products. Related constraints include poor soil conservation and management, inadequate technical capabilities at the district and other lower local government levels and lack of proper land policy.

### **3.1.9 Inadequate Climatic Conditions and Weather Condition Surveillance**



Drought continues to pose a severe problem for crops and livestock production in some parts of the country. Inadequacy in the early warning system to disseminate timely information and take mitigating measures has remained insufficient. Inadequate irrigation and water harvesting has continued to hamper sustainable agricultural productivity.

#### **4.0 Emerging Issues and Conclusions**

This paper summarises the existing literature relating to Uganda's economy, particularly the economic and trade reforms undertaken since 1986 when the National Resistance Movement (NRM) government came to power. The paper outlines, the general economic environment as unfolded particularly since 1995 to date, a review of the Trade Policy framework implemented since 1987 and the performance of selected sub-sectors in agriculture, services and manufacturing particularly since 1990.

#### **4.1 Economic Growth and Stability under liberalisation**

Although there was a steady increase in economic growth during the period of liberalisation averaging 5-6 percent during 1995-2005, this was not accompanied with reduced income inequality i.e. income inequality seems to have widened<sup>3</sup>. The period experienced wide fluctuation in poverty levels ranging from 56 percent to 38 percent. While there was a steady reduction in poverty levels during the period 1995-2001, this seems to have reversed and increased to the level of 49 percent in 2005.

Agricultural productivity seems to have suffered during the period of liberalisation largely due to a breakdown in agricultural support systems. Although productivity in the service sector seems to have improved due to increased competition and improvements in the regulatory frameworks, minimal improvements in manufacturing productivity seem to have been registered due to increased competition from imports.

In the case of economic stability, this has been maintained under liberalisation. Inflation has been contained at levels between 5-11 percent during the period under review while government reserves increased from about US\$300mn in 1994 to US\$1bn by 2003.

#### **Box 1: Economic growth and development<sup>4</sup>**

Economic growth and economic development do not mean the same thing. However, the two concepts have often been mistakenly used interchangeably. Economic growth is measurable in quantitative terms. It is an increase or decrease in a country's national income – an increase or decrease in a country's per capita income. Economic growth concerns itself with the growth of physical output but does not take into account non-material factors such as stress, happiness, and security and peace. It is how economic growth is distributed amongst the population that determines the level of development. Economic development is

<sup>3</sup> Refer to Box 1 for definitional issues

<sup>4</sup> Mr Elly R. Twineyo, African Centre for Trade and Development (ACTADE)

Discussion paper on the process of formulating a National Trade Policy for Uganda August 2005 by the Civil Society Trade Working Group Funded by OXFAM GB in Uganda



a broader process that includes raising living standards and poverty reduction. It is both qualitative and quantitative. Development, which is a multidimensional process, *equals* economic growth (growth rates of GDP, per capita income) *plus* improved social indicators (literacy, health, inequality reduction, life expectancy, etc.). While development is a broad concept entailing the raising of human capabilities in general, increasing economic growth rates is the central challenge that developing nations face. Countries cannot only grow if they have to reduce poverty. They will have to develop as well. The above explanation economic growth and development explains why, in Uganda poverty has increased. Trade reforms have not increased economic development but economic growth

*According to the President of Uganda M. Yoweri Museveni and MFPED, during the last three years (2000/01 – 2003/04) ‘income poverty has increased from 34 percent to 38 percent of the population coupled with increase in inequality’ PEAP 2004. This is amidst government claims ‘that the last three years have been characterised by major developments in social services delivery and continued economic growth’.* (PEAP 2004)

#### **4.2 Households and Markets under liberalisation**

The importance of trade liberalisation in Uganda has been that it has allowed freedom of economic activity. But this freedom has constrained the out-competed participants especially rural poor farming households. These households have kept in poverty because of constrained gains from the sale of their output. Because the role of the state was minimised under liberalisation, the relatively bigger private producers and buyers usurped the economic profits from the poor. This was exacerbated by the collapse of the cooperative unions and the privatisation of government companies that were involved in agricultural products processing and marketing.

Regarding border price shocks, fluctuations in international commodity prices got directly transmitted to poor households. This has been experienced particularly in the traditional cash crop sectors of coffee, cotton, tea, and others like hides and skins. Similarly, the liberalisation of petroleum products has made the economy increasingly vulnerable to fluctuations in international petroleum prices. Coupled with the high tax on fuel, this has made the cost of transport relatively more expensive. In the case of tourism, it has been affected mainly by insecurity in major tourist areas.

