

Towards More Inclusive Trade Policy Making: Process and Role of Stakeholders in Select African Countries



About the Book

The outcome of the research during the first phase of the Fostering Equity and Accountability in the Trading System (FEATS) Project is presented in this volume. This research adopted a tested methodology used regularly by CUTS of active involvement of national stakeholders through the respective FEATS National Reference Groups (NRGs) in the project countries: Kenya, Malawi, Tanzania, Uganda, and Zambia. This project has an added value here; Geneva based Missions of the project countries (and the Brussels Mission of Malawi) have been involved.

Research focus is on trade policy making processes and role of main stakeholders. Research shows that a number of initiatives have been undertaken by the governments in the project countries to open up the trade policy making process to a larger group of stakeholders including relevant government ministries and agencies, private sector, NGOs, and research institutions. The primary means for this are the formal consultative mechanisms. Research also indicates that the stakeholders are aware of these efforts and eager to play an active role in trade policy making. However, their improved and effective participation in trade policy making requires strengthened capacity of all stakeholders, improved and more consistently used consultative mechanisms (i.e. inclusion of all relevant stakeholders, rationalization of number and functions, regularity of meetings, and clarity of mandate), and promotion of a culture of dialogue among all stakeholders.

While the situation varies among countries and among different groups of stakeholders, the research affirms that much needs to be done. Hence, the effort must be sustained.

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Trade Policy Making:
Process and Role of Stakeholders
in Select African Countries**

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Foreword

Developing countries, including those in Africa, strive to achieve sustained and sustainable economic growth to address problems of poverty, unemployment and under development. They recognise the positive role that trade can play in this endeavour, and hence, are increasingly mainstreaming trade into their overall development policy and strategies. As a result, trade policy has become an important instrument in the development policy framework for these countries. While initial impetus for this had come from external exigencies, for example, membership of the World Trade Organisation (WTO), regional integration initiatives, focus on promotion of exports and others, national level issues are getting greater attention now. This is a move in the right direction. Trade policy of a country should be developed to respond to national constraints and aspirations as well as in conformity with its international obligations. An appropriate trade policy making process can address both these imperatives in a balanced manner.

CUTS should be felicitated for recognising the need for research and advocacy work on trade policy issues at the national level. Maintaining the pioneering spirit of its work, CUTS is implementing a three-year project in five African countries – Kenya, Malawi, Tanzania, Uganda, and Zambia – that focuses on trade policy and related issues in each project country while taking into account the developments in the international arena. Entitled as “Fostering Equity and Accountability in the Trading System”, in short FEATS, this project is about to complete the first phase of 18 months. During this phase country-level research was undertaken on trade policy making processes and the role of various groups of stakeholders in trade policy making. This publication presents the outcome of the research.

Policy making processes and role of stakeholders are important aspects of the political economy of trade policy making and implementation. However, these have not been studied as much as the economic and legal aspects of trade policies. The publication of this work contributes towards filling this gap. It also provides a sound basis for more sector-specific research during the second phase of the FEATS project.

Research and analysis in the publication confirms several widely-held views. Most noteworthy among these are: the need for capacity building on trade-related issues among all groups of stakeholders whether government ministries, private sector, or the CSOs; existence of an overall development policy framework with trade as an important element; gradual opening up of the policy making process to participation by the non-state actors; and an occasionally tense relationship between the government and the civil society. The publication provides evidence to confirm these within an overarching logical framework to study trade policy making processes in the project countries. This

logical framework sheds light on the reasons for these outcomes and then offers suggestions for addressing them.

The publication, by undertaking a systematic study of trade policy making processes and role of stakeholders in project countries, also offers new insights. For example, the maturity of dialogue between the state and non-state actors; substantially greater opportunities for the private sector to engage with the governments on policy issues; the need for rationalising and streamlining the existing formal mechanisms for stakeholder consultations; and, the internal problems faced by the private sector (e.g., balancing the interests of all members of a private sector umbrella organisation) and the civil society (e.g., ensuring regular feedback to and inputs from their constituencies) that they should address to take full advantage of the opportunities to participate in trade policy making process.

The publication also offers some provocative elements. The Inclusive Trade Policy Making (ITPM) Index is an original contribution to measure the inclusiveness of trade policy making process in the project countries as viewed by the corresponding groups of stakeholders. But the scores by various groups of stakeholders across countries are bound to provoke a heated debate. This should be welcome. The ITPM Index scores in the publication are based on stakeholder feedback but should not be viewed as either mathematically deduced or fixed. Their key importance is in pointing out the weaker areas of trade policy making where respective groups of stakeholders need to make further efforts. The debate on these scores will be welcome because it will generate interest among the stakeholders and may lead to the required actions. This debate may also help in further improving the methodology of the ITPM Index.

I must congratulate CUTS and its FEATS research team for this valuable contribution to the literature on the political economy of trade.

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Preface

“Fostering Equity and Accountability in the Trading System (FEATS)” project is yet another manifestation of our resolve to put into practice our vision, i.e. pursuing economic equity and social justice within and across borders by persuading governments and empowering people. This project is being implemented in Malawi, Kenya, Tanzania, Uganda, and Zambia with the support from the William and Flora Hewlett Foundation of the US. Organically linked research, advocacy and networking activities under the project aim to achieve the following objectives:

- Ensuring and enhancing positive linkages between trade and development in Africa by developing the capacity of governments to proactively and positively respond to trade issues through their involvement in policy research;
- Advocacy with trade officials and in national capitals by establishing robust, two-way linkages between activities in Geneva and in project countries; and
- Generating a more coherent and pro-trade for development voice in the formulation and implementation of trade and development policy at both the national and international levels.

The project is divided into two phases with demand-driven and result-oriented research at the centre of each phase to inform and enrich the advocacy and networking activities. The inclusive methodology for research ensures continuous capacity building of stakeholders throughout the process as well as the ownership of outcomes. This publication that presents the outcome of research during the first phase of FEATS project is an evidence of the success of this methodology. The focus of research is on trade policy making processes and the role of stakeholders in trade policy making in project countries.

The research process started with a consultative meeting with governmental, private sector, and civil society representatives from project countries held in Geneva in July 2008 to discuss the main research questions and the methodology. I had participated in this meeting and was invigorated by the enthusiasm of all participants.

This was followed by National Inception Meetings (NIMs) held in the capitals of all the five countries in October 2008 and attended by a group of about 40 representatives of government ministries, private sector associations, NGOs, and research institutions in each country.

The NIMs discussed and finalised the terms of reference for the research. NIMs also established National Reference Groups (NRGs) in each country to interact on all FEATS activities including research. In fact NRG members were invaluable partners during the entire period of research and provided important insights, information, analysis, and

critique. The final drafts of the research were presented at the National Dialogues (NDs) held in the project countries in April-May 2009. The NDs again provided an opportunity to country stakeholders to comment on the debate, and validate the research. The fruit of these labours and team effort is now ready for sharing with the larger trade and development communities nationally and internationally.

The remit of modern day trade policy goes far beyond the so-called “border measures”. Also included in the purview of international trade agreements are issues related to national industrial, science and technology, investment, and a host of other policies. And their impact can be felt by diverse stakeholder groups such as businesses, consumers, farmers, industrialists, innovators, labour and women. Hence, the need for multi-stakeholder consultations and inclusive trade policy making and implementation processes. Inclusive trade policy making processes can significantly contribute to the empowering of people and persuade the governments to design and implement policies that use trade as a mean to pursue economic equity and social justice.

Despite their importance, the issues of trade policy making processes and role of stakeholders in developing countries, particularly sub-Saharan African countries remain under-studied. These issues fall under the political economy of trade that has not received as much attention in these countries as the economics of trade. Fortunately the situation is changing now with greater interest in the national political economy aspects of trade. In my humble opinion, the FEATS project, in general, and this publication, in particular, would make pioneering contributions in this regard.

This research publication presents the status of inclusiveness of trade policy making processes and the role and constraints of various groups of stakeholders in the project countries. It shows the progress towards more inclusive policy making processes that has generally accompanied the adoption of more outward-oriented trade policies by these countries. This is impressive given the limited resources in the project countries. On the other hand, the publication also brings out the areas where further action is needed not only by the governments but also by other groups of stakeholders in each country, and for external actors to observe.

The researchers undertook intensive literature search on political economy of the project countries and culled out some key indicators that inform the policy makers of the road ahead. They developed a novel qualitative tool to make a broad assessment of the inclusiveness of trade policy making processes in the project countries. This Inclusive Trade Policy Making (ITPM) Index was developed with reasonably available tool and a logical framework. The resulting scores provide a fair indication of the gaps in inclusiveness, the first step to bridging them.

It is my expectation that the findings of this research will prompt further debate and dialogue within national trade policy communities in the project countries as well as across them and internationally; facilitate targeted action by countries and their development partners to deal with the identified weaknesses; and further empower the stakeholders. CUTS stands ready to assist in whatever way it can. It is already committed to pursuing some related initiatives during the second phase of the FEATS project.

Before concluding let me also express my sincere thanks to all those who are associated with the FEATS project and the conduct of this study including the development partner, the William and Flora Hewlett Foundation, FEATS partner organisations in the project countries, and members of the FEATS NRGs. I am also thankful to my colleagues in CUTS Resource Centres in Geneva, Lusaka and Nairobi who have spearheaded the implementation of the FEATS project. They are doing a splendid job.

Jaipur
September 2009

Pradeep S Mehta
Secretary General

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Any remaining omissions and mistakes are the responsibility of the research team.

Abbreviations and Acronyms

ACODE	Advocates Coalition Organisation for Development and Environment
ACP	African Caribbean and Pacific states
ADMARC	Agricultural Development and Marketing Corporation
AERC	African Economic Research Consortium
AfDB	African Development Bank
AGOA	Africa Growth and Opportunity Act
AU	African Union
CAMA	Consumer Association of Malawi
CBI	Cross Border Initiative
CDC	Centres for Disease Control and Prevention
CDI	Centre for Development Initiatives
CET	Common External Tarriff
CIA	Central Intelligence Agency
CISANET	Civil Society Agriculture Network
CMM	Chamber of Mines of Malawi
COMESA	Common Market of Eastern and Southern Africa
CSBI	Civil Society Budget Initiative
CSO	Civil Society Organisation
CSWGT	Civil Society Working Group on Trade
CTI	Confederation of Tanzania Industries
DDC	District Development Committees
DEMAT	Development of Malawian Enterprises Trust
DENIVA	Development Network of Indigenous Voluntary Associations
DFID	Department for International Development
DRC	Democratic Republic of the Congo
DTIS	Diagnostic Trade Integration Study
EAC	East African Community
EALA	East African Legislative Assembly
EALC	East African Law Chambers
EASUN	East African Support Unit for NGOs
EBA	Everything But Arms
EC	European Commission
EDRD	Economic Development and Research Department
EIF	Enhanced Integrated Framework
EPA	Economic Partnership Agreement

EPRC	Economic Policy Research Centre
EPZ	Export Processing Zone
ERP	Economic Reform Programme
ERS	Economic Recovery Strategy for Wealth and Employment Creation
ESRF	Economic and Social Research Foundation
ESA	Eastern and Southern Africa
EU	European Union
FPEAK	Fresh Produce Exporters Association of Kenya
FRA	Food Rights Alliance
FTA	Free Trade Agreement
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GSP	Generalised System of Preferences
GTAM	Garment and Textile Manufacturers Association of Malawi
HIPC	Highly Indebted Poor Country
IBAM	Indigenous Business Association of Malawi
IDS	Institute for Development Studies
IF	Integrated Framework
IITC	Inter-Institutional Trade Committee
IMCs	Inter-Ministerial Committees
IMF	International Monetary Fund
IMTC	Inter-ministerial Technical Committee
ISO	International Organisation for Standardisation
ITPM	Inclusive Trade Policy Making
JICCC	Joint Industrial and Commercial Consultative Committee
KAM	Kenya Association of Manufacturers
KCB	Kenya Commercial Bank
KCSA	Kenya Civil Society Alliance
KEPLOTRADE	Kenya-European Union Post-Lome Trade Negotiations
KEPSA	Kenya Private Sector Alliance
KFC	Kenya Flower Council
KIPPRA	Kenya Institute for Public Policy and Research Analysis
KNCCI	Kenya National Chamber of Commerce and Industry
KNRG	Kenya National Reference Group
LDC	Least Developed Country
LHRC	Legal and Human Rights Centre
MAAIF	Ministry of Agriculture, Animal Husbandry and Fisheries
MCCCI	Malawi Confederation of Chambers of Commerce and Industry

MDC	Movement for Democratic Change
MEDI	Malawian Entrepreneurs Development Institute
MEGS	Malawi Economic Growth Strategy
MEJN	Malawi Economic Justice Network
MEM	Ministry of Energy and Minerals
MEPC	Malawi Export Promotion Council
MFAIC	Ministry of Foreign Affairs and International Cooperation
MFN	Most Favoured Nation
MFPEP	Ministry of Finance, Planning & Economic Development
MGDS	Malawi Growth and Development Strategy
MISA	Media Institute for Southern Africa
MIT	Ministry of Industry and Trade
MITPSD	Ministry of Industry, Trade and Private Sector Development
MITM	Ministry of Industry, Trade and Marketing
MNDTPF	Malawi National Development and Trade Policy Forum
MNRT	Ministry of National Resources and Tourism
MoA	Ministry of Agriculture
MoEPD	Ministry of Economic Planning and Development
MOJCA	Ministry of Justice and Constitutional Affairs
MOLG	Ministry of Local Government
MoT	Ministry of Trade
MPRS	Malawi Poverty Reduction Strategy
MRA	Malawi Revenue Authority
MTA	Malawi Tourism Association
MTCS	Medium Term Competitiveness Strategy
MTS	Multilateral Trading System
MTTI	Ministry of Tourism, Trade and Industry
MUFIS	Malawi Union for the Informal Sector
NABW	National Association of Business Women
NAG	National Action Group
NASFAM	National Smallholder Farmers' Association of Malawi
NASME	National Association of Small & Medium Enterprises
NBC	National Business Council
NCWTO	National Committee on the WTO
ND	National Dialogues
NDTPF	National Development and Trade Policy Forum
NES	National Export Strategy
NETT	National EPA Technical Committee
NGO	Non-Governmental Organisation
NIM	National Inception Meeting
NIU	National Implementation Units
NOLA	National Organisation for Legal Assistance
NSA	Non-State Actors
NSGRT	National Strategy for Growth and Reduction of Poverty
NTB	Non Tariff Barrier
NTBPS	National Trade Policy Background Papers
NTP	National Trade Policy

NTSDP	National Trade Sector Development Plans
NTSRC	National Trade Sector Review Conference
NWGTP	National Working Group on Trade Policy
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
OGL	Open General License
PAC	Project Advisory Committee
PEAP	Poverty Eradication Action Plan
PEC	Presidential Economic Council
PMA	Plan for Modernisation of Agriculture
POPP	President's Office, Planning and Privatization
PPD	Public, Private-Sector Dialogue
PPG	Public, Private Group
PRSP	Poverty Reduction Strategy Paper
PS	Permanent Secretary
PSDS	Private Sector Development Strategy
PSF	Private Sector Foundation
RBC	Regional Business Council
REPOA	Research on Poverty Alleviation
RODI	Resource Oriented Development Initiatives
RSA	Republic of South Africa
SADC	Southern African Development Community
SAP	Structural Adjustment Program
SEATINI	Southern and Eastern African Trade Information and Negotiations Institute
SEDOM	Small Enterprises Development Organisation of Malawi
SMART	Sustainable, Measurable, Attainable, Result-oriented Timely
SMEs	Small and Medium Enterprises
TAM	Tea Association of Malawi
TAMA	Tobacco Association of Malawi
TAMWA	Tanzania Media Women's Association
TANEXA	Tanzania Exporters Association
TANGO	Tanzania Association of NGO's
TCCIA	Tanzanian Chamber of Commerce, Industry and Agriculture
TEAM	Tobacco Exporters Association of Malawi
TGNP	Tanzania Gender Networking Programme
TLS	Tanzania Language Survey
TRIPS	Trade Related Aspects of Intellectual Property Rights
TTIS	Tanzania Trade Integration Strategy
UAE	United Arab Emirates
UEPB	Uganda Export Promotion Board

UGIEA	Uganda General Importers and Exporters Association
UIA	Uganda Investment Authority
UMA	Uganda Manufacturers' Association
UNCCI	Uganda National Chamber of Commerce and Industry
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
UNFF	Uganda National Farmers' Federation
UPTOP	Uganda Programme on Trade Opportunities and Policy
USAID	United States Agency for International Development
USSIA	Uganda Small Scale Industries Association
VAT	Value Added Tax
WLA	Women's Legal Aid Centre
WTO	World Trade Organisation

Introduction

1. Background

Trade can and should be an engine of growth and development. Improved trading opportunities can be particularly helpful for smaller developing countries and the least developed countries (LDCs) as they contribute to the development of domestic productive capacities and better competitiveness. Trade, therefore, has been recognised as an important means to achieve the UN Millennium Development Goals (MDGs). It is also recognised that greater openness can pose serious challenges particularly for smaller countries. A greater integration into the global economy through freer trade increases the speed at which shocks can be transmitted to the domestic economy where poor and marginalised sections often lack the means to withstand such shocks. This is not an argument against trade. Rather it brings home the importance of trade policy making and implementation within the context of the larger development policy (e.g. integrating trade policy into development policy), through a consultative process involving all the stakeholders, and tailoring domestic trade policy to the international trading regime in such a way that the opportunities are maximised. Hence, the importance of a comprehensive, well crafted, and effectively implemented national trade regime.

National trade regimes, like any other regime, consist of implicit and/or explicit principles (beliefs of facts and causation), norms (standards of behaviour defined in terms of rights and obligations), rules (specific prescriptions for action), and decision-making procedures (prevailing practices for making and implementing collective choice) around which actors' expectations converge (Krasner: 1983). Hence, a trade regime embodies not simply regulative rules but also constitutive rules which address questions about why the regime exists in the first place, what purpose it aims to serve, what roles its actors are expected to play and so on. These issues fall into the sphere of political economy of trade. Unlike the economics and law of trade regimes, the political economy of trade has not been thoroughly studied and understood particularly in the context of smaller developing countries.

Recognising this important gap, CUTS' project on Fostering Equity and Accountability in the Trading System (FEATS), during the first phase of its implementation, has undertaken studies of trade policy making in the five project countries: Kenya, Malawi, Tanzania, Uganda and Zambia.

2. Objectives

The main objectives of these studies include:

- To understand the political economy landscape of the country so that future trade-related work can focus on key actors and processes to highlight and utilise the role of trade for poverty reduction and development;
- To collect and collate information and analyse this information to delineate the main groups of stakeholders and their respective roles as well as the consultative processes and mechanisms in the project countries;
- To draw lessons that can help in taking targeted actions by governments and other stakeholders in the project countries to improve domestic buy-in for national trade policies; and
- To develop a template/model that can be used to conduct such studies in other developing countries as well.

3. Substantive Issue Coverage

It must be emphasised that these studies are not about economics of trade or about the legal issues surrounding international trade regimes. These are critical issues but have been studied to some extent. The focus of the present study is on trade policy making processes and the main stakeholders involved. These issues have not been studied in depth and that is where the real value-addition of the present study lies. The studies start with brief introductions to the basic economic outlook and trade performance and regimes of the countries. This is to provide a general context and background to better understand the subsequent analysis. The studies then focus on trade policy making processes and the participation of various groups of stakeholders in these processes. Hence, the substantive issue coverage of the studies includes:

- Identification and description of key stakeholders including both the state and non-state actors (NSAs);
- Identification and description of the processes and mechanisms used for trade policy making;
- Description and analysis of the participation and role of various groups of stakeholders in trade policy making with their respective strengths and weaknesses;
- Identification of main weaknesses in the current processes and mechanisms used for trade policy making that need to be addressed to improve stakeholder participation and hence establish an organic link between the interests and concerns of stakeholders on the one hand and the trade policies of the countries on the other; and
- Development of an Inclusive Trade Policy Making (ITPM) index as a qualitative tool to measure the performance of various stakeholders with a view to suggesting improvements.

4. Methodology and Process

The studies have been undertaken through pooling of knowledge and expertise on trade policy issues, political economy issues, and advocacy issues; utilising opportunities to cross-fertilise ideas and experiences during the study process; and most importantly, facilitating buy-in by the relevant stakeholders in the countries. Hence, the process to

conduct studies should be viewed as an activist-political process as opposed to a purely academic process.

Based on above, the following interactive process was adopted for the conduct of the studies:

- Development of initial terms of reference (ToR) that were discussed with government, private sector, and civil society representatives from project countries that had been invited to the CUTS Geneva Resource Centre and the FEATS project Inception Meeting held in Geneva, Switzerland in July 2008;
- Detailed discussions on revised ToR with a larger group of stakeholders representing various government ministries, private sector, civil society organisations (CSOs), and research institutions in each project country during the FEATS National Inception Meetings (NIMs) held in October 2008 and which led to the finalisation of ToR;
- Desktop research in Geneva in the second half of 2008 to collect the relevant material from all possible sources;
- Preparation of first draft of studies by early 2009;
- Undertaking a rigorous review process of the first drafts that included reviews and comments by CUTS' research team, members of FEATS Project Advisory Committee (PAC) and members of FEATS National Reference Groups (NRGs) that had been established in each project country during the NIMs;
- Preparation of revised drafts based on the review process mentioned above;
- Supplementing information and analysis through a number of bilateral meetings with stakeholders and through a short survey conducted in April-May 2009;
- Final discussions and validation of revised drafts in the FEATS National Dialogues (NDs) held in project countries in April-May 2009; and
- Finalisation of the studies after another review undertaken by CUTS' research team as well as three external reviewers¹.

This inclusive and participatory process that was spread over several months has facilitated regular interaction and feedback from stakeholders in the countries and other experts.

5. Organisation and Structure

This publication includes an overview chapter, five country-specific studies, and one substantive annexure. The five country studies follow the same template. Hence, there is a certain similarity in the way information and analysis is organised in each of the five country studies. However, this similarity should not be taken as duplication as each country has its own specific context. The use of the same template for all the five studies allows for some useful comparisons and to draw cross-country lessons. This is the focus of the overview chapter. This chapter attempts to present key points from all the five country studies that are quite informative to identify the similarities as well as

1 H.E. Darlington Mwape, Ambassador of Zambia to the UN and Other International Organisations in Geneva, David Luke, Senior Adviser and Coordinator, Trade and Human Development, UNDP, Geneva, and David Ong'olo, Consultant, Spellman and Walker, Nairobi, Kenya.

differences. This should be helpful in learning from the experience of others as well as in drawing overall lessons.

The substantive annexure presents the methodology and background to the ITPM index. This qualitative instrument has been developed as part of the studies and provides a rough but useful indicator of the performance of various groups of stakeholders. The objective of this index is to identify the areas in the trade policy making processes which could benefit from targeted interventions and not to level criticism.

Finally, every effort has been made to access and present most recent relevant data but in some cases such data (e.g., for 2008 for some variables for some countries) is not yet available. It should be noted that the data used in the country studies has been mostly sourced from international sources that are in the public domain. This greatly facilitates verification and cross-country comparisons. However, and as requested by many national stakeholders in the NDs, the relevant data from national sources has also been provided in the endnotes.

It is hoped that these studies achieve the stated objectives and would facilitate a more inclusive and participatory approach to trade policy making in project countries. This would greatly contribute to the development and implementation of trade policies having stakeholder ownership with a greater chance of success.

1 An Overview

The five countries included in the project – Kenya, Malawi, Tanzania, Uganda, and Zambia – are in Eastern and Southern Africa (ESA). Their economic and social situation, historical development path and strategies, trade performance and regimes, as well as their trade policy making processes share many similarities. However, it is also very clear that each country has its own unique context and over-simplified comparisons across countries should be avoided. At the same time examining the similarities and differences as have come out in the country studies can be quite instructive. This can help in learning from the experience of each other, to better understand the underlying factors, and facilitate further actions and interventions by the policy makers in the region as well as by their development partners. Therefore, the main objectives of this overview chapter that is based on country-specific studies are the following:

- To summarise form the main features of project countries related to their economic background, trade performance and regime, and trade policy making processes including main stakeholders and consultative mechanisms;
- To identify the main differences and similarities among the project countries, particularly related to trade policy making processes; and
- To draw lessons that can assist stakeholders in each country, including policy makers and development partners, in taking appropriate actions to improve the inclusiveness of trade policy making processes to ensure local buy-in and ownership which is critical for the success of trade policy as an important instrument of overall development policy.

This chapter roughly follows the same structure as the country studies for ease of reference and analysis. The information and analysis have been taken from the country studies where full references to the sources have been provided.

1.1. Summary Background to Economic Outlook and Main Features

Three of the countries - Kenya, Tanzania, and Uganda – are in Eastern Africa whereas the remaining two – Malawi and Zambia – are in Southern Africa. Except for Kenya which is a low-income developing country, the other four are classified as LDCs. Table 1.1 presents some relevant economic data for the five countries and Table 1.2 provides information regarding sectoral contribution to gross domestic product (GDP) over time.

Table 1.1: Main Economic Indicators							
	Nominal GDP per capita (US\$, 2007)	Average Annual Growth Rate of Real GDP Per Capita percentages (2000-2005)	Growth Rate of Real GDP Per Capita percentages (2007)	Percentage of Population Living below National Poverty Line (2006)	Percentage of Population Living below US\$1.25 a Day	Percentage of Population living in Rural Areas	Percentage of Labour Force in Informal Sector
MALAWI	178	0.6	3.8	45	73.9 (2004-05)	82	73.6
ZAMBIA	945	2.8	3.5	64	64.3 (2004-05)	65	81
TANZANIA	386	4.2	4.6	35.6 (2000-01)	88.5 (2000-01)	75	16 (2000-2001)
KENYA	813	0.8	3.3	56 (2003)	19.7 (2005-06)	79	72
UGANDA	401	2.5	3.1	31.1	51.5 (2004-05)	87	90 (as percentage of total non-agriculture employment in 1999)

Source: Compiled from UNCTAD and World Bank data and publications

Table 1.2: GDP Sectoral Distribution Over Time (all figures are percentages)						
	Agriculture, hunting, forestry, fishing		Industry		Services	
	1990	2006	1990	2006	1990	2006
MALAWI	45.0	38.3	28.9	17.1	26.1	44.6
ZAMBIA	20.6	21.8	51.3	26.8	28.1	51.3
TANZANIA	44.2	44.5	15.3	16.3	40.6	39.2
KENYA	29.9	27.7	20.9	17.8	49.2	54.5
UGANDA	52.8	32.2	12.5	21.4	34.7	46.4

Source: UNCTAD Handbook of Statistics 2008

Information in tables 1.1 and 1.2 point to several interesting features. One, all the LDCs have registered reasonable rates of real GDP per capita growth in the first few years of this century, with Tanzania and Uganda leading the others in this respect. This has led to higher nominal GDP per capita in all of them. However, there are still wide differences in the nominal GDP per capita across countries which range from US\$178 in Malawi to US\$945 in Zambia. Two, poverty is widespread with at least one-third of the population living below the national poverty line in all five countries. Situation is particularly worrisome in Zambia, Kenya and Tanzania with 64, 56, and 45 percent of the population living below national poverty lines respectively. Similarly, very high percentages of the

labour force in these three countries are employed in the informal sector, i.e. 78 in Kenya, 73.6 in Malawi, and 81 percent in Zambia.

Three, while at least two-third or more of the population continues to live in rural areas in all the five countries, agriculture contributes less than half of the GDP in these countries. This share has decreased dramatically in Uganda (from 52.8 to 32.2) between 1990 and 2006. The share of agriculture to GDP has also decreased in Kenya and Malawi over the same period though more marginally than in Uganda. On the other hand, share of agriculture in GDP has slightly increased in Zambia and Tanzania between 1990 and 2006. Four, share of services in GDP has substantially increased in all countries except Tanzania – where it has decreased slightly – between 1990 and 2006. As a result, in all countries except for Tanzania (where agriculture retains this position), services are now the largest contributor to GDP. Five, the share of industry in GDP has decreased substantially in Malawi and Zambia, slightly in Kenya, and has actually increased in Tanzania and Uganda between 1990 and 2006. Industry now contributes to about a quarter or less to GDP in all five countries.

As is clear from the above, while all the countries confront the challenges of under-development and poverty, their policy responses need to be calibrated as per the conditions in their respective countries which differ in important ways, for example, the structure of the economy and employment. Hence, trade policy in these countries has to be designed taking into account the specific circumstances and to set clear and realistic goals. No ‘one-size-fit-all’ approach will work.

1.2. Trade: Performance, Regimes, and Related Developments

This Section takes a brief look at the trade performance, regimes, and related developments in the project countries. Table 1.3 looks at the trade performance in terms of value, composition and partners for both exports and imports. Table 1.4 takes a deeper but overall look at the key features and outcomes of the trade regimes, and highlight some underlying reasons.

Several observations can be made based on the information in tables 1.3 and 1.4. One, all five countries can be regarded as well integrated into the global economy in terms of trade measured as percentages of their respective GDPs. Moreover, this integration has been increasing over time except for Kenya where it has decreased slightly but still remains at a high of 58.2 percent. It can be argued that the level of integration for Zambia and Tanzania (trade being 80.2 and 70.4 percent of their respective GDPs in 2008) is extremely high denoting a very significant dependence on the external sector.

Two, all five countries mainly export primary agriculture and mineral commodities. Their main imports include petroleum products, machinery and equipment, and food products in the case of Kenya and Tanzania. This is generally in line with their natural endowments but also means generally adverse terms of trade situation that is often the lot of commodity exporting countries. Uganda, through exports of fish and fish products, and Kenya, through exports of horticulture, have made some successful efforts at value-added exports. That seems to be the reason for the decrease in both the export

Table 1.3: Recent Trade Performance						
	EXPORTS (2008)			IMPORTS (2008)		
	Percent GDP (2007)	Main Exports	Main Destinations (in percent)	Percent GDP (2007)	Main Imports	Main Sources (in percent)
MALAWI	23.0	<i>Tobacco, Tea, Sugar</i>	Belgium 13.0 COMESA: 9.7 SADC: 21.2	41.0	<i>Fertiliser, Petroleum products</i>	South Africa 26.5 COMESA: 8.4 SADC: 58.2
ZAMBIA	35.7	<i>Copper, Cobalt</i>	Switzerland 50.9 ¹ COMESA: 17.0 SADC: 19.0	26.1	<i>Machinery and transport equipment, Petroleum products, Chemicals</i>	South Africa 44.6 COMESA: 13.6 SADC: 59.5
TANZANIA	12.2	<i>Mineral Products, Manufactured goods, Coffee</i>	Switzerland 20.5 EAC: 12.0 SADC: 17.2 (2007)	28.0	<i>Oil, Machinery and Transport Equipment, Food Products</i>	UAE 13.2 EAC: 1.9 SADC: 11.5 (2007)
KENYA	15.0	<i>Horticulture, Tea</i>	UK 16.9 COMESA: 28.9 EAC: 21.4	23.9	<i>Machinery and transportation equipment, Petroleum products, Food products</i>	United Kingdom 15.4 COMESA: 3.2 EAC: 1.4
UGANDA	9.1	<i>Coffee, Fish and Fish Products</i>	Sudan 14.3 COMESA: 41.9 EAC: 21.9	20.9	<i>Petroleum products, Machinery and telecommunication equipment</i>	UAE 11.4 COMESA: 13.2 EAC: 12.6

Source: Compiled mainly from ITC Trade Map supplemented with UNCTAD and national data sources

Table 1.4: Some Indicators of Overall Trade Regime and Trade Profiles

Country	Overall Trade Restrictiveness Index ²		Integration in Global Economy (trade as percentage of GDP)		Export Product Concentration Index		Export Market Concentration Index		Membership of Trade Agreements	Recent Developments
	2005-07	2008	2005-07	2008	2005-07	2008	2005-07	2008		
Malawi	22.4 (2004-2007)	13.4	31.5	36.6	30.9 (2004-2007)	56.2 (2007)	29.6	30.9 (2007)	WTO SADC COMESA EPA under negotiations/ Interim EPA not signed	<ul style="list-style-type: none"> Improved macroeconomic stability Progress in diversifying exports Struggling to compete in international markets
Zambia	8.8	8.5	73.5	80.2	61.2	68.4	41.1	43.4	WTO COMESA SADC EPA under negotiations/ Interim EPA initialled	<ul style="list-style-type: none"> Improved macroeconomic stability Little progress in export product and market diversification efforts Integration in global economy has increased
Tanzania	14.9 (2000-2004, TRI for MFN applied tariffs)	52.2	48.2 (1995- 1999)	70.4	25.8 (1995-1999)	35.3	25.8 (1995-1999)	24.9	WTO EAC SADC EPA under negotiations/ Interim EPA initialled	<ul style="list-style-type: none"> Improved macroeconomic stability Success of export diversification measures Substantial integration in global economy
Kenya	8.7	8.1	62.5	58.2	20.0	18.8	26.6 (1995-1999)	26.5 (between 2000 and 2004)	WTO EAC COMESA EPA under negotiations/ Interim EPA initialled	<ul style="list-style-type: none"> Export product concentration decreased No change in export market concentration Recent regression in the country's integration into the global economy

Country	Overall Trade Restrictiveness Index ²		Integration in Global Economy (trade as percentage of GDP)		Export Product Concentration Index		Export Market Concentration Index		Membership of Trade Agreements	Recent Developments
	2005-07	2008	2005-07	2008	2005-07	2008	2005-07	2008		
Uganda	-	14.7 (MFN)	38.3 Mid 90's	47.1 (2007)	27.8 (2000-2004)	25.1 (2006-2008)	29,6 (2000-2004)	23.6 (2006-2008)	WTO EAC - COMESA EPA under negotiations/ Interim EPA initialled	<ul style="list-style-type: none"> • Macroeconomic stability • Concentration in export product and export markets has decreased • Substantial integration in global economy

Source: Compiled from UNCTAD, World Bank, and WTO data and publications

product and export market concentration indices for these two countries. The values of these indices for Malawi, Tanzania and Zambia are higher and have further increased for Malawi and Zambia indicating continuing problems with diversification efforts.

Three, all of them are members of the World Trade Organisation (WTO) and active participants in the multilateral trading system (MTS). They are also pursuing regional integration objectives through their membership of various regional integration agreements. However, their overlapping membership of regional agreements can be problematic sometimes. For example, while Kenya, Tanzania and Uganda are partners in the East African Community (EAC), Tanzania is also a member of the Southern African Development Community (SADC) whereas Kenya and Uganda are members of the Common Market for Eastern and Southern Africa (COMESA). On the other hand, Malawi and Zambia are members of both COMESA and SADC but not of the EAC. Resolving these contradictions will be important to allow the private sector to reap the full benefits of regional integration³. This can also facilitate concluding Economic Partnership Agreements (EPAs) with the European Union (EU) that are conducive to development and regional integration. All five countries are currently negotiating EPAs in various regional configurations and all of them, except for Malawi and Zambia have initialled interim EPAs⁴.

Four, regional trade as measured by percentages of exports to and imports from their respective regional groupings is substantial. This should be another reason to resolve the issue of overlapping regional integration agreements so that a clearer picture can emerge.

Five, the main export destinations for three of them (Malawi, Kenya and Uganda) are in their regional neighbourhood. Switzerland is the main export destination for the remaining two, Tanzania and Zambia. Nevertheless, in the case of Tanzania and Zambia, this is due to the fact that Swiss firms are involved in mining operations in these two countries where minerals dominate exports. However, the final destination for these mineral exports is not Switzerland. The United Arab Emirates (UAE) is the largest exporter to Kenya, Tanzania and Uganda, denoting the importance of petroleum imports for these countries. Not surprisingly, South Africa, the dominant economy in the region, is the main source of imports both for Malawi and Zambia.

