



**FACILITATING EQUITABLE AGRICULTURAL DEVELOPMENT IN
SUB-SAHARAN AFRICA (FEAD) PROJECT**

Uganda National Dialogue 2011 Report

Hotel Africana, Kampala | 20th October 2011

1. INTRODUCTION

Background note on the Validation Workshop in Uganda

CUTS-Geneva Resource Centre (CUTS-GRC) initiated the Facilitating Equitable Agricultural Development in Sub-Saharan Africa (FEAD) Project, which is first being implemented in Kenya, Tanzania and Uganda. Under the project organically linked activities of research and analysis, advocacy and dissemination and networking are being undertaken, for the purpose of strengthening the necessary horizontal and vertical linkages towards equitable development of agriculture in Africa.

SEATINI- Uganda in partnership with Consumer Unity and Trust Society- Geneva Resource centre (CUTS-GRC) organized a national dialogue to present the FEAD-Uganda National Study titled "A study of the terms of trade among farmers, investors and traders in Uganda" as well as two "Global Studies" conducted under the project. Participants in the dialogue included members of the Civil Society, media, and academia and government ministries.

Opening remarks

Bridget N Mugambe (Programme Officer SEATINI)

She welcomed all participants and thanked CUTS-GRC for the continued support extended towards SEATINI (Uganda) and other stakeholders. She gave participants a brief on the Facilitating Equitable Agriculture Development (FEAD) project and explained that it is being implemented Kenya, Tanzania and Uganda. She shared with participants that the project has a number of activities revolving around networking, advocacy and research and that the studies being validated are part of the research component of the project.

She further shared that the project is being implemented in the context of the realization that for agriculture to develop there is need to increase productivity and production to generate a surplus, need for trade facilitation measures in place and a healthy interaction between the different players in the sector.

She shared on some of the objectives of the project both long term and short term, chief among which is the development of an enabling environment for farmer friendly agriculture development.

2. PRESENTATIONS

There were two presentations on research studies carried under the FEAD Project that covered the global and national scope respectively. The presentation on FEAD Global Studies was delivered by Mr. Julian Mukiibi of CUTS Geneva Resource Centre, followed by a presentation on the FEAD Uganda research study by Dr. Mwambustya Ndebesa. Brief summary of the papers and the comments they aroused are presented in this section.

PRESENTATION ONE

Towards Equitable Agricultural Development in the EAC: An analysis of the Multilateral Trading System

Presented by Julian Mukiibi (CUTS-GRC)

He started by thanking SEATINI for organizing the dialogue and shared that CUTS-GRC and SEATINI have had prior relations especially on the two projects of Building an Inclusive EAC and Fostering Equity and Accountability in Trading Systems, a project from which the current one was derived. He shared that as part of the new FEAD project; studies have been undertaken at a country level in the project countries and also at a global level by CUTS-GRC. Below is a summary of the findings in the global studies.

A summary of the Key findings

Market Access-

- In regard to market access the study found that tariffication of NTMs in the WTO was an indicator of transparency and predictability but however also resulted in creation of tariff peaks for politically sensitive products.
- Issues under negotiation include exemption of LDCs from tariff reductions, highest tariff rates to receive biggest cuts and a tiered formula seeking to redress tariff peaks.

In this of strategic interest for EAC is the reduction in tariff peaks that would facilitate value addition for their products, hence attracting higher prices at the world market resulting in increased incomes.

Export Subsidies-

On the current disciplines in the WTO the study identifies the progressive elimination of subsidies contingent upon export performance.

Issues under negotiation are commitments to eliminate export subsidies and a general consensus on a 2013 deadline for developed countries and 2016 for developing countries.

The strategic interest for the EAC in this would be the guarantee of stable international prices for EAC agro-products, hence increasing opportunities for better livelihoods.

Domestic Support-

Under current disciplines, one of the issues sighted is the reduction commitments on domestic support and members being required to periodically notify the WTO of their domestic support.

Issues under negotiation include; further reduction commitments of domestic support leaving flexibilities to developing countries, proposed ceilings to avoid "box" shifting and enhanced monitoring of domestic support to ensure compliance to commitments.

Cotton Issue-

On this, current WTO negotiations aim to drastically reduce subsidies and provide assistance to LDCs dependent on cotton.

The strategic interest for EAC is that EAC countries are cotton producers with great potential and 4 of them would be eligible for development assistance.

The study concludes that EAC is endowed with a great potential for developing through agriculture and there is therefore a strong need for an enabling environment that can enable harnessing opportunities in the Multilateral trading system (MTS).