Some markets were created while some were destroyed. Examples include the foreign exchange market that was created and the domestic commodity market chain that was destroyed. In the manufacturing sector, the emergence of counterfeit goods has been a key phenomenon. Trade liberalisation seems to have been faster than the ability of domestic regulatory institutions to regulate markets effectively. In the majority of the sectors, households responded poorly to domestic market liberalisation. Because over 70 percent of households are rural and largely semi-illiterate, response to market signals is usually less than adequate. No spillovers seem to have been witnessed in any particular sector.

Overall, trade liberalisation has increased vulnerability of the poor in Uganda. Not only are the poor fully exposed to external price shocks, both as producers and consumers, the poor have lost a large proportion of production and market support hitherto enjoyed before liberalisation.



The cooperative movement and system has virtually collapsed and the farming households currently have no source of backstopping support.

#### **4.3 Markets under Liberalisation**

Price fluctuations are a perennial feature of agricultural prices worldwide. Uganda has been no exception. Since liberalisation, price fluctuation has been the norm and prices have been declining in overall terms. This has correspondingly negatively affected household incomes because only modest increases in production have been witnessed over the period. Most rural farming households, unless assisted have little ability to effectively respond to market signals. While the prices of most of the traditional commodities have generally been on the decline, this was not accompanied by crop diversification. The absence of crop diversification to more market driven food crops like rice and wheat meant that household incomes have correspondingly gone down in tandem with international commodity prices.

The most notable effect of liberalisation and deregulation has been the collapse of the cooperative movement and system. Before liberalisation, over 70 percent of agricultural production was organised under the cooperative system. The collapse of the cooperative system meant that nearly all existing price stabilisation mechanisms either collapsed or are not functioning. This has occurred amidst rising costs of production and marketing since most production inputs including marketing facilities and equipment are not produced locally. Liberalisation seems to have resulted in what can be termed as an 'economic orphanage' situation among communities that relied on cooperatives for support. The net effect has been continuing decline in agricultural productivity.

Additionally, although a greater proportion of market prices appear to have been transmitted to the farming households, this seems not to have been felt. For instance, in the coffee sub-sector, liberalisation resulted into active participation of subsidiary companies of multinational corporations (MNCs) in coffee buying, processing and export. This allowed for transfer pricing that meant that quoted export prices were much less than the market prices. In the case of coffee, for example, although the proportion of farm gate prices reached (and has remained) over 65 percent of export prices, there has been minimal impact on the incomes of coffee farming households. The positive effects of liberalisation seem to have been watered down by overall decline in commodity prices.

#### **4.4 Wages and Employment under Liberalisation**

While real wages have been going up in the formal sector, the increase has been minimal. Unemployment is on the increase because employable labour has grown faster than growth in jobs. Although there has been growth in microfinance institutions providing micro credit facilities to the informal sector, this sector has not been able to attract the educated labour force partly because the cost of micro credit which is very high and (interest rates have ranged between 2.5-3 percent per month) cannot result in any meaningful investments. Besides, though microfinance credit has continued to support thousands who are in the informal sector as a form of employment, its real impact is yet to be assessed.



Liberalisation of education particularly higher education, including the introduction of cost-sharing schemes in public higher education institutions has led to the high cost of education. As a result, children from poor families find it increasingly difficult to access higher education as well as formal employment. Currently, children from poor households are less likely to obtain formal jobs than children from rich families.

#### **4.5 Impact on Government Revenue and Spending**

Government revenue has steadily increased since 1987. Although partly a result of improved tax administration, the role of increased trade (particularly import trade) and expansion of private sector investment in widening the tax base is beyond question. Currently, trade taxes (mainly import duty) still account for over 60 percent of government tax revenue. Value-added tax is charged on imports as well as domestically traded goods. This underlines the important role a liberalised trade regime has had on government revenue. In nominal terms, government revenue increased by over 4000 percent from Uganda shilling 44 billion in 1986/87 (US\$25.1mn) to 1, 910 billion (US\$1.1bn) in 2004/2005 (GOU, 2005).

Although the increase in government revenue over the last decade has not enabled the GOU to balance the budget, it has enabled the GOU to meet a bigger percentage of its recurrent expenditure. Real wages have increased over time, though modestly, for all public servants compared to the 1990 levels. The main benefit of the increase in government revenue in the last decade has been the introduction of Universal Primary Education since 1996.