Six, all of them have fairly open trade regimes as measured by the scores under the World Bank Trade Restrictiveness Index. Moreover, this openness has been increasing over the years. The only reverse movement is by Uganda where the trade regime has become slightly more restrictive recently. This is mainly due to the joining of EAC Customs Union (CU) which required Uganda to increase some of its tariffs to bring them in line with the common external tariff of the EAC.

Seven, this openness has been part of the overall reform process that has also included emphasis on macroeconomic stability. All these countries, except for Kenya, have witnessed macroeconomic stability in recent years.

Finally, all of them except for Zambia have substantial trade deficits with their imports being almost twice their exports in terms of value. Zambia, on the other hand, has a

substantial trade surplus with exports at 35.7 percent, and imports at 26.1 percent of GDP in 2007.

This brief synopsis again shows certain similarities as well as important differences in the trade regimes and performances of the five project countries.

1.3. Overall Development Planning Framework and Trade Policy Objectives

This Section is devoted to a brief portrayal of the relevant policy framework in the five project countries. This snapshot looks at the overall development policy framework, the main sources for trade policy, and the main objectives of current trade policies. Table 1.5 provides a brief summary of these points in respect of the five countries.

Table 1.5: Development Policy Framework and Trade Policies			
Country	Overall Development Policy Documents	Current Trade Policy and Related Policy Documents	Overall Objectives of Current Trade Policy
MALAWI	<p><i>Vision 2020</i></p> <p>Malawi Growth and Development Strategy (2006)</p> <p>Malawi Poverty Reduction Strategy (2002)</p>	<ul style="list-style-type: none"> • No comprehensive domestic trade policy • National Export Strategy • Private Sector Development Strategy • Integrated Framework (IF) Diagnostic Trade Integrated Study (DTIS) and Enhanced Integrated Framework (EIF) Process 	<ul style="list-style-type: none"> • Emphasis on a technology-driven economy • A shift from a consumption-based economy to a production-based export-led economy while also pursuing the MDGs • “Transforming Malawi from a predominantly importing and consuming country to a predominantly producing and exporting country” (Vision 2020)
TANZANIA	<p><i>National Development Vision 2025</i></p> <p>Poverty Reduction Strategy Paper (2005)</p>	<ul style="list-style-type: none"> • The National Trade Policy 2003 (NTP) • IF DTIS and EIF Process • Tanzania Trade Integration Strategy (TTIS) 2009-2013 Framework Programme 	<ul style="list-style-type: none"> • ‘Tanzania should have eradicated abject poverty, improved the quality of life and should have created a strong, diversified, resilient and competitive economy, which can effectively cope with the challenges of development, and which can also easily and confidently adapt to the changing market and technological conditions in the regional and global economy’ (Vision 2025) • “to transform the economy from a supply-constrained one into a

Contd...

Country	Overall Development Policy Documents	Current Trade Policy and Related Policy Documents	Overall Objectives of Current Trade Policy
			competitive export-led entity responsible for enhanced domestic integration and wider participation in the global economy through national trade liberalisation" (NTP)
UGANDA	<p><i>Vision 2025</i></p> <p>Poverty Eradication Action Plan (PEAP)</p> <p>Poverty Reduction Strategy Paper (PRSP)</p>	<ul style="list-style-type: none"> • National Trade Policy 2007 • Medium Term Competitiveness Strategy (MTCS) • Plan for Modernisation of Agriculture (PMA) • National Trade Sector Development Plans (NTSDPs) • IF DTIS and EIF Process 	<ul style="list-style-type: none"> • "to transform Uganda into a dynamic and competitive economy in which the trade sector stimulates the productive sectors; and to trade the country out of poverty, into wealth and prosperity" (NTP 2007 Vision) • To develop and nurture private sector competitiveness, and to support the productive sectors of the economy to trade at both domestic and international levels, with the ultimate objective of creating wealth, employment, enhancing social welfare and transforming Uganda from a poor peasant society into a modern and prosperous society (NTP 2007 Mission)
ZAMBIA	<p><i>Vision 2030</i></p> <p>Fifth National Development Plan</p>	<ul style="list-style-type: none"> • National Trade Policy 1994 • Private Sector Development (PSD) Reform Programme (2004) • IF DTIS and EIF Process • Draft Trade and Industrial Policy Document (2005) • MCTI Strategic Plan (2006-2010) 	<ul style="list-style-type: none"> • The Ministry of Commerce, Trade and Industry (MCTI) Strategic Plan (2006-2010) aims to promote the growth and development of commercial and industrial sectors as espoused in the Fifth National Development Plan • "to create competitive and productive economy driven by the private sector" (NTP 1994)
KENYA	<p><i>Vision 2030</i></p>	<ul style="list-style-type: none"> • Draft National Trade Policy 2007 • National Trade Policy 1994 • National Industrial Policy 	<ul style="list-style-type: none"> • "to transform the economy from a supply constrained outfit into one that is responsive to enhanced domestic integration and wider participation in the global economy for national and international trade expansion"(NTP)
<p><i>Source: Compiled from country policy documents and papers/discussion in FEATS National Inception Meetings and National Dialogues</i></p>			

The overall development policy and planning framework in the five countries have a similar pattern. This overall planning is guided by a Vision document: Malawi has its Vision 2020, Tanzania and Uganda their respective Vision 2025, and Zambia and Kenya their Vision 2030. These documents provide a long term Vision for national development and can also lead to more coherent sectoral policies to achieve that Vision. However, their regular updating and effective implementation by all governmental agencies remain a challenge. Moreover, they do not always accord a universally prominent position and importance to trade. The long term objectives under the Vision documents are to be achieved through national development plans. Generally of medium term duration, these plans are often based on the PRSP. However, countries seem to be moving away from the PRSP framework in an effort to develop more home grown medium term development plans. Malawi Growth and Development Strategy 2006 is a good example of this trend.

Similarities across countries decrease significantly when current trade policy and related policy documents are examined. Malawi still does not have a single, comprehensive trade policy document; the last such document was developed and adopted in 1994 in Zambia (though there is also a draft Trade and Industrial Policy Document of 2005), and in 2003 in Tanzania; Kenya had developed this document in 2007 but its fate remains unknown; only Uganda developed and adopted a comprehensive trade policy document in 2007.

Three types of documents, with differing degrees of details and validity, seem to govern the operation of trade policy in the five countries. One, there are in some countries, as mentioned in the above paragraph, comprehensive trade policy documents. But the relevance of these documents has substantially gone down in cases of lack of regular updating (for example, Zambia and Tanzania).

Two, there are what can be called supporting documents that inform certain aspects of trade policy as well. These include: IF DTIS and EIF processes (in all countries except for Kenya which is not a LDC), sectoral strategies and policies (e.g., Malawi Private Sector Development Strategy, Plan for Modernisation of Agriculture in Uganda, Private Sector Development Reform Programme in Zambia, and National Industrial Policy in Kenya).

Three, there are in some cases, trade-related plans and strategies being implemented by the ministries responsible for trade. These include: National Export Strategy in Malawi, TTIS 2009-2013 Framework Programme in Tanzania, NTSDPs in Uganda, and MCTI Strategic Plan 2006-2010 in Zambia.

The IF-related documents (e.g. DTIS including action matrix and various background and supporting studies) and the process leading to and continuing with the implementation of the EIF, seem to have played an important role in the four LDCs, i.e. Malawi, Tanzania, Uganda, and Zambia. They have facilitated the mainstreaming of trade and trade policy in overall development strategies. They have also encouraged stakeholder consultations on trade policy issues through multi-stakeholder validation workshops.

It is not possible to draw firm conclusions regarding the impact of lack of comprehensive trade policy documents on the actual trade performance of a country. What can be safely said though, particularly based on the feedback obtained from various stakeholders during this study process, is that the presence and general availability of such a document greatly helps in better understanding of trade policy issues among all stakeholders which then leads to better multi-stakeholder buy-in.

Various country Vision and trade policy documents articulate objectives for the trade policies of the country concerned. The last column in the table 1.5 presents only the overall objectives. While the overall objectives have been couched in different ways, certain similarities cannot escape notice. For example, all of them emphasise the pursuit of export-led development whereas promotion of domestic trade finds mention only in the case of Kenya, Tanzania and Uganda. There is also, and understandably, emphasis on improving production and competitiveness. Poverty reduction and wealth creation are also mentioned.

The reasons for these similarities are difficult to find as these documents were developed independently of each other. However, based on anecdotal evidence gathered during the study process, two reasons can be tentatively advanced. One, these objectives are in line with policy orientation of recent times. Two, in many cases these documents were drafted by external consultants hired by using donor grants. These consultants may very well be informed by certain terminology and ideology.

1.4. Trade Policy Making: Key Stakeholders and Consultative Mechanisms

Importance of trade policy for overall growth and development and the need for stakeholder consultations to develop and implement trade policies in line with national situation and aspirations is increasingly recognised in all the five project countries. All of them have a government ministry primarily responsible for the development and monitoring of implementation of trade policy, and have also established various consultative mechanisms to confer with relevant stakeholders. This Section is devoted to the brief examination of various groups of stakeholders as well as the consultative mechanisms related to trade policy in the project countries. Table 1.6 presents information regarding main relevant stakeholders, and table 1.7 on the consultative mechanisms established and functioning.

Key Stakeholders

For the purposes of this study, relevant stakeholders have been divided into four broad groups. These are: i) government ministry primarily responsible for trade policy making and implementation; ii) other relevant government ministries and agencies; iii) private sector; and iv) CSOs.

An examination of the functioning of the government ministries in relation to trade policy making and implementation shows that their respective roles fall into three broad categories. At the top can be those ministries/government offices that provide direction and guidance for trade policy making. The middle place comprises those ministries that are responsible for trade policy formulation/providing inputs for trade

policy formulation. At the bottom level are other line ministries including field offices that are primarily concerned with the implementation of trade policy in their respective areas of jurisdiction. There is a certain overlap of functions in this categorisation. For example, ministry primarily responsible for trade policy making also contributes to the process of general policy guidance and direction and is also responsible for monitoring its overall implementation.

Private sector is considered a key stakeholder in economic and trade policy making in project countries. Private sector recognises this opportunity and has organised itself in various umbrella organisations to play an active role in the consultation process. These umbrella organisations can be divided into two broad categories. In one category are the multi-sector umbrella organisations that strive to represent the interests of the private sector as a whole (e.g., Federations of Chambers of Commerce and Industry). In this category can also be included organisations that have been established in close collaboration with the government to develop the capacities of the private sector, e.g., Private Sector Foundations.

The second category consists of those private sector umbrella organisations that represent one particular sector/economic activity (e.g., tobacco, farming, exports, etc.). These sectoral umbrella organisations can be regarded as a clear recognition that while multi-sector umbrella organisations are quite useful for presenting the overall private sector interests (e.g., in relation to taxation policy etc.), more specific sectoral interests are generally better served by sector-specific umbrella organisations.

CSOs also play an important role and the civil society scene is quite vibrant in all the five countries. There are a number of active CSOs though only a few of them have the capacity and/or resources to work on trade issues. CSOs can be divided into four broad categories with some overlap. One, there are a number of local non-governmental organisations (NGOs) in each country. Two, in all project countries there are also some international/regional NGOs that are working either as subsidiaries of their parent NGOs or as locally incorporated NGOs but still maintaining close relationship with their parent NGOs abroad and making use of their resources including brand names. Three, recognising the need for evidence-based advocacy, several institutes are focussing on research and analysis. Their outputs are used by all other stakeholders, i.e. government, private sector and other CSOs. Four, given the limited resources of individual NGOs and the need to launch effective advocacy efforts, CSOs have formed networks. These networks can be either issue-specific (e.g., on trade, food security, etc.) or more general.

The information and analysis of key stakeholders in the country studies, a brief summary of which is in table 1.6, brings out several important points. Trade policy making, including negotiation and approval of international trade agreements is the preserve of the executive in all the five countries. This also means a more limited role for the parliament and parliamentarians who come into the picture only when a bill has to be passed by the parliament, e.g., annual budget which can include changes in tariffs. However, parliamentarians do also have the opportunity the debate policy issues through questions and the hearing of the relevant parliamentary committees.

Table 1.6: Key Stakeholders⁵

Country	Government			Private Sector	Civil Society Organisations
	Policy Direction	Policy Formulation	Policy Implementation		
MALAWI	<p>President's Office (No independent statutory body to review or advise the government on economic and trade policies. Most economic policy advice to the government comes from the Reserve Bank, the Ministries of Finance and Economic Planning, and Industry and Trade)</p>	<ul style="list-style-type: none"> Ministry of Industry, Trade and Private Sector Development Ministry of Agriculture and Food Security Ministry of Economic Planning Ministry of Finance 	<ul style="list-style-type: none"> Ministry of Industry, Trade and Private Sector Development Ministry of Finance Malawi Revenue Authority Reserve Bank of Malawi Malawi Bureau of Standards Malawi Investment Promotion Agency Malawi Export Promotion Council (MEPC) Other Line Ministries and Agencies 	<ul style="list-style-type: none"> <i>Multi-sector Umbrella Organisations</i> <p>Malawi Confederation of Chambers of Commerce and Industry, Indigenous Business Association of Malawi, Malawian Entrepreneurs Development Institute, National Association of Business Women, National Association of Small & Medium-sized Enterprises</p> <ul style="list-style-type: none"> <i>Sectoral Umbrella Organisations</i> <p>National Smallholder Farmers' Association of Malawi, Tobacco Exporters Association of Malawi, Tobacco Association of Malawi (TAMA), Tea Association of Malawi (TAM), Garment and Textile Manufacturers Association of Malawi (GTMM), Chamber of Mines of Malawi (CMM), and Malawi Tourism Association (MTA)</p>	<ul style="list-style-type: none"> <i>Local NGOs</i> <p>Malawi Economic Justice Network (MEJN), Civil Society Budget Initiative (CSBI), Consumer Association of Malawi (CAMA), and Malawi Congress of Trade Unions.</p> <ul style="list-style-type: none"> <i>International NGOs</i> <p>ActionAid Malawi, Oxfam Malawi</p> <ul style="list-style-type: none"> <i>Research CSOs</i> <p>Economic Association of Malawi</p> <ul style="list-style-type: none"> <i>CSOs Networks</i> <p>Civil Society Agriculture Network (CISANET), Civil Society Coalition for Quality Basic Education, Malawi Health Equity Network, Council for NGOs in Malawi</p>

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Country	Government			Private Sector	Civil Society Organisations
	Policy Direction	Policy Formulation	Policy Implementation		
TANZANIA	<p>President's Office</p> <p>Ministry of Industry, Trade and Marketing (MITM)</p>	<ul style="list-style-type: none"> • MITM • Ministry of Foreign Affairs & International Cooperation • Ministry of Finance • Ministry of Agriculture & Cooperatives 	<ul style="list-style-type: none"> • MITM • Tanzania Revenue Authority • Board of External Trade • Other Specialised Government Agencies • Other Line Ministries and Agencies 	<ul style="list-style-type: none"> • <i>Multi-sector Umbrella Organisations</i> <p>Private Sector Foundation (PSF)</p> <p>Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA)</p> <ul style="list-style-type: none"> • <i>Sectoral Umbrella Organisations</i> <p>Confederation of Tanzania Industry (CTI)</p> <p>Tanzania Exporters Association (TANEXA)</p>	<ul style="list-style-type: none"> • <i>Local NGOs</i> <p>Faith-Based Organisations (FBOs), Water Aid, Concern World, Pact, Tanzania Networking Gender Programme (TNGP), TGNP Policy Forum, Media Council of Tanzania and Media Institute of Southern Africa (MISA)</p> <ul style="list-style-type: none"> • <i>Research CSOs</i> <p>Economic and Social Research Foundation (ESRF)</p> <ul style="list-style-type: none"> • <i>International NGOs</i> <p>Oxfam JOLIT, ActionAid, Service Centre for Development Cooperation (KEPA)</p> <ul style="list-style-type: none"> • <i>CSOs Networks</i> <p>Tanzania Association of NGOs (TANGO)</p>

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Country	Government			Private Sector	Civil Society Organisations
	Policy Direction	Policy Formulation	Policy Implementation		
UGANDA	<p>President</p> <p>Cabinet</p> <p>Presidential Economic Policy Forum</p> <p>Ministry of Finance, Planning & Economic Development</p>	<ul style="list-style-type: none"> Ministry of Tourism, Trade and Industry (MTTI) Ministry of Agriculture, Animal Industry and Fisheries Ministry of Foreign Affairs 	<ul style="list-style-type: none"> MTTI Ministry of Justice and Constitutional Affairs (MOJCA) Ministry of Local Government (MOLG) Uganda Export Promotion Board (UEPB) Uganda Revenue Authority (URA) Other Line Ministries and Agencies 	<ul style="list-style-type: none"> <i>Multi-sector Umbrella Organisations</i> <p>Private Sector Foundation (PSF)</p> <p>Uganda National Chamber of Commerce and Industry (UNCCI)</p> <ul style="list-style-type: none"> <i>Sectoral Umbrella Organisations</i> <p>Uganda Manufacturers' Association (UMA)</p> <p>Uganda General Importers and Exporters Association (UGIEA)</p> <p>Uganda Small Scale Industries Association (USSIA)</p>	<ul style="list-style-type: none"> <i>Local NGOs</i> <p>National Farmers' Federation (UNFF)</p> <ul style="list-style-type: none"> <i>Research CSOs</i> <p>Economic Policy Research Centre (EPRC) at Makerere University, Centre for Development Initiatives (CDI)</p> <ul style="list-style-type: none"> <i>Regional and International NGOs</i> <p>Southern and Eastern African Trade Information and Negotiations Institute (SEATINI), Advocates Coalition Organisation for Development and Environment (ACODE), ActionAid Uganda, Oxfam Uganda</p> <ul style="list-style-type: none"> <i>CSOs Networks</i> <p>Uganda Debt Network, Food Rights Alliance (FRA), Development Network of Indigenous Voluntary Associations (DENIVA), Civil Society Working Group on Trade (CSWGT)</p>

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Country	Government			Private Sector	Civil Society Organisations
	Policy Direction	Policy Formulation	Policy Implementation		
ZAMBIA	Ministry of Commerce, Trade & Industry (MCTI)	<ul style="list-style-type: none"> • MCTI • Ministry of Finance and National Planning (MoFNP) • Ministry of Justice and Legal Affairs • Ministry of Foreign Affairs (MoFA) • Ministry of Agriculture and Cooperatives (MOCA) 	<ul style="list-style-type: none"> • Zambia Revenue Authority (ZRA) • Patents and Companies Registration Office (PACRO) • Zambia Bureau of Standards (ZBS) • Zambia Competition Commission (ZCC) • Other Line Ministries & Agencies 	<ul style="list-style-type: none"> • <i>Multi-sector Umbrella Organisations</i> <p>Zambia Association of Chambers of Commerce and Industry (ZACCI) Zambia Private Sector Development Association (ZPSDA) Zambia Business Forum (ZBF)</p> <ul style="list-style-type: none"> • <i>Sectoral Umbrella Organisations</i> <p>Zambia National Farmers Union (ZNFU) Zambia Export Growers Association (ZEGA) Zambian Association of Manufacturers (ZAM) Textile Producers Association of Zambia (TPAZ) Zambia Chamber for Small and Medium Business Associations (ZCSMBA)</p> <ul style="list-style-type: none"> • <i>Individual Companies</i> <p>Zambia Sugar, Clark Cotton, Swarp Spinning Mill</p>	<ul style="list-style-type: none"> • <i>Local NGOs</i> <p>Organisation Development Community Management Trust (ODCMT), Women Entrepreneurs Development Association of Zambia Zambia National Women's Lobby, Trade Justice Movement, Zambia Congress of Trade Unions, Jesuit Centre for Theological Reflection (JCTR), Catholic Commission for Justice and Peace (CCJP)</p> <ul style="list-style-type: none"> • <i>Regional/International NGOs</i> <p>CUTS, SEATINI, Trade Law Centre for Southern Africa (TRALAC), Oxfam, Christian Aid</p> <ul style="list-style-type: none"> • <i>Research Institutes</i> <p>University of Zambia</p>

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Country	Government			Private Sector	Civil Society Organisations
	Policy Direction	Policy Formulation	Policy Implementation		
					<ul style="list-style-type: none"> • <i>CSOs Networks</i> <p>Civil Society Trade Network of Zambia (CSTNZ), Civil Society for Poverty Reduction (CSPR)</p>
KENYA	<p>President's office</p> <p>National Economic and Social Council</p> <p>Office of the Prime Minister, Ministry of Planning, National Development and Vision 2030</p> <p>Ministry of Finance</p>	<ul style="list-style-type: none"> • Ministry of Trade • Ministry of East African Community • Ministry of Industrialization • Ministry of Foreign Affairs • Ministry of Agriculture 	<ul style="list-style-type: none"> • Ministry of Trade • Kenya Revenue Authority • Kenya Bureau of Standards (KEBS) • Other Line Ministries & Agencies 	<ul style="list-style-type: none"> • <i>Multi-sector Umbrella Organisations</i> <p>Kenya National Chamber of Commerce and Industry (KNCCI), Kenya Private Sector Alliance (KEPSA), Federation of Kenya Employers</p> <ul style="list-style-type: none"> • <i>Sectoral Umbrella Organisations</i> <p>Kenya Association of Manufacturers (KAM), Kenya Flower Council (KFC), Fresh Produce Exporters Association of Kenya (FPEAK), Computer Professionals' Union</p>	<ul style="list-style-type: none"> • <i>Local NGOs</i> <p>Kenya Human Rights Commission, EcoNews Africa, Consumer Information Network,</p> <ul style="list-style-type: none"> • <i>Regional/International NGOs</i> <p>Oxfam, CUTS International, SEATINI, ActionAid Kenya,</p> <ul style="list-style-type: none"> • <i>Research CSOs</i> <p>Institute for Economic Affairs, African Economic Research Consortium (AERC), KIPPRA</p> <ul style="list-style-type: none"> • <i>CSOs Networks</i> <p>The Kenya Civil Society Alliance (KCSA)</p>

Source: Compiled from country documents, papers and discussion in FEATS National Inception Meetings and National Dialogues, and bilateral meetings with stakeholders

In all countries, ministry responsible for trade policy making and implementation has been strengthened and now is clearly recognised as the lead government agency on trade issues. However, President's Office, and ministries of finance and national planning continue to play important roles in setting the policy direction. In fact this role is critical to ensure that trade policy is organically linked to overall development policy as well as other sectoral policies. Similarly, while developing trade policy and negotiating positions for international trade negotiations, ministry responsible for trade issues seeks the inputs from other relevant ministries, most important being the ministries dealing with agriculture, foreign affairs, and finance.

This is important to ensure that trade policy and other sectoral policies are well aligned and expert inputs are fed into areas of trade policy requiring such inputs, e.g., trade in agriculture. Therefore, an even closer collaboration with relevant ministries is desirable. While the ministry responsible for trade policy also has the main responsibility for its implementation, a number of other line ministries and agencies have to play an active role to ensure that the policy is implemented effectively. This is an area where further efforts are clearly needed as most of the other line ministries and agencies are not in direct and regular contact with the ministry responsible for trade policy.

A final comment in regard to government ministries pertains to the issue of frequent restructuring of the ministries. This process may be important for improving the efficiency and functioning of the ministries. But it also creates uncertainty and confusion among the staff of the ministries as well as other stakeholders who have to re-identify their interlocutors every now and then.

Overall policy framework including trade policy has followed a similar historical evolutionary process in all the five countries. The 1970s witnessed closed, import substitution policies with dominant public sector. This started giving way to more export-orientation in the 1980s, and liberal trade policies generally became dominant in the 1990s. The 1990s also saw privatisation and de-regulation leading to the shrinking of the public sector and the national economic space opening up for the private sector. Similarly, the political environment also became more pluralistic during this period. The combined impact of these developments has been an active and assertive private sector, often encouraged and supported by the government, and a vibrant civil society scene in all the project countries. However, the relationship between the government and CSOs has been tense due to the criticism by the CSOs of certain government policies, particularly those considered neo-liberal and were adopted on the advice of multilateral financial institutions.

The private sector is well organised in the project countries along multi-sectoral and sectoral lines. The apex private sector umbrella bodies are also perceived to have the ears of the government. At least in one country, Zambia, some individual companies have also played an important role given their key positions in the respective sectors.

The situation of CSOs is somewhat different. They often face resource constraints as well as some tension with the government. However, the relationship between the two seems to be maturing. For example, in the meetings organised during this study process

both the CSO and governmental representatives had constructive dialogues despite their differences of opinion on trade policy issues.

Consultative Mechanisms

Information in table 1.7 provides a summary of various consultative mechanisms in project countries that are related to trade. It is clear that a number of consultative mechanisms have been established and are often functioning. These consultative mechanisms can be categorised either on the basis of their composition or their respective mandates.

Based on composition, the consultative mechanisms fall into three broad categories. One, there are fora devoted to inter-ministerial coordination only. These have slightly different titles (e.g., IMC in Kenya, IMTC in Tanzania, etc.) but serve the same objective. These Committees are a standard feature of government set ups in all the project countries. Two, there are consultative fora consisting of representatives of only the public and private sectors. Again, such mechanisms have very different titles (e.g., NBC in Tanzania and JICCC in Kenya) but their role is the same, that is, to provide a forum for information sharing, dialogue and coordination between the public and private sectors. They are often the primary means for institutional dialogue between the government and the private sector. The anecdotal evidence collected during this study process suggested that these fora are quite active and often have the ears of the governments. Three, there are fora that bring together all relevant stakeholders including from the relevant government ministries, private sector, and the civil society. These fora allow for broad stakeholder participation in the policy making process.

Alternatively, the existing consultative fora can be categorised based on their respective mandates. First, there are fora that have the mandate to discuss and consult on a particular sub-set of trade issues. For example, all project countries have established a mechanism for stakeholder consultation on EPA negotiations with the EU. These have as members representatives of the public sector, private sector, and the civil society and were initially funded by the EU. Second, there are consultative fora that are mandated to deal with all trade issues. These exist in Malawi, Uganda and Zambia. On the other hand, there are no such overall consultative fora for consultations on all trade issues in Tanzania and Kenya where there only exist consultative fora specifically dealing with either the WTO (in Kenya) or the EPA (both in Kenya and Tanzania) issues. Third, there are some other consultative fora for stakeholder consultations on multiple issues that can include trade as well. These also exist in all project countries. In this category can be included the standing fora for inter-ministerial coordination, and the mechanisms that have been established for dialogue and coordination between the public and private sectors. Their very nature demands a broader mandate than trade only.

Some further observations on consultative mechanisms based on the information and analysis in country studies are in order. Ministries responsible for trade are generally tasked with coordinating the functioning of consultative fora dealing with trade. Given their limited human and financial resources, this can be quite an uphill assignment. Therefore, these fora are often working on an *ad hoc* basis and spring into action when needed for a forthcoming WTO or EPA meeting, often at a short notice. It is also true

Table 1.7: Consultative Mechanisms			
Country	Consultative Mechanisms	Composition	Role
TANZANIA	<ul style="list-style-type: none"> • <i>National Business Council (NBC)</i> 	40 members, twenty representing various government agencies and twenty representing the private sector. PSF coordinates the private sector representation in the NBC	Established to provide forum for regular dialogue between the public sector institutions and the private sector on all relevant policy issues including trade
	<ul style="list-style-type: none"> • <i>Inter-Ministerial Technical Committee (IMTC)</i> 	All government ministries	To provide a forum for collaboration and coordination among all government ministries on all relevant issues including trade
	<ul style="list-style-type: none"> • <i>National EPA Technical Team (NETT)</i> 	<ul style="list-style-type: none"> • Related government ministries and departments, the civil society, research institutions and academics, and the private sector • Current membership includes 18 public-sector institutions, two private-sector representative organisations (TCCIA and CTI); 1 NGO umbrella organisation (the Tanzania Association of NGOs – TANGO); 1 research institute (ESRF) and 2 academics 	To provide a forum to discuss and coordinate Tanzanian participation in EPA negotiations with the EU
MALAWI	<i>National Working Group on Trade Policy</i>	<ul style="list-style-type: none"> • Private and business sector organisations, CSOs • High level representatives from the public and private sectors as well as academia, civil society and the donor community • Ministries represented are MITPSD, Finance, Development Planning and Cooperation, Justice and Constitutional Affairs, Agriculture and Food 	Advises the government, through the Principal Secretary of MITPSD, on issues relating to trade, including regulatory provisions and policy reforms. In addition, it provides a framework for monitoring and evaluating the implementation of Malawi's trade arrangements and for ensuring conformity with agreed rules. It also facilitates consultation and cooperation among private and public sector parties to promote trade. The

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Country	Consultative Mechanisms	Composition	Role
		Security, and Foreign Affairs	Group also commissions and reviews technical reports prepared by the National Task Force on Trade Policy
	<i>Malawi National Development and Trade Policy Forum (MNDTPF)</i>	Governmental negotiators, the private sector, and the CSOs	To effectively organise and coordinate Malawi participation in EPA negotiations with the EU
	<i>National Action Group (NAG)/Public-Private Sector Dialogue (PPD)</i>	Governmental, private sector and donor representatives	To resolve cross-cutting issues that impact businesses of all sizes; encourage sub-sectoral working groups to work by giving them a place to bring forward cross-sectoral issues that they cannot resolve alone; build trust through opportunities for personal interaction and hearing other views; raise awareness of business climate issues by educating businesses and government; allow for monitoring of progress on promised action linked to the strategy; and provide the Secretariat with a mandate to work and the basis on which to engage stakeholders
	<i>Inter-Ministerial Committees (IMCs)</i>	Relevant ministries	<ul style="list-style-type: none"> • To promote inter-ministerial communication and collaboration • Platform where relevant ministries can provide input as well as comment on issues related to trade policy
UGANDA	<i>President's Economic Council (PEC)/The National Forum</i>	Headed by the President, PEC included ministers and high level government technocrats dealing with economic policy issues, and the representatives of private sector	The PEC and the National Forum have mandates much broader than trade, but they also provided space for broad and high level consultations on trade policy issues
	<i>Inter-Institutional Trade Committee (IITC)</i>	55 persons representing various institutions/categories of stakeholders including	The IITC mandate covers both the functions of inter-ministerial coordination, and dialogue and

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Country	Consultative Mechanisms	Composition	Role
		relevant government ministries, private sector, and CSOs. The staff of the MTTI Trade department is ex-officio member of the IITC. The MTTI also provides the secretariat for the Committee	consultation with other stakeholders, particularly the private sector
	<i>Uganda National Development and Trade Policy Forum (NDTPF)</i>	Relevant governmental negotiators, the private sector, and the CSOs	To discuss and coordinate Ugandan participation in the negotiations for EPA with the EU
ZAMBIA	<i>National Working Group on Trade (NWGT)</i>	<ul style="list-style-type: none"> Headed by a private sector representative with MCTI serving as its secretariat. Institutions represented on the NWGT are: Ministry of Commerce, Trade and Industry; Ministry of Finance and National Planning; Ministry of Agriculture and Cooperatives; Zambia Development Agency; Zambia Revenue Authority; Zambia National Farmers Union (ZNFU); Zambia Association of Chambers of Commerce and Industry (ZACCI); Zambia Export Growers Association; Zambia Association of Manufacturers; Zambia Federation of Women in Business; Chilanga Cement PLC; and Zambia Sugar 	Consultations on all trade-related issues
	<i>Agriculture Consultative Forum (ACF)</i>	Government, farmers' unions, private sector	<p>Convened for dialogue, coordination and recommendations on agriculture issues</p> <p>This helps the government in understanding the concerns and views of farmers' unions and the</p>

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Country	Consultative Mechanisms	Composition	Role
			private sector on the full range of agricultural issues including those related to trade
	<i>Trade Expansion Working Group</i>	Representatives of the public and private sectors and headed by a chairperson from the private sector	To provide information on export-related issues and be a platform for public-private sector consultations on these issues
	<i>Steering Committee of Secretaries</i>	All Permanent Secretaries	To ensure inter-ministerial coordination on all issues requiring such coordination including on trade
KENYA	<i>National Committee on the WTO (NCWTO)</i>	<ul style="list-style-type: none"> All stakeholders from the public sector, private sector, and the civil society The MoT convenes and chairs the meetings 	Mandated to develop national positions on WTO issues
	<i>Joint Industrial and Commercial Consultative Committee (JICCC)</i>	<ul style="list-style-type: none"> Public and private sector representatives The MoT convenes and chairs the meetings 	To be a consultative forum on trade and industrial issues
	<i>Kenya-European Union Post-Lome Trade Negotiations (KELPOTRADE) Support Programme / National Development and Trade Policy Forum (NDTPF)</i>	<ul style="list-style-type: none"> Public sector, private sector and civil society The MoT coordinates the functioning of the NDTPF and acts as its secretariat 	To facilitate Kenyan preparations for the EPA negotiations with the EU as well as to disseminate the EPA-related information
	<i>Cabinet's Sub-Committee on Trade</i>	Ministers responsible for relevant government ministries	Ministerial level consultations and coordination on trade-related issues
	<i>Inter-Ministerial Committees (IMCs)</i>	Government ministries	To ensure inter-ministerial coordination on all issues requiring such coordination including on trade
<i>Source: Compiled from country documents and papers and presentations in FEATS National Inception Meetings and National Dialogues</i>			

that they are seldom used for regular dialogue and coordination on all trade policy issues. The recent experience of the development of comprehensive trade policy in Kenya and Uganda is quite illustrative in this regard. In both the cases efforts were made for broad stakeholder consultations but through *ad hoc* arrangements and not by designating one of the existing consultative mechanisms for the purpose.

There is not a single consultative mechanism that has a clear legal mandate that ensures that its views are taken on board. Their role is generally of a discussion forum. They are also asked to provide inputs and advice regarding the country position in the WTO and EPA negotiations. But they are often not informed whether and how these views and advice was taken on board. This is a serious weakness which often frustrates the non-governmental stakeholders and discourages their continued, whole-hearted participation in the consultative mechanisms.

Another possible reason for lack of sustained participation by non-governmental stakeholders is the multiplicity of consultative fora. These mechanisms often establish sub-committees and working groups on sectoral issues (e.g., agriculture, services, etc.) as well as related to negotiating fora (e.g., WTO, EPA, etc.) that convene their own respective meetings. This makes it very difficult for private sector and CSO representatives to participate in all meetings as often they have only one or two persons dealing with all trade issues. There is certainly merit in rationalising the number, composition, and mandates of the consultative fora on trade issues.

Finally, it is rather obvious that neither all the relevant stakeholders are included in these consultative mechanisms nor they have equal number of opportunities to consult with the government. As mentioned earlier, role of parliaments and parliamentarians is quite limited. Moreover, representatives of consumer associations, trade unions, small businesses/informal sector, and – sometimes – farmers are not members of the consultative mechanisms. It is also clear from the above that the private sector has many more institutional mechanisms to interact with the government including on trade issues. Hence, the general impression in project country stakeholders, particularly the civil society, that the private sector, particularly the apex business umbrella organisations as well as powerful sectoral organisations/individual firms have substantial influence on government trade policy making. This situation and perception does not augur well for the development and implementation of a trade policy that has a broad stakeholder buy-in. A broader stakeholder buy-in will facilitate smooth and effective implementation of the trade policy to achieve the shared objectives.