The study however recommends that in order to reap benefits from the MTS towards an enabling environment for equitable agriculture development there is need for;

- Tightening of domestic support;
- Elimination of export agricultural subsidies;
- Meaningful market access (DFQF);
- Enhanced monitoring and surveillance mechanism

And to ably harness the new market opportunities, the EAC agriculture sector will need;

- Supporting policy measures
- Sufficient resource allocation
- Supportive business environment
- Investing more in organic agriculture where the region has great potential

Some of the trade facilitation constraints in the EAC include;

- Trade infrastructure constraints (transport networks, storage facilities etc.)
- Fragmented and imperfect markets
- Inefficient and cumbersome border procedures

The presenter also shared on a number of initiatives that are already ongoing in the EAC targeted at facilitating trade. Some of the examples sighted were:

- East African Trade and Facilitation project (2006)
- The forthcoming North-South corridor project
- Standards and Trade Development facility (STDF)

The presenter further emphasized that as we move towards equitable agriculture development, there is need to build stakeholder capacities and some of the recommendations made on these for Small and Medium Size farmers were:

- More and better information about the potential of trade and trading opportunities for them
- Training in better farming practices for improved productivity
- Information about rules and requirements to conform with
- Encouraging dialogue for example through multi stakeholder consultative forums in policy making processes and most importantly an EAC Stakeholder forum to foster mutual learning about utilizing potential benefits of trade policy and facilitation of better interactions between national and international processes.

Other challenges include:

- Inefficient marketing systems and market availability
- No access to financial services
- Reliance on weather conditions
- Poor quality extension services
- Affordability of inputs
- Poor infrastructure (transport, storage, irrigation, comm...)
- Farmer capability
- Policy frameworks and government actions

In conclusion therefore the presenter noted that the Multilateral Trading System presents opportunities for EAD in the EAC however the constraints faced by the agro sector in the region need to be addressed if these opportunities are to be harnessed.

PRESENTATION TWO

Towards Equitable Agricultural Development in the EAC: An analysis of the Economic Partnership Agreement

Summary of Key Findings

Trade in Goods-

The Framework Economic Partnership Agreement (FEPA) provides for duty free and quota free (DFQF) market access for all EAC exports to EU with special safeguard provisions for sugar until 2015

The EAC will liberalize 82 percent of EU imports over a period of 25 years

Rules of Origin-

The FEPA rules of origin allow the possibility of cumulation which would facilitate value addition and diversification of agro-products in EAC.

However no cumulation with ACP countries that have not initialed EPAs, as well as with regard to certain products from South Africa.

Export Taxes-

These are prohibited except where to foster development of domestic industries or to maintain currency value stability.

The EAC Proposal in this regard is to allow the imposition of temporary export duties or taxes and only notify the EU.

The other proposal is for the EU to make binding commitments to compensate any revenue loss resulting from no-imposition of export taxes.

Non Tariff Measures-

Imposition of Non- Tariff Measures is prohibited which would ensure transparency in accessing the EU market and increase the possibility of access for EAC products in the EU market. However there are exceptions for instance where they are necessary to the application of standards.

For EAC to benefit from this there is need to train and assist Small and Medium Farmers so as to enable them comply with standards and regulations.

Safe guards-

The EPA allows for for multilateral and bilateral safeguards, and includes special provisions for infant industries but has burdensome procedures for their application.

Development Cooperation-

EAC has drafted a text on Agriculture and on Development Cooperation. Areas of development cooperation in both need to be harmonised.

Revenue loss due to binding liberalisation should be caught by binding development support.

Potential opportunities for Equitable Agriculture Development in the EPA

DFQF can create incentives for increased investment in the agriculture sector. However the study suggests that the target for investment should be the Small and Medium sizes Farmers.

Simplified Rules of Origin provide more certainty and the possibility of cumulation provides for value addition and diversification.

To improve productivity the study proposes;

- The chapter of agriculture to include promotion of joint ventures and mixed investments in general
- Facilitation of access to credit for small and medium sized farmers
- Chapter on Development cooperation to include binding commitments to achieve better infrastructure and better technological inputs.
- Binding commitments to compensate revenue loss as a result of liberalisation through development support.

Redress of trade facilitation constraints;

- Need for a specific development fund under the FEPA aimed at;
 - Improving customs administration,
 - building better infrastructure networks,
 - capacity building of small farmers,
 - harmonisation of the regulatory frameworks within the EAC

The presenter however shared that the EPA fails to explicitly address some issues for example;

Better access to production technologies and direct linkages to markets for SSF, better information for SMFs.