#### **Conclusions**

Uganda’s liberalisation experience seems to have had mixed results. Firstly, while tremendous gains have been achieved in the areas of economic growth and stability as well as government revenue, it is also quite clear that liberalisation of the economy has achieved marginally in terms of the international competitiveness of domestic production, especially in agriculture. Secondly, although domestic markets appear to be working, the poor households seem to have benefited little in terms of income growth and better prices. Thirdly, rapid liberalisation has greatly increased the overall exposure of the economy to global markets. Consequently, the vulnerability of the poor households, particularly farming households has greatly increased. Fourthly, it appears primary that any future additional liberalisation measures should consider the existing domestic capacity of a sector to effectively engage international market forces.

**Table 1: Summary of Ugandan Trade Policy Reforms<sup>5</sup>**

<b>Year</b>	<b>Reform</b>
1987	<ul style="list-style-type: none"> <li>• Dual trade licensing system introduced</li> <li>• Duty exemptions on raw materials and capital goods suspended</li> </ul>
1988	<ul style="list-style-type: none"> <li>• Some protective tariffs (sugar, soap) raised</li> <li>• Open General Licensing (OGL) scheme for imports implemented</li> </ul>
1989	<ul style="list-style-type: none"> <li>• Retention account scheme for export earnings introduced</li> </ul>

<sup>5</sup> Morrissey O., Rudaheranwa N. and Moller L. (2003), Trade Policies, Performance and Poverty in Uganda, ODI, EPRC and University of Nottingham



	<ul style="list-style-type: none"> <li>• Duty exemption on raw materials</li> </ul>
1990	<ul style="list-style-type: none"> <li>• Export licensing system replaced with certification system</li> <li>• Foreign exchange bureau/parallel foreign exchange market legalised</li> </ul>
1991	<ul style="list-style-type: none"> <li>• Import licensing replaced with certification system</li> <li>• Duty drawback introduced</li> </ul>
1992	<ul style="list-style-type: none"> <li>• Tariff structure rationalised (6 rates in 10-60 percent range)</li> <li>• Several duties on raw materials abolished</li> <li>• Tax on coffee exports abolished</li> </ul>
1993	<ul style="list-style-type: none"> <li>• Unified inter-bank foreign exchange market/floating exchange rate</li> <li>• System of trade documentation reformed, pre-shipment requirements introduced</li> <li>• Cross border initiative to promote regional trade introduced</li> </ul>
1994	<ul style="list-style-type: none"> <li>• Further rationalization (10-50 percent range) of the tariff structure</li> <li>• Import duties on some of the materials suspended</li> <li>• Coffee stabilisation tax introduced</li> </ul>
1995	<ul style="list-style-type: none"> <li>• Coffee tax reduced</li> <li>• Narrow range of products only on negative import list</li> <li>• Reduced exemptions from duties on raw materials and intermediate inputs</li> </ul>
1996	<ul style="list-style-type: none"> <li>• Coffee tax abolished</li> <li>• Further rationalisation of tariffs to three non-zero rates with a maximum of 30 percent</li> </ul>
1998	<ul style="list-style-type: none"> <li>• Tariff bands reduced to three: 0, 7 and 15 percent (although with some special excise duties) and almost all import bans lifted</li> </ul>
2000	<ul style="list-style-type: none"> <li>• Fixed Drawback Scheme and the Manufacturing Under Bond Scheme introduced for exporters</li> </ul>
2000 (July)	<ul style="list-style-type: none"> <li>• Implementation of the WTO Agreement on Customs Valuation – using transaction value as the first method for assessing taxes on imports</li> </ul>
2005	<ul style="list-style-type: none"> <li>• EAC Customs Union enters into force; Common External Tariff adopted (three bands of 0,10 and 25 percent for raw materials/capital goods, intermediate goods and finished products respectively)<sup>6</sup></li> </ul>

<sup>6</sup> These rates are up from the previously applied rates by Uganda of 0, 7 and 15 percent for the respective categories of goods.