Main Challenges Faced by Stakeholders

Table 1.8 presents the main challenges faced by the four key stakeholders groups in each country. This is a summary of more detailed description and analysis in the country studies. These challenges have been identified by the respective groups of stakeholders and hence show a high degree of maturity and self analysis. These challenges were also often mentioned by other stakeholder groups lending credibility to the list. At the same time, this listing should not be construed as complete or in any order of priority.

Given the consistent manner in which it has been mentioned by all groups of stakeholders, at the top of the list of challenges is the limited technical, financial, and human capacity among all groups of stakeholders in all project countries. This should not come as a great surprise given their limited national resources and low levels of development. However, the lesson should be that despite the efforts and commitment of resources for trade-related technical assistance and capacity building in the past, much more still needs to be done. Hence, the national authorities and their development partners should increase their efforts for capacity building of stakeholders in line with their respective needs.

There are several other common challenges that are faced by specific groups of stakeholders in all the project countries. For example, the ministries responsible for trade issues need more resources to establish and ensure effective functioning of stakeholder consultative mechanisms. Similarly, a challenge identified by other relevant ministries and agencies in all countries relates to the lack of adequate and timely coordination among government ministries on trade issues. Many of them also recognise that this lack of coordination is not specific to trade issues: this seems to be an institutional weakness in the government machinery that needs to be urgently addressed. For the private sector a common challenge is to better balance the interests of various sectors and sub-sectors and particularly ensuring that the more powerful – whether umbrella organisations or individual firms – do not capture the process. Common challenges faced by CSOs include: lack of a relationship of trust between CSOs and the governments; and the need for better coordination among CSOs.

The lists of challenges faced by CSOs are much longer in all the five countries when compared with the list of challenges faced by other groups of stakeholders. This demands a deeper analysis of CSO challenges. Several points can be made in this respect. One, CSOs, unlike other groups of stakeholders are often confronted with issues of representation and legitimacy. Their response is that they draw their mandate from the needs and aspirations of the people and people will ignore them if they are found to be working against their needs and aspirations.

Two, CSOs do not have assured sources of funding and hence often have to move to an area of interest to the funder. It was repeatedly pointed out during the study process that funding for work on trade issues is now more limited, forcing many CSOs to scale down their work in this area and lose the knowledge and expertise developed over many years.

Three, CSOs attempt to perform several functions simultaneously including awareness-raising, research and analysis, advocacy, and capacity building. This may sometimes mean not being able to do well in some areas of work.

Finally, by the very nature of their role as watchdogs CSOs may be more critical of the government than other groups of stakeholders. This can create tensions particularly given the political context of many developing countries where culture of open dissention and plurality of views is somewhat new. The fact that many CSOs depend on external sources for a large part of their funding also adds to the mistrust between the governments and CSOs.

These are formidable challenges and need sustained efforts by all concerned. On the positive side though, CSOs have managed to carve out a useful role for themselves which is often acknowledged by all. Moreover, as clearly witnessed during the process of this study, a certain maturity has been achieved in the relationship between the CSOs and the government. This provides a good basis for further strengthening the role of CSOs as genuine watchdogs and not merely as critical voices.

The long lists of challenges faced by various groups of stakeholders in their regular and effective participation in trade policy making processes in the project countries can be summarised into three broad categories. First, there are constraints related to limited human, technical, and financial capacities. All stakeholders face these constraints in varying degrees. However, their specific needs for capacity building may be different, for example, for ministries responsible for trade policy making a primary need is for financial resources to ensure the regular functioning of the consultative mechanisms; for other relevant government ministries a primary need is to have adequate and trained human resources to deal with trade-related issues which are not their main mandate; for private sector a primary need may be to have adequately staffed secretariats of umbrella organisations that can ensure regular two-way exchange between the government and their members; and for CSOs a primary need may be to develop better advocacy skills that are based on researched evidence.

Second, there are challenges related to institutional and structural issues. There are a plethora of consultative mechanisms that make it difficult for all stakeholders to participate regularly in all of them. On the other hand, certain gaps still exist, for example, not all stakeholders are included (e.g., consumers and parliamentarians), coordination among relevant government ministries remains poor; not all issues are being addressed (e.g., there is no consultative mechanism for the WTO issues in Tanzania); existing consultative mechanisms often lack clear legal mandates; and *ad hoc* mechanisms are adopted to deal with important trade issues despite the presence of regular consultative fora (e.g. as has been done in Uganda and Kenya to develop comprehensive trade policies). Much can and should be done to improve this situation including: rationalisation of existing consultative mechanisms to reduce their number where possible and in a way that their role encompasses all trade issues; granting them clear legal mandates; inclusion of stakeholders that are not currently represented; and ensuring regular functioning by fixing the periodicity of meetings and setting performance goals.

Three, there are some challenges that are specific to each group of stakeholders, for example, for the private sector the need to balance the interests of all the members of umbrella private sector organisations, and for the CSOs the need to build better links with the grassroots. Here the responsibility for action lies with the concerned group of stakeholders. It is positive that they are conscious of these “internal” challenges. This is the essential first step towards meaningful action to rectify the weakness and to improve.

Table 1.8: Main Challenges Faced by Stakeholders		
Country	Stakeholders	Main Challenges Faced
KENYA	Ministry responsible for trade policy (Ministry of Trade – MoT)	<ul style="list-style-type: none"> • Lack of financial and technical human resources • Clear and institutional coordination mechanism to better coordinate with the Ministry for EAC is urgently needed as the latter is mandated to deal with all EAC issues • Lack of internal coordination in the MoT, e.g., between those dealing with WTO and EPA issues respectively
	Other relevant government ministries	<ul style="list-style-type: none"> • Need for better coordination among the relevant government ministries on trade policy issues • Need for better and regular two-way information flow between the MoT on the one hand, and other relevant government ministries and agencies on the other • Need for adequate financial and technical resources to build sufficient capacity to deal with trade policy issues
	Private sector	<ul style="list-style-type: none"> • Need for better balancing of the interests of all members, particularly by the broad-based umbrella organisations, such as, Kenya Private Sector Alliance (KEPSA) and Kenya National Chamber of Commerce and Industry (KNCCI) • Need for more organised and sustained lobbying, particularly by smaller, sectoral umbrella organisations, such as, Kenya Dairy Board (KDB) and Kenya Planters Cooperative Union (KPCU) • Limited technical analysis and advocacy capacities of umbrella organisations
	CSOs	<ul style="list-style-type: none"> • Civil society needs training and capacity building to understand the complexities of evolving trade issues and their implications • Need for improved cooperation and information sharing within civil society, and for taking a more united front to engage with the government on trade policy issues • Need to develop closer relationship with the private sector on selected issues where their interests may align • Tensions between the civil society and the government on some trade issues
MALAWI	Ministry responsible for trade policy (Ministry of Industry, Trade and Private Sector Development – MITPSD)	<ul style="list-style-type: none"> • Limited capacity to respond to fast evolving international trade scene where new issues and developments emerge all the time that can have both positive and negative impacts on the trade performance of Malawi, requiring timely and adequate adjustments in the trade policy • Changes in government that often lead to changes in policies mid way through implementation • Limited human, technical and financial capacity to deal with a vast number of issues and actors
	Other relevant government ministries	<ul style="list-style-type: none"> • Limited technical, time and monetary resources and need for additional capacity

Contd...

Country	Stakeholders	Main Challenges Faced
		<ul style="list-style-type: none"> • Lack of sense of ownership as most often foreign consultants are assigned by the MITPSD to undertake background studies and prepare reports • Donor-driven technical assistance that tend to concentrate on donor priorities • Inadequate coordination with each other on the part of government institutions • Lack of timely feedback on comments etc. by the MITPSD and COMESA/SADC secretariats
	Private sector	<ul style="list-style-type: none"> • Need to address their own capacity constraints • Tight timelines to provide comments/feedback on trade policy issues • Need to improve the opportunities for participation by less powerful private sector organisations
	CSOs	<ul style="list-style-type: none"> • Lack of analytical skills and competencies within CSOs • Lack of resources for sustained engagement on trade policy issues and retaining the gains made on the learning curve • Technical nature of trade policy • Inadequate access to information on trade policy • Ideological differences between the private sector and CSOs on trade regime options • External influences on trade policy that align the Malawi government away from CSOs and more toward multilateral institutions
ZAMBIA	Ministry responsible for trade policy (Ministry of Commerce, Trade and Industry – MCTI)	<ul style="list-style-type: none"> • Limited number of technical staff • Need to improve the information flow to all stakeholders, particularly non-state actors
	Other relevant government ministries	<ul style="list-style-type: none"> • Need to consciously use Vision 2030 and the Fifth National Development Plan (FNDP) in all policy areas and in the respective strategic plans of all ministries. This will ensure that various policies, strategies and plans are coherent and do not contradict each other • Limited capacity of all relevant ministries and government agencies to understand the linkages with trade policy and contribute positively to trade policy making and implementation in their respective areas • Need for MCTI to take initiatives to share information and developments with other relevant ministries and government agencies. Existing institutional mechanisms for regular input and feedback from other ministries on trade policy issues should be strengthened
	Private sector	<ul style="list-style-type: none"> • Lack of capacity to critically evaluate trade policy • Lack of interest in sustained, regular participation in various consultative processes • Conflicting interests of various sectors and sub-sectors

Contd...

Country	Stakeholders	Main Challenges Faced
	CSOs	<ul style="list-style-type: none"> Lack of resources and capacities
UGANDA	Ministry responsible for trade policy (Ministry of Tourism, Trade and Industry – MTTI)	<ul style="list-style-type: none"> Lack of adequate financial and human resources despite the recent strengthening Lack of full engagement by non-state stakeholders
	Other relevant government ministries	<ul style="list-style-type: none"> Various institutions dealing with trade policy do not have sufficient capacity to manage collaboration arrangements effectively and to fully implement the necessary reforms Existing institutional structure for dealing with trade matters is not working perfectly and hence coordination among relevant government agencies is less than ideal Ministry of Agriculture, Animal Industry & Fisheries (MAAIF) has only one member in Inter Institutional Trade Committee (IITC) whereas the agriculture sector contributes the largest share to exports Relevant ministries do not always participate in all trade consultation fora/meetings and need to work more closely with their constituencies, e.g., MAAIF needs to work closely with groups like the National Farmers Federation to establish a better link between ground realities and policy making and implementation.
	Private sector	<ul style="list-style-type: none"> Private sector umbrella organisations, except for PSF, have limited capacity to regularly follow all trade policy developments and engage with the relevant government authorities
	CSOs	<ul style="list-style-type: none"> No formal, regular channels through which civil society could influence the NTP 2007 Limited trust between the government and civil society (civil society in Uganda feels that when its positions became too strong, it was consequently blocked from playing a role in the consultative process) Limited outreach to rural areas and the grass-roots Limited capacity and inadequate utilisation of available opportunities for consultations with the government
TANZANIA	Ministry responsible for trade policy (Ministry of Industry, Trade and Marketing (MITM))	<ul style="list-style-type: none"> Need to undertake a dynamic capacity needs assessment of itself and other stakeholders and designing capacity building programmes accordingly Ensuring implementation of trade policy in a coordinated manner including through regular reviewing and monitoring
	Other relevant government ministries	<ul style="list-style-type: none"> Need to build capacity of relevant ministries and agencies on trade issues within their respective mandates Ensuring a more regular interaction at the level of technical staff of MITM on the one hand and the technical staff of other relevant ministries on the other

Contd...

Country	Stakeholders	Main Challenges Faced
	Private sector	<ul style="list-style-type: none"> • Need to further develop the capacity of umbrella organisations on trade issues
	CSOs	<ul style="list-style-type: none"> • Limited understanding of trade issues among CSOs • Inadequate funding for advocacy and research activities • Fear among most CSOs of the consequences of engaging aggressively in policy advocacy which may not sit well with governmental authorities • Lack of CSO focus on trade issues • Inadequate advocacy skills • Poor coordination between advocacy CSOs and research institutions • Lack of legal framework for non-state actors' (NSAs) engagement/participation in decision making processes • Lack of government interest and sustained commitment to involve CSOs in policy making processes as watchdogs

Source: Compiled from papers and discussions in FEATS National Inception Meetings and National Dialogues and bilateral meetings with stakeholders

1.5. Inclusive Trade Policy Making – Development and Application of a Qualitative Index

An important and original contribution of this study is the development of a qualitative index to measure the inclusiveness of trade policy making process in the project countries. It was felt during the study process that such an analytical tool will be quite helpful in presenting a summary picture of the state of inclusiveness of trade policy making process in project countries that is based on the feedback by stakeholders in the country and confirmed by other information and analysis in the study. The methodology and structure of this Index are explained in the annexure.

Main objectives for the development and application of this analytical tool are:

- Raising awareness about the political economy aspects of trade policy making;
- Assessing the inclusiveness of a country's trade policy making processes in terms of the capacities and participation of main stakeholders in these processes;
- Identifying the weaknesses and gaps that should be the target of related capacity building and other activities by the governments, donors, and various stakeholders;
- Allowing for comparisons across countries to identify the good practices as well as prompting actions by countries lagging behind; and
- Improving prospects for domestic ownership of trade policies through development and application of more inclusive trade policy making processes.

It should be emphasised that this ITPM Index is not based on a quantitative analysis. It is rather a simple, qualitative instrument which nevertheless is based on a logical methodology which has been tested through FEATS National Reference Group consultations as well as FEATS National Dialogues held in April-May 2009 in all the five project countries. It can be further improved with experience. But its simplicity should be maintained – a point that was repeatedly emphasised by the stakeholders in the FEATS National Dialogues.

The ITPM Index has four parts related to four main categories of stakeholders. Part I has five action variables where action is the responsibility of relevant government ministry responsible for trade policy making and implementation. The remaining three parts have three similar action variables each where action is the responsibility of other relevant government ministries/agencies, private sector, and the CSOs, respectively.

For the sake of simplicity, all the action variables can have only five values: maximum value of 1 (when the appropriate action has been taken by the concerned actor), high value of 0.75 (when quite a lot has been done by the concerned actor but some gaps still remain), intermediate value of 0.5 (when action has been taken by the actor concerned but that is not sufficient), low value of 0.25 (when some action has been taken by the concerned actor but much remains to be done), and minimum value of zero (when the action has not been taken at all by the concerned actor). In qualitative terms, these values correspond to the respective answers of yes, many/most, some, few/little, and no. (Table in the annexure provides detailed explanations in this regard.)

A summary of Index scores by stakeholders in project countries is in table 1.9 – the details are in respective country studies. It should be noted that these scores are based on feedback from corresponding groups of stakeholders.

Before offering a brief analysis of these summary scores, it should be reiterated that the goal is not to criticise or find faults with any group of stakeholders. The intention here is to present an objective assessment that brings out areas requiring action to help all stakeholders focus their efforts on these areas with a view to improving the overall inclusiveness of trade policy making in the country.

Kenya and Zambia have the highest scores due to higher scores by their respective ministries responsible for trade and consistent scores by other three groups of stakeholders. The ministries responsible for trade in Kenya and Zambia have done well regarding the identification of stakeholders, establishment and functioning of consultative mechanisms, and creating awareness about the trade policy. However, this is not enough and more is needed particularly for the identification and inclusion of remaining stakeholders and improving the functioning of consultative mechanisms. Kenya also needs to create better cohesion among various consultative mechanisms. The weakest area for the ministries responsible for trade is the regular information flow to the stakeholders. Ministries responsible for trade in all the five project countries have similar score under this action variable, indicating a common perception among stakeholders in all countries about the lack of regular information flow on trade issues from the ministry concerned. Even taking into account the limited human resources of the ministries concerned, this weakness can be redressed by making use of the information technology and electronic media.

Table 1.9: ITPM Index Scores						
	ITPM Action Variable	KENYA	MALAWI	TANZANIA	UGANDA	ZAMBIA
Part I. Ministry responsible for Trade	A. Identification of all key stakeholders	0.75	0.50	0.50	0.75	0.75
	B. Creating awareness about the need for trade policy	0.75	0.50	0.50	0.25	0.75
	C. Establishment of formal consultative mechanisms	0.75	1.00	0.75	1.00	1.00
	D. Functioning of formal consultative mechanisms	0.75	0.75	0.50	0.50	0.75
	E. Regular information flow to the stakeholders including on the content of trade policy	0.50	0.50	0.25	0.25	0.50
	Part I Score		3.50/5.00	3.25/5.00	2.50/5.0	2.75/5.00
Part II. Other relevant government ministries/agencies	F. Regular participation in the process and feedback to the relevant authorities	1.00	0.75	0.50	0.75	0.75
	G. Faithful representation of and regular feedback to the represented constituencies	0.50	0.50	0.50	0.50	0.50
	H. Acquiring relevant knowledge and expertise	0.50	0.50	0.50	0.50	0.50
	Part II Score	2.00/3.00	1.75/3.00	1.50/3.00	1.75/3.0	1.75/3.00
Part III. Private sector and business umbrella organisations	I. Regular participation in the process and feedback to the relevant authorities	1.00	1.00	0.75	1.00	1.00
	J. Faithful representation of and regular feedback to the represented constituencies	0.50	0.75	0.75	0.50	0.50
	K. Acquiring relevant knowledge and expertise	0.50	0.50	0.50	0.50	0.50
	Part III Score	2.00/3.00	2.25/3.0	2.00/3.00	2.00/3.00	2.00/3.00
Part IV. Civil society organisations	L. Regular participation in the process and feedback to the relevant authorities	0.75	0.25	0.50	0.25	1.00
	M. Faithful representation of and regular feedback to the represented constituencies	0.75	0.50	0.50	0.50	0.50
	N. Acquiring relevant knowledge and expertise	0.50	0.50	0.50	0.75	0.50
	Part IV Score	2.00/3.00	1.25/3.00	1.50/3.00	1.75/3.00	2.00/3.00
	ITPM Index Score	9.50/14.0	8.50/14.00	7.50/14.00	8.25/14.00	9.50/14.00

The total scores by ministries responsible for trade in Tanzania and Uganda are on the lower side but weaker areas are different: identification and involvement of all relevant stakeholders in trade policy consultative mechanisms and establishing consultative mechanisms for all trade policy issues in Tanzania, and creating awareness about trade policy in Uganda. The score of concerned ministry in Malawi is better than Tanzania and Uganda but still indicates the need for more efforts in respect of three out of the five action variables.

Private sector score is either higher than by CSOs and other relevant government ministries (in Malawi, Tanzania and Uganda) or equal: it is not lower as compared with these two other groups of stakeholders in any of the project countries. Private sector score is particularly high in Malawi. The weakest variable for the private sector across countries, which happens to be the weakest variable among the three groups of stakeholders (i.e., other relevant government ministries, private sector, CSOs) in all countries (except for Uganda for CSOs) is the limited relevant knowledge and expertise. The emerging conclusion is that all these groups of stakeholders need to invest more time and resources on acquiring relevant knowledge and expertise for their meaningful participation in trade policy making process. They should be supported by development partners and national authorities in this effort.

Other action variable where the three groups of stakeholders (i.e., other relevant government ministries, private sector, CSOs) have less scores relates to the faithful representation of and regular feedback to their respective constituencies. This is particularly relevant for other relevant government ministries as they are not perceived to be doing well in this respect in all the project countries. This may be due to several factors. Trade may be a peripheral issue for these ministries and hence not considered a priority for regular feedback on. There may also be a general lack of mechanisms and culture in these ministries for regular feedback and interaction with their respective constituencies. Moreover, there can be lack of organisation and capacity in the represented constituencies themselves, for example, farmers in the case of ministries dealing with agriculture.

CSOs too are not perceived to be doing well in respect of this action variable in all countries except in Kenya. This assessment is linked to and confirmed by several observations mentioned earlier. One, CSOs often work on a number of issues simultaneously and hence have to deal with multiple constituencies at the same time. Two, CSO constituencies may not be very well defined as their organisation and mandates are not based on explicit declarations of nomination and support. Three, there is often a disconnect between policy CSOs and the grassroots. In fact it was often mentioned during the meetings organised as part of this study that policy making and related advocacy was a “capital affair” with limited connection with people outside the capitals.

Private sector performance in respect of this action variable is also not good except in Tanzania and Malawi. Major reasons for this include: under-staffed secretariats of private sector umbrella organisations that are unable to maintain effective two-way communication between the government and their members; tight timelines to provide

feedback to the government on trade issues which do not allow for wider consultation with all members of private sector umbrella organisations; and conflicting interests of the members of private sector umbrella organisations. The last presents a particular dilemma. Often the degree of access and influence of a private sector umbrella organisation is a function of its size, i.e. number of its members as well as number of sectors and sub-sectors that it represents. On the other hand, the larger the number of members and coverage of sectors and sub-sectors, the greater the chance of having conflicting interests of members. Private sector umbrella organisations should institute more internal dialogue to mitigate this challenge to the extent possible. At the same time, governments should endeavour to include sectoral and sub-sectoral private sector organisations in the consultative process.

Private sector consistently scores high for its regular participation in consultative fora. This shows the interest of private sector in participation. It also seems to be a result of more and better opportunities for private sector participation – as mentioned in the earlier section governments have established dedicated consultative mechanisms for consultations with the private sector and private sector is encouraged to participate including by often appointing the chair or co-chair of these fora from the private sector.

Other relevant government ministries and agencies have also scored well in respect of this action variable except in Tanzania. The best score is in Kenya where it seems that other relevant ministries regularly participate in consultative mechanisms. This participation is also substantial in the case of Malawi, Uganda and Zambia. Tanzania should consider improving its overall inter-ministerial consultative mechanisms as well as pay special attention to the regular participation of relevant government ministries in trade-related consultative mechanisms.

CSO score in respect of this variable is rather low except in Zambia. It seems that CSOs stakeholders in Malawi, Tanzania and Uganda are not participating regularly in consultative meetings on trade issues. The reasons cited for this include: lack of capacity of CSOs and the plethora of consultative fora and meetings; ad hoc nature of invitations to the consultative meetings; and dwindling interest in attendance as the consultative mechanisms do not have legal mandates and participation therein does not seem to have any impact on trade policy decisions being taken by the government. However, the same challenges are faced in Kenya and Zambia also but the CSO participation in consultative mechanisms is much better in these countries. The reasons for this apparent discrepancy can be country specific contexts. For example, CSOs in Kenya have a longer history and hence more visibility and recognition of their role. Moreover, many in the current government were part of the Rainbow Coalition of the opposition that had close relationship with the civil society.

This analysis of inclusiveness of trade policy making process in project countries should be helpful in better understanding the situation in each country, the role and challenges faced by various groups of stakeholders in each country, and the areas for further specific action by various stakeholders. It should be understood that the scores are not to be used for automatic cross-country comparisons: the comparative presentation in table 1.9 is only for illustrative purposes and to encourage sharing of

experiences and lessons across countries. Each country has its own unique context and its score is reflective of that context.

6. Conclusions and Recommendations

Country studies offer several conclusions and recommendations based on the research and analysis in each study. There are some important differences based on the situation in each country. However, one cannot but notice certain important similarities as well. Accordingly, this section presents a summary of those conclusions and recommendations that can be relevant for all five countries. These can be regarded as the gist of country-specific conclusions and recommendations.

Main Conclusions

Main conclusions from the five country studies include the following:

- All the five countries have experienced improved economic growth rates in recent years but poverty, unemployment, and under development remain generally widespread. The policy framework to deal with these in a comprehensive manner has been put in place. This includes a long term development framework – called a Vision – medium term development plans, and sectoral plans and strategies. The issue often is faithful, sustained and effective implementation of these plans and strategies that require substantial human, technical and financial resources as well as sustained political and bureaucratic commitment.
- The importance of trade and trade policy as key tools for growth and development is generally recognised. All the project countries have either put in place comprehensive trade policies or are in the process of doing so. The ministries responsible for trade too have been strengthened to some extent. Their primary role on all issues related to trade is established and their human and financial resources are being augmented. However, the organic links between trade policy and other sectoral policies, in the context of the overall development policy, remain weak. Similarly ministries responsible for trade still need more human and financial resources to effectively discharge their mandate including to ensure the smooth functioning of an inclusive process for trade policy making and implementation.
- The political and bureaucratic culture has changed quite a bit and the importance of having inclusive and participatory policy making processes is well recognised. There are several reasons for this development including: continuing overall democratisation process in the countries, past policy failures (e.g., of inward looking strategies as well as of ‘one-size-fit-all’ prescriptions under the Washington Consensus), and shrinking role of the state as an economic actor. The opening up of this space has allowed the private sector and CSOs to be more visible and assertive. A number of consultative mechanisms have been established for multi-stakeholder consultations on trade-related issues.
- Consultative mechanisms on trade-related issues are a very welcome development and have contributed to a more mature relationship between the government and other stakeholders. However, a number of issues come in the way of the regular and effective functioning of these mechanisms. One, they often do not have clear legal

mandates to offer analysis and advice that the government is required to consider. They often remain a forum for dialogue only. Two, there is a multiplicity of consultative mechanisms that makes it difficult for stakeholders to effectively participate. At the same time, the coverage of issues by some consultative mechanisms may be less than comprehensive. Three, some important stakeholders are not represented in the consultative fora, for example, consumers, parliamentarians, small and informal businesses, etc. Four, not all the consultative mechanisms are functioning regularly. There is a perception among the non-state actors that the meetings of these consultative mechanisms lack predictable periodicity and there is a certain sense of *ad hocism* about their functioning.

- Stakeholders' participation in trade policy making has generally improved. However, not all of them seem to have equal opportunities and capacity/interest to regularly participate. Private sector seems to be doing well in this regard mainly because it has many more channels for consulting with the government, is often encouraged by the government to participate, and has a direct interest in trade policies that have an important bearing on business climate and opportunities. Relevant government ministries and agencies, other than the ministry responsible for trade, participate in trade policy consultations in varying degrees with ministries responsible for agriculture and finance often actively involved. The less-than-satisfactory participation by other relevant government ministries in trade-related consultative mechanisms is due to: lack of resources and interest as trade is not their primary function, and lack of opportunities as not all of them are regularly invited to consultative meetings/asked to provide inputs and feedback. CSOs generally feel that they do not have equal opportunities to participate in consultative fora. This is due to the less number of consultative mechanisms open to them as compared with the private sector and relevant government ministries, lack of their own capacity, and occasional tensions in their relationship with the government as they are often more critical of government positions in international trade negotiations.
- There are a number of challenges that must be faced to have more inclusive and participatory trade policy making processes in the project countries. These challenges fall into three broad categories: i) related to limited human, technical, and financial capacities of the stakeholders; ii) related to the institutional and structural issues of the design and functioning of consultative mechanisms; and iii) related to internal challenges faced by each group of stakeholders, for example, the need to balance the interests of various members representing sectoral and sub-sectoral interests in the private sector, and the need to develop better advocacy approaches and skills by the CSOs. These are difficult but surmountable challenges. All stakeholders need to make efforts so that the trade policy making is more inclusive in the project countries. Only this can ensure buy-in from all stakeholders which is critical for the success of trade policy as an important contributor to growth and development.

Key Recommendations

A number of recommendations have been made in each country study. These are based on the information and analysis in each country study and particularly target the weaker areas as have come out in the respective scores by various groups of stakeholders in the ITPM Index. Following is a summary of key recommendations:

Identification and involvement of remaining stakeholders

In each country some important stakeholders are still not included in consultative mechanisms or regularly consulted in the process for trade policy making. These often include: parliament and parliamentarians, and representatives of farmers, consumers, “SMEs” and trade unions. Governments, particularly the ministries responsible for trade should include them in the membership of regular consultative mechanisms and/or consult them regularly through other means, e.g., regular briefings to the parliamentarians, public notices, etc.

Information dissemination and organisation of awareness-raising activities on trade issues

Improving general awareness on trade issues is important. All stakeholders, including state and NSAs, should organise these activities. A particular target for such activities can be the stakeholders that have been on the margins of the trade policy making process, e.g., farmers, consumers, SMEs, Parliamentarians, youth, and trade unions. Information technology and print and electronic media can be harnessed for this purpose.

Improving regular information flow to key stakeholders

Distinct from the general information flow to the public as mentioned above, there is also the need to ensure regular information flow to main groups of stakeholders on important trade issues/international trade negotiations. The primary responsibility for this lies with the ministries responsible for trade which should institute mechanisms including those based on information technology for this purpose.

Rationalisation and strengthening of consultative mechanisms

Governments, through the ministries responsible for trade and in consultation with other groups of stakeholders should rationalise the mandates and number of consultative mechanisms so that while the number is reduced where possible, their mandates are broadened to cover all trade issues. It is also desirable to vest the consultative mechanisms with legal powers to advise the government on selected trade issues. This will go a long way in establishing the credibility of the consultative mechanisms. Ministries responsible for trade should also be provided with adequate human and financial resources to ensure regular functioning of the consultative mechanisms.

Improving coordination among relevant government ministries and agencies on trade issues

Except for a few government ministries and agencies (e.g. those dealing with trade and agriculture) the coordination among other relevant government ministries and agencies is irregular. Governments, through the ministries responsible for trade as well as ministries/agencies responsible for overall development planning, should take steps to improve regular two-way information flow and feedback between the ministries

responsible for trade on the one hand and other relevant ministries and agencies on the other. This may require improving the rules of procedure, current inter-ministerial coordination mechanisms, and provision of human and financial resources.

Improving the participation opportunities for CSOs

It will be fair to accord as much as possible similar opportunities to all groups of stakeholders. For example, CSOs should be accorded similar access to various consultative mechanisms as is given to the private sector.

Improving the feedback to and from represented constituencies by the private sector and CSOs

The business sector umbrella organisations and the CSOs need to make more efforts to ensure that there is better two-way information and feedback flow between them on the one hand and the constituencies they represent on the other. For example, the apex umbrella business sector organisations are often in a privileged position with regard to the government but their relationship with other smaller private sector and business associations, particularly those dealing with/representing SMEs and the informal sector is rather weak. Similarly CSOs links with grass roots are often limited.

Building knowledge and expertise of all stakeholders on priority trade issues

It is heartening to note that, often with the help of development partners, many stakeholders have acquired useful knowledge and expertise on many trade-related issues. However, given the complex and evolving nature of the issues involved, many knowledge gaps still exist in all the four groups of stakeholders covered in the analysis. Ministries responsible for trade should be provided the resources to build capacity of their own staff and representatives of other stakeholders on selected trade issues deserving priority, e.g., those linked with on-going WTO and EPA negotiations, national development and poverty reduction plan and strategies, and implementation of trade policies. CSOs and private sector should also contribute to this effort.

Strengthening the culture of dialogue and inclusiveness

Different stakeholders will more often than not have different agendas and interests. This is inevitable in a market based, democratic society. But this should not hinder their working together to better understand each other and find common ground where possible. For example, private sector and CSOs can attempt to identify issues where they share common concerns. Similarly, the governmental and non-governmental stakeholders, despite the differences in their roles and perceptions, need not view each other as adversaries. Consultative mechanisms can work much better when there is a spirit of constructive dialogue among all stakeholders. A culture that is based on a sense of common destiny and importance of inclusiveness is taking roots in all project countries as evidenced by the frequency and maturity of interaction among various groups of stakeholders (e.g., in meetings, workshops, seminars where participants representing the government, private sector, and civil society get together and debate various policy issues). This should be nurtured by all groups of stakeholders. Such a culture of dialogue and inclusiveness will be the best guarantee for long term success and sustainability of inclusive and participatory trade policy making processes.

Endnotes

- 1 Switzerland shows up as the top destination for exports because the main trade for Zambian copper is a Swiss company, Glencore, which is one of world's largest commodity traders. However, these copper exports do not end up on the Swiss territory: in fact other European and Asian countries, particularly China are final markets for Zambian copper.
- 2 According to OECD, the trade restrictiveness index (TRI) is an indicator of welfare losses caused by commercial policy instruments (<http://stats.oecd.org/glossary/detail.asp?ID=2744>). The higher the value of index, the more restrictive a trade regime will be. For a good discussion of the methodology for calculating trade restrictiveness indices, please see <http://siteresources.worldbank.org/INTRES/Resources/OTRIpaper.pdf>.
- 3 The leadership of these countries, indeed of all countries members of EAC, COMESA and SADC are cognizant of this issue and committed to finding a solution. Therefore, a summit of EAC, COMESA and SADC countries, held in Kampala, Uganda in October 2008, has decided to move towards a free trade area that will span all the members countries of these three regional groupings.
- 4 The formal ceremony to sign the initial EPAs between the EU and six countries of the Eastern and Southern Africa (ESA) is scheduled for August 2009 in Mauritius.
- 5 The listings of government ministries, private sector organisations, and CSOs in this table are only illustrative and not comprehensive.

2 Kenya

2.1. Brief Introduction to Kenya's Basic Economic Outlook

Kenya is a low-income developing country in sub-Saharan Africa (SSA). It is located on the east coast of Africa, bordered on the north by Sudan, Somalia and Ethiopia, on the west by Uganda, and on the south by Tanzania. Kenya is regarded as a major player in East Africa, with the largest GDP and the strongest export sector in the region. All neighbouring countries are classified as LDCs. With a population of more than 36 million (79 percent living in rural areas¹), an area of 582,646 sq km, and comparatively more developed industrial and business sectors, Kenya can offer opportunities for the growth of the whole region.

Nominal GDP has increased consistently in Kenya from 2000 onward, with the most significant increase between 2006 and 2007 when it rose from US\$23.753bn to US\$30.512bn². The growth rate of real GDP per capita has however, been fluctuating. It was negative in the period 1990-2000 but improved in the period 2000-2005, mainly due to better economic performance in 2004 and 2005. This trend continued in 2006 and 2007, raising expectations for sustained economic growth and development.

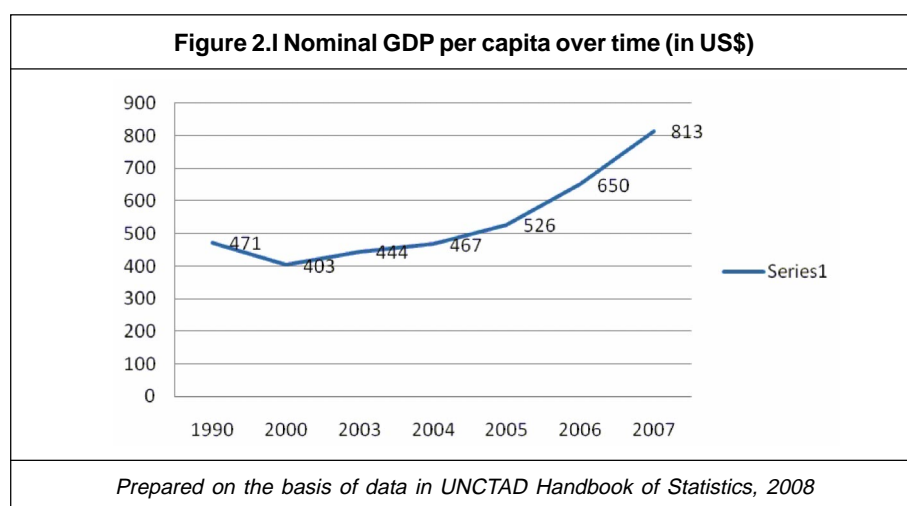
Table 2.1: Growth Rates of Real GDP Per Capita					
1990-2000	2000-2005	2004	2005	2006	2007
-0.8	0.8	2.1	3.1	2.7	3.3

Source: UNCTAD Handbook of Statistics, 2008.

Better GDP per capita growth has resulted in slightly higher GDP per capita in recent years. It crossed the US\$500 mark in 2005 and further improved to US\$813 in 2007.

Table 2.2: Nominal GDP Per Capita in US\$ ³						
1990	2000	2003	2004	2005	2006	2007
471	403	444	467	526	650	813

Source: UNCTAD Handbook of Statistics, 2008.