In conclusion the presenter suggested a way forward for national governments including:

- Providing stakeholders with information on how they can effectively harness opportunities provided for under the EPA
- Establishing channels through which all stakeholders can participate in consultations on the ongoing Negotiations and be informed about final outcomes
- establishing mechanisms which ensure that their views, opinions and proposals are taken into account
- Harmonizing regional and national strategies
- allocate resources to sectors that are likely to benefit most from the EPA

PRESENTATION THREE

Presentation of Uganda Country Study Findings (Mwambustya Ndebesa)

The country study was done and presented by Mr. Mwambustya Ndebesa and he started by giving the objectives of the study which were:

- Examining the relationships existing between the agriculture policy makers, farmers, investors and traders as well as their role/contribution to the policy formulation and implementation;
- Identifying both the positive and negative elements in the relevant policy, institutional and legal framework
- To encourage and promote dialogue among farmers, investors, traders and policy makers through inclusive research methodology; and
- Generating a set of practical recommendations directed at all relevant stakeholders

He gave a brief on agriculture systems in Uganda, farmer characteristics and roles, stakeholders in the value chain and agriculture sector challenges including lack of trade finance and a clear land tenure policy.

Some of the stakeholders identified in the value chain were Private Sector Stakeholders including; Farmers, Traders both rural and urban who including; brokers or agents, retailers and whole sellers, Transporters, Packaging Material Suppliers, Private Extension Service Suppliers, Processors and millers, Exporters and Agricultural Input supplies etc.

Advocacy non-state actors: The other non state stakeholders in the agricultural sector and who have the potential to transform the sector and ensure equity are; Private sector organisations and civil society organisations engaged in advocacy work.

Private Sector Organisations are: (PSFU), (UNCCI), (UMA), (UNFFE) etc. Examples of CSOs are; (CSWGT), (FRA), (DENIVA), (SEATINI), Oxfam Uganda, VDCO etc.

Community Based Organisations: At the grassroots level there are a number of Farmer Group Organisations and marketing cooperatives also engaged in promoting farmers' rights and organise production and marketing.

The presenter then gave a brief on farmer, trader and investor relations

The positive functions of intermediaries

- Provide Agricultural Financing, especially market finance, market information, storage including cold storage, packaging materials, transport and other services etc.
- Plantation owners/processors provide production funding to contract farmers as well as extension services and value addition
- Provide education on quality and hygiene standards as well as distribution of inputs such as improved seeds, breeds, animal drugs, chemicals, machinery, feeds, vaccines etc
- The intermediaries balance economies of large scale which is necessary among dispersed farmers

Negative relations:

- The farmers generally believe the other actors in the value chain under pay them
- The farmers are usually the price takers and not price makers
- Some unscrupulous input traders sell to farmers adulterated or fake drugs, vaccines, seeds, feeds, substandard animal breeds and even counterfeit machinery
- Some buyers use fake weighing scales and lie to the farmers about market prices
- Produce buyers sometimes advance credit to farmers at very high interests taking advantage of the immediate financial needs of the farmers
- On the other hand farmers also adulterate their produce, do not observe hygiene and quality standards and these practices make traders and processors incur business losses
- Some contract farmers short-change their creditors and breach the contract by selling to other buyers who never invested capital into crop farming

In conclusion the study established that there are positive and negative aspects in their relationships and in conclusion it was noted that;

- Farmers themselves are not empowered and have limited advocacy skills capacity and information to struggle for and achieve equitable terms of trade.
- The advocacy institutions such as the Uganda Farmers Federation have limited scope and capacity challenges.
- The farmers also complained that they are not adequately represented in the different fora.
- Some large scale contract farmers and investors are inclined towards supporting farmers to improve farm level productivity
- However the relationship between traders and farmers is largely characterised by high levels of mistrust and near antagonism.