## Annex III

**The Role of Trade in Sustainable Development & Poverty Reduction with  
Reference to Millennium Development Goals (MDGs)**  
Mr Emmanuel Mutahunga, Senior Commercial Officer, Ministry of Tourism, Trade and  
Industry (MTTI)

**A Presentation to a Dialogue on Trade, Development and Poverty Reduction**  
Organised by CONSENT and CUTS International - CITEE, September 01, 2005

**Overview of the Paper**

- Trade, Sustainable Development and Poverty Reduction defined
- The Millennium Development Goals (MDGs)
- Role of Trade in Sustainable Development and Poverty Reduction- exploring the causal connections; and the MDGs

**Trade, Sustainable Development and Poverty Reduction**

- **Trade:** exchange of goods and/services include:
  - Dictionary of Trade Policy Terms: There are many different ways of trading, but there must be a commercial element for a transaction to qualify as trade.
  - Trade can be domestic or international.
  - Domestic trade takes place within a given Customs Territory frontiers, international trade usually refer to the sale and distribution of goods and services across international borders.
- **Sustainable development:** defined by the World Commission on Environment and Development (WCED) as ensuring that development meets the needs of the present without compromising the ability of future generations to meet their own needs.
- **Poverty Reduction:** a standard approach to defining poverty is to define a poverty line and then measure one of three statistics:
  - the head count index (number of households or people in households that fall below the line, possibly expressed as a proportion of the population);
  - the second statistic sums the shortfall of actual incomes below the line across all people or households below the line (measures depth of poverty);
  - and the final statistic sums the squares of the shortfalls and thus gives an individual greater weight in the final index the further they are below the poverty line (BPL); and
  - poverty reduction can thus be defined to mean reducing the number of people below the poverty line, and reducing the depth people remain below the poverty line.

**The Millennium Development Goals (MDGs)**

- Eradicate extreme poverty and hunger
- Achieve universal primary education
- Promote gender equality and empower women



- Reduce child mortality
- Improve maternal health
- Combat HIV/AIDS, malaria and other diseases
- Ensure environmental sustainability
- Develop a global partnership for development

**The Targets of MDGs:**

- Eradicate extreme poverty and hunger:
  - Reduce by half the proportion of people living on less than a dollar a day
  - Reduce by half the proportion of people who suffer from hunger
- Achieve universal primary education:
  - Ensure that all boys and girls complete a full course of primary schooling
- Promote gender equality and empower women
  - Eliminate gender disparity in primary and secondary education preferably by 2005, and at all levels by 2015
- Reduce child mortality
  - Reduce by two thirds the mortality rate among children under five
- Improve maternal health
  - Reduce by three quarters the maternal mortality ratio
- Combat HIV/AIDS, malaria and other diseases
  - Halt and begin to reverse the spread of HIV/AIDS
  - Halt and begin to reverse the incidence of malaria and other major diseases
- Ensure environmental sustainability
  - Integrate the principles of sustainable development into country policies and programmes;
  - Reverse loss of environmental resources
  - Reduce by half the proportion of people without sustainable access to safe drinking water
  - Achieve significant improvement in lives of at least 100 million slum dwellers, by 2020
- Develop a global partnership for development
  - Develop further an open trading and financial system that is rule-based, predictable and non-discriminatory. Includes a commitment to good governance, development and poverty reduction—nationally and internationally;
  - Address the LDCs' special needs. This includes tariff- and quota-free access for their exports; enhanced debt relief for Hosted IP Communication Services (HIPC); cancellation of official bilateral debt; and more generous official development assistance for countries committed to poverty reduction;
  - Address the special needs of landlocked and small Island developing states



- Deal comprehensively with developing countries' debt problems through national and international measures to make debt sustainable in the long term;  
In cooperation with the developing countries, develop decent and productive work for youths;
- In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries; and
- In cooperation with the private sector, make available the benefits of new technologies—especially information and communications technologies.

**Trade, Sustainable Development & Poverty Reduction - Exploring Causal Connections**

The following linkages are significant:

- Trade allows people to exploit their productive potential, assists economic growth, curtails arbitrary policy interventions and helps to insulate against shocks.
- Effect of trade on poverty is mainly through its effects on prices.
- These are mainly prices, which the poor pay for the goods and services they consume and the prices they receive for the services and products they produce.
- Therefore, any trade policy that targets *inter alia*, poverty reduction must have in-built mechanisms for addressing prices.
- Policy harmonisation, e.g. between trade policy, tax policy, monetary policy and fiscal policy is very essential.
- Trade policies will be most effective when complemented by effective and efficient institutions.
- Institutions include those for policy formulation, implementation and monitoring bodies, customs and standards bodies and export promotion agencies.
- Adequate and efficient trade facilitating infrastructure, and appropriate human skills in both the public and private sectors are crucial.
- Trade policy liberalisation needs not to be too liberal – competition policies are necessary. Otherwise, trade can increase income inequality, which is usually felt among the disadvantaged groups (Compare MDGs 1, 2, 3, & 6).
- Trade can lead to sustainable development influencing what is traded in and by how much.
- Natural resource-based (merchandise) exports – for sustainability of exports, the resource base must be managed sustainable manner.
- But sustainable management of resources must be done in such a manner that it does not stop or impede growth in other sectors of the economy.
- If the resources do not contribute positively to economic growth, it does not make economic sense to have them.
- A balance must be struck between current development needs and future development needs.
- The difference between renewable natural resources and non-renewable natural resources must be an integral component of sustainable development planning.
- Different trade policy instruments, for example, tariffs, surcharges, trade regulations. Etc. can be used to promote sustainable development.

**The MDGs Context**

- Major relevance between trade and MDGs relates to Goal 8; tariffs and global trading environment generally targeted; access to medicines (c.f. TRIPs and Public Health in the Department for Work and Pension (DWP)), public debt (trade and debt), trade and technology transfer.
- Food security issues are also addressed in trade (MDG 1) – food imports and/or exports impact on food security.
- TRIPs and Public Health also addresses MDG 6. National Trade Policies and related policies also have an impact on the Goal.
- Goal 3: national trade policies can help in attaining the Goal but specific policy targeting would be essential during the policy formulation stage as well as during implementation.
- Trade can lead to increased incomes, both private and public incomes.
- Private incomes increase through increased prices received for the goods and services traded in, or lower prices paid for services and goods consumed (impact depends on whether one is looking at a producer or consumer).
- Public revenue increases through increased tariff revenue that comes with growth in trade.
- These revenues can then be invested to help achieve virtually all the MDGs.
- A lot will depend on National Policy orientation.
- Trade and MDG 7: addresses the latter's influence on what is traded in and by how much.

**Conclusion**

- Policy coherence and consistence are essential.
- Targeted interventions may be necessary with trade liberalisation.
- Trade policy reform should not be too liberal if it is to sufficiently address poverty reduction concerns.
- Sufficient regulatory capacity needs to come with trade liberalisation.
- National (Trade) Policies should be made in such a way that they enable the harnessing of global policies and commitments.

THE END



## Annex IV

### THE ROLE OF TRADE IN SUSTAINABLE DEVELOPMENT AND POVERTY ERADICATION

by Mr James Kintu, Program Officer, Food Security, Action Aid International, Uganda

This presentation focuses on two main issues:

1. How trade can be a threat to development and poverty reduction efforts in poor countries (LDCs).
2. What efforts can be done to ensure that trade leads to sustainable development and poverty eradication.

Many economists argue that trade is the engine of growth, but growth does not necessarily mean development. There can be trade without development or development without much trade. Real development covers eradication of poverty and co-existence of wealth with a great mass of poverty cannot be regarded as progress in any case. For example, 38 percent of Ugandans surviving on less than one dollar a day is immoral and unacceptable.

Trade liberalisation plus enhanced market access does not necessarily equal poverty reduction; most poor countries undertook extensive trade liberalisation in the 90's, and also received some degree of preferential market access from developed countries, but performed dismally in reducing poverty. UNCTAD warns that if past trends continue, the poorest countries in the world will continue to lag behind the rest in 2015, the year by which the international community hopes to halve the proportion of the global population living in extreme poverty.

Sustainable development on the other hand is development that meets needs of the present without compromising the ability of future generations to meet their own needs.

Outlined below are reasons why trade may not deliver on sustainable development and poverty eradication in economically weak countries:

1. Indiscriminate trade liberalisation and market deregulation, a prescription by IMF and the WB as the best model of development. Many poor countries have opened up their economies too fast and too far without consideration of their development priorities and stage of development. This has resulted into people becoming poorer through, for example, job losses. According the WB report of 2001 on 'Attacking Poverty', the number of people living below the poverty line continued to rise rather than decline. In Africa, the number increased from 217 million in 1987 to 291 million (46 percent of the total population) in 2000.
2. Unregulated FDIs that lead to displacement of people and disruption of their livelihoods. The Kawere Coffee farm and the Palm oil project in Kalangala are good examples. There also environment concerns when it comes to promotion of corporate agriculture.
3. Inability to access agricultural market access at the local and international levels. Some of the major factors are:



- a. The high health and safety standard requirements especially for external markets
  - b. Cost of transportation and handling charges
4. The playing field is not level: farmers in the North are highly subsidised to produce and this is trade distorting.