Despite these recent developments, Kenya has a high percentage of the poor both in the rural and urban areas. The 1990s witnessed an increase in the poor, particularly in the urban areas as shown in Table 2.3. This trend continued into the early 21st century. The overall national incidence of poverty stood at 56 percent as of 2003⁴. While the national incidence of poverty increased during the 1990's and into the 21st century, poverty rates along international poverty lines have remained relatively constant over the past decade of the same time period. In 1997, 19.6 percent of the population was living on less than US\$1.25 per day and 42.7 percent on less than US\$2.00 per day⁵. In 2005-2006 these statistics were nearly the same with 19.7 percent below US\$1.25 per day and 42.7 percent below US\$2.00 per day⁶.

Table 2.3: Poverty Incidence over Time

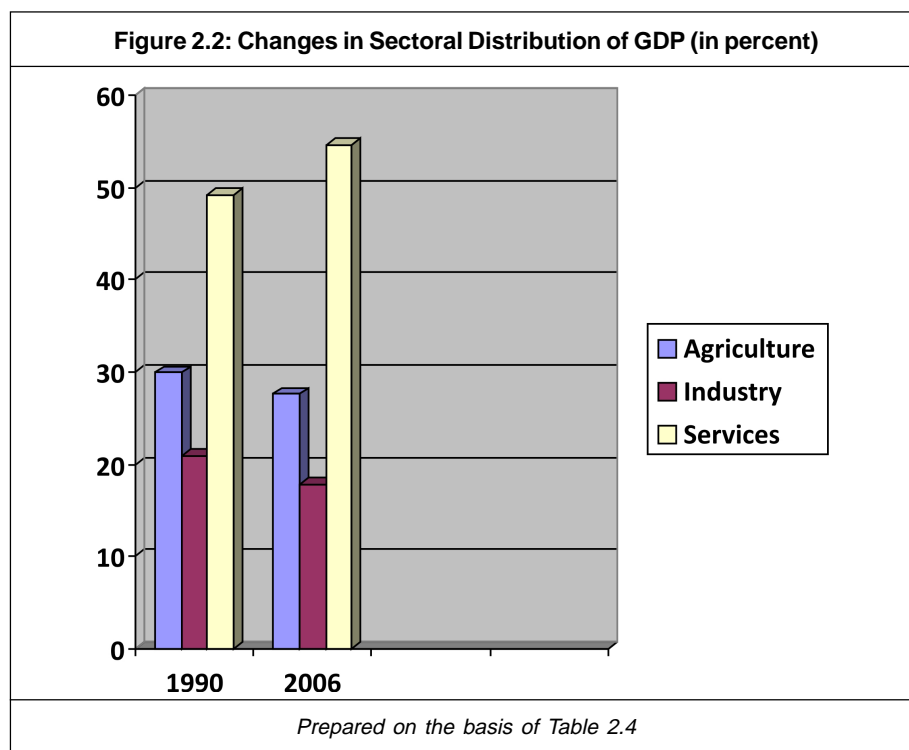
	Percentage of poor			Percentage of extreme poor		
	1992	1994	1997	1992	1994	1997
Rural Areas						
Central	35.89	31.93	31.39	67.83	32.95	29.73
Coast	43.50	55.63	62.10	63.00	50.95	59.46
Eastern	42.16	57.75	58.56	62.31	59.50	56.82
Nyanza	47.41	42.21	63.05	70.72	41.31	58.16
Rift Valley	51.51	42.87	50.10	81.02	45.75	48.02
Western	54.81	53.83	58.75	78.41	52.25	58.58
North Eastern	-	58.00	-	-	56.55	-
Total Rural	47.89	46.75	52.93	71.78	47.19	50.65
Urban Areas						
Nairobi	26.45	25.90	50.24	41.92	27.26	38.38
Mombasa	39.17	33.14	38.32	44.84	33.12	38.57
Kisumu	-	47.75	63.73	-	44.09	53.39
Nakuru	-	30.01	40.58	-	37.18	26.81
Other towns	-	28.73	43.53	-	27.07	37.91
Total Urban	29.29	28.95	49.20	42.58	29.23	38.29
Total Kenya	44.78	40.25	52.32			

Source: KIPPRA, ODI, IDS, "Trade Policy and Poverty Linkages in Kenya." June 2007.

The share of agriculture and industry in the GDP has declined over time. The decline was more pronounced in the case of industry which saw its share in the GDP shrink from an already low of 20.9 percent in 1990 to 17.8 percent in 2006. The share of manufacturing – a sub-sector of industry – in GDP also declined from 13.9 percent in 1990 to 11.1 percent in 2006. The share of services, on the other hand, has increased though it was already large (49.2 percent) in 1990.

Table 2.4: Sectoral Distribution of GDP (in percent)				
	Agriculture, hunting, forestry, fishing	Industry		Services
		Total	Manufacturing	
1990	29.9	20.9	13.9	49.2
1995	32.6	17.8	11.9	49.6
2000	32.8	17.3	11.5	49.9
2005	26.8	18.4	11.4	54.8
2006	27.7	17.8	11.1	54.5

Source: UNCTAD Handbook of Statistics, 2008.



Agriculture continues to absorb a bulk of the labour force. Employment in agriculture has been increasing in absolute terms. The employment in absolute terms has also increased in all sectors (reflective of increasing number of the overall work force) except for the electricity and water sector during the period of 2000-2007. Most significant increases have taken place in transport and communication (77 percent) and the informal sectors (78 percent).

In 1997, it was estimated that 72.4 percent of those employed in the labour force were employed in the informal sector. Informal sector employment is markedly higher in rural areas as compared to urban locations. In rural areas, informal sector employment was estimated at 77.9 percent of the total rural labour force in 1997, whereas employment in this sector was 57.4 percent of the urban labour force for the same year⁷.

Table 2.5: Sectoral Distribution of Employment over Time						
<i>(In 000's)</i>						
Employment by industry	2000	2003	2004	2005	2006	2007*
Agriculture & Forestry	312.2	316.1	320.6	327.1	333.6	339.9
Mining & Quarrying	5.3	5.4	5.5	5.8	6.0	6.3
Manufacturing	218.7	239.8	242.0	248.4	254.9	261.3
Electricity & Water	22.7	21.1	20.9	20.2	19.6	19.0
Building & Construction	78.6	76.6	77.3	78.2	79.9	81.3
Trade, Restaurant & Hotels	155.5	162.8	168	175.4	185.9	195.8
Transport & Communications	84.2	86.8	100.8	113.7	130.8	149.0
Finance, Insurance, Real Estate & Bus.	85	83.7	83.7	88.9	92.3	95.0
Community, Social & Personal Services	733.1	735.0	744.9	751.0	755.8	759.6
Employment in Informal Sector	4,191.1	5,532.7	5,992.8	6,628.3	7,048.7	7,475.6
<i>*Provisional</i>						
<i>Source: Government of the Republic of Kenya, Central Bureau of Statistics, Ministry of Planning & National Development Kenya Facts and Figures. 2005, 2006 & 2008 Editions. Nairobi.</i>						
<i>Note: 2000 figures originate from 2005 edition, 2003 & 2004 figures originate from 2006 edition, and 2004, 2006 & 2007 figures originate from 2008 edition.</i>						

Estimated unemployment stood at 40 percent as of 2008⁸.

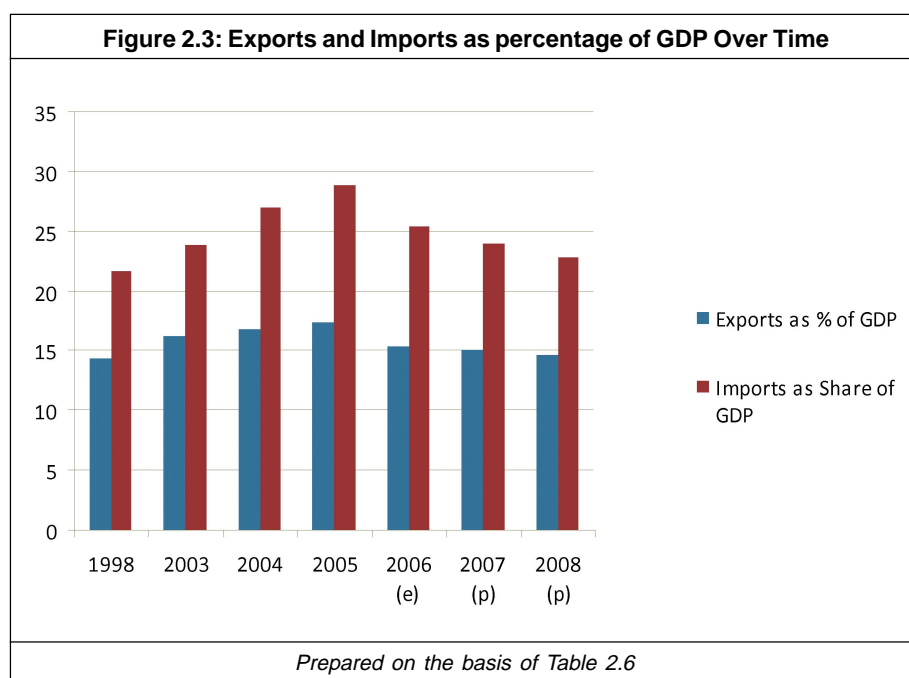
The basic economic outlook of Kenya presents a mixed picture. Notwithstanding recent improvements in GDP per capita, the incidence of poverty and unemployment is quite high. Moreover, the informal sector is the mainstay of employment creation. These facts and trends should be important indicators for trade policy makers to target trade policy measures towards employment creation.

2.2. Kenya Trade Profile

In Kenya, exports stand at approximately 14.6 percent of GDP according to projected 2008 figures. Imports equal 22.8 percent of GDP (23.9 percent in 2007) as per 2008 projections⁹. These percentages have not changed much since 1998, with the trade deficit hovering between 7-10 percent of the GDP throughout this period. This large deficit is mostly due to Kenya's reliance on imports in the industrial sector, balanced by an export sector constituted by primary products and services.

	1999	2003	2004	2005	2006(e)	2007(p)	2008(p)
Exports of goods (f.o.b.)	13.7	16.2	16.8	17.3	15.3	15.0	14.6
Imports of goods (f.o.b.)	21.6	23.8	26.9	28.9	25.4	23.9	22.8

Source: AfDB/OECD. "Kenya" 2008, African Economic Outlook. 345-360



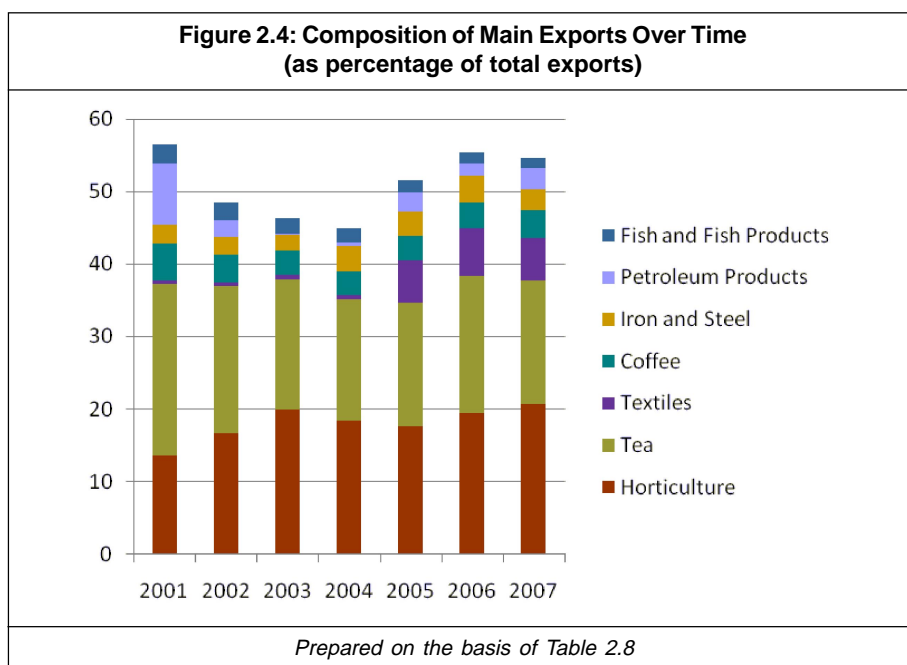
	2001	2002	2003	2004	2005	2006	2007	2008
Exports	1,520	1,400	2,551	2,683	3,419	3,501	4,080	5,732
Imports	4,008	3,074	3,475	4,563	5,846	7,232	8,989	12,777

Source: ITC Trade Map (www.intracen.org, July 21, 2009)

Composition of Kenyan exports has undergone significant changes in the last few years. Percentage share of horticulture and textiles in total exports has increased from 13.63 to 20.66 and from 0.41 to 5.89 from 2001 till 2007. Demand of horticulture in mainly European markets and access for textiles in the US market under the African Growth and Opportunity Act (AGOA) are the main reasons. In the same period, the percentage share of traditional exports of tea and coffee has declined from 23.63 to 17.03 and from 5.12 to 3.80 respectively.

Table 2.8: Percentage Composition of Exports 2001-2007							
	2001	2002	2003	2004	2005	2006	2007
Horticulture	13.63	16.74	19.92	18.41	17.71	19.45	20.66
Tea	23.67	20.31	18.02	16.79	17.04	18.86	17.03
Textile	0.41	0.42	0.58	0.59	5.71	6.60	5.89
Coffee	5.12	3.86	3.43	3.23	3.48	3.64	3.80
Tobacco and Tobacco manufactures	1.98	2.04	1.63	1.37	1.97	3.14	3.11
Iron and Steel	2.52	2.43	2.21	3.51	3.40	3.60	2.99
Petroleum Products	8.47	2.30	0.04	0.51	2.48	1.71	2.81
Soda Ash	1.37	1.26	1.31	2.49	1.48	1.58	1.97
Cement	0.71	0.87	1.08	0.91	1.10	1.53	1.68
Articles of Plastics	1.77	1.77	1.42	1.46	1.68	1.97	1.62
Medicinal and Pharmaceutical Products	1.08	1.00	1.18	1.06	1.02	1.19	1.62
Essential Oils	1.70	1.45	1.55	1.45	2.26	1.51	1.61
Fish and Fish Products	2.65	2.48	2.19	1.95	1.77	1.58	1.50
Animal and Vegetables Oils	0.89	1.35	1.32	1.17	0.98	0.98	1.26
Sugar Confectionary	1.08	1.11	1.00	0.93	1.00	1.07	1.11
Leather	0.40	0.36	0.56	0.52	0.62	0.79	1.11
All Other	32.13	39.69	42.35	43.32	36.71	30.68	30.25
Total exports	100.00	100.00	100.00	100.00	100.00	100.00	100.00
<i>Source: Export Promotion Council. http://www.epckkenya.org/page.asp?page=EXP_STATS&submenu=KEN_PROF&childmenu=EXP_STATS (June 08, 2009)</i>							

In 1998, the market share of total exports to African countries and European Union (EU) stood at 47.3 and 30.0 percent, respectively. By 2006, the share of total exports to the EU reduced by 2.6 percent while that of African countries increased by 1.3 percent. In 2008, two African and two European countries and the US were the top five export destinations for Kenya with 48.7 percent of total exports destined for five¹⁰. The same year, the percentage shares of COMESA and EAC member countries in total Kenyan exports were 28.9 percent and 21.4 percent respectively¹¹.



Main imports of Kenya include: machinery and transportation equipment, petroleum products, motor vehicles, iron and steel, and resins and plastics. In 2006 imports of capital goods accounted for US\$1,852mn, of food US\$187mn, and of fuel and energy US\$916mn¹³. In 2007, the total import bill amounted to US\$8,989mn¹⁴.

Export Destination	Share in value in Kenya's Exports in 2008 ¹² (in percent)
UK	16.9
Uganda	10.77
Netherlands	7.9
Tanzania	7.5
United States	5.7

Source: ITC Trade Map (www.intracen.org, July 21, 2009)

Top five exporters to Kenya are composed of the UK, the UAE, India, China and South Africa respectively. In 2008, 3.2 and 1.4 percent of total imports into Kenya were from the member countries of COMESA and EAC respectively¹⁵.

Table 2.10: Top Five Import Sources (2008)	
Import Source	Share in value in Kenya's Impors in 2008 (in percent)
UK	15.4
UAE	13.1
India	10.3
China	7.3
South Africa	5.3
<i>Source: ITC Trade Map (www.intracen.org, July 21, 2009)</i>	

Two further points in respect to Kenya's trade performance should be mentioned. One, the export product concentration decreased over 2005-2007 to 2008 from 20.0 to 18.8, while the export market concentration remained the same over 1995-1999 to 2000-2004 (26.6 and 26.5 respectively). While the recent decrease in export product concentration indicates successful efforts to diversify exports, Kenya still remains highly concentrated in a few product lines and markets; and subsequently quite vulnerable to changes in the international market. Two, while Kenyan integration into the global economy increased over the period 1990-2007, trade as a percentage of GDP decreased from 62.5 to 58.2 percent from 2005-07 to 2008; indicating a recent regression in the country's integration into the global economy¹⁶.

2.3. Kenyan Participation in International Trade and Regional Integration Agreements

Kenya is an active participant in many international and regional trade and integration agreements. The implementation of commitments under these agreements as well as the requirements of on-going negotiations under several of these agreements often get factored into Kenyan trade policy measures.

Kenya is a founding member of the WTO and has often led the African Group in WTO discussions and negotiations. Kenya also benefitted from non-reciprocal preferences under the Lome and then Cotonou Agreements as an African, Caribbean and Pacific (ACP) country. It has initialled an interim Economic Partnership Agreement (EPA) with the European Union (EU) and is part of the negotiations with the EU to conclude final regional EPAs as part of the EAC. Kenya is a beneficiary of Generalised System of Preferences (GSP) schemes by developed countries and has benefitted from the US Africa Growth and Opportunity Act (AGOA).

Kenyan active participation in international reciprocal and preferential trading arrangements is complemented by its involvement in several African regional integration arrangements. It is a member of the African Union (AU) and hence committed to the goal of continent-wide, comprehensive integration. It is also a founding member of both COMESA and EAC.

2.4. Trade Regime of Kenya

Trade policy of Kenya was guided by import substitution rationale throughout the 1960s and 1970s, relying on the protection of the domestic market to encourage economic development. The introduction of Structural Adjustment Programmes (SAPs) in the 1980s moved Kenya towards a more open, competitive and export-oriented economy including the adoption of export promoting and liberal trade policies¹⁷.

Since the early 1990s, Kenya has moved towards an even more open trade regime, embodied in the Sixth Development Plan (1989-1993). This plan provided a framework for the adoption of export promotion strategies aimed at creating an enabling environment for export growth. Institutional reform, reduction of tariffs, abolition of export duties, introduction of export retention schemes, improvement of foreign exchange terms, insurance regulations and a National Export Credit Guarantee Corporation were put in place under this plan. Its goals were to strengthen market access for Kenyan products abroad, improve efficiency, stimulate private investment, increase foreign exchange earnings and further integrate Kenya into the world economy¹⁸.

The Seventh Development Plan (1994-96) proposed regulatory changes designed to make investments in bonded factories and export processing zones (EPZs) more attractive. By the end of 1994, 40 enterprises were approved to operate in six EPZs and, by the end of 1995, imposition of countervailing duties was one of the few remaining non-tariff barriers (NTBs) to international trade¹⁹.

Tariffs are Kenya's main trade policy instrument, and since 1993, the country has reduced its overall level of protection in the economy. The tariff structure has been simplified through the reduction of bands to five (0, 5, 10, 15, and 25 percent) and the lowering of maximum ad valorem rates from 60 percent in 1992 to 25 percent in 1999. The WTO secretariat Trade Policy Review for Kenya in 2000 reported that while Kenya has been successful in rationalising its tariff structure, the conversion of mixed duties and specific duties into *ad valorem* rates would enhance the transparency of the tariff system²⁰. In 2008, the average applied tariff for all products was 7.72 percent, including 22.23 percent for agricultural products, and 6.64 percent for industrial products. In the same year, the average bound tariff for all products was 95.70 percent, 100 percent for agricultural products, and 54.80 percent for industrial products²¹.

The reduction of tariff and NTBs to trade were made in an effort to continue to liberalise the economy, prepare Kenya for regional integration, and ensure compliance with the provisions of the multilateral agreements that Kenya had signed²².

The 2008 Trade Tariff Restrictiveness Index of the World Bank reported Kenya's trade regime to be more open than the average SSA country²³. On the trade tariff restrictiveness index for Most Favoured Nation (MFN) applied tariffs Kenya received a rating of 7.6 in 2008, slightly decreased from 7.8 for 2005-2007. Also, the Overall Trade Restrictiveness Index rating (including applied tariffs, preferential tariffs and NTBs) declined from 8.7 to 8.1 during the same period showing the overall trend of increasing openness in Kenya's trade regime²⁴.

Creating globally competitive industries and promoting national prosperity were the objectives of the National Trade Policy (1994) which remains the only comprehensive trade policy document and aims for the transformation of “the economy from a supply constrained one into a competitive export led entity responsive to enhanced domestic integration and wider participation in the global economy for national and international trade expansion²⁵”.

Trade policy is influenced by agriculture policy that aims to ensure food security, defined by self-sufficiency. Main instruments for the implementation of agriculture policy include tariffs on agricultural imports and marketing boards. Marketing boards exist for every major crop, although these have devolved into entities with only limited powers in recent years. There is a set floor price for agricultural commodities. Recent liberalisation of marketing functions has encouraged exports of unprocessed commodities²⁶.

Other recent trade-related initiatives and interventions aim mainly to align policies with WTO agreements. The government is in the process of drafting legislation on government procurement and amending anti-dumping, countervailing and intellectual property measures. MFN status is applied to all trading partners and Kenya has adopted harmonised nomenclature for product classification.

Preferential tariff treatment is granted on a reciprocal basis to members of the COMESA, subject to Certificate of Origin. Under the EAC Free Trade Agreement (FTA), Kenya will continue to pay duties on its exports to other members of the EAC till 2010 whereas Kenyan tariffs on many imports from these countries are being reduced/eliminated. Once the EAC Customs Union (CU) takes effect, a common external tariff will apply to all goods entering into EAC countries from countries outside of the union.

Vision 2030, launched in June 2008, recognises a clear link between trade and alleviation of poverty. It aims to make Kenya a globally competitive economy and enunciates a desire to establish a coherent trade policy. Vision 2030 goals include: promote decent, protected and recognised informal trade, establish vibrant businesses supported by well established and functioning infrastructure and social amenities, expand Kenyan exports and thereby create jobs and prosperity, transform Kenya into a regional services hub, and increase in the digital opportunity index from low access of 0.17 to medium access²⁷. To achieve these objectives a lot of emphasis is placed on recognising the importance of the informal sector and taking measures to improve the working conditions in the informal sector.

While the Ministry of Trade and Vision 2030 outline numerous goals for the domestic trade development of Kenya, there is no comprehensive domestic trade policy component included in the larger development plans for this country²⁸.

Table 2.11: Evolution of Kenyan Trade Policy	
Period	Main Features
1960's – 1980's <i>Import substitution strategies</i>	<ul style="list-style-type: none"> • Increased domestic control of the economy with trade growth and generation of employment • Nationalisation and heavy government regulations
1980's <i>SAPs and Trade Liberalisation</i>	<ul style="list-style-type: none"> • SAPs aim to increase use of local resources and outward expansion policies to generate employment, export expansion • Promotion of non-traditional exports, liberalisation of market systems, reform of international trade regulations
1990's – early 2000's <i>Export Oriented Policies</i>	<ul style="list-style-type: none"> • Sixth Development Plan (1989-1993) adopted, embodies export promotion strategies • Institutional reform, reduction/restructuring of tariffs, abolition of export duties, introduction of export retention schemes, improvement of foreign exchange earnings, stimulation of private investment and increase private sector foreign exchange earnings
2004 – present <i>Vision 2030 and National Trade Policy</i>	<ul style="list-style-type: none"> • Goal of Vision 2030 to transform the economy from its supply constraints to a competitive export-led entity responsive to domestic integration and participation in the global economy for national and international trade expansion • Objectives: promote informal trade, expand exports to create employment, improve infrastructure and social amenities to support business development
<p>Source: Manyara, E. B. "Trade Policy Making Process in Kenya". Presentation for CUTS Geneva Resource Centre: October 14, 2008</p>	

2.5. Trade Policy Making in Kenya

2.5.1. Objectives

The overarching framework to transform Kenya into a globally competitive and prosperous nation with high quality of life is provided in Vision 2030. Key objectives of this Vision include:

- Maintaining sustained economic growth of 10 percent per annum over the next 25 years;
- Having a just and cohesive society enjoying equitable social development in a clean and secure environment; and
- Establishing an issue-based people-centered, result-oriented and accountable democratic political system.

National Trade Policy is a key complement of the Vision and is intended "to transform the economy from a supply constrained outfit into one that is responsive to enhanced domestic integration and wider participation in the global economy for national and international trade expansion". Trade policy is intended to fast-track the realisation of Vision 2030 objectives through:

- Promotion of decent, protected and recognised informal trade;
- Establishment of vibrant business supported by well established and functioning infrastructure and social amenities;

- Expansion of Kenyan exports and generation of jobs and prosperity for the people of Kenya;
- Transformation of Kenya into a regional service hub; and
- Enhancement of opportunities and increasing the digital opportunity index from low access (0.17) to medium access (0.5)²⁹.

Another key objective of the draft Trade Policy of 2007 was to consolidate all the trade policy-related instruments and measures into one comprehensive document. The draft policy recognises the need for a coherent trade policy. Current interventions affecting trade development and competitiveness in Kenya can be found in numerous policy documents and the implementation and coordination is scattered to a number of institutions and ministries. This hinders the successful implementation of trade policies.

2.5.2. Process

The general process of policy making and implementation in Kenya consists of the following steps.

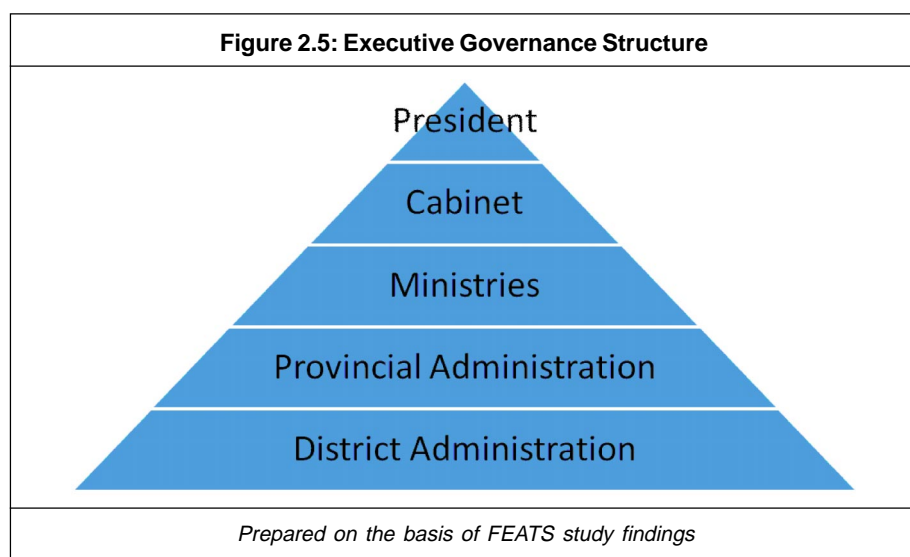
- Once a policy need has been identified, the Permanent Secretary in the concerned ministry sets up a task force to collect views on the policy issue at hand and develop a Sessional Paper;
- Then a stakeholder discussion of the views collected by the task force takes place;
- After these deliberations have taken place, the Ministry draws up a Cabinet Memorandum seeking Cabinet approval;
- Once approved by Cabinet, the Ministry in consultation with various stakeholders draws-up a draft policy;
- In matters requiring legislation, the office of the Attorney General then prepares a draft bill for parliamentary debate and approval;
- After the passage of the bill by the Parliament, it is presented to the President. Once it receives Presidential assent, it becomes an Act of Parliament, which can be enforced by law;
- In matters not requiring legislation, the Cabinet and the President approve the Sessional Paper to give it legal force for implementation;
- The implementation of the policy is then carried out by the relevant bodies;
- Finally, it should be noted that many other policy decisions are made at the Ministry level (often in consultation with stakeholders) through gazette notices etc³⁰.

According to the Constitution, the executive has the power to negotiate and ratify international agreements.

Two common approaches used in formulating development policies are the formation of sectoral working groups or experts and the appointments of a Presidential Committee or Commission. Within the Executive, the Ministry of Vision 2030, Planning and National Development has the primary role of formulating development policies and coordinates their implementation nationally. The organisational structure extends further to the central and provincial organisational set ups. At the central or national level, the organisational structure is made up of the Cabinet, the Ministry of Vision 2030, Planning and National Development, the Ministry of Trade, and the Planning Units within the various ministries. It is worth noting that policies that have immediate financial implications require the input of the Ministry of Finance. The provincial organisational structure is made up of

various development committees [e.g. at the district level there are the District Development Committees (DDCs) in every district].

The development of trade policy instruments generally follows the same process as described above. The presence of a strong executive as manifested in the Office of the President emphasises the role of the Executive in developing and implementing trade policy, including the negotiations and implementation of the international trade agreements³¹. The diagram below gives an outline of the executive governance structure in Kenya.



2.5.3. Policy Making Process for Draft Trade Policy 2007

The process described above was also generally adopted for the formulation of the draft Trade Policy 2007. The team that is currently revising the document strives to engage stakeholders both in formal and informal consultations. The consultations have been extended to the provinces targeting provincial administration, agriculture, trade and industrial development officers, local authorities and informal and formal trade organisations.

The thematic model used to develop the draft Trade Policy 2007 was on the same lines as has been used by several other countries in Europe and Asia. This model includes eleven stages, namely, description of the current status; identification of problems/challenges; benchmarking with aspirational countries (Kenya used newly industrialised countries in Asia as well as some African countries for this benchmarking); identification of areas of focus and required interventions; developing overall country vision; setting goals to solve the problems within a time frame; setting specific objectives to achieve the goals within a timeframe; devising strategies and targets for each objective; having flagship projects for quick wins; developing institutional implementation framework; and, monitoring and evaluating the expected impact. According to concerned officials,

due to limited resources, Kenya, like other African countries, followed the step numbers one, two, three, five and eight only from the above list³².

2.5.4. Key Institutions and Actors

Ministry of Trade

Ministry of Trade³³ headed by the Minister of Trade is at the centre of trade policy making. As stated earlier, Kenya has not had one comprehensive trade policy document since 1994; policy draws from different policy documents, Acts of Parliament, Sessional Papers and development plans. There is an absence of harmonised and coherent trade policy to guide and manage trade relations and activities³⁴.

To respond to the challenge of this lack of a comprehensive and coherent policy document, the erstwhile Ministry of Trade and Industry embarked on the development of two policies: the National Industrial Policy and a comprehensive Trade Policy. While the former policy was finalised and launched, the trade policy paper remained a draft after the 2008 split of the Ministry of Trade and Industry into two separate entities.

Ministry of Trade (MoT) manages and implements trade policy with support from technical institutions. Its activities include trade development, research and analysis, policy making and implementation. It is also responsible for negotiations of multilateral, bilateral and regional trade agreements, although the matters related to the EAC are being dealt with by another ministry specially created for this purpose. The MoT formulates trade policy taking into consideration the implementation of Vision 2030 and other national policies, and interests of the private sector and other stakeholders. Aligning policy with the regional and multilateral trading systems also drives trade policy formulation.

Other Relevant Ministries and Government Departments

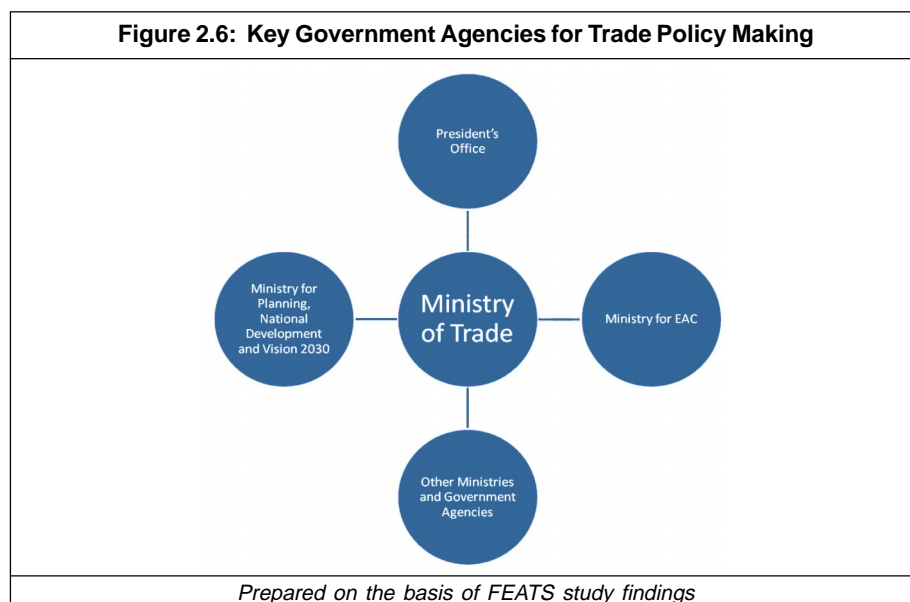
A number of other government ministries and departments contribute to the trade policy making. The key among these are the following:

Ministry of East African Community coordinates all activities related to East African Community. It coordinates, monitors and evaluates the implementation of EAC policies, projects and programmes and liaises with the public and private sector stakeholders on EAC matters. It also maintains linkages between the East African Legislative Assembly (EALA) and the Kenya National Assembly as well as linkages between EAC institutions, line ministries and other related institutions. The EAC Ministry also facilitates the review of Treaties, Protocols and Agreements under the EAC including those related to regional integration.

Ministry of Industrialisation develops and implements the National Industrial Policy; Ministry for Planning, National Development and Vision 2030 is responsible for national development planning; Ministry of Finance sets and administers the national budget including revenues and expenditures; Ministry of Foreign Affairs has the overall responsibility of dealing with international relations; Ministry of Agriculture formulates agricultural policies including plans to ensure sufficient domestic capacity to produce and supply the staple food commodities; and the Central Bank of Kenya sets the monetary and exchange rate policies as well as ensures macro-economic stability.

There are several other government agencies and parastatals that are responsible for dealing with matters that are related to selected trade policy measures and/or implementation of commitments under the multilateral and other trade agreements. These include: National Economic and Social Council that is entrusted with the responsibility of deliberating and advising on economic and social issues facing the country; Kenya Bureau of Standards that deals with the development and enforcement of domestic standards and acting as the focal point for issues related to international standard setting; Kenya Revenue Authority that collects governmental revenues including customs duties; and Kenya Industrial Property Office that administers laws related to intellectual property. Kenya Export Promotion Council and Kenya Exports Processing Zones Authority perform the main functions regarding export promotion whereas Horticultural Crops Development Authority is tasked with the development of horticultural sector which has emerged as the key export sector in recent years. Kenya Investment Authority works to promote investment, Privatisation Steering Committee deals with disinvestment of state enterprises and Development Bank of Kenya is mandated to provide development financing for projects. The Kenya Plant Health Inspectorate Service enforces plant protection standards and laws. Finally, KIPPRA provides the intellectual backstopping for various policies through its research and analysis activities.

These and other relevant government ministries and departments influence the trade policy making and implementation and interact with MoT in three ways. First, some of them that are tasked with the development of other key policies (e.g., Vision 2030) set the parameters for trade policy. Second, many of them implement various aspects of trade policy and/or its instruments (e.g., Kenya Revenue Authority collects customs duties on imports, Industrial Property Office ensures the implementation of Kenyan commitments under the WTO Trade Related Aspects of Intellectual Property Rights (TRIPs)



Agreement, etc.). Third, they provide inputs and comments on trade policy (e.g., Ministry of Agriculture on issues related to trade in agricultural products).