On improving farmer, trader and investor relations the study made a number of recommendations as below;

- Focus on value chain development particularly shortening the Value Chain.
- Promotion of autonomous (not co-opted and politicised) farmer groups and co-operatives.
- Building a symbiotic relationship through formal linkages between the small holders and the market leaders
- Proactive commercialisation of agriculture sector produce
- Bulking production and marketing to attain economies of scale
- Assistance of farmers and agro dealers with certification schemes
- Provision of more and transparent market information.
- There is also a case for establishing Market Linkage Centres (MLCs)
- Formation of an effective forum(s) where all the stakeholders (traders, farmers, processors) commit themselves to addressing equity issues.
- Farmer education on effective marketing should be done frequently through Agricultural TV and Radio and print media programmes
- Improve rural marketing infrastructure to enable farmers reach final consumer markets directly where possible or at least reduce on the number of middlemen
- Improving market conditions through enforceable regulations, contracts and legislations.
- Trade advocacy should improve its goals and shift from over prioritizing external trade policy.
- Agricultural Marketing research should be prioritized.
- The high level fora such as the presidential Investors Round Table should address farmers concerns.
- There is need to promote a non paternalistic and formal interaction sanctioned by law or an accord or Memorandum of Understanding.
- Central as well as local/municipal governments should construct whole sale markets and stores near urban centres
- Educate farmers on the need to observe proper standards as these affect the market.
- Reduce imbalance in market power by providing farmers access to marketing services.

3. STAKEHOLDERS' DISCUSSION

Some of the issues raised by the plenary in regard to the global studies were:

- Developing countries should press for sealing of boxes to prevent box shifting.
- The EAC countries should put into consideration the development of a monitoring mechanism to find out how the reduction of subsidies at the WTO is impacting on the cotton industry in the EAC.
- In regard to the EPAs EAC countries should emphasize the need to have cummulation beyond ACP Countries that have initialed the EPA to include any other countries as may be identified by the EAC partner states.
- Export taxes- The EU proposal to replace lost revenues in compensation for the lost export taxes doesn't suffice because there are no more funds added to the aid already given.

Issues raised with regard to the Uganda country study :

- Need for supporting cooperatives rather than middle men
- It is important that we encourage more organizations to look at external trade policies as there are few organizations looking at this.
- Analysis of the growth in the different sectors shows that it isn't agriculture that is reducing in growth but other sectors that are growing at a higher rate.
- The agriculture sector is now guided by the sector Development Strategy and Investment Plan which builds on the NDP. It is therefore important that issues raised in these plans are critically analysed and opportunities harnessed.
- We need to have recommendations on how the government will address farmer challenges in harnessing opportunities within the EPAs
- Characterization of farmers needs to be revised especially in regard to how much land they have for example there are some small scale farmers that have less than 5ha of land. Aquaculture should also be included among the categories.
- Need to review policy documents in relation to the agriculture sector to see whether they enhance stakeholder relations.
- Need to interview more stakeholders that may not have been included in the lists of respondents like the agriculture inspectors, District Agriculture Officers, District Commercial Officers and Uganda Export Promotions Board.
- Need to do research on why farmers end up breaching contracts with agro dealers after they have agreed on certain terms
- The need to certify agro dealers is welcome however there's need to suggest on how to ensure that the system is effective.
- Challenges/programmes should be streamlined according to levels of farmers.

- Information sharing has been identified as important but we need to indicate the information flow up to the lowest farmer.
- As we recommend value addition we also need to recognize that value addition works with sizeable quantities and we therefore need to first increase the volumes.
- The warehouse receipt system should be looked at critically and recommended as a way of enhancing farmer market systems.
- CSOs need to put in more effort to monitor the DSIP
- The study should have come out clearly to show that there is no clear relationship between farmers and investors.
- In assessing the agriculture sector, the study should show the linkages between land policy, land fragmentation and low agriculture production.

4. CLOSING REMARKS

In his closing Remarks Julian thanked all participants for taking of time to participate in the meeting and for the good comments and recommendations. He shared with participants that the comments will be incorporated by the researcher and another dialogue will be held in February.

He also shared that CUTS has had a number of other projects which can be found on www.cuts-grc.org.

The meeting was closed at 2:00pm.

ANNEX 1: AGENDA

0830 – 0900	Registration
0900-0915	Welcome and Introduction:
0915 – 1015	Session I – Presentation of FEAD Uganda Research Study Moderator: Jane .S. Nalunga Presentation of Draft Study: Mwambustya Ndebesa.
1015 – 1115	Session II – Presentation of FEAD Global Studies Moderator: Jane .S. Nalunga Presentation of Draft Study: <i>Julian Mukiibi, Programme Officer, CUTS Geneva Resource Centre</i>
1115 – 1145	Tea/Coffee Break
1145 – 1250	Session III - Floor Deliberations Moderator: Agnes Kirabo (VEDCO)
1250- 1300	Conclusion and Vote of Thanks:
1300- 1400	Lunch and Departure