*The OECD has calculated that total support and protection to agriculture in OECD countries amounted to US\$311bn in 2001, which is roughly six times the amount that developed countries spend on development assistance.*

*The figures on the European cattle subsidies show how absurd agricultural protection really is, and how much subsidies hurt the poorer developing countries. In 1999-2001, the average cow in EU received support of approximately US\$2,20 per day.*

5. The threat of liberalisation on social services like health, water, education and agricultural services is enormous.
6. Commercialising (IPRs) and its impact on access to essential drugs and biodiversity is a concern.
7. Supply side constraints places negatively impact on industrial development and competitiveness.
8. Tariff escalation discourages industrial development and makes poor countries poorer. For each stage of value addition, a tax is imposed.
9. Dumping cheap products on poor countries' markets at prices lower than the actual production cost has become a common practice.

### **Recommendation**

Outlined below are recommendations to deal with the above to realise development and poverty eradication:

1. There is need to mobilise and create awareness among all stakeholders on issues related to domestic and international trade.
2. Governments should intervene and provide support to overcome supply side constraints.
3. There is need to protect infant industries until they acquire sufficient capacity to compete favourably at the regional and global level. Evidence from successful developers, including US, UK, and other European countries and the Asian 'tigers', show that protecting infant industries was an important part of early trade and industrial policy.
4. Poor countries should resist liberalisation of social services until independent studies have been carried to establish the impact on development and poverty eradication.
5. There is need for poor countries to negotiate for trade preferences to access rich country markets for improved Government revenue.
6. Government should build capacity and support exporters to meet the require market standards.
7. Governments should put in place a comprehensive policy framework that protects national as opposed to foreign interests.



**Conclusion**

As CSOs, we believe that trade and markets can be important instruments for achieving economic development and poverty eradication. However, they must be regulated and managed fairly to enhance opportunities for the poor and protect the vulnerable

Trade liberalisation alone will not boost growth and poverty reduction in Africa. As the Africa Economic report argues the successful integration of trade into the world economy, which will require better educated and healthier workforce, improved economic and political governance, better quality infrastructure, and dynamic trade policies, including gradual and targeted trade liberalisation.



**Annex V**

Thursday September 01, 2005

National Dialogue Programme

- 09:30 a.m. – 10:00 a.m.      **Registration**
- 10:00 a.m. – 10:30 a.m.      **Opening session**
- Welcoming remarks, **Objectives and Expected Outputs of the National Dialogue:** *by Mr Kimera HR, CEO, CONSENT and Chair of the Session*
  - Introductory remarks on the **Overall TDP Project Framework:** *by Mr John Ochola, Director, CUTS International – Nairobi Center*
- 10:30 a.m. – 10:50 a.m.      Presentation on **an Overview of Stakeholder Perspective on Trade, Development and Poverty from Eastern and Southern Africa region:** *by Mr Alexander Werth, Consultant*
- 10:50 a.m. – 11:10 a.m.      Presentation on **TDP Project Study in Uganda on Trade Liberalization and Its Impact on Poverty:** *by DENIVA Trade Program Officer*
- 11:10 a.m. – 11:45 a.m.      **Discussions**
- 11:45 a.m. – 12:00 a.m.      **Break**
- 12:00 p.m. – 12:30 p.m.      Presentation on the **Role of Trade in Sustainable Development and Poverty Reduction with reference to Millennium Development Goals (MDGs):** *by Mr Emmanuel Mutahunga, Senior Commercial Officer, Ministry of Tourism, Trade and Industry*
- 12:20 p.m. – 13:30 p.m.      **Discussions**
- 13:30 p.m. – 14:30 p.m.      **Lunch**
- 14:30 p.m. – 15:00 p.m.      Presentation on the **Role of Trade in Sustainable Development and Poverty Reduction from a Civil Society Perspective:** *by Mr James Kintu, Program Officer, Food Security, Action Aid International – Uganda*
- 15:00 p.m. – 16:00 p.m.      **Discussions**
- 16:00 p.m. – 16:10 p.m.      **Wrap up the dialogue with advocacy action**
- 16:10 p.m. – 16:30 p.m.      **Closing session**

**End of Dialogue**



**Annex VI**

**TDP Workshop at Hotel Equatorial, Kampala September 01, 2005**

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