Private Sector and Business Organisations

Kenya has a vibrant business sector engaged in all segments of economic activity. Its reach and sphere of activities has increased over the years due to privatisation and de-regulation policies pursued by the government and the deepening of regional integration particularly in the EAC region.

Businesses have organised themselves into a number of organisations. Three of these are broad-based umbrella organisations that strive to coordinate and represent the collective interests of the private sector and businesses. These are: KNCCI, KEPSA, and the Federation of Kenya Employers. KAM on the other hand brings together the enterprises engaged in manufacturing only. In addition, there are some sector-specific business associations also that represent the interests of a particular sector, for example, Kenya Flower Council (KFC), Fresh Produce Exporters Association of Kenya (FPEAK), and Computer Professionals' Union, etc.

KEPSA provides a unified voice for the private sector in public-private sector partnerships. Its membership is diverse and representation on the governing council is inclusive. It provides opportunities for round table meetings, conferences, seminars and special discussion forums on topical issues like EPAs. The forums usually involve government ministries and agencies that deal with trade. Similarly KAM represents manufacturers as an umbrella organisation and engages in influencing national trade policy via various sector-specific Negotiation Committees. It is also directly involved in consultative processes with various government ministries and departments. KFC and FPEAK actively participate in negotiations for market access in horticulture products exported from Kenya to the EU, assisting producers and exporters to meet standards and other requirements³⁵.

Civil Society Organisations

The civil society scene in Kenya is rich with a number of civil society organisations. The CSOs include international NGOs like Oxfam and CUTS International, regional NGOs like Southern and Eastern African Trade Information and Negotiations Institute (SEATINI), and national NGOs like Centre for Development Concern. They engage in lobby and advocacy as well as research, analysis and capacity building activities on a number of issues ranging from political to social to economic matters. Often the CSOs are engaged in activities related to a diverse number of issues.

The number and diversity of interests of CSOs in Kenya make it even more important to have some mechanism for information and knowledge sharing and facilitating joint activities where needed. The Kenya Civil Society Alliance (KCSA) responds to this need.

Many CSOs have interests in the area of trade policy. The main organisations dealing with trade issues include: ActionAid Kenya, Oxfam, EcoNews Africa, Consumer Information Network, CUTS, RODI, CDC, SEATINI, the Institute for Economic Affairs, and the Kenya Human Rights Commission.

Among the civil society are also included universities and research institutions that undertake research and analysis activities to inform trade policy making. Their research and analysis is used by both the government to set the policy measures as well as the NGOs to support their lobbying and advocacy activities. African Economic Research Consortium (AERC) and KIPPRA are two prime examples of such research institutions that have produced relevant research and analysis on trade issues.

CSOs activities on trade policy issues started in late 1990s and initially focused on WTO issues. More recently their focus of attention has been the EPA negotiations with the EU and the regional integration arrangements particularly the EAC.

CSOs have tried to work with the government including through commissioning research. For example, research that informed national positions on the two immediate past WTO Ministerial Conferences were commissioned and undertaken by a consortium of CSOs: EcoNews Africa, Oxfam Novib, Traidcraft, and Kenya Human Rights Commission. This research focused on trade in the cotton, textile, footwear and dairy sub-sectors.

2.5.5. Key Consultative Mechanisms

Several consultative mechanisms have been established for consultations with various stakeholders on trade policy issues.

National Committee on the WTO (NCWTO)

The NCWTO is mandated to develop national positions on the WTO. This is the main consultative forum that brings together all stakeholders from the public sector, private sector, and the civil society to discuss trade policy issues related to the WTO. The NCWTO was established in pursuance of government reforms to involve all stakeholders into policy making processes: it was also a demand of the civil society. In the mid-1990s and after the WTO was established, with its far reaching agreements and commitments, NGOs felt that their concerns were not being taken into account by the government while determining its position on WTO issues.

The NCWTO is mandated to meet once every year and more often if needed. All stakeholders have the opportunity to raise issues and present positions of their constituencies and relevant stances on WTO trade agreements. It also provides resources, workshops, consultative meetings, research and analysis to inform national positions and build capacity of stakeholders. NCWTO is also consulted regarding representation in the WTO Ministerial Conferences and representatives of non-state stakeholders are included in the official delegation to these Conferences.

NCWTO is inclusive in membership as there are no complaints from any group of stakeholders regarding exclusions. It follows flexible rules of procedure.

The NCWTO has been very effective in engaging civil society. CSOs and private sector feel that they have been able to engage with the government on WTO issues through the NCWTO. This is important given the fact that NCWTO is the only mechanism available to the civil society to engage with the government on WTO issues. Other government ministries and private sector have other formal and informal means to communicate their interests and concerns to the government.

The relevance and visibility of the NCWTO has somewhat declined in recent years mainly due to the lack of progress in the WTO Doha Round of negotiations. It also lacks a legal mandate to play a more influential role – its functions are limited to information sharing, deliberations and consultations, and advising the government on Kenyan position on WTO issues/negotiations. The NCWTO functioning is also constrained by lack of adequate funding on a long term basis.

Joint Industrial and Commercial Consultative Committee (JICCC)

Another consultative forum is the JICCC. Like the NCWTO, the MoT convenes and chairs the meetings of the JICCC also and provides the secretariat for its functioning. But unlike the NCWTO the JICCC consist mainly of the public and private sector representatives and meets when convened by the MoT to deliberate on specific issues related to industrial and commercial matters.

The JICCC functioning has not been very visible with little information available in the public domain on the periodicity, agenda and outcome of its meetings.

Kenya-European Union Post-Lome Trade Negotiations (KELPOTRADE) Support Programme/National Development and Trade Policy Forum (NDTPF)

In Kenya, preparations for the EPA negotiations are being facilitated through the KEPLOTRADE Trade Negotiations Support Programme. The institutional framework to prepare for the negotiations consists of six subject clusters, namely, market access, development, agriculture, fisheries, services, and other trade issues. The clusters are responsible for undertaking analytical studies and consultations to formulate national position on the issues under the cluster.

KEPLOTRADE Trade Negotiations Support Programme also aims to facilitate and promote stakeholder (public and private sector and civil society) consultations as means to defining broad-based national positions on EPA issues as well as to disseminate the EPA-related information. Accordingly, a National Development and Trade Policy Forum (NDTPF) has been established for stakeholder consultations on EPA issues. The NDTPF follows the same institutional structure with six clusters. Its membership is broad-based with representation of the public and private sectors, NGOs, and research institutions that are engaged in trade and development work.

The NDTPF is mandated to discuss and recommend the negotiating position for the country in EPA negotiations based on analytical studies and inputs and with a view to strengthening links between trade and development. These national negotiating positions are then taken by the national negotiators to the Regional Negotiating Forum where the regional negotiating position is formulated.

The consultative framework for EPA is well defined and well funded (EU provided funding for this framework). The NDTPF allows for informed participation by all stakeholders whether from the government, the private sector, or the civil society including the research institutions.

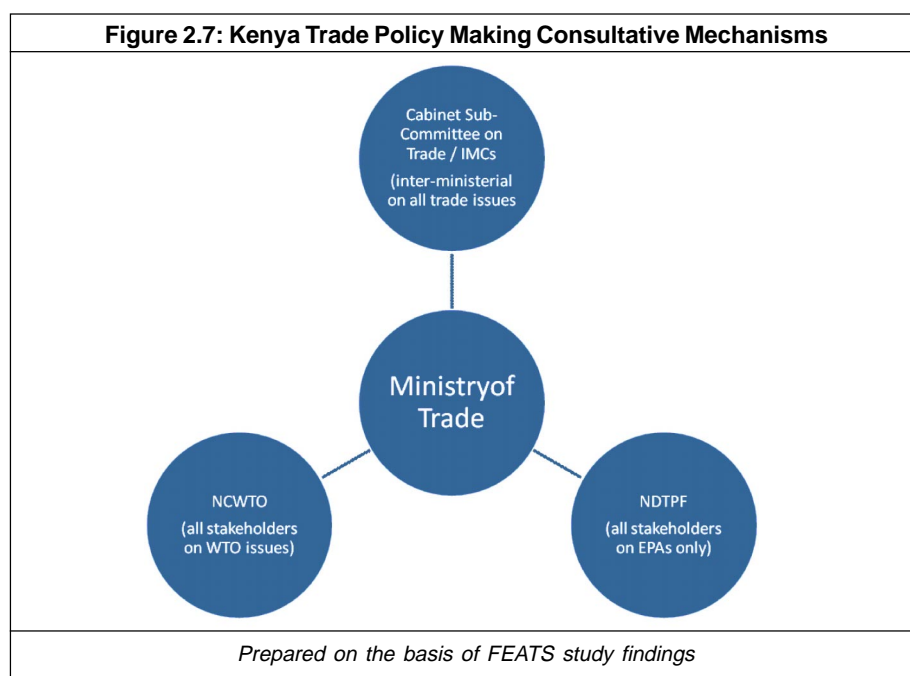
MoT coordinates the functioning of the NDTPF and acts as its secretariat. (EPA negotiations are handled by the MoT whereas EAC issues are under the mandate of the Ministry on EAC.)

Cabinet’s Sub-Committee on Trade/Inter-Ministerial Committees (IMCs)

Several mechanisms exist to consult relevant government ministries on trade policy issues and coordinate their functioning for proper implementation. At the highest level, Office of the President plays a crucial role in the formulation and implementation of trade policies in Kenya³⁶. Sectoral working groups of experts and the appointments of a Presidential Committee or Commission are common approaches to forming policy measures.

At the next level is the Cabinet sub-Committee on Trade where ministerial level consultations and coordination takes place on trade-related issues. This sub-Committee performs an important role in resolving issues among the ministries and ensuring a coherent and coordinated approach to trade policy.

Finally, coordination among various government ministries and agencies is also achieved through Inter-Ministerial Committees (IMCs) and meetings. IMCs are initiated and coordinated by relevant ministries (for example, MoT would normally take the lead in calling an IMC meeting on a trade issue) and are usually held on a case-by-case basis³⁷. IMCs are an important mechanism for inter-ministerial consultations and bring together all governmental stakeholders. They allow for provision of technical inputs, substantive comments, and harmonisation of various policies being pursued by different government ministries.



2.6. Kenya Experience of Trade Policy Making Process as Viewed by Stakeholders³⁸

Kenya has taken several important steps in the last ten years or so to improve the trade policy making process particularly to achieve the following three objectives:

Linking Trade Policy with National Development and Poverty Reduction Strategies

Kenya development policies are presented in a range of documents where trade policy contribution to poverty reduction is generally mentioned. For example, Kenya's PRSP has a section that discusses trade. The focus of the section is on both international and local trade, with the latter getting more prominence. At the international level, the document alludes to the effects of implementation of trade liberalisation and its likely effects on the poor. There is however no discussion or analysis of these effects. The document also touches on regional trade, specifically the EAC and the COMESA.

On the other hand, the Economic Recovery Strategy for Wealth and Employment Creation (ERS) does not explicitly address trade and poverty. It does, however, mention expanding exports to regional and international markets and the possible implications of privatising state owned companies and parastatals in order to increase competitiveness for Kenyan export products. Specifically, the ERS identifies the Government's planned approach to addressing the constraints facing trade and industry with the following measures:

- Developing an export development strategy to support the diversification of export markets and products.
- Preparation of a comprehensive industrial master plan to identify the institutional, infrastructure, human resource, and incentive regimes necessary to promote labour intensive and export oriented industrialisation
- Benchmarking key industries to international competitors.
- Seeking to ensure that Kenyan industries are capable of competing with these international benchmark prices.
- Focusing on textiles to take advantage of the AGOA market and providing an opportunity for the development of long-term clothing supply capacity with a high potential for employment creation, foreign investment and export earnings.
- Building capacity to monitor international trade malpractices so as to ensure that Kenyan products are not unfairly driven out of markets.
- Developing the necessary capacity to identify, support and expand activities where value addition is greater, productivity growth is faster and demand elasticity is high in the international market³⁹.

Finally, Vision 2030, launched in June 2008, recognises a clear link between trade and efforts to alleviate poverty. It also aims to make Kenya a globally competitive economy and enunciates a desire to establish a coherent trade policy. (Details given in an earlier section)

The linkages between trade and poverty (e.g., how certain trade practices may affect the poor) have also had a more relevant and clear role in the process of formulation of Kenya position for WTO negotiations⁴⁰.

Improving Stakeholder Consultations

The most significant development was the establishment of the NCWTO in the 1990s to involve all stakeholders in debating and developing national positions on WTO issues. This mechanism brought together all stakeholders from the public sector, private sector, academia and the civil society. This mechanism was complemented by the establishment of the NDTPF after the launch of EPA negotiations with the EU. The latter mechanism too brings together all the stakeholders to discuss and develop national position for EPA negotiations.

On the other hand, the development of the draft Trade Policy 2007 did not use a designated mechanism. This points to a weakness in the existing consultative arrangements which has several mechanisms dealing with trade policy issues related to specific fora, (e.g., NCWTO for the WTO and NDTPF for the EPA) but no standing forum to discuss and inform the trade policy making in general and on a regular basis.

Developing a Coherent and Comprehensive Trade Policy

The last comprehensive trade policy document dates back to 1994. Since then, the trade policy has been designed and implemented in a piecemeal fashion and often in response to commitments and negotiations in the multilateral, regional and bilateral agreements (e.g., the WTO, EPA, COMESA, EAC, etc.). To overcome this, a comprehensive trade policy was drafted in 2007. However, this has yet to be finalised.

With the above as background, the following sub-sections examine the feedback from four key sets of stakeholders (MoT, other government ministries, private sector, and civil society) regarding their experience of trade policy making process in Kenya.

2.6.1. Ministry of Trade (MoT)

MoT has the mandate to deal with all trade policy issues. The Ministry is at the centre of trade policy making and implementation with an aim to achieving the objectives of Vision 2030. The Ministry is also cognisant of the need for a coherent and comprehensive trade policy document as well as of the importance of consultative mechanisms to ensure stakeholder participation and broad based ownership of the policy.

The Office of the Minister of Trade takes the lead role in trade policy making process in the country. For instance, the National Export Strategy (NES) and the Private Sector Development Strategy (PSDS), the two trade policy documents required under “Economic Recovery Strategy for Wealth and Employment Creation (ERS) were accordingly formulated in the Office of the Minister of Trade which was then designated as the Office of the Deputy Prime Minister and Minister of Trade. The two documents identified strategic sectors and set out a road map that would help the country build a strong and thriving private sector in Kenya.

The MoT is currently engaged in revising and finalising the Draft Trade Policy 2007. This is focused on the following six key elements:

- Informal trade – to mainstream the sector within the overall economy
- Retail trade – to ensure that it is well supported by well established and functioning infrastructure and special amenities

- Distribution and wholesale trade – to address the challenges arising from existence of inefficient supply chains across most sub-sectors and product categories
- International trade – to negotiate for policy space and better trade terms to enable the country reap the benefits of emerging market access opportunities
- E-Commerce – to ensure that it is adequately developed and mainstreamed in the whole economy; and
- Trade in services – to support and develop the sector and ensure maximisation of its contribution to the growth of the economy

Ministry of Trade works very closely with Ministries of Industrialisation, Vision 2030, Economic Planning and National Development as well as KIPPRA. The team that is currently formulating the trade policy engages stakeholders both in formal and informal consultations. The consultations have been extended to the provinces targeting provincial administration, agriculture, trade and industrial development officers, local authorities and informal and formal trade organisations.

MoT faces several challenges in its discharge of trade policy making and implementation mandate. These include:

- Lack of financial and technical human resources is the main constraint in the development and implementation of a comprehensive trade policy as well as in arranging regular broad-based consultations.
- Clear and institutional coordination mechanism to better coordinate with the Ministry for EAC is urgently needed as the latter is mandated to deal with all EAC issues. EAC trade and investment integration and the other national trade policy measures must be closely aligned to ensure the achievement of Vision 2030 objectives
- Lack of internal coordination in the MoT, for example, between those dealing with the WTO and EPA negotiations has also been mentioned as an issue requiring immediate attention. There are overlaps in the two negotiations and a well-coordinated and unified approach will best serve the national interests in the two fora.

2.6.2. Other Relevant Government Ministries and Agencies

As mentioned in an earlier section, a number of other government ministries and agencies are involved in the trade policy making and implementation process in various ways. Their participation and engagement in trade policy making is through various institutional mechanisms, for example, Cabinet sub-Committee on Trade, IMCs, NCWTO, JICCC, and the NDTPF. Ministry of Agriculture is a key ministry given the importance of agriculture in Kenyan economy and society. Its experience in trade policy making can therefore serve as a useful example of the engagement of other relevant government ministries in the trade policy making process.

The Kenyan economy is currently organised around agriculture, which provides inputs to some sectors (mainly manufacturing) and contributes to the development of others (both manufacturing and services). Kenya's agricultural policy aims to ensure food security, defined to include self-sufficiency in main foodstuffs. To this end, Kenya has adjusted its foreign trade regime for agricultural products and its agricultural reforms have often been reversed. Almost all the marketing boards – there is at least one board for each major crop – are still in operation, but with relatively limited powers. Producer

prices are still set and floor prices maintained by the boards for certain crops (e.g. rice, maize, pyrethrum, bixa, cashew nuts, and milk) because of their dominant position or under their statutory powers⁴¹.

The mandate of the Ministry of Agriculture (MoA) is to:

- promote and facilitate production of food and agricultural raw materials for food security and incomes;
- advance agro-based industries and agricultural exports; and
- enhance sustainable use of land resources as a basis for agricultural enterprises.

The Agriculture and livestock sector has been identified as one of the six priority sectors under the Economic Pillar of the First Medium Term Plan (2008-2012) to implement Vision 2030.

MoA has actively participated in the national trade policy making process. It is a member of the NCWTO and chairs the NCWTO sub-Committee on Agriculture. As Chair of this sub-Committee, the MoA strives to consult with all stakeholders on issues related to trade in agriculture to develop Kenyan position for the WTO agriculture negotiations. The Ministry is also consulted on other WTO-related issues and has participated in the Trade Policy Review of Kenya under the WTO.

The MoA also chairs the Agriculture Cluster in preparation for EPA negotiations under the KELPOTRADE in addition to participating in the other Clusters. There is close coordination between the MoT and MoA on EPA negotiations.

The MoA contends that the trade policy making process can be further improved through, *inter alia*, the following:

- Ensuring better coordination among the relevant government ministries on trade policy issues;
- Harmonising the functioning of various negotiating teams currently engaged in negotiations in various fora on behalf of Kenya, for example, in the WTO, EPA, and EAC negotiations;
- Enhancing the role of the Parliamentary Committee on Trade, Finance, Planning and Tourism as well as the Parliamentary Committee on Agriculture, Water and Irrigation, Natural Resource, Lands, and Co-operative Development so that they are regularly involved and briefed at all stages of the trade policy making and negotiations; and
- Providing adequate financial and technical resources to build sufficient capacity to deal with trade policy issues.

2.6.3. Private Sector

The prevailing policy context in Kenya recognises the importance of the private sector as the main engine for economic growth. Accordingly and closely linked to the trade policy, a Private Sector Development Strategy (PSDS) has been launched. This is the first Private Sector Development Strategy to be developed by the Government of Kenya and outlines specific policies and strategies that need to be pursued in order to enhance private sector growth and competitiveness. The PSDS has five goals.

- Goal 1: Improving Kenya's business environment;
- Goal 2: Accelerating institutional transformation within the public sector;
- Goal 3: Facilitating growth through greater expansion of trade;
- Goal 4: Improving the productivity of enterprises; and
- Goal 5: Supporting entrepreneurship and indigenous enterprise development.

The development of relevant policies usually takes place in consultation with the private sector. The private sector actors interact with the government (and other actors) formally and informally through private sector umbrella bodies. Hence, the effectiveness of the participation of the private sector is linked to the strength of these umbrella bodies. Their role is to represent the interests of their members especially when there are policy changes that affect them. Their effective participation in policy making is important to boost local ownership and hence facilitate the implementation of policies.

Most important, active, and influential broad membership umbrella organisations often mentioned include KNCCI, KAM, and KEPSA. They are well organised and can boast of a large membership that helps increase their influence with the government. Some sectoral private sector organisations too have been quite active in their respective areas. For example, KFC and FPEAK are consulted and involved in the negotiations for better market access for horticulture products in external markets.

The private sector has had some influence on several reforms by the government related to trade policy. These include: price decontrols, removal of quantitative restrictions, export promotion, and removal/reduction of import duties.

The private sector has used the following to influence trade policy in favour of their interests:

- Participation in established consultative mechanisms (e.g., NCWTO), standing committees, task-forces and other key decision-making organs where government solicits the views of the private sector;
- Lobbying either as individual firms or as associations;
- Consultations with policy makers in the form of round-tables, breakfast meetings, workshops, seminars; and
- Petitions and threats to the relevant authorities on specific issues/concerns.

The participation of the private sector in trade policy making can further improve through:

- Better balancing of the interests of all members, particularly by the broad-based umbrella organisations, such as, KEPSA and KNCCI;
- More organised and sustained lobbying, particularly by smaller, sectoral umbrella organisations, such as, KDB and KPCU; and
- Building technical analysis and advocacy capacities of umbrella organisations.

2.6.4. Civil Society

CSOs are engaged in a number of national, regional and international advocacy, policy analysis, dialogue and communication initiatives related to trade, poverty and inequality in Kenya. Through their research and analysis, briefs, conferences, seminars and meetings with trade negotiators, CSOs have increasingly been influencing trade

negotiations since early 1990's. This came about from concerns about the restructuring initially imposed by multilateral institutions and the implications of trade liberalisation and international trade negotiations on developing countries and LDCs.

Non-governmental and civil society actors were initially regarded with suspicion by the government, and their views were not taken into account. However, this has changed with time and stakeholder consultation has become more broad based⁴².

The CSO view is that until the late 1990s public policy-making had been predominantly an inter-governmental process with little input from other stakeholders, particularly not from the civil society. However, the policy failures in achieving the stated objectives and constitutional reforms allowed civil society to enter the policy-making processes. This trend was particularly strengthened after the victory of the National Rainbow Coalition in the elections of 2002 since many new members of the Parliament had their roots in CSOs. This led to an increase in the cooperation between the government and the CSOs including on trade policy issues⁴³.

CSOs consider trade policy an important area for engagement not just for economic reasons but also for social, political and equity considerations. The main consultative forum in Kenya for trade policy has been the NCWTO. It was formed by the government to allow multi-stakeholder consultations for determining Kenya's response to the WTO negotiations. Civil society engagement with the NCWTO has been very effective and civil society has used a wide range of tools to engage with the NCWTO (workshops, papers, formal engagement with the negotiators as part of the official delegations to the WTO Ministerial Conferences, etc.).

The civil society engagement in EPAs has been through a separate forum, the National Development and Trade Policy Forum (NDTPF). The NDTPF has several clusters and civil society was invited to participate in all of them. However, due to their capacity constraints, the civil society engagement with the NDTPF across the clusters could not be maintained, and it was only in market access and agriculture that it continued.

One of the main controversies about civil society engagement with EPAs was how civil society could engage with the regional negotiating process, where governments negotiate regional positions. The guidelines allowed only one regional NGO (SEATINI) to engage with the regional process, and then they were thrown out for being too oppositional.

CSOs also claim that after some sensitive and controversial issues arose in consultations towards the end of the EPA negotiations and tensions rose, the government locked civil society out of the EPA and WTO negotiations for around nine months. It was only after threatening certain actions that they were allowed to return. However, the government view is that CSOs were not locked out but had decided not to attend meetings of this body for sometime.

There are some concrete examples of positive civil society engagement with trade policy making. In 2003-04 civil society carried out research showing that the dairy sector required protection and the government responded, despite the fact it had initially

planned to liberalise the sector further. Civil society also raised the issue that Kenya needed to negotiate and sign the EPA along with the other EAC countries.

Civil society faces several challenges in its effective participation in trade policy making. These include:

- Civil society needs training and capacity building to understand the complexities of evolving trade issues and their implications, e.g., the issues related to multilateral, regional and bilateral trade negotiations and agreements; if donors/government are not willing to provide training support CSOs may need to do it themselves as their lobbying will have little effect without this capacity.
- The MoT and the trade negotiations structure can be better organised. This will not only lead to coherent Kenyan positioning across negotiating fora (CSO contention being that some of the EPA provisions contradict positions Kenya has taken in the WTO negotiations) but will also allow civil society to monitor and participate within their limited resources which often make it difficult for them to pursue different sets of actors.
- There is also need for improved cooperation and information sharing within civil society and they should consider taking a more united front to engage with the government on trade policy issues.
- Civil society influence can also increase by developing closer relationship with the private sector on selected issues where their interests may align.

2.7. Kenya Inclusive Trade Policy Making (ITPM) Index

Based on the information and analysis in the above section, and on the framework given in the annexure, an attempt is now made to construct a simple ITPM Index for Kenya. A word of caution is in order here: while this Index presents a useful picture, it should be viewed only as a very rough estimate of the actual situation. It should also be noted that the scores presented in the table below are based on the feedback provided by the corresponding group of stakeholders. The main objectives of this graphic presentation are:

- Increasing the awareness regarding the political economy aspects of trade policy making in Kenya;
- Assessing in qualitative terms the inclusiveness of trade policy making process in Kenya in terms of the capacities, actions and participation of main groups of stakeholders;
- Illustrating the areas where further efforts and action is required thus facilitating the focusing of capacity building initiatives by all concerned; and
- Facilitating the development of more inclusive trade policy making process in Kenya that will create local buy-in for the resulting policy. Only such a buy-in can ensure a successful and sustained implementation of the trade policy to achieve the objectives of Kenya Vision 2030 and the National Trade Policy.

Out of a possible score of 14, Kenya ITPM has a value of 9.50. This is rather low as Kenya is considered to be more advanced among African countries and have actively participated in international trade negotiations. It is also instructive to see that all the four groups of stakeholders have very similar scores, indicating that weaker areas of process and participation are fairly the same across categories of stakeholders in Kenya.

Table 2.12: Kenya ITPM Index		
Action Variable	Action by	Action Value
A. Identification of all key stakeholders	MoT	Most identified = 0.75
B. Creating awareness about the need for trade policy	MoT	Many efforts made = 0.75
C. Establishment of formal consultative mechanisms	MoT	Several established = 0.75
D. Regular functioning of formal consultative mechanisms	MoT	Functioning most of the time = 0.75
E. Regular information flow to the stakeholders including on the content of trade policy	MoT	Irregular information flow = 0.50
Part I Score	MoT	3.50/5.00
F. Regular participation in the process and feedback to the relevant authorities	Other relevant government ministries/agencies	Yes = 1.00
G. Faithful representation of and regular feedback to the represented constituencies	Other relevant government ministries/agencies	Occasional faithful representation and/or irregular feedback = 0.50
H. Acquiring relevant knowledge and expertise	Other relevant government ministries/agencies	Some knowledge and expertise = 0.50
Part II Score	Other relevant government ministries/agencies	2.00/3.00
I. Regular participation in the process and feedback to the relevant authorities	Private sector and business umbrella organisations	Yes = 1.00
J. Faithful representation of and regular feedback to the represented constituencies	Private sector and business umbrella organisations	Occasional faithful representation and/or irregular feedback = 0.50
K. Acquiring relevant knowledge and expertise	Private sector and business umbrella organisations	Some knowledge and expertise = 0.50
Part III Score	Private sector and business umbrella organisations	2.00/3.00
L. Regular participation in the process and feedback to the relevant authorities	Civil society organisations	Most of the time = 0.75
M. Faithful representation of and regular feedback to the represented constituencies	Civil society organisations	Most of the time = 0.75
N. Acquiring relevant knowledge and expertise	Civil society organisations	Some knowledge and expertise = 0.50
Part IV Score	Civil society organisations	2.00/3.00
ITPM Index Score	All stakeholders	9.50/14.00

Main utility of these rough scores is in identification of areas for future interventions which are mentioned under recommendations in the next section.

2.8. Conclusions

Information and analysis in this study, supplemented by the discussions in the Kenya FEATS National Inception Meeting (NIM held in October 2008)⁴⁴ and Kenya FEATS National Dialogue (ND held in May 2009)⁴⁵ as well as other feedback from the various stakeholders including through various bilateral meetings and the Kenya National Reference Group (KNRG) established in October 2008, have brought out several important points related to trade policy making in Kenya that are mentioned below:

- Although trade has contributed positively to poverty reduction, it is not a guarantee that it will always do so. Benefits have eluded poor people for various reasons including their exclusion in the trade policy-making process. Wider stakeholder participation in trade policy-making would require an inclusive approach in designing the trade policy and its implementation. There is a need for efforts to involve those groups that have so far been on the margins of the process. These are: Parliamentarians, micro and small enterprises, consumer groups, District Trade Officers (governmental officers); professional bodies, research institutions, religious groups and trade unions.
- There is a perception that despite the institution of consultative processes, the influence of non-state actors has remained limited. For example, in a study, employers interviewed from public and private sectors, and from the Kenyan civil society claimed that, despite being involved in consultations, they doubt having a concrete influence on trade policy decision making. Most of their participation, when they were participating, was limited to providing information to government officials⁴⁶. This perception was also confirmed in the short survey conducted at the end of Kenya FEATS ND.
- The reasons cited for the poor role of the majority of the stakeholders in the trade policy process include: lack of a central coordinating body; lack of harmonised approach to trade policy making and negotiations, informal negotiation frameworks that make effective coordination difficult, inadequate financial resources, information asymmetry, lack of analytical knowledge, insufficient capacity building programmes, and inadequate monitoring and evaluation framework⁴⁷.

Based on the above, and taking into account the weaker areas as brought out by the scores under Kenya ITPM Index, following recommendations are made for concrete action:

- Identification and involvement by MoT of remaining stakeholders, particularly Parliamentarians, consumers, small and micro enterprises, trade unions, and farmers;
- MoT, in consultation with the private sector and CSOs, finding ways to identify the interests of the informal sector for taking these into account in trade policy making and implementation;
- MoT, in collaboration with other groups of stakeholders and while making use of the information technology, undertaking more and sustained efforts to create awareness about the need for trade policy among all stakeholders;
- Establishment by the government of a standing consultative mechanism including all identified stakeholders and having a legal mandate to provide inputs and feedback

on all trade policy issues, including various international negotiations, on a regular basis;

- MoT ensuring regular information flow to all stakeholders including on the content of trade policy with the help of modern information technology;
- Government taking steps to improve coordination among all relevant government ministries and agencies on trade policy issues through regular two-way information flow and feedback between the MoT on the one hand and other government ministries and agencies on the other;
- All stakeholders improving their internal coordination to ensure timely inputs from and feedback to their respective constituencies; and
- All concerned including donors focusing on building capacity of all stakeholders on priority trade issues concerning them.

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3 Malawi

3.1. Brief Introduction to Malawi's Basic Economic Outlook

Malawi is a landlocked LDC in Southern Africa. With a total land area of 118,000 square kilometres and a total population of about 13.2 million¹, Malawi is a rather sparsely populated country. The population density is 100 persons per square kilometre and 180 persons per square kilometre of arable land (see www.dfid.gov.uk/malawi). In 2006 Malawi's rural population was recorded at 11,174,125 making up 82 percent of the total population^{2,3}.

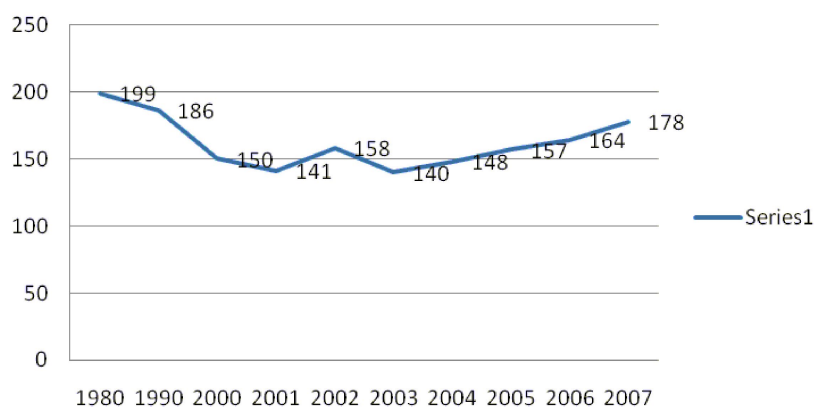
Nominal GDP has increased consistently from the year 2000 onward, and in 2007 it was recorded at US\$2.48bn. GDP per capita in Malawi has increased slightly in nominal terms, from US\$141 in 2001 to US\$178 in 2007 (Table 3.1). Real GDP per capita growth

Table 3.1: Nominal GDP Per Capita (in US\$)

1980	1990	2000	2001	2002	2003	2004	2005	2006	2007
199	186	150	141	158	140	148	157	164	178(e)

Source: UNCTAD Handbook of Statistics, 2008.

Figure 3.1: Nominal GDP per capita over time



Based on UNCTAD Handbook of Statistics 2008 Data

Table 3.2: Real GDP Per Capita Growth Rates Over Time					
1990-2000	2000-2005	2004	2005	2006	2007
2.4	0.6	4.1	-0.7	5.8	3.8
<i>Source: UNCTAD Handbook of Statistics, 2008⁶.</i>					

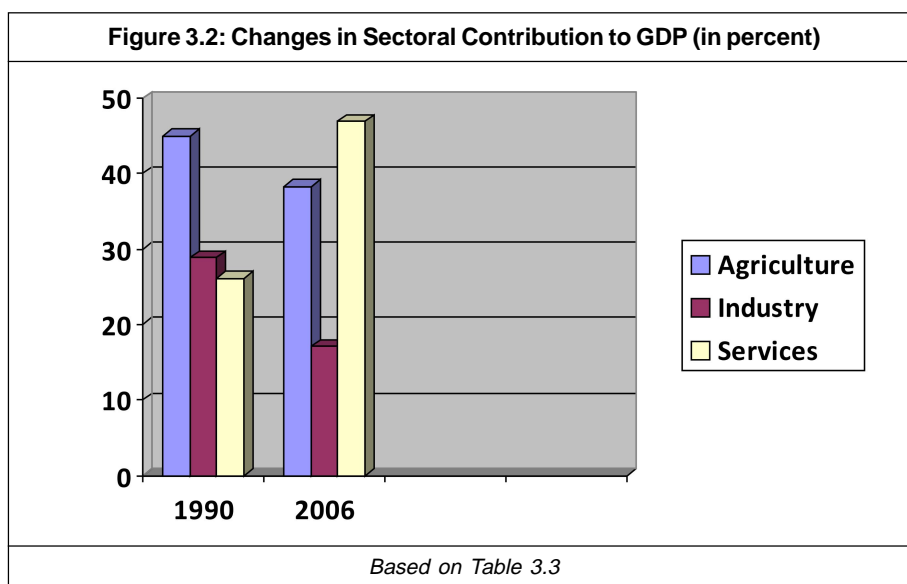
rate stood at 2.4 in the period 1990-2005. Recent years have seen more robust real GDP per capita growth rates, estimated at 5.8 percent (2006), 3.8 percent (2007) and 5.1 percent (2008)⁴.

Like most other sub-Saharan LDCs, Malawi economy depends on agriculture though this reliance has been decreasing over the years. Agriculture contributed 38.3 percent to the GDP in 2006 as compared with a contribution of 45.0 percent in 1990. However, the most significant changes have occurred in the respective shares of services (increasing from 26.1 to 44.6 percent) and industry (decreasing from 28.9 to 17.1 percent) in the GDP over the same period (Table 3.3)⁶.

Agriculture continues to provide bulk of the employment opportunities, although its prominence is decreasing – 82.6 percent of the workforce was engaged in the agriculture sector in 2005 as opposed to 91.6 percent in 1990. The percentage share of informal employment in total employment is 73.6 percent. Of all those in the informal sector, 92.8 percent are self employed⁷.

Table 3.3: Changes in Sectoral Contribution to GDP (in percent)				
	Agriculture	Total Industry	Manufacturing (Industry)	Services
1990	45.0	28.9	19.5	26.1
1995	30.4	19.6	15.8	50.0
2000	39.5	17.9	12.9	42.5
2006	38.3	17.1	11.6	44.6
<i>Source: UNCTAD Handbook of Statistics, 2008⁸.</i>				

According to the World Bank, extreme poverty rates in Malawi have declined between 1997-1998 and 2004-2005. In 2004-2005, 73.9 percent of the population was living on less than US\$1.25 per day and 90.4 percent on less than US\$2.00 per day. The corresponding figures for 1997-1998 were 83.1 percent below US\$1.25 per day and 93.5 percent below US\$2.00 per day⁹. This decline has also been noted in the surveys by Malawian authorities, which are based on National Poverty Lines and are also used for national planning purposes. According to these, the percentage of population below the national poverty line declined from 54 percent in 2004 to 45 percent in 2006¹⁰.



Despite these declines, the poverty remains wide spread (e.g. almost half of the population living below the national poverty line) demonstrating the need to create more and better working opportunities in all sectors of the economy – an objective that trade and trade policy can contribute to.

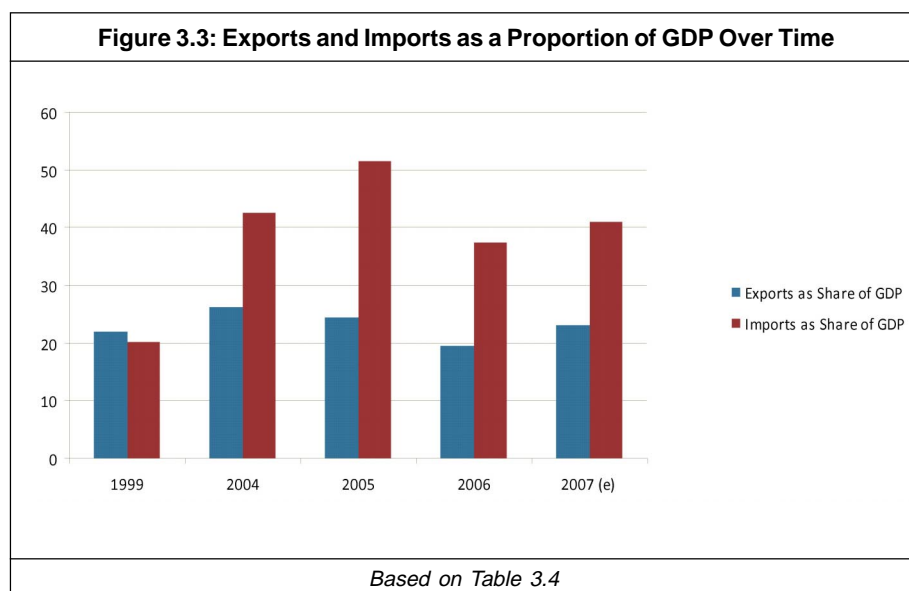
3.2. Malawi Trade Profile

Malawi enjoyed a nearly even balance of payments in 1999, but a substantial deficit has developed over the years. In 2007 imports were valued at 41 percent of GDP, almost double the exports, valued at 23 percent of total GDP (Table 3.4)¹¹.

	1999	2004	2005	2006	2007(e)
Exports of goods (f.o.b.)	21.9	26.2	24.3	19.5	23.0
Imports of goods (f.o.b.)	20.2	42.6	51.5	37.5	41.0

Source: AfDB/OECD. "Malawi." 2008, *African Economic Outlook. 2008*.¹²

A narrow range of agricultural products dominate Malawi's export sector, although there is potential to diversify to other agricultural products¹³. Tobacco is without doubt the most significant, making up 53.4 percent of total exports in 2006. Other sizable export sectors include tea (9 percent), sugar (9 percent), cotton (2.5 percent) and apparel (6 percent). Share of coffee, once a significant source of export income, has declined in Malawi's total exports since 1995, although total output has remained steady¹⁴.



Malawi's biggest export destinations are Belgium (13.0 percent), followed by South Africa (10.0 percent) and UK (8.9 percent)¹⁵. In 2007, 9.7 percent and 21.8 percent of total exports from Malawi were destined to the member countries of COMESA and SADC respectively¹⁶.

Malawi's imports consist mostly of industrial inputs such as petroleum, fertiliser, consumer goods and transportation equipment. It also imports a significant amount of food products. Petroleum and fertilisers topped the list of imports; petroleum amounted to approximately US\$116mn and fertilisers amounted to US\$116.5mn in 2005. Notably, fertiliser imports have almost doubled between 2004 and 2005¹⁷.

South Africa is Malawi's biggest import source, accounting for 26.5 percent of all imports in 2008. Mozambique (20.2 percent), United Republic of Tanzania (5.8 percent) and Switzerland (5.3 percent) make up the other three most important import sources¹⁸. In 2008, 8.4 percent and 58.2 percent of Malawi's total imports came from the member countries of COMESA and SADC respectively^{19,20}.

Import Source	Share in Total Imports (in percent)	Export destination	Share in Total Exports (in percent)
South Africa	26.5	Belgium	13.0
Mozambique	20.2	South Africa	10.0
United Republic of Tanzania	5.8	United Kingdom	8.9
Switzerland	5.3	Netherlands	5.9
United Arab Emirates	5.0	United States	5.7

Source: ITC Trade Map (www.intracen.org, July 21, 2009)

This presents an interesting picture. Malawi's major import sources are some of its neighbours: South Africa, United Republic of Tanzania, and Mozambique, whereas its main export destinations include EU countries, Belgium, the UK, and the Netherlands. This may point to the importance of a balanced trade policy that takes into account potential for regional trade as well as maximisation of opportunities for trade with EU countries.

3.3. Trade Regime of Malawi

During the decade after independence, trade policies were based on Policy Framework Papers; no official trade policy was elucidated. Government ownership, influence and control characterised the economy. Although Malawi joined the General Agreement on Tariffs & Trade (GATT) in 1964 and started liberalising its trade regime, its trade policy continued to be centred on import substitution and other interventionist measures while attempting to reconcile balance of payment deficits and inflation. In 1980, Malawi started implementing SAPs which required fiscal policy reforms, reduction of import licensing requirements and removal of export restrictions. From the mid-1990s onward, liberal reforms reduced the restrictiveness and complexity of trade regime and increased integration through regional, bilateral and multilateral agreements. Trade liberalisation, exchange rate flexibility and privatisation were included in far-reaching structural reforms.

Currently, Trade Policy embodies the Malawi government's vision of "transforming Malawi from a predominantly importing and consuming country to a predominantly producing and exporting country²¹". In 1998, the government launched the Integrated Trade and Industry Policy which focused on diversifying exports and enabling a more stable, conducive environment for trade. It works toward a trade system open to export, import and FDI. Also, improving standards of living, creating employment and attaining stronger balance of payments are vital to this vision of growth. In attaining these goals, the government focuses on industrialisation (via infrastructure, agro-industrialisation and other improvements) and trade. The effort to open the economy to trade has included relaxed foreign exchange controls, removal of trade licensing requirements and price controls, liberalisation of marketing of agricultural products and tax reforms.

Malawi has complex objectives and expectations for development through trade. Two strategies are particularly relevant. The National Export Strategy aims to improve the terms of trade and competitiveness of Malawi products. The Private Sector Development Strategy enunciates an enabling environment for growth in the private sector. Policy also prioritises multilateral integration and participation in trade agreements. Malawi strives to honour multilateral and regional commitments; however expertise and lack of resources often prevent full implementation²².

Although Malawi strives to maintain an open economy, barriers to exports and imports still exist and affect trade. The most significant trade policy instruments are tariffs, which were as low as 14 percent in 2000-01. A maximum tariff rate of 25 percent is set on consumer goods. However, exemptions and rebates offer opportunities for non-transparent protection. Minimum prices exist in some cases (such as with used cars). Tariff ceiling on agriculture products is 125 percent, although there are some products with lower ceilings. Trade policies that restrict goods based on environmental, health,

safety and security standards follow international standards and conventions. Anti-dumping, countervailing and safeguard measures are being established in an effort to be able to use WTO-compatible defensive measures. Export restrictions are generally in tune with international conventions as well. Export licenses are enforced on a few products in the name of environmental protection, such as: fuels, maize and unmanufactured tobacco and tea. No income tax is levied on goods produced in the EPZs, which must be exported (within a 20 percent allowance for supply to the domestic market). This policy can discriminate against non-exporting firms who are subject to income tax.

According to the 2008 Trade Tariff Restrictiveness Index of the World Bank, Malawi ranks last out of 125 countries for MFN applied tariffs with a rating of 20.5²³. However, this has come down from 25.4 – the average of the period 2004-2007. There is even greater improvement in the Overall Trade Restrictiveness Index (that includes applied preferences and NTBs) value which came down from 22.4 to 13.4 during the same period, mainly as a result of Malawi participation in various regional integration agreements²⁴.

Privatisation programmes are slowly being implemented. However lack of buyers and other problems have slowed the process. There are still many important state-owned enterprises (SoEs)²⁵.

A number of policy papers on development have been produced since the turn of the century. These papers often cite trade as a development priority, but it is often not fully considered. In 2000, the government introduced Vision 2020 which framed a long-term development plan for Malawi with an emphasis on a technology-driven economy. In 2002, Malawi launched a Malawi Poverty Reduction Strategy (MPRS). This was complemented by the Malawi Economic Growth Strategy (MEGS) in 2004 because it was felt that MPRS had failed to adequately incorporate the needs of large scale private sector. Trade was not a priority in either of these plans. MEGS was replaced by the 2006 Malawi Growth and Development Strategy (MGDS) which aspires for a shift from a consumption-based economy to a production-based export-led economy while also pursuing the Millennium Development Goals²⁶.

While the Ministry of Industry, Trade, and Private Sector Development outlines numerous goals for the domestic trade development of Malawi, there is no comprehensive domestic trade policy component included in the larger development plans for this country²⁷.

Malawi economy is reasonably integrated into the global economy (measured in terms of trade as a percentage of GDP). Trade as a percentage of GDP increased from 31.5 in the period 2004-2007 to 36.6 according to the latest figures. Export Market Concentration Index too is not very high at 30.9 in 2007. However, like many commodity-dependant countries, Malawi has a high export product concentration which has increased in recent years – the value of Export Product Concentration Index rose from 30.9 in 2004-2007 to 56.2 in 2007²⁸.

Table 3.6: Malawi Policy Actions Under Successive Trade Regimes		
Strategy	Period	Major Policy Actions
Import Substitution	1964-1979	<ul style="list-style-type: none"> • Active government involvement in manufacturing industries (MDC and ADMARC investments) • Overvalued exchange rate • Tariff protection • NTBs to trade such as import licensing and implicit foreign exchange rationing • Macroeconomic stability – low and stable inflation and interest rates
Transition to export orientation	1980-1986	<ul style="list-style-type: none"> • Periodic devaluation of the Malawi Kwacha • Periodic increases in interest rates • Restructuring of SoEs • Liberalisation of output prices and limited entry liberalisation • Increases in trade taxes and foreign exchange rationing
	1987-1993	<ul style="list-style-type: none"> • Liberalisation of interest rates in 1989 • Periodic devaluation of the Malawi Kwacha • Elimination of quantitative trade restrictions • Reduction in foreign exchange rationing • Privatisation of SoEs • Introduction of duty drawback system in 1988 • Reduction in tariffs and introduction of surtax credit scheme in 1989 • Bilateral trade agreement with South Africa in 1991 • Liberalisation of entry into manufacturing in 1991
Export Orientation	1994-present	<ul style="list-style-type: none"> • Floation of the Malawi Kwacha in February 1994 • EPZs incentives in 1995 • Bilateral trade agreement with Zimbabwe 1995 • Reduction in base surtax to 20 percent in 1996 • National privatisation programme in 1996 • Devaluation of the Malawi Kwacha in 1999 • COMESA Free Trade Area 2000
<p>Source: Chirwa, Ephraim W. "Trade Policy and Industrialization in Malawi: The need for a strategic approach". (2002)</p>		

Recent good economic performance and the current level of global integration indicates the hidden potential of Malawi to achieve economic growth and development through trade. However, meaningful reduction in poverty will require establishing a closer link between international and domestic trade and efforts to diversify into value-added production and exports.

3.4. Malawi Trade Performance and Relationships: Some Recent Developments

Regarding trading relationships, Malawi has not initialled an EPA with the EU despite the passing of the nominal deadline of December 2007. This is partly based on the belief that as one of the LDCs, Malawi already benefits from almost universal tariff- and quota-free access to the EU market under the Everything But Arms (EBA) initiative, and the

last remaining exception — sugar — will be included in 2009. Hence, compared to the non-LDCs, the benefits of signing an EPA are more limited for Malawi. However, Malawi authorities are evaluating both the value and risks of signing an EPA with the EU. With the current Doha Round of multilateral trade negotiations under the WTO moving at a very slow pace, the signing of an EPA should be viewed in a larger strategic context.

Malawi is an active participant in the multilateral and regional trading arrangements. It is a member of the WTO, ACP, and is a beneficiary of schemes like the AGOA of the US, GSPs of several developed countries, and EBA initiative of the EU. It has also signed a number of regional and bilateral trade protocols, e.g., Protocol on Trade of the SADC and SADC FTA; COMESA and COMESA FTA; Malawi-Botswana Customs Agreement; Malawi-South Africa Trade Agreement; Malawi-Zimbabwe Trade Agreement; Malawi-

Table 3.7: Malawi in International Trade-Related Agreements		
Agreements	Country Coverage	Nature
WTO	International with 153 members in 2008	Based on non-discrimination though Malawi enjoy specific S&D as an LDC member
Cotonou	Between EU and ACP countries	Non-reciprocal, preferential access to the EU market
AGOA	Between US and African countries	Non-reciprocal, preferential access to the US market
EBA	Between EU and LDCs	Non-reciprocal, preferential market access to the EU market
Special access as per WTO Hong Kong Ministerial Declaration	Beneficiary of schemes by Canada, Japan and India for the LDCs	Non-reciprocal, preferential market access for selected products
SADC FTA	Among countries of Southern Africa	Regional trade and economic integration agreement
COMESA FTA	Among countries of eastern and Southern Africa	Regional trade and economic integration agreement
Malawi-Botswana Customs Agreement	Bilateral	Reciprocal
Malawi-South Africa Trade Agreement	Bilateral	Non-reciprocal
Malawi-Zimbabwe Trade Agreement	Bilateral	Reciprocal
Malawi-Mozambique Trade Agreement	Bilateral	Reciprocal
Malawi-China Agreement on Trade, Investment and Technical Cooperation	Bilateral	Non-reciprocal

Source: Mandindi, H.J.K. "Trade Policy Making Process in Malawi". Presentation for CUTS Geneva Resource Centre, FEATS Project National Inception Meeting in Lilongwe, Malawi

Mozambique Trade Agreement; and Malawi-People's Republic of China Agreement on Trade, Investment and Technical Cooperation.

Improved macroeconomic stability has started having a positive impact on Malawi's current account deficit which has stabilised since 2007: current account deficit narrowed from US\$705mn in 2006 to US\$634mn in 2007.

The positive trade performance was a result of several factors. One, average export prices for tobacco rose from US\$2.34 in 2006 to US\$2.60 per kg in 2007. Two, tea saw an improved performance during the year as stable average export prices (unchanged at US\$1.11 per kg), coupled with increased production (up from 43100 tonnes to 44000 tonnes), resulted in greater export revenue. Three, average export prices for sugar grew during 2007, up to US\$0.55 per kg, from US\$0.52 in 2006²⁹. Four, the volume of cotton exported in 2007 was increased with stable average export prices at US\$0.96 resulting in an increased export value.

Finally, and perhaps more importantly, Malawi has continued to make progress in diversifying exports away from the traditional products. Rice, coffee and pulses all saw strong export growth. The value of coffee exports, in particular, surged 60 percent from US\$2.2mn in 2006 to US\$3.6mn in 2007. Malawi also became a major maize exporter in 2007, reversing the need in recent years to import large quantities of maize to deal with national shortages of the staple food.

On the other hand, the garments sector presents a challenge. Like other garment exporters in Africa, Malawi is also struggling to compete in international markets after the expiry of quota regime in 2005. Exports of apparel slipped from US\$40.5mn in 2006 to US\$32.5mn in 2007.

3.5. Trade Policy Making in Malawi

3.5.1. Objectives and Context

Trade Policy contributes to the realisation of the Malawi government vision of "transforming Malawi from a predominantly importing and consuming country to a predominantly producing and exporting country". The Policy is premised on the need to integrate the country and to participate effectively in the multilateral trading system. The Malawi Trade Policy is directed towards:

- maintenance of an open economy, with relatively low tariffs (average of 13.5 percent) and general absence of NTBs;
- achievement of economic growth;
- improvement of standards of living;
- employment creation; and
- attainment of strong balance of payment position.

This policy was developed in 1998. Two strategies, namely, the National Export Strategy (improving the terms of trade and competitiveness of Malawi products) and the Private Sector Development Strategy (creating an enabling environment for the growth of the private sector) are closely linked to the achievement of the trade policy objectives.

Malawi started the Integrated Framework (IF) process in 2001 with the initial mission. This led to the establishment of an IF National Steering Committee consisting of government officials, private sector representatives, development partners, and NGOs with the Ministry of Commerce and Industry serving as the focal point. The draft DTIS was prepared in 2002-2003. It was discussed in the national workshop held in September 2003 and was approved by the government in February 2004.

Subsequently, the DTIS and Action Matrix were revised. In November 2006, a consolidated action matrix was prepared, integrating the National Growth Strategy and the results of the IF exercise. The National Steering Committee approved this consolidated matrix.

The IF process in Malawi has contributed to the mainstreaming of trade policy into overall development strategies. National Growth Strategy for Malawi of 2003 had incorporated many of the DTIS findings. Similarly, the PRSP and then the MGDS incorporated trade issues and the DTIS recommendations. DTIS and Action Matrix have also informed the preparation of the National Export Strategy and Private Sector Development Strategy.

At present Malawi, like other LDCs, is preparing an indicative five-year implementation plan for the Enhanced Integrated Framework (EIF)³⁰. This plan, *inter alia*, will cover:

- Setting up of a Focal Point and a National Implementation Unit (NIU);
- Establishment of a National Steering Committee;
- Designation of a Donor Facilitator to help in fund-raising for priority projects from development partners;
- Staging of two updates of DTIS;
- Evolution of trade mainstreaming in next five years; and
- Identification of the parts of the original DTIS Action Matrix that still need to be implemented.

3.5.2. Process

Policies, including those concerned with trade and investment, are set up by means of legislation; at the top is the Constitution, followed by Acts of Parliament and “subsidiary instruments” (e.g. government regulations, orders, and guidelines). Relevant ministers issue administrative regulations in accordance with powers conferred to them under specific Parliamentary Acts. In general, the need for a new Act can be expressed by any Malawian citizen. The need is discussed by the Cabinet, and then the Attorney-General’s Office drafts the related bill on the basis of instructions given by the minister competent in the area under consideration. Once adopted by the Cabinet, the bill is published in the Government Gazette, generally in 21 days. It is then introduced in the Parliament and if passed after three readings, it becomes law following Presidential assent and publication in the Gazette.

According to the Constitution, the Executive has full powers to negotiate and ratify international agreements, and develop and implement policies through Presidential Directives. Parliament comes in only when a Bill has to be passed³¹.

The process for trade policy making generally follows the process for governmental policy making as described above. Malawian authorities consider it demand-driven, as any stakeholder can request the initiation of the process. It emanates from the mandate of the Ministry of Industry, Trade and Private Sector Development (MITPSD) to regulate and align trade to current government policies, regional and multilateral trading systems and the interests of private sector. Consultations with stakeholders are done through inter-agency meetings convened by the Department of Trade and regular meetings of the National Working Group on Trade Policy (NWGTP). The recommendations from inter-agency meetings are submitted to the Minister of Industry and Trade, through the Director of Trade and Principal Secretary, for consideration and decisions. Those recommendations on trade policy matters that impact on other government policies are processed through the Cabinet by the Minister of Industry and Trade. After the Cabinet approves the recommendations policies are made and implemented through Presidential Directives, government regulations, orders and guidelines, etc. However, the policies requiring enactment of laws are processed further through Parliament.

3.5.3. Key Institutions and Actors

Ministry of Industry, Trade and Private Sector Development

The MITPSD is at the centre of trade policy making process in Malawi. It manages and implements trade policy with support from technical institutions. Its activities include trade development, research, policy, advocacy and finance. It is also responsible for negotiations of multilateral, bilateral and regional trade agreements, although the Ministry of Foreign Affairs and International Cooperation is officially endowed with this legal right. The MITPSD formulates trade policy taking into consideration the interests of the government, the private sector and consumers. Aligning policy with the regional and multilateral trading systems also drives trade policy formulation³².

Other Relevant Ministries and Government Departments

Many government ministries and departments are involved in activities that affect trade and trade policy. In particular these include:

Ministry of Finance is responsible for the overall budget as well as the Government's expenditure and revenue measures, including tariff policies. Ministry of Agriculture and Food Security formulates agricultural policies, including production plans aimed at diversification, food security, and ensuring supply of farm inputs. The Malawi Revenue Authority, established in February 2000 under the Ministry of Finance, is responsible for tax and tariff administration, including implementing customs procedures, such as applying rules of origin, and collecting import duties.

The Reserve Bank of Malawi, as the central bank, is responsible for monetary and exchange rate policies as well as prudential regulation and supervision of the financial sector. The Reserve Bank Act of 1989 provides it with independence in conducting monetary and exchange rate management. Final authority for these policies, however, rests with the Ministry of Finance. The Reserve Bank also advises the Government on monetary and banking matters and on economic policy in general. It is also a major source of finance and economic statistics, and produces reports and commentaries on the state of the economy. The Malawi Bureau of Standards is a government entity

responsible for developing standards for locally manufactured goods and administering the set standards in commerce and industry.

The Malawi Investment Promotion Agency is a statutory corporation that was created through an Act of Parliament in 1991 to attract, promote, encourage, support and facilitate both local and foreign investment in the country. Its operations are crucial for private sector development. The Malawi Export Promotion Council (MEPC) is engaged primarily in export product development, market development, export facilitation and trade information. In product development, the Council conducts supply market surveys to identify potential products for the export market. Market development initiatives are aimed at developing and identifying new export markets while maintaining existing ones. The Council endeavours to achieve this by conducting market demand surveys and participating in international trade fairs. The Council also carries out policy analysis of the trade environment in order to identify constraints to export development, and advises the Government on the changes needed to create a more conducive climate for export development. Finally, in the areas of export extension and trade information services, the Council trains exporters in export marketing and provides up-to-date trade information to the business community.

The Copyright Society of Malawi, under the Ministry of Youth, Sport and Culture, administers copyright legislation to protect intellectual property rights over creative work. Patents are the responsibility of the Patents Office in the Ministry of Justice and Constitutional Affairs.

The Privatisation Commission disinvests state-owned enterprises selected by the Government, and the Malawi Development Corporation is in charge of equity participation in manufacturing and service industries where private-sector resources are insufficient. The Agricultural Development and Marketing Corporation markets certain products in isolated areas and has major shareholdings in a number of enterprises. The Malawi Industrial Research and Technological Development Centre is responsible for research and technology development. The National Statistical Office produces a range of statistics. Development of Malawian Enterprises Trust (DEMAT), and Small Enterprises Development Organisation of Malawi (SEDOM) under the MITPSD are responsible to promote growth of micro, small and medium enterprises in the country.

These and other ministries and their subsidiary organisations contribute to trade policy making mainly by participating in Inter-Ministerial Committees (IMCs). Some of the government stakeholders are also members of the National Working Group on Trade Policy (NWGTP) which attempts to ensure that all stakeholders contribute to the trade policy making process.

It has been observed that Malawi has no independent statutory body to review or advise the Government on economic and trade policies. Most economic policy advice to the Government comes from the Reserve Bank, the Ministries of Finance and Economic Planning, and Industry and Trade. The publicly funded National Economic Council, reporting to the President, and operationally linked with the Ministry of Finance and Economic Planning, used to advise the Government and the public on economic and development policies but it no longer exists. There is a Policy Unit in the President's

Office that attempts to create coherence among various policies but without much success.

Private Sector and Business Organisations

Malawi has a number of private sector and business umbrella organisations. The most important is the Malawi Confederation of Chambers of Commerce and Industry (MCCCI) which is a partnership of both enterprises and associations and aims to provide a cross section representation of all sectors of the economy of Malawi. The MCCCI prides itself by way of slogans as ‘the voice of the private sector’. Other private sector umbrella organisations include: The Indigenous Business Association of Malawi (IBAM), Malawian Entrepreneurs Development Institute (MEDI), National Association of Business Women (NABW), National Association of Small & Medium Enterprises (NASME), National Smallholder Farmers’ Association of Malawi (NASFAM), Tobacco Exporters Association of Malawi (TEAM), Tobacco Association of Malawi (TAMA), Tea Association of Malawi (TAM), Garment and Textile Manufacturers Association of Malawi (GTMAM), Chamber of Mines of Malawi (CMM), and Malawi Tourism Association (MTA).

Various business sector umbrella organisations as mentioned above cover almost all segments of Malawian economy. However, the informal sector – consisting of those who are either self-employed or in unpaid family service – is not represented. This is due to the very nature of the informal sector which is not organised. On the other hand, it can be argued that the sectoral umbrella organisations indirectly help those in informal employment in that sector by advancing the interests of the sector as a whole.

The primary forum for private and business sector organisations to influence trade policy making is the National Working Group on Trade Policy (NWGTP). They also have access to another forum, the Public-Private Group (PPG – formerly the National Action Group – NAG), which brings together public and private sectors on a number of issues including trade.

Civil Society Organisations

The CSOs started operating in Malawi from 1994. The initial focus was on political and civil rights but they started working on economic and social issues also from around the year 2000 when organisations like Malawi Economic Justice Network (MEJN) became active. The current CSO scene is quite vibrant with many active organisations. But none of them is working much on trade issues (The problem is funding, as most NGOs gravitate toward the area of interest that attracts donor funding). The main CSOs which work or have interest in trade policy include: MEJN, Action Aid - Malawi, Economics Association of Malawi, Oxfam Malawi, Civil Society Agriculture Network (*CISANET*), Civil Society Coalition for Quality Basic Education, Malawi Health Equity Network, Council for NGOs in Malawi, Civil Society Budget Initiative (CSBI), Consumer Association of Malawi (CAMA), and Malawi Congress of Trade Unions.

Several of the CSOs, for example, MEJN and CISANET, have projects in rural areas and have strived to reach out to the rural population. The fact though remains that most of them focus their limited resources to influence policy makers that are based in Lilongwe or Blantyre.

The CSOs also attempt to give voice and power to those who are at the margins of the policy making processes. This includes the informal sector employees. Being self employed, this group does not have any formal representatives. Yet, they are equally affected by trade policy measures. CSOs attempt to assess the impact of trade policy measures on various disadvantaged groups and lobby for the measures in their favour.

The only formal forum for CSOs to participate in the trade policy making process is the National Working Group on Trade Policy (NWGTP). However, for EPA negotiations with the EU, the CSOs also have the opportunity to participate in the Malawi National Development and Trade Policy Forum (MNDTPF) which aims to effectively organise and coordinate the EPA negotiations.

3.5.4. Key Consultation Mechanisms

There is more than one mechanism that provides for stakeholder participation in trade policy discussions.

National Working Group on Trade Policy (NWGTP)

As mentioned above, the main forum that brings together all stakeholders on trade policy issues is the National Working Group on Trade Policy. This has an interesting history. In 1997, the SADC National Working Group on Negotiations for Trade Protocol was established to advise the Government and to provide a consultative public/private-sector forum for addressing a range of commercial issues arising from the negotiations. In 2000, its mandate was broadened to cover the full range of trade issues, policies, and agreements, and it was renamed the National Working Group on Trade Policy. It recently merged with another group established in 2000, the National Working Group for SADC Trade Protocol Implementation, which was dominated by public-sector representatives, and chaired by the Principal Secretary of the Ministry of Trade and Industry. The existence of two groups, one comprising mainly private-sector representatives and the other public-sector members, was seen to be creating confusion and undermining public/private sector interaction.

The National Working Group on Trade Policy advises the Government, through the Principal Secretary of MITPSD, on issues relating to trade, including regulatory provisions and policy reforms. In addition, it provides a framework for monitoring and evaluating the implementation of Malawi's trade arrangements and for ensuring conformity with agreed rules. It also facilitates consultation and cooperation among private and public sector parties to promote trade. The Group also commissions and reviews technical reports prepared by the National Task Force on Trade Policy³³.

NWGTP membership comprises high level representatives from the public and private sectors as well as academia, civil society and the donor community. Ministries represented are MITPSD, Finance, Development Planning and Cooperation, Justice and Constitutional Affairs, Agriculture and Food Security, and Foreign Affairs. Other public-sector members include the Reserve Bank, the Malawi Revenue Authority, the Malawi Investment Promotion Agency, the Malawi Bureau of Standards and the Malawi Export Promotion Council. Private-sector representatives include the Malawi Confederation of Chambers of Commerce and Industry, which acts as the secretariat of the NWGTP, the Exporters'

Association of Malawi, and the Textiles and Garments Manufacturers of Malawi. From the civil society, NGOs working on trade issues are invited, for example, MEJN, ActionAid – Malawi, Oxfam Malawi and CISANET. The University of Malawi, including the Polytechnic, is also represented. Also, international organisations, such as the IMF, the World Bank, UNDP, as well as USAID, EC, DFID and others often participate in the trade policy process when it affects policies they finance. The Group is privately funded, including from donors³⁴.

NWGTP is chaired by a private sector representative and co-chaired by the Ministry of Industry, Trade and Private Sector Development.

National Action Group (NAG)/Public-Private Sector Dialogue (PPD)

The National Action Group, active since 2001, also worked to increase and deepen engagement between the private and public sectors. This group included: key economic ministers, key public sector institutions, CEOs of leading investors and private sector representatives, heads of development partners and civil society partners working on economic issues. It was divided into sectoral working groups with public-private representation (sugar, tea, tourism, cotton, textiles/garments, mining and others). Bi-monthly meetings were held on agendas proposed by participants. The Minister of Trade (ex-President of MCCI) and a senior CEO (ex-Minister of Finance) had brought together this cross-cutting group to work on sectoral and investment-related issues.

The National Action Group (NAG) initiated *ad hoc* groups and dialogues and worked with government and donor processes to better integrate private sector groups with the World Bank, the International Monetary Fund (IMF), United States Agency for International Development (USAID), Department for International Development (DFID), EU, UN and others. The NAG Secretariat brought together governmental, private sector and donor representatives to improve their communication with and access to each other. It also performed capacity-building activities for private sector associations to understand the “rules of the game” in policy-making and implementation. A low media profile exuded a neutral rather than lobbying-biased image. It aimed to build trust through opportunities for personal interaction and in hearing conflicting views³⁵.

While not limited to trade and trade policy issues, the NAG contributed to better understanding among the public sector, private sector and the donors by attempting to: resolve cross-cutting issues that impact businesses of all sizes; encourage sub-sectoral working groups to work by giving them a place to bring forward cross-sectoral issues that they cannot resolve alone; build trust through opportunities for personal interaction and hearing other views; raise awareness of business climate issues by educating businesses and government; allow for monitoring of progress on promised action linked to the strategy; and provide the Secretariat with a mandate to work and the basis on which to engage stakeholders.

NAG was recently transformed into Public-Private Sector Dialogue (PPD) with very similar functions.

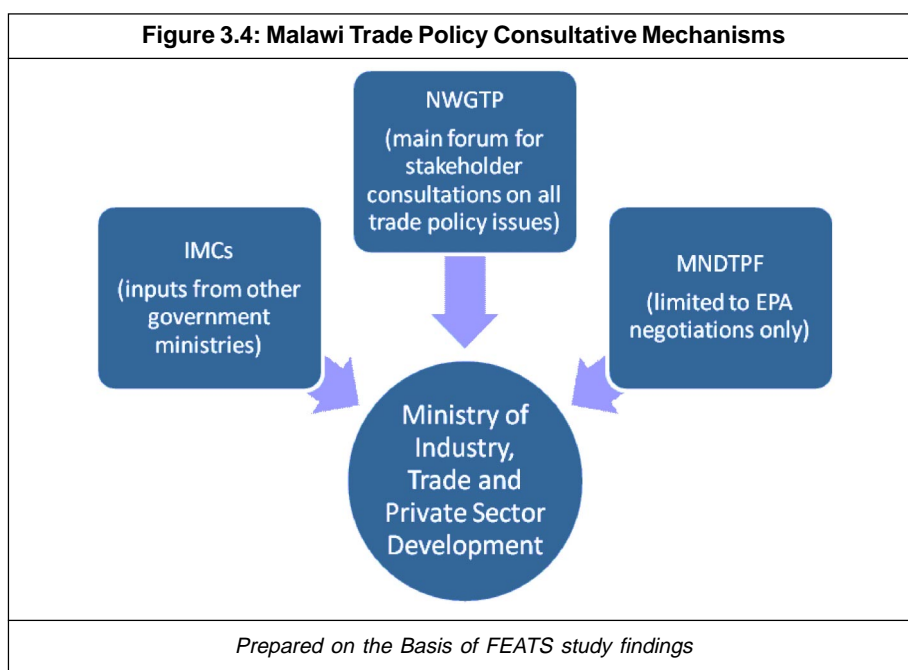
Malawi National Development and Trade Policy Forum (MNDTPF)

MNDTFP has been established to coordinate with the Malawian negotiators for the EPA with the EU (This mechanism is to be established in all countries negotiating EPAs with the EU). In the case of Malawi the MNDTFP has worked well. It brings together the governmental negotiators, the private sector, and the CSOs to discuss and coordinate views and approaches towards EPA³⁶.

Inter-Ministerial Committees (IMCs)

IMCs are standing bodies to promote inter-ministerial communication and collaboration. These can be established on any issue including on trade. IMC is a platform where relevant ministries can provide input as well as comment on issues related to trade policy. They can also initiate discussion on issues through this forum.

The operation of various consultative mechanisms is given in Figure 3.4. In the past, trade policy was managed by several different ministries with no overriding authority³⁷. The mandate and responsibility to coordinate trade policy making and implementation has now been allocated to MITPSD, with inputs from various stakeholders gathered through established consultative mechanisms.



3.6. Malawi Experience of Trade Policy Making Process as Viewed by Stakeholders³⁸

Malawi has made significant progress in improving its trade policy making process to better align its trade policy with the Malawi Growth and Development Strategy (MGDS) and to improve stakeholder participation. This comes out clearly in the following sub-sections that examine the feedback from four key sets of stakeholders (MITPSD, other

government ministries, private sector, and civil society) regarding the Malawi trade policy making process. It is also clear that there is need for further improvements/ actions to ensure that Malawi has a truly inclusive trade policy making process.

3.6.1. Ministry of Industry, Trade and Private Sector Development (MITPSD)

MITPSD is at the centre of trade policy making process in Malawi. This trade policy strives to ensure adequate supply of essential goods and services in the country through:

- Efficient distribution and import procurement;
- Consolidation of existing and diversification of export markets;
- Generation of foreign exchange;
- Diversification of export products;
- Development of a conducive trading environment; and
- Increasing participation of Malawians in trading activities.

MITPSD also has the responsibility of mainstreaming trade policy into national development strategies to ensure effective implementation of the policies. Main instruments that are used for mainstreaming trade include: the formulation of the MGDS, Public, Private Sector Dialogue (PPD) that is co-chaired by a minister and a private sector CEO, and sectoral consultations. It is trying to review all sectoral policies to bring them into conformity with MGDS and the trade policy. Finally, the implementation, monitoring, and review of the trade policy is also done by the Department of Trade in MITPSD.

MITPSD faces several challenges in discharging its responsibilities regarding the preparation and implementation of an appropriate trade policy. These include:

- Fast evolving international trade scene where new issues and developments emerge all the time that can have both positive and negative impacts on the trade performance of Malawi, requiring timely and adequate adjustments in the trade policy;
- Changes in government that often lead to changes in policies mid way through implementation; and
- Limited human, technical and financial capacity to deal with a vast number of issues and actors.

MITPSD endeavours to consult as broadly as possible and uses the IMCs and the NWGTP for this purpose. It also strives to further deepen the consultation process. MITPSD has established several Information Centres including one at the Ministry, has recently launched a web site and an e-contact point – all these can be utilised to access relevant information.

MITPSD looks for those CSOs that have the interest and the capacity to engage on trade issues. There has been good progress in terms of CSOs and government partnership. For example, the decision to not initial the interim EPA with the EU was taken after consultations and careful analysis of the implications. However, it has also been observed that some CSOs do not attend consultations despite being invited.

The Ministry also feels that generally among CSOs there is more interest in multilateral trade issues. Lack of adequate information results in limited debates on domestic trade

issues. There is therefore a need to publicise domestic trade issues in order to encourage awareness and further involvement.

MITPSD has the following two key suggestions to improve the trade policy making process:

- Consultative fora such as the NWGTP and PPD should be strengthened to ensure that the interests of stakeholders (government, private sector, consumers, etc.) in trade policy formulation and implementation are taken into account; and
- Institutional capacities of stakeholders, including NSAs (i.e. civil society) in formulation of trade policies should be enhanced.

3.6.2. Other Relevant Government Ministries/Departments

Other relevant government ministries and departments take part in the trade policy making process through the IMCs, NWGTP and other specific consultative mechanisms, for example, the one created specifically for EPA negotiations. The Ministry of Agriculture and Food Security is a key ministry given the importance of agriculture in Malawian economy and society. Its experience therefore serves as a useful example of the engagement of other relevant government ministries in the trade policy making process.

Agriculture is the most important sector of Malawi economy. It contributes substantially to the GDP and its contribution to foreign exchange earnings and domestic employment are even greater. Government's aim is to increase agricultural productivity and profitability for equitable household food security, income and employment, and sustainable utilisation of natural resources.

The agriculture policy is based on the Malawi Growth and Development Strategy that has led to the development of a comprehensive Agriculture Development Programme, starting from 2008. This Programme adopts a sector-wise approach and one important pillar is the Agriculture Marketing and Development Plan which will allow export diversification into non-traditional products.

Ministry of Agriculture and Food Security (MoA) is consulted during trade policy diagnostic survey planning as well as during its implementation. It is also invited to stakeholder consultation meetings. For example, MoA was consulted on Competition & Trade Policies, Export Strategy, SADC & COMESA Market Integration Agenda, AGOA and WTO Policies. MoA attends IMCs and NWGTP preparatory sessions and also responds to interviews on trade policy formulation/reviews by consultants. MoA chairs the Agriculture Cluster in EPA negotiations that reviews SPS measures and is also a member of EPA Market Access and Development Clusters. Under Market Access Cluster MoA has been involved in revising a list of sensitive products for Malawi. MoA also participates in issues that involve food standards handled by the Malawi Bureau of Standards.

MoA occasionally takes initiatives in developing comments and views on trade policy issues. For example, MoA commented on assigning roles of institutions in the NWGTP and compiled comments on the development of COMESA Regional SPS Laboratories.

Major challenges faced by MoA in its effective participation in the trade policy making process include:

- Pressure on limited technical, time and monetary resources given the complex and difficult nature of issues and hence the need for additional capacity;
- Little opportunity to build a relationship of trust and lack of sense of ownership as most often foreign consultants are assigned by the MITPSD to undertake background studies and to prepare reports;
- Donor driven technical assistance that tends to concentrate on donor priorities;
- Inadequate coordination with each other on the part of government institutions; and
- Lack of timely feedback on comments etc. by the MITPSD (mainly due to its limited human resources and capacity) and COMESA/SADC secretariats.

MoA has also made several recommendations to deal with these challenges including:

- Ministry of Development Planning and Cooperation should take the lead role in trade policy making by working hand in hand with the line ministries;
- Technical assistance should be designed to transfer skills and knowledge to government officials and not to under-capacitate them by relying mostly on foreign consultants;
- Coordination amongst government institutions should be strengthened by putting in place an independent government institution to coordinate; and
- Capacity should be built through increased human resources, utilisation of available human resources, and provision of adequate financial resources.

3.6.3. Private Sector

The private sector participates quite actively in the trade policy making process mainly through NWGTP and the NAG/PPD. They also lobby the government on other trade-related issues of concern to them through bilateral meetings as well as their various associations. Some of the issues for private sector lobbying include: trade promoting tax policies; development of trade-supporting infrastructure (e.g., energy, international transport corridors, water, etc.); investment-friendly regulations; and protection of marginalised and small producers (e.g., through listing of sensitive products in EPA negotiations).

Like other stakeholders, the private sector too has been more active on policies related to international agreements, like the WTO and EPA and less on regional (e.g., SADC and COMESA) and domestic trade issues (e.g., counterfeiting, anti-competitive behaviour).

The most active and influential private sector organisation is the MCCCCI which is the largest private sector umbrella organisation. MCCCCI is a key player in the NWGTP and has been credited with successful lobbying, for example for reduced government intervention, favourable tax policy, and exchange rate management etc. The influence that MCCCCI wields on governmental policy making is mainly due to two reasons. One, it is the largest private sector umbrella organisation in terms of membership. Two, the government recognises the role of the private sector as the engine for growth and hence actively seeks private sector engagement in the process.

A number of other sector-specific private sector organisations also participate in the trade policy making process (for example, tea, coffee, tobacco, textiles and garments manufacturers etc.).

Still it is felt that the private sector participation in the trade policy making can be further improved through:

- Addressing their own capacity constraints (limited human and technical resources to understand and effectively lobby on a plethora of issues);
- Providing less tight timelines (e.g. the general complaint is that the EPA negotiations schedule did not allow for effective participation in the process by all the stakeholders); and
- Improving the opportunities for participation by less powerful private sector organisations, for example, Malawi Union for the Informal Sector, Indigenous Business Association, etc.

3.6.4. Civil Society

Civil society, while acknowledging the efforts of the MITPSD to facilitate greater participation in the trade policy making process, is rather critical of the process. According to some CSOs, lack of people participation in previous policies has resulted in policy failures. They feel that in the past an alliance of a handful of technocrats connived with some donors to determine national policies for the entire population and invited a few CSOs for endorsement. Recently, however, the Ministries of Trade and a few others have shown interest in removing tendencies for top-down policy making by creating avenues for people participation³⁹.

The experience of CSOs in policy consultations has been of an evolving nature, starting from the Poverty Reduction Strategy Paper (PRSP), to Malawi Economic Growth Strategy (MEGS), to Malawi Growth and Development Strategy (MGDS). There was minimal participation of the CSOs in the PRSP process which was considered too technical and only the government and the private sector participated in its preparation. The situation improved marginally for MEGS process but CSOs still had to fight for the right to participate. Unfortunately, the CSO participation was again lower in the MGDS due to process and time issues.

Some CSOs contend that Malawi's trade policy thrust is toward liberalisation. This liberalisation agenda is externally driven and CSOs are largely absent in policy decision making processes related to liberalisation. For example, Malawi has the highest number of bilateral agreements in SADC but these agreements lack the important voices of the citizens and majority CSOs⁴⁰.

On the other hand, at least two examples have been communicated to demonstrate the successful and positive influence of CSOs on issues related to trade policy. One, the CSOs jointly and successfully lobbied the government not to initial the EPA. Most likely, this was an area where the analysis of the government and the advocacy of the CSOs were aligned. Two, The Civil Society Agriculture Network (CISANET) successfully campaigned on a farm subsidy issue. Again, this was also due to the fact that CISANET was able to work with the opposition parliamentarians that have a majority in the Parliament.

As in other countries, in Malawi also there are issues of CSOs' legitimacy, working methods and representativeness. On one hand is the view that CSOs can acquire legitimacy only after some time and hence the government may be hesitant in contacting all of them, particularly CSOs that have yet to establish their legitimacy. CSOs too have the responsibility to assure that they have the knowledge and capacity to provide inputs. Moreover, there is a need for CSO coordinating bodies to pool their limited resources and work together on issues of interest.

On the other hand, CSOs contend that CSO legitimacy is not based on votes. Theirs is the space between the market, the public sector and the family and their legitimacy is based on having sufficient interest; otherwise they will be chased out by the people. CSOs also feel that it is not required that they have the same level of technical knowledge as the relevant government ministries; the objective is not to establish parallel government institutions. Moreover, not all CSOs may have the same level of knowledge despite their interest in trade. Some CSOs may generate analysis and information that other CSOs use.

CSOs face a number of challenges in their effective participation in trade policy making. These include:

- Lack of analytical skills and competencies within CSOs;
- Lack of resources for sustained engagement on trade policy issues and retaining the gains made on the learning curve;
- Technical nature of trade policy;
- Inadequate access to information on trade policy;
- Ideological differences between the private sector and CSOs on trade regime options, e.g. while private sector may argue for liberalisation, the CSOs often lobby for state interventionist approaches;
- Interests of citizens that are more focussed on issues related to petty trading or mere vending (micro-level) than the bigger issues of policy; and
- External influences on trade policy that align the Malawi government away from CSOs and more toward multilateral institutions.

Based on the above, the main recommendations to improve and strengthen CSO participation in trade policy making are:

- Collection and use of evidence by CSOs for meaningful participation;
- Undertaking and presenting analysis of trade policy from poverty reduction perspectives;
- More CSO space in actual policy formulation improving on the experiences in PRSP and MGDS;
- Enacting legislation for CSO access to trade information;
- Dissemination of trade policy information to citizens as a way of demystifying trade from being regarded as a "technocrats only" area;
- Strengthening CSO networking on trade (learning from EPA collaborations where MEJN, MCC, CISANET, Oxfam, Action Aid, and others collaborated closely);
- Prioritising citizen participation and action on trade policies through the strengthening of trade weather stations and other community based networks; and
- Developing capacity of MITPSD to allow it to undertake more and better consultations with all stakeholders.

3.7. Malawi Inclusive Trade Policy Making (ITPM) Index

Given the information and analysis in the above section and based on the framework that has been developed under this study (given in the annexure), an attempt is now made to construct a simple ITPM Index for Malawi. While this presents a useful picture, it should be viewed only as a very rough estimate of the actual situation. It should also be noted that the scores given in the table below are based on the feedback from corresponding groups of stakeholders. The main objectives of this graphic presentation are:

- Increasing the awareness regarding the political economy aspects of trade policy making in Malawi;
- Assessing in qualitatively terms the inclusiveness of trade policy making process in Malawi in terms of the capacities, actions and participation of main groups of stakeholders;
- Illustrating the areas where further efforts and action is required thus facilitating the focusing of capacity building initiatives by all concerned; and
- Facilitating the development of a more inclusive trade policy making process in Malawi that will create local buy-in for the resulting policy. Only such a buy-in can ensure a successful and sustained implementation of the trade policy to achieve the objectives of Vision 2020 and MGDS.

Out of a total possible value of 14, Malawi ITPM Index has a value of 8.5. This is rather low despite the fact that Malawi is a small LDC with limited resources and expertise on international trade issues. The key issues of concern are further elaborated in the next section.

Table 3.8: Malawi ITPM Index		
Action Variable	Action by	Action Value
A. Identification of all key stakeholders	MITPSD	Some identified = 0.50
B. Creating awareness about the need for trade policy	MITPSD	Some efforts made = 0.50
C. Establishment of formal consultative mechanisms	MITPSD	Yes = 1.00
D. Functioning of formal consultative mechanisms	MITPSD	Functioning most of the time = 0.75
E. Regular information flow to the stakeholders including on the content of trade policy	MITPSD	Irregular information flow = 0.50
Part I Score	MITPSD	3.25/5.00
F. Regular participation in the process and feedback to the relevant authorities	Other relevant government ministries/agencies	Most of the time = 0.75
G. Faithful representation of and regular feedback to the represented constituencies	Other relevant government ministries/agencies	Occasional faithful representation and/or irregular feedback = 0.50
H. Acquiring relevant knowledge and expertise	Other relevant government ministries/agencies	Some knowledge and expertise = 0.50
Part II Score	Other relevant government ministries/agencies	1.75/3.0
I. Regular participation in the process and feedback to the relevant authorities	Private sector and business umbrella organisations	Yes = 1.00
J. Faithful representation of and regular feedback to the represented constituencies	Private sector and business umbrella organisations	Most of the time = 0.75
K. Acquiring relevant knowledge and expertise	Private sector and business umbrella organisations	Some knowledge and expertise = 0.50
Part III Score	Private sector and business umbrella organisations	2.25/3.00
L. Regular participation in the process and feedback to the relevant authorities	Civil society organisations	Little and / or ad hoc = 0.25
M. Faithful representation of and regular feedback to the represented constituencies	Civil society organisations	Occasional faithful representation and/or irregular feedback = 0.50
N. Acquiring relevant knowledge and expertise	Civil society organisations	Some knowledge and expertise = 0.50
Part IV Score	Civil society organisations	1.25/3.00
ITPM Index Score	All stakeholders	8.50/14.00

3.8. Conclusions

It is quite clear that sustained efforts have been made to improve the trade policy making process in Malawi and to seek inputs and feedback from various groups of stakeholders. However, this has not allowed full participation by all groups of stakeholders. While the private sector and other relevant government ministries and agencies seem to be doing comparatively better, main issues of concern relate to MITPSD and the civil society, as evidenced by their scores in the ITPM Index above. The MITPSD needs to make more concerted efforts and should be provided the resources to identify and include the remaining stakeholders; ensure regular flow of information to the stakeholders; and ensure the regular functioning of formal consultative mechanisms. Similarly, the CSOs clearly need the resources to build their knowledge and capacity. They also need to strengthen feedback loops to their own constituencies. Their regular participation in the consultative mechanisms will require both efforts by the CSOs as well as encouragement and action by MITPSD, for example, by empowering the consultative mechanisms with some decision making role. Finally, while recognising the role of the private sector, government efforts for inclusive and nationally-owned trade policy should go beyond the private sector to include the CSOs as well.

Several recommendations flow rather logically from the analysis in this study and the ITPM Index scores of various groups of stakeholders. These include:

- The NWGTP is only for discussions and is not a decision-making forum. This reduces its relevance and importance, particularly in the view of stakeholders who then resort to other means to lobby the government in favour of their respective interests. Empowering the NWGTP to at least making recommendation that the relevant authorities should either accept or reply to with reasons for non-acceptance will make this important forum more relevant and useful. It will also increase the inclusiveness of trade policy making process.
- Several stakeholders that are not currently represented in the process should also be included. These mostly belong to the domestic trade sector which is largely informal. Hence, Malawi Union for the Informal Sector (MUFIS), Indigenous Business Association, Centre for Social Concern, Consumer Association of Malawi (CAMA), and Farmers Union should also be included.
- The present process is producer-oriented and there is need for balancing producer and consumer interests to stimulate competition for growth and development.
- The role of Parliament and Parliamentarians should be strengthened; their debate and feedback on trade policy should be regular and not limited to the instances of trade-related legislation.
- Relevant government agencies can improve the dissemination of information by simplifying the presentation (for example, Malawi Revenue Authority (MRA) can improve the access to information by simplifying the presentation, perhaps with the help of the CSOs) and using the tools of modern information technology.
- There is need to improve coordination among all relevant government ministries and agencies. Their timely inputs to MITPSD on trade policy issues will ensure that the trade policy measures are in line with overall and sectoral development policies. Similarly, better inter-governmental coordination will result in better implementation of trade policy measures by all concerned.

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 - 25 *Ibid.*
 - 26 This section based on the following: Mandindi, H.J.K. 2008; WTO Secretariat, "Trade Policy Review: Malawi." 2002. 1-10; and Agar, Jason and L. Kaferapanjira "National Action Group : Case Study Malawi." Paris: International Workshop on Public–Private Dialogue, February 01-02, 2006.
 - 27 This preliminary conclusion is based on a study of various documents on Malawi government web sites and the trade policy profile by the WTO.
 - 28 The World Bank: 2008 World Trade Indicators. "Malawi: Trade At-A-Glance." <http://info.worldbank.org/etools/wti2008/docs/taag116.pdf> (March 20, 2009).
 - 29 Malawi's sugar sector holds enormous potential, once the country is granted unrestricted access to the EU market from 2009 under the terms of the "Everything But Arms" (EBA) initiative.
 - 30 The EIF has been launched to improve upon the IF as the experience of IF implementation has shown the need for improvements.
 - 31 Given that the Executive plays the main role in trade policy area and that the Executive is headed by the President who is elected by popular vote every five years, it is useful to note that the last Presidential elections were held in May 2009. These led to the re-election of the incumbent President Bingu wa MUTHARIKA for a second term of five years. This may lead to a continuation of policies that he had initiated during his first term.
 - 32 There is anecdotal evidence of donor influence on trade policy: please see report of FEATS Malawi National Dialogue held in Lilongwe on April 06, 2009 at <http://www.cuts-grc.org/pdf/NDS-Malawi-Report.pdf>.
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4 Tanzania

4.1. Brief Introduction to Tanzania's Basic Economic Outlook

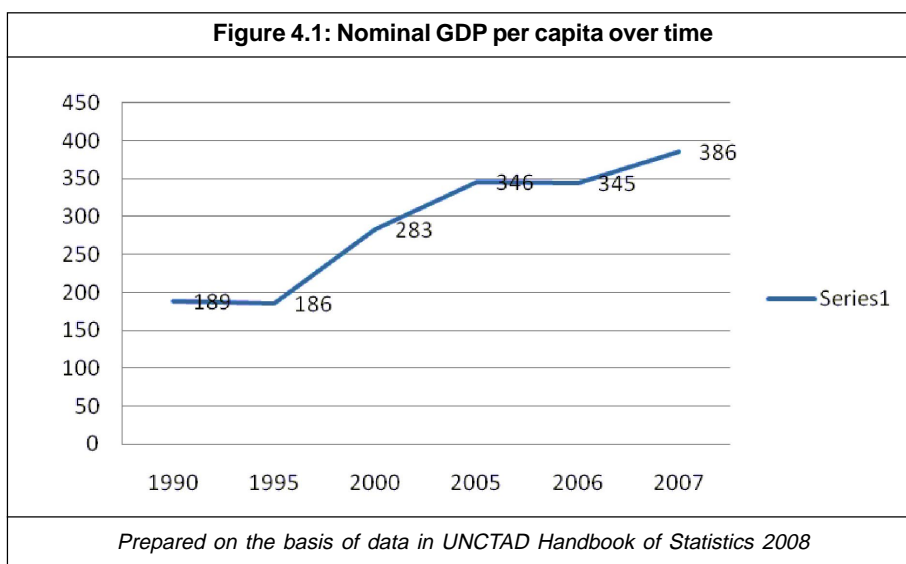
Tanzania is an LDC in sub-Saharan Eastern Africa. It had a population of 40.454 million and nominal GDP of US\$15.148bn in 2007 (Source: UNCTAD Handbook of Statistics 2008)¹. The majority of Tanzania's population resides in rural areas and in 2006 the rural population totalled at 29,736,083 people or 75.36 percent of the total population².

Tanzania has seen consistent growth over the last 15 years. The real GDP had an average annual growth rate of 4.6 percent between 1990 and 2005. The growth rate was particularly strong from 2000-2005, at the rate of 6.9 percent, followed by growth of 5.9 percent in 2006 and 7.0 percent in 2007³. As a result, the nominal GDP per capita doubled between 1990 and 2007, from US\$189 to US\$386. Nominal GDP per capita did not change between 2005 and 2006. However, it increased by 11 percent between 2006 and 2007⁴.

Table 4.1: Growth Rates of Real GDP					
1990-2005	1995-2005	2000-2005	2005	2006	2007
4.6	5.5	6.9	6.9	5.9	7.0
<i>Source: UNCTAD Handbook of Statistics, 2008.</i>					

Table 4.2: Nominal GDP Per Capita (in US\$)					
1990	1995	2000	2005	2006	2007
189	186	283	346	345	386
<i>Source: UNCTAD Handbook of Statistics, 2008.</i>					

A large percentage of the population still lives below the national poverty line⁵. The incidence of poverty declined to 35.64 percent in 2000-2001 from 38.6 percent in 1991-1992 – a decrease of only 3 percent⁶. Poverty rates across international poverty lines remain high in Tanzania and over the past decade these figures have increased. In a supplement report to its “World Development Indicators for 2008”, the World Bank reported that in 1991-92, 72.6 percent of the population was living below US\$1.25 per day and 91.3 percent was living below US\$2.00 per day. In 2000-01, these rates increased

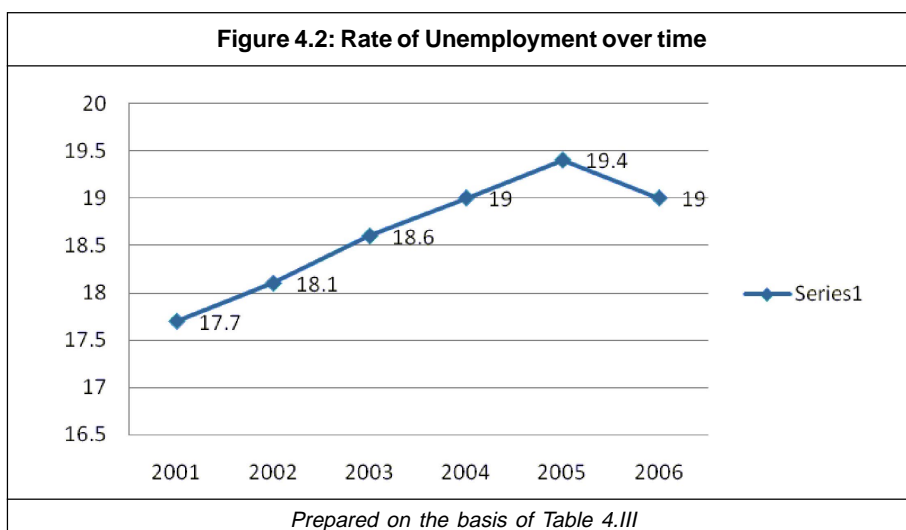


to 88.5 percent of the population living below US\$1.25 per day and 96.6 percent living below US\$2.00 per day⁷. Similarly, unemployment has marginally but steadily increased over time as shown in Table 4.3⁸.

Table 4.3: Rate of Unemployment Over Time

2001	2002	2003	2004	2005	2006
17.7	18.1	18.6	19.0	19.4	19.0

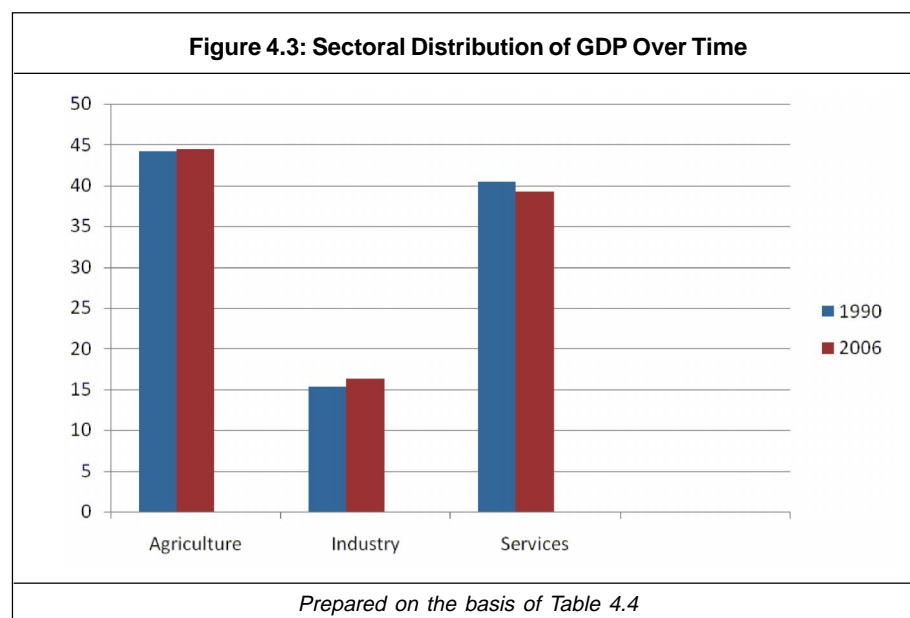
Source: The Federation of Pakistan Chambers of Commerce and Industry. www.fpcci.com.pk/trade-with-countries/Tanzania.doc (September 2008).



Unlike other countries in the region, for example, Kenya and Uganda, the contribution to GDP of the various sectors has remained more or less static since 1990. The shares of agriculture and industry in GDP increased marginally from 44.2 percent and 15.3 percent in 1990 to respectively 44.5 percent and 16.3 percent in 2006⁹. During the same period, the share of services in GDP decreased from 40.6 percent to 39.2 percent. In 2000-01 it was estimated that the informal sector accounted for 30 percent of Tanzania's total GDP¹⁰.

	Agriculture	Industry		Services
		Total	Manufacturing	
1990	44.2	15.3	8.3	40.6
1995	44.9	14.1	6.9	41
2000	43.7	15.3	7.3	41
2005	44.9	16.6	6.7	38.5
2006	44.5	16.3	6.9	39.2

Source: UNCTAD Handbook of Statistics, 2008.



The employment figures given in Table 4.5 show that agriculture and fisheries sector provides the bulk of employment opportunities as 73.1 percent of the labour force is engaged in this sector. However, this share has declined from 79 percent in 2000/2001¹¹.

A significant percentage of employment falls in the informal sector. In 2000-01, 16 percent of the total labour force was employed in the informal sector. This figure was much higher for urban areas. For example, in 2000-01, 36 percent of the labour force of Dar-Es-Salaam was employed in the informal sector while 35 percent of the labour force of other urban areas worked in the informal sector. As regards the rural labour force, 11 percent was employed in the informal sector in 2000-01¹².

Table 4.5: Occupational Distribution of Employment

Occupation	Male		Female		Total	
	2000/01	2006	2000/01	2006	2000/01	2006
Legislators and administrators	1.1	0.1	1.1	0.0	2.2	0.2
Professionals	0.2	0.4	0.1	0.2	0.3	0.6
Technician and associate professionals	1.4	1.0	0.7	0.6	2.0	1.6
Office Clerks	0.2	0.2	0.2	0.2	0.4	0.4
Service workers and shop sales Workers	2.1	4.8	2.2	4.4	4.3	9.3
Agricultural and fishery workers	37.3	34.4	41.9	38.7	79.0	73.1
Craft and related workers	1.9	3.5	0.5	1.0	2.4	4.5
Plant and machine operators and assemblers	0.7	1.0	0.1	0.2	0.7	1.2
Elementary occupations	4.5	4.1	4.1	5.0	8.6	9.2
Total	49.4	49.5	50.6	50.5	100.0	100.0

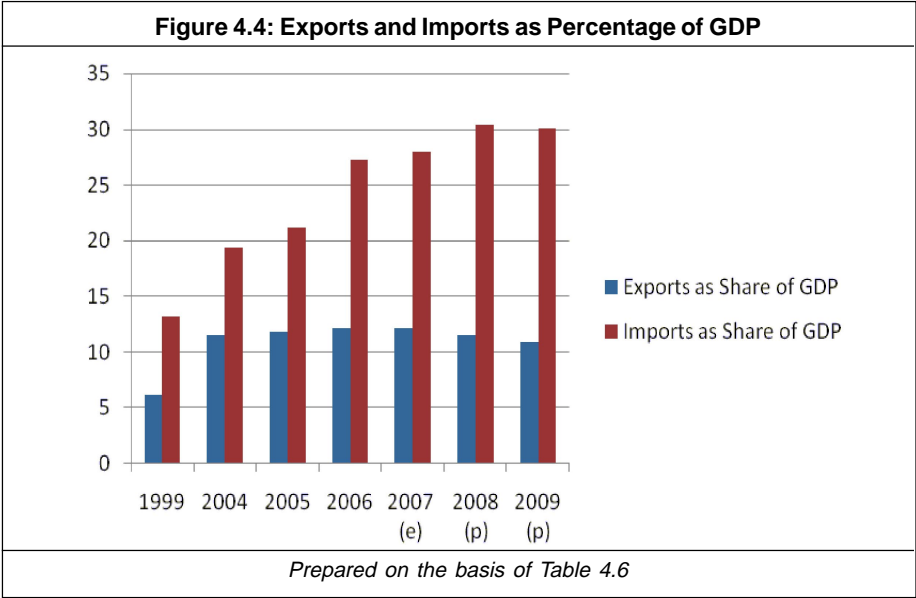
Source: United Republic of Tanzania. "Key Findings for Integrated Labour Force Survey", November 2007.

4.2. Tanzania Trade Profile

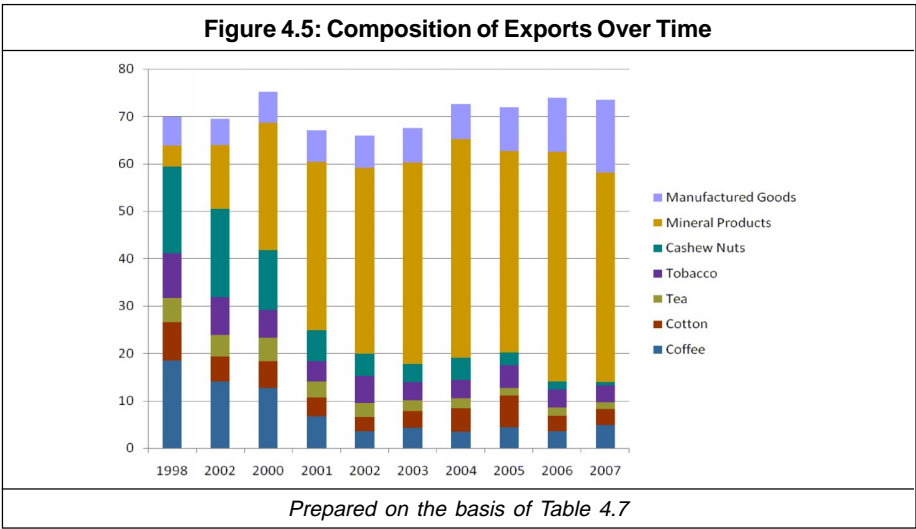
Tanzania's current account deficit has significantly widened in the last decade, with exports equal to a projected 11.5 percent and imports, 30.4 percent of GDP in 2008¹³. This wide margin is mostly due to a surge in the value of imports as a result of adverse weather and a sharp rise in world oil prices. However, a favourable harvest in 2006-2007 had little effect on this rising deficit. The projections for 2009 show a further widening of this gap between exports and imports, mainly due to the share of exports in GDP decreasing more than the share of imports.

Table 4.6: Exports and Imports as Percentage of GDP							
	1999	2004	2005	2006	2007(e)	2008(p)	2009(p)
Exports of goods (f.o.b.) as percent of GDP	6.2	11.5	11.8	12.2	12.2	11.5	10.9
Imports of goods (f.o.b.) as percent of GDP	13.2	19.4	21.2	27.2	28.0	30.4	30.1

Source: AfDB/OECD. "Tanzania." 2008, African Economic Outlook. 571-584.



Since 1998, the composition of the export sector has shifted considerably. Coffee and cotton continue to be main exports, although fluctuations in production have been prevalent. Cashews, once a leading export, have decreased in value to one-tenth their value in 1998. On the other hand, export diversification efforts are having some success¹⁴. The mining sector has seen incredible growth, with exports in mineral products (mainly gold) increasing by US\$860mn in the last ten years. Manufactured goods have also moved to centre stage in Tanzania’s export basket, with an increase of US\$273mn in that same period¹⁵. As a result the shares of traditional exports (coffee, cotton, sisal, tea, tobacco, cashew nuts, and cloves) have decreased from about 60 percent in 1998 to about 14 percent in 2007. The share of non-traditional exports (mineral products – mainly gold, manufactures, and other products) has increased from about 40 percent to 86 percent in the same period.



	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Traditional										
Coffee	108.74	76.6	83.7	57.1	35.22	49.8	49.8	74.3	61.4	98.1
Cotton	47.63	28.5	38	33.7	28.63	41.3	74.6	111.5	55.8	66.4
Sisal	6.78	7.3	5.6	6.7	6.55	6.8	7.2	7.3	6.1	6.8
Tea	30.43	24.6	32.7	29	29.6	25	30.1	25.6	31	28.7
Tobacco	55.39	43.4	38.4	35.7	55.52	46	57.6	80.8	65.2	72.9
Cashew nuts	107.32	98.9	84.4	56.6	46.59	44.2	68.1	46.6	30.4	13.2
Cloves	-	19.9	10	12.3	3.96	10.3	10.3	8.5	8.2	4.2
<i>Sub-total</i>	<i>356.29</i>	<i>301.2</i>	<i>292.8</i>	<i>231.1</i>	<i>206.07</i>	<i>223.4</i>	<i>297.7</i>	<i>354.6</i>	<i>258.1</i>	<i>290.3</i>
Non-Traditional										
Mineral Products	26.37	71.57	178.2	302.23	383.8	491.6	680.2	711.3	836.5	886.5
Manufactured goods	35.69	32.3	43.4	56.16	65.9	83.5	110.1	156.1	195.8	309.2
Other exports	170.08	157.76	148.9	261.9	323.9	359.7	385.1	454.4	436.3	520.7
<i>Sub-total</i>	<i>232.14</i>	<i>241.73</i>	<i>370.5</i>	<i>620.29</i>	<i>773.6</i>	<i>934.8</i>	<i>1175.4</i>	<i>1321.8</i>	<i>1468.6</i>	<i>1716.4</i>
GRAND TOTAL	588.43	542.93	663.3	851.39	979.67	1158.2	1473.1	1676.4	1726.7	2006.7
<i>Table above sourced from the following: United Republic of Tanzania, Board of External Trade. http://bet.co.tz/traditional.html; Trade Point Tanzania. http://tptanzania.com; and United Republic of Tanzania. "The Economic Survey, 2007" http://tanzania.go.tz/economicsurveyf.html.</i>										

In 2007, Tanzania's main export destinations were Switzerland, South Africa, China, Kenya and the Netherlands¹⁶. In 2007, 12 and 17.2 percent of Tanzania's total exports were destined to the member countries of the EAC and SADC respectively¹⁷.

Country	Percent Share in Total Tanzanian Exports in 2007
Switzerland	20.5
South Africa	9.5
China	7.3
Kenya	5.8
Netherlands	4.9
<i>Source: ITC Trade Map (www.intracen.org, July 05, 2009)</i>	

Major imports into Tanzania consist of consumer goods, machinery and transportation equipment, industrial raw materials, crude oil and fertilisers. Oil topped this list, amounting

to US\$393.9mn in 2007. Machinery imports were valued at US\$228mn and transport equipment at US\$98mn. Tanzania imported US\$87.7mn worth of food and food stuffs¹⁸.

The composition of imports changed between 2001 and 2008. While the share of capital goods (transport equipment, building and construction equipment, and machinery) remained almost the same (about 37 percent in 2008 compared to 38 percent in 2001), the share of intermediate goods (oil, fertilisers, and industrial raw material) increased from about 28 percent in 2001 to about 41 percent in 2008. The share of consumer goods (food and food stuffs, and all other consumer goods) decreased from about 34 percent to about 22 percent in the same period¹⁹.

Table 4.9: Major Imports Over Time (in US\$m)								
Category	2001	2002	2003	2004	2005	2006p	2007p	2008p
A. Capital goods	156	199.3	170.7	211.8	284.8	347	433.8	566.6
Transport equipment	43.7	68.7	56	58.6	71.3	99.9	98	182
Building and construction	31.2	30.4	34.2	41.5	66.8	78.5	107.3	143.2
Machinery	81.2	100.2	80.5	111.7	146.7	168.5	228.6	241.4
B. Intermediate Goods	112.8	94.2	111	187.7	313.2	333.6	506.6	617.2
Oil	64.1	47	52.9	121.3	235	251.2	393.9	446.2
o/w Crude Oil	0	0	0	0	0	0	0	0
White	64.1	47	52.9	121.3	235	251.2	393.9	446.2
Fertilizers	4	1.3	1.7	3.1	13.7	2.9	3.5	7.5
Industrial Raw Material	44.7	46	56.4	63.2	64.6	79.5	109.1	163.5
C. Consumer Goods	138.9	117.9	133.1	192	191.4	210.7	301.2	329.1
Food and Food Stuffs	53.3	36.7	34.5	80.7	42.2	73.2	87.7	83.8
All Other Consumer Goods	85.6	81.3	98.6	111.3	149.1	137.6	213.5	245.2
TOTAL	407.7	411.5	414.8	591.5	789.3	891.41	1,241.60	1,512.90
<i>Note: P = Provisional</i>								
<i>Source: Bank of Tanzania. "Economic Bulletin for the Quarter Ending March, 2008." Bank of Tanzania. Vol. XL No. 1.</i>								

Table 4.10: Top Five Import Sources	
Country	Percent Share in Total Tanzanian Imports in 2007
UAE	13.2
South Africa	10.1
India	8.7
China	7
Japan	4.4
<i>Source: ITC Trade Map (www.intracen.org, July 05, 2009)</i>	

More than 43 percent of total imports originated from five countries, i.e. UAE, South Africa, India, China, and Japan. In 2007, the shares of EAC and SADC member countries with total Tanzanian imports were 1.9 and 11.5 percent respectively²⁰.

Based on some recent World Bank figures, two further points need mention in respect of Tanzanian international trade performance and profile. One, the export product concentration has increased over the past decade from a rating of 25.8 in 1995-99 to 35.3 in 2008 whereas the export market concentration remained nearly static during the same period, a rating of 25.8 in 1995-99 and of 24.9 in 2008. Two, despite little progress in areas of export product and market diversification, Tanzanian integration in global economy is substantial and has been increasing. Trade measured as a percentage of GDP was 48.2 percent in 1995-99 which has climbed to 70.4 percent in 2008²¹.

4.3. Tanzanian Participation in International Trade and Regional Integration Agreements

Tanzania is a member of several international trade agreements as well as African regional trade and integration agreements. Its trade policy measures are informed by its commitments under these agreements and the on-going negotiations under several fora.

Tanzania is a founding member of the WTO and has often led the LDC Group in the WTO discussions and negotiations. Tanzania was a beneficiary of the non-reciprocal preferences under the Lomé and then Cotonou Agreements as an ACP country. It has initialled an interim EPA agreement with the EU and is part of the negotiations with the EU to conclude final regional EPA as part of the EAC.

Tanzania is also a beneficiary of trade preferences granted to the LDCs by developed and some developing countries. The most important preferential trade benefits accrue under the EBA initiative and the AGOA, in the EU and US markets respectively.

Tanzania is an active member of the AU and hence committed to the goal of continent-wide, comprehensive African integration. It is also a founding member of EAC. In fact, the EAC Secretariat and Parliament are housed in Arusha, Tanzania, demonstrating Tanzanian commitment to the goals of EAC regional integration agenda. Tanzania was a member of COMESA but renounced its membership in that regional integration agreement to join SADC.

4.4. Trade Regime of Tanzania

4.4.1 Evolution of Trade Policy

Tanzania's trade regime has gone through several phases, each with some distinct features. Immediately after independence, Tanzania leaned towards a fairly liberal trade policy that allowed an active role of the private sector in various economic activities. This was reversed in 1972 when Tanzania adopted a "Policy of Confinement" that was based on a strict government-planned economy. The accompanying trade measures were inward looking with emphasis on import substitution. The limitations of this policy were exposed during the oil-price shocks in the 1970s and the collapse of the EAC in the

early 1980s. Thus, in 1984, informal trade liberalisation measures were adopted, followed by a formal introduction of an Economic Reform Programme (ERP) in 1986.

The process of liberal reforms acquired further steam when Tanzania joined the WTO on January 01, 1995 as a founding Member. This was accompanied by efforts to build a competitive market economy that would withstand competitive pressures in the domestic market and allow for more effective participation in regional organisations²².

Tanzania's current trade regime is somewhat liberal. Controls on trade have been liberalised that only tariffs remain as the main barrier to trade. The recent reform of Tanzania's customs duties has resulted in a simplified five-tier structure with tariff rates of 0, 5, 10, 20, and 25 percent respectively. This tariff structure provides incentives for domestic value-addition with many processed products facing a higher effective rate of protection (ERP). The average applied tariff is approximately 16.1 percent.

The 2008 Trade Tariff Restrictiveness Index of the World Bank reported Tanzania's trade regime to be more restrictive than that of the average SSA country²³. On the trade tariff restrictiveness index for MFN applied tariffs Tanzania received a rating of 12.6 in 2008, slightly decreased from 14.9 for 2000-2004 yet higher than similar ratings for other Sub-Saharan African countries. Similarly, the Overall Trade Restrictiveness Index (including applied tariffs, preferential tariffs and NTBs) was recorded at 52.2 percent for 2008, which is higher on average than other nations of its region, an indication of its more restricted trade regime²⁴.

Exchange controls and quantitative restrictions on imports have been eliminated. However, a 20 percent Value-Added Tax (VAT) and excise taxes on petroleum, beverages and tobacco are a significant source of government revenue and there is considerable pressure to maintain them. Tanzanian import controls are in line with international agreements, as these are based on health and security considerations. Tanzania has enforced import inspection and valuation programmes since 1999. No legislation on anti-dumping, countervailing, and safeguard measures has been enacted yet, although efforts are underway to develop WTO-compatible legislation in these areas.

The Tanzanian Bureau of Standards enforces the standards of the International Organisation for Standardisation (ISO). Sanitary and phyto-sanitary (SPS) standards are regulated by the Ministry of Agriculture and Cooperatives, which also performs inspections and runs certification programmes. Legislation on competition policy exists but is not regularly enforced. Intellectual property protection standards are regulated by Tanzania's Registrar of Companies. Tanzania makes efforts to be in compliance with WTO norms, but it is hampered by limited resources and continued reliance on technical assistance from development partners²⁵.

In general, Tanzania's trade policies are guided by a desire to adhere to WTO rights and obligations and encourage the process of regional integration by pursuing closer ties with neighbouring African nations, particularly through EAC²⁶.

Period	Main Features
1961-1971	Fairly liberal trade policy: encouraged commercial activities based on export of commodities but discouraged commercialisation in production of food-crops.
1972-1983	Policy of Confinement: increasing public sector control and direct government intervention (e.g. resource allocation, price controls, controls on movements of goods and services).
1984-1994	Initiation of liberalisation policies: 1986 ERP – gradual introduction of market economy based on free trade.
1995 – Present	Joined WTO as a founding member. Efforts to build a more competitive market economy and more effective participation in international and regional trading agreements.

4.4.2 Tanzania National Trade Policy 2003

Tanzania developed and approved a single, comprehensive trade policy in 2003. This policy still provides the framework for all trade policy measures. The 2003 National Trade Policy (NTP) recognises the link between trade and poverty reduction and states that to “enhance income generation and people’s earning power at the grassroots level [is] the key to poverty reduction in fulfilment of the fundamental human right of equal opportunity as enshrined in the Constitution of the United Republic of Tanzania²⁷”.

The NTP 2003 endeavours to contribute to the achievement of the goals of National Development Vision 2025. It stipulates that to achieve the target of seven percent annual growth rate of GDP, a modern export-led economy is needed. According to the NTP, the general objective of trade policy is to transform a supply-constrained economy into an export-led one with enhanced domestic integration and wider participation in the global economy. This is to be achieved by a national trade liberalisation programme that relies on the following five specific objectives:²⁸

- Stimulating a process of trade development as the means of triggering higher performance and capacity to withstand intensifying competition within the domestic market;
- Economic transformation towards an integrated, diversified and competitive economy capable of participating effectively in the multilateral trading system;
- Stimulation and encouragement of value-adding activities on primary exports as a means of increasing national earnings and income flows even on the basis of existing output levels;
- Stimulation of investment flows into export-oriented areas in which Tanzania has comparative advantages as a strategy for inducing the introduction of technology and innovation into production systems as the basis for economic competitiveness; and
- Attainment and maintenance of long-term current account balance and balance of payments through effective utilisation of complementarities in regional and international trading arrangements as a means of increasing exports combined with initiatives for higher efficiency in the utilisation of imports.

While not directly related to the formulation of NTP 2003, the development and implementation of Tanzanian DTIS under the IF has been an influence on the evolution of Tanzanian trade policy since 2004. The IF process for Tanzania started in July 2004 with the visit to Dar-Es-Salaam of DTIS team leader. He met with staff in the then Ministry of Industry and Trade (MIT), representatives from the private sector and the donor community, and researchers and consultants involved in trade-related work and summarised his main findings in an *Aide-Mémoire*. This led to the preparation of a concept paper prior to the main mission in November 2004.

The draft DTIS was ready by mid-2005. Partly as a result of this, a number of trade issues were included in the June 2005 PRSP. The IF National Validation Workshop took place in November 2005 and the results of this workshop were incorporated in the final version of the DTIS.

At present Tanzania is preparing an indicative five-year implementation plan for the Enhanced Integrated Framework (EIF)²⁹. This plan, *inter alia*, covers:

- Setting up of a Focal Point and a National Implementation Unit (NIU);
- Establishment of a National Steering Committee;
- Staging of two updates of DTIS;
- Evolution of trade mainstreaming in next five years; and
- Identification of the parts of the original DTIS Action Matrix that still need to be implemented.

The IF Donor Facilitator for Tanzania is Sweden.

To effectively implement the NTP 2003, the Tanzania Trade Integration Strategy (TTIS) 2009-2013 Framework Programme was adopted in early 2008. This document aims to provide:

- A single framework for strengthening ownership of trade sector development and all current or planned Aid-for-Trade (AFT) interventions by the Government of Tanzania; and,
- A mapping of current development needs and priorities within the Tanzanian trade sector, the role of current or planned bilateral development assistances within the sector, and possible areas of interventions for a Multi-Donor Budget Support Fund.

The TTIS Framework Programme is organised into two main components:

- Component A: focuses on strengthening the capacity of the government of Tanzania by enhancing its capacity to manage Trade Policy, Trade Strategy, and AFT formulation and implementation processes.
- Component B: focuses on developing the capacity of support institutions and assisting producers to meet international competitiveness standards to increase the competitive export supply of goods and services.

4.5. Trade Policy Making Process in Tanzania

4.5.1. Objectives

Vision 2025 is the main guiding policy document for strategic social and economic development. This Vision envisages these goals to realise by 2025, ‘Tanzania should

have eradicated abject poverty, improved the quality of life and should have created a strong, diversified, resilient and competitive economy, which can effectively cope with the challenges of development, and which can also easily and confidently adapt to the changing market and technological conditions in the regional and global economy’.

The National Trade Policy of 2003 aims to contribute to the achievement of Vision 2025. Accordingly, NTP 2003 Vision seeks “to transform the economy from a supply-constrained one into a competitive export-led entity responsible for enhanced domestic integration and wider participation in the global economy through national trade liberalisation”. This vision guides the current mission of Tanzania’s trade sector which is to “stimulate the development and growth of trade through greater competitiveness aiming at rapid socio-economic development”.

Specific objectives for the trade sector flow directly from the above and include:

- Intensifying competition within the domestic market;
- Economic transformation for effective participation in the MTS;
- Stimulation of value-adding activities on exports;
- Stimulation of investment flows into export-oriented areas that can engender comparative advantages; and
- Attainment and maintenance of long-term current-account balances and balance-of-payment targets.

It is acknowledged that the successful policy formulation and implementation requires effective coordination and consultative mechanisms and processes. These participatory processes bring together all stakeholders, such as relevant government ministries and agencies, the business community and private sector, civil society, and development cooperation partners.

4.5.2. Process

In general, the process for any trade policy measure starts with the identification of the need for such a measure. This need can arise for three main reasons: one, to implement a commitment under an international, regional or bilateral agreement; two, to better align trade policy with other national policies and measures in the overall national planning framework; and three, to respond to a request by stakeholders.

The first step in the process is the development of a Plan of Work which is drafted by the Ministry of Industry, Trade, and Marketing (MITM). The Plan identifies the issue, the main stakeholders and the methodology to be adopted to deal with the issue. It ensures that all stages in policy formulation are appropriately outlined including budgetary requirements, terms of reference, timelines, etc.

Next step is the establishment of a Steering Committee including all identified stakeholders: relevant ministries, donor community representatives, research institutions, and representatives of the private sector and civil society. The Steering Committee is chaired by the Permanent Secretary (PS) of MITM.

The proceedings of the Steering Committee benefit from several inputs. Based on the availability of budget, background studies are commissioned to consulting firms or

national experts. MITM staff undertakes a literature review along with field research and consultative meetings. Stakeholders also provide input, for example, on situational analysis and existing challenges.

The Steering Committee often constitutes a team of experts that prepares the first draft based on various inputs. This draft is normally based on a standard format provided by government. The Steering Committee also establishes a Technical Committee to undertake the technical examination of the draft if needed.

The draft by the team of experts is presented to the Technical Committee which includes members from key stakeholder groups and is chaired by the Director of Policy and Planning, MITM. Once approved by the Technical Committee, the draft is presented to the Steering Committee. The Steering Committee may hold a National Workshop of more stakeholders if needed before finalising the draft.

The final draft policy is submitted to Inter-Ministerial Technical Committee (IMTC) for further discussion and approval.

The draft approved by IMTC is then submitted to the Cabinet. After the approval by the Cabinet, the policy may be sent to the Parliament if it requires a legislative action.

Once approved by the Cabinet or Parliament, as the case may be, the policy is implemented by MITM³⁰.

4.5.3. Policy Making Process for National Trade Policy 2003

The general process mentioned above was followed in preparing the National Trade Policy 2003 (NTP). The National Technical Committee finalised and submitted draft to the Steering Committee in 2001. Thereafter, the Permanent Secretary of MITM and the directors (Head of Departments) and other technical staff held three extensive sessions to discuss and revise the draft NTP. Two documents emerged at the end of this process: the revised draft NTP, and National Trade Policy Background Papers (NTPBPs).

These documents were presented to the Inter-Ministerial Technical Committee (IMTC) consisting of all Permanent Secretaries. The IMTC undertook a review of the draft NTP before its submission to the Cabinet. After the approval of the IMTC, the Permanent Secretary of the MITM presented the draft NTP to the Cabinet through the Cabinet Secretariat. Cabinet Secretariat too reviewed the draft in order to advise the Cabinet.

The Cabinet approved the draft NTP which was then sent to the Parliament. The Parliament held the final discussion and accorded approval. Accordingly, the NTP came into force in early 2003³¹.

4.5.4. Key Institutions and Actors

Ministry of Industry, Trade and Marketing (MITM)

The Ministry of Industry, Trade and Marketing is the official coordinator of all matters related to trade policy including trade policy formulation, international trade negotiations, and trade policy implementation. The role of MITM has been strengthened since the

adoption of NTP 2003. Earlier, the Ministries of Finance (due to its central role in taxation that includes tariffs) and the Ministry of Foreign Affairs and International Cooperation (due to the political and diplomatic significance of EAC, COMESA and SADC) took the lead on trade issues related to their spheres of mandates. This has changed. MITM is now firmly established and recognised as the main government ministry to take the lead on all trade issues.

MITM has five core operational divisions, two of which are dealing with trade issues. These are: Trade Promotion and Marketing Division, and Trade Integration Division. Policy and Planning Division of the Ministry also contributes to trade policy issues.

The Trade Promotion and Marketing Division has three Sections dealing with internal trade and marketing; external trade and marketing; and market research, information and promotion, respectively. Similarly, the Trade Integration Division consists of three Sections dealing with multilateral integration, regional integration, and bilateral cooperation³².

Other Relevant Ministries and Government Agencies

The lead role of MITM in all matters of trade policy formulation and implementation is now well recognised. However, several other government ministries and agencies are also involved, in varying degrees and according to their respective mandates, in trade policy formulation and implementation.

The President's Office, Planning & Privatisation (POPP) plays a key role as the institution responsible for managing the Tanzanian economy. It regularly evaluates trade performance. Research work by POPP staff, for example for the Annual Economic Survey, also feeds into the trade policy formulation process. There remains a tendency for other ministries including MITM to defer to POPP on matters of policy and planning.

Other key ministries related to trade policy making and implementation include: the Ministry of Planning, Economy and Empowerment (MPEE) that has the responsibility for providing overall policy guidance in all areas (including trade); Ministry of Finance that takes the lead in fiscal-related matters and in the EU-ACP matters; and the Ministry of Foreign Affairs and International Cooperation (MFAIC) that plays an important role in regional integration arrangements (for example, EAC and SADC).

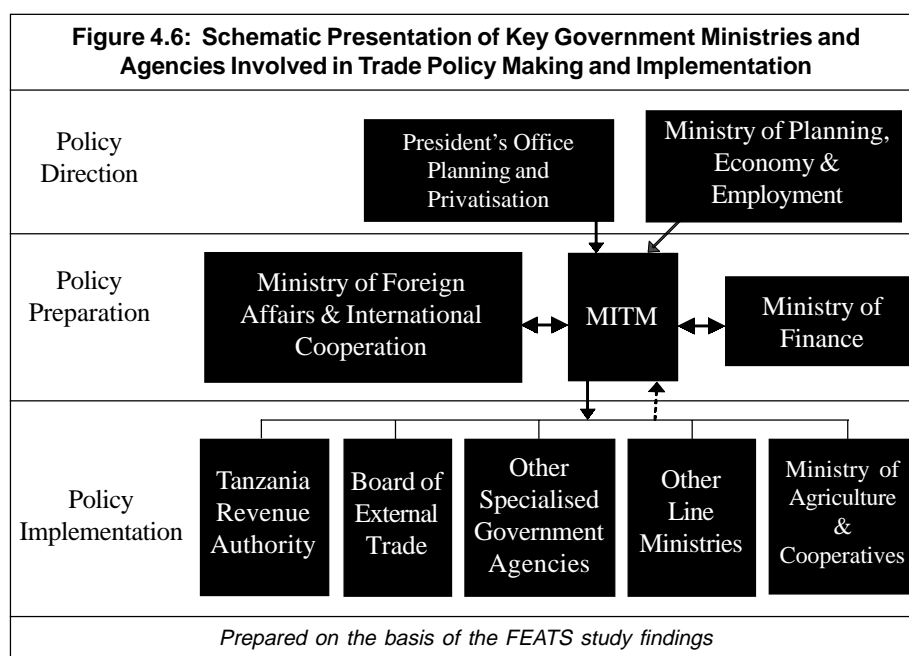
Other line ministries that play some role in trade policy issues include:

- Ministry of Agriculture and Cooperatives;
- Ministry of Livestock Development;
- Ministry of Energy and Minerals (MEM);
- Ministry of Natural Resources and Tourism (MNRT); and
- Ministry of Infrastructure Development.

Other specialised government agencies and institutions play specific roles in trade policy implementation and related issues. These include:

- Tanzania Revenue Authority
- Tanzania Bureau of Standards
- Bank of Tanzania

- Tanzania Investment Centre
- Weights and Measures Agency
- Fair Competition Commission
- Business Regulations and Licensing Authority
- Small Industries Development Organisation
- National Development Corporation, and
- Board of External Trade.



Private Sector and Business Organisations

The private sector in Tanzania is still at an early stage of development as compared, for example, with the private sector in Kenya. This is mainly due to the history of earlier policies that centred on socialism and public sector driven development which led to some official hostility towards the private sector.

But with the changes in policy direction in the 1980s and 1990s, several private sector organizations emerged. For instance, Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA) was established in 1988 and Confederation of Tanzania Industry (CTI) in 1990. Their lobbying and advocacy roles have grown recently to a level which is recognised by the government and is now more or less institutionalised. These institutions have also been engaged in building the capacities of their secretariats. They have attempted to access analytical support from research institutions and consultants. These efforts are often supported by development partners that recognise the importance of a strengthened private sector.

TCCIA is the apex private sector umbrella organisation which has the largest membership of about 17,000. It has offices in all the regions (21) and districts (92) and has been in existence for about 20 years. Only 8 percent of the members are manufacturers, more than 60 percent are service providers, and the rest are agriculturists (including commercial farmers). Most of these members are SMEs. TCCIA is almost always invited by the government to provide inputs on trade policy issues.

For institutional dialogue with the government, the most important private sector organisation is the Private Sector Foundation (PSF). This is an umbrella organisation of other private sector and business organisations. PSF has more than 100 member associations, the most prominent being the Confederation of Tanzania Industries (CTI), the Tanzania Exporters Association (TANEXA), and the Tanzania Chamber of Commerce, Industry and Agriculture (TCCIA). The government encourages the PSF to be its interlocutor with the private sector.

It is encouraging to see the change in government policy and attitude towards the private sector, as well as the efforts by the private sector to organise itself, build its capacity, and participate in policy making initiatives. However, given the long history of underdevelopment of the private sector in Tanzania, these efforts must be sustained.

Civil Society Organisations

There are a number of CSOs in Tanzania. They are engaged in four broad categories of activities: social services delivery; capacity building; advocacy and lobbying; and research and analysis. A particular CSO may be engaged in more than one of these activities.

Social services delivery CSOs have been operating in the country since pre-colonial era. Most of them were Faith-Based Organisations (FBOs). These CSOs are engaged in activities related to the provision of education, health, water, relief services etc. Capacity building, and advocacy and lobbying CSOs emerged in early 1980's after trade liberalisation. They were not allowed to operate earlier. These CSOs also benefitted from funding from development partners who encouraged the development of CSOs. The research and analysis CSOs were the last to emerge as the complex policy making and implementation issues faced by both the government and other CSOs demonstrated the need and importance of robust research and analysis.

The number of CSOs increased substantially in recent years. Initially, the government relationship with advocacy and lobbying CSOs was fraught with mistrust on both sides. In fact, the government adopted the NGO policy and Act No. 24 of 2002 to exercise some control over such CSOs. The situation is better now as both the CSOs and the government recognise the role of each other and try to work together based on their respective mandates and missions.

An interesting feature of the CSO scene in Tanzania is the emergence of networks. CSOs have come together to form these networks to increase their reach and influence. At present, there are about 95 district and regional networks that work on multiple issues. These networks are trying to advocate and lobby for specific actions and policies at the district and regional levels, despite their limited capacities. Sometimes these district and

regional networks join hands with national advocacy CSOs to raise the voices or concerns of the people to the Parliamentarians and ministers. The largest network is the Tanzania Association of NGOs (TANGO).

Like in many other developing countries, there are some international NGOs that operate through their locally affiliated CSOs/partners, for example, Water Aid, Oxfam JOLIT, Concern World, ActionAid, Pact, KEPA, etc.

Major capacity building CSOs include: TRACE, EASUN, TANGO, Tanzania Gender Networking Programme (TGNP) and some international NGOs. Their mission is to strengthen the knowledge and skills of local CSOs which enables them to effectively engage with the government on various policy issues.

Research and policy analysis are specialised skills that most CSOs lack. But there are now a few research and analysis CSOs in Tanzania, for example, REPOA, ESRF, TGNP Policy Forum, etc. Their mandate is to undertake and produce analytical information. This knowledge and information is then used by capacity building, social services delivery, and advocacy CSOs, the government, and the private sector.

More recently, human rights CSOs have also emerged in Tanzania. CSOs such as LHRC, NOLA, TAMWA, TLS, WLAC, EALS, etc. endeavour to press the government to observe human rights including trade-related rights. Gender advocacy also plays a role in influencing trade policies at all levels in Tanzania. TGNP and other CSOs are fighting for gender equity including in trade policies.

Finally, the freedom of speech and expression in Tanzania has resulted in the development of media CSOs. They are increasing in number and effectiveness. Media Council of Tanzania and MISA, for example, are membership organisations. Most other CSOs make use of these media organisations to inform and educate the public and to influence public opinion on various issues including trade³³.

4.5.5. Key Consultative Mechanisms

National Business Council (NBC)

The need for regular dialogue between the public sector institutions and the private sector is well recognised. This dialogue should include all policy-related issues. The National Business Council was established in 2001 to provide the forum for this dialogue. NBC is the highest level body for this purpose. It comprises of 40 members, 20 representing various government agencies and twenty representing the private sector. PSF coordinates the private sector representation in the NBC.

NBC meets twice a year. It has also established five Working Committees including one on investment and trade issues. The work of Committees is facilitated by the PSF that coordinates analysis of specific policy areas for discussion by the Committees. Most of this analysis is commissioned by the PSF to local research institutions, usually with financial support from development partners.

The NBC has filled an important gap and has encouraged close dialogues between the government and the private sector on various issues including trade and investment.

Inter-Ministerial Technical Committee (IMTC)

This is a standing body that consists of all Permanent Secretaries. The primary objective of this body is to provide a forum for collaboration and coordination among all government ministries. All policy issues requiring inputs and feedback from more than one ministry are taken to the IMTC. Policy issues approved by IMTC can then be forwarded to Cabinet for final approval and/or further action.

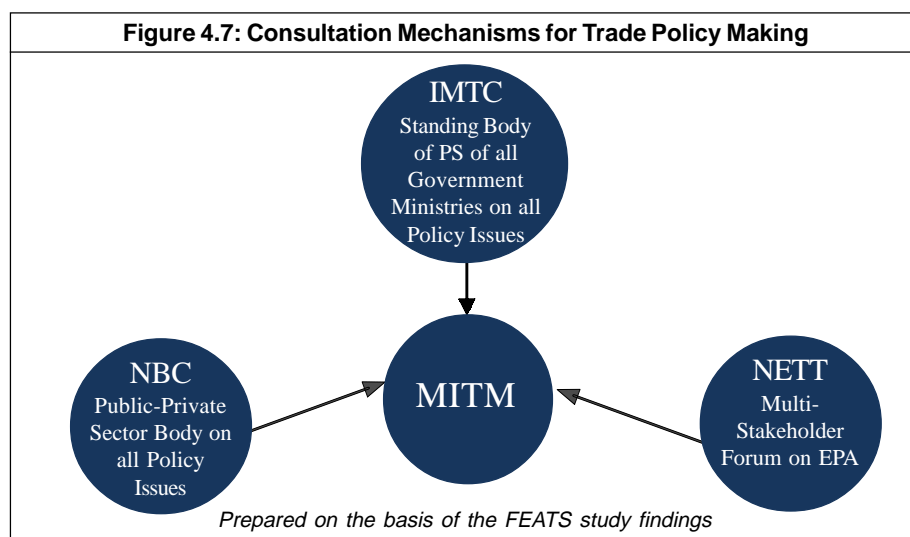
Draft NTP 2003 was presented to the IMTC by the Permanent Secretary of MITM. IMTC has also been called upon to discuss other trade policy issues since then including those related to Tanzanian position in international trade negotiations.

National EPA Technical Team (NETT)

MITM formed National EPA Technical Team (NETT) to provide a forum to coordinate the development of Tanzanian participation in EPA negotiations with the EU. NETT includes representatives from all the key stakeholders: other related government ministries and departments, the civil society, research institutions and academics, and the private sector. The EU funded the establishment and functioning of this mechanism³⁴.

NETT includes representatives of 18 public-sector institutions, two private-sector representative organisations (TCCIA and CTI); one NGO umbrella organisation (the Tanzania Association of NGOs – TANGO); one research institute and two academics. NETT has also set up Technical Working Groups to prepare position papers on key issues of interest to Tanzania in EPA negotiations, such as agriculture and services.

Establishment of NETT has been welcomed by the private sector and the CSOs. This is the only regular consultative mechanism on trade issues that brings together representatives of all key stakeholders. However, its mandate is limited to EPA negotiations.



4.6. Tanzania Experience of Trade Policy Making Process as Viewed by Stakeholders³⁵

The authorities in Tanzania are conscious of the role that trade policy can play in improving socio-economic conditions and assist in meeting the targets of Vision 2025. They also understand that the development and implementation of an appropriate trade policy require commitment of resources and involvement of key stakeholders. While several steps have been taken in this regard, it is useful to present the views of stakeholders to identify the continuing challenges with a view to finding adequate solutions.

4.6.1. Ministry of Industry, Trade and Marketing (MITM)

MITM is now the lead ministry on all trade issues, including domestic and international. Domestic trade policy in Tanzania is concerned primarily with the setting and reviewing of tariffs. Moreover, now that Tanzania has joined the EAC Customs Union, tariffs are no longer to be set in isolation. This means that domestic trade policy and policy regarding EAC can be regarded as functionally the same thing. Domestic trade policy is also shaped by Tanzanian commitments in the multilateral trading system, though to a lesser extent than its commitments under EAC. MITM therefore is at the centre of three sets of demands and expectations: EAC integration process, WTO agreements and negotiations, and domestic trade issues. NTP 2003 provides the broad blueprint for MITM to deal with these three sets of issues in an integrated and holistic manner.

MITM focuses mainly on the implementation of Tanzania Trade Integration Strategy (TTIS) that will ensure that objectives of NTP 2003 are achieved. TTIS addresses the supply side constraints and the target for 2008 is the agriculture sector to increase agro-based exports. Horticulture is being given particular importance. To ensure effective implementation of TTIS, a Coordination Unit is being established in MITM. The implementation will be overseen by a Technical Committee (to be chaired by the Director) and a Steering Committee (to be chaired by the PS). Both the Committees include representatives of all the relevant government ministries/departments as well as of TCI and TCCIA, but there is no representation of consumers and civil society. It is believed that the interests of farmers will be taken care of by TCCIA. MITM's approach is to have a comprehensive plan and programme for implementation instead of a piecemeal approach and many donors are providing resources for this purpose.

The MITM has also been trying to reduce the costs of doing business which is quite high in Tanzania. Accordingly, a new Business Activities Registration Act was passed recently that aims to replace licensing with registration. Similarly, a business-friendly Agricultural Marketing Policy was announced in July 2008 and MITM has been assigned to implement the Marketing and Private Sector Development component of the Agriculture Sector Development Programme.

MITM is also responsible for stakeholder consultations on trade policy issues. This is to be done through both regular and formal mechanisms as well as through more frequent informal interactions with the non-state stakeholders.

The structure and staffing of MITM has improved in recent years to enable it to perform its functions better. However, it still lacks adequate human and financial resources to undertake all activities expected of it in relation to all trade issues. Of specific concern is the capacity of MITM to establish and manage formal mechanisms for stakeholder consultations.

Main tasks and challenges that MITM currently face include:

- Institutionalising consultation and coordination mechanisms with all stakeholders – both in the government and the private sector and civil society;
- Publicising trade policy extensively to raise public awareness;
- Undertaking a dynamic capacity needs assessment of itself and other stakeholders and designing capacity building programmes accordingly;
- Implementing, subject to availability of resources, capacity building programmes; and
- Ensuring implementation of trade policy in a coordinated manner including through regular reviewing and monitoring.

4.6.2. Other Relevant Government Ministries and Agencies

Several other government ministries and agencies are involved on issues related to trade. Their respective roles fall into three broad categories: providing policy directions to MITM, providing inputs and feedback to MITM, and undertaking implementation of trade policy measures. All these roles require regular interaction among these ministries and agencies on the one hand, and the MITM on the other. IMTC is the only formal mechanism for this interaction.

In terms of actual regular interaction with MITM, other relevant ministries and agencies can again be placed in three broad categories. First, the ministries generally providing policy guidance to MITM (Ministry of Planning, Economy and Empowerment; Ministry of Finance; and Ministry of Foreign Affairs and International Cooperation) have good interaction with MITM. Their interaction is not limited to coordination through the IMTC; their role *vis-a-vis* MITM allows them regular access on trade policy issues according to their respective mandates.

Second are the other line ministries that should provide inputs and feedback to MITM. They interact mainly through the IMTC, which may not be sufficient. For example, the Ministry of Agriculture and Cooperatives should be more closely involved given the importance of agriculture in Tanzanian economy and trade. There is certainly need to improve regular communication and coordination with these ministries on trade policy issues.

The third category includes the ministries and agencies that are mainly concerned with implementation of trade measures. Their interaction with MITM is the weakest, as most of them do not directly participate in IMTC. These agencies also need to be viewed as partners on trade policy issues and involved through periodic consultations.

The coordination among relevant government ministries and agencies can be improved through:

- Establishing consultative mechanisms on trade that include all governmental stakeholders;
- Building capacity of relevant ministries and agencies on trade issues within their respective mandates; and
- Ensuring a more regular interaction at the level of technical staff of MITM on the one hand and the technical staff of other relevant ministries on the other.

4.6.3. Private Sector

The main forum for undertaking joint activities concerning public-private consultation and dialogue, including trade issues, is the Tanzania National Business Council. This also includes the SMART Partnership programme which is designed to run from the district to the national level. Moreover, regions are now forming Regional Business Councils (RBCs). The RBCs will consult the private sector and businesses at the regional level and will then forward recommendations to the National Business Council or directly to the government.

The establishment of NETT was the first systematic initiative to create a standing arrangement for regular consultation on trade policy, in this case the issues related to EPA negotiations with the EU. NETT has been welcomed by the two key private sector apex organisations, CTI and TCCIA, which are members of this mechanism. Involvement of the private sector in NETT has been a particularly important step in building the confidence of the private sector in the government's willingness and capacity to set its trade policies in a manner that takes full account of their interests.

Private sector representatives have also been included in the official delegations for negotiations in the regional organisations, e.g. ECA and SADC, for negotiations with the EU as part of the ACP bloc and EPAs, and for negotiations at the multilateral level, e.g. in the WTO as well as other UN agencies dealing with trade and economic issues.

The main umbrella private sector and businesses organisation, TCCIA, has a good relationship with the government³⁶. The normal procedure for consultation is for the government to request inputs from TCCIA through its Federal office. The Federal TCCIA office then either consults selected members (those who are known to have knowledge and interests in that area) or all the regional offices. The Federal office also commissions studies to better understand and analyse selected issues (for example, in 2008 it commissioned a study by academics on the implications of the EAC customs union). These responses are then consolidated and presented to the government.

There have been instances, although, where the government did not take into account the concerns of the private sector while making a major decision. For example, both the TCCIA and CTI had strongly opposed the decision by Tanzania to leave COMESA. They felt that the government had not properly analysed the potential impact of this decision on trade performance. This decision was based more on political than economic considerations.

Private sector participation in trade policy making and implementation can be further improved, *inter alia*, through:

- Developing further the capacity of umbrella organisations like TCCIA and TCI on trade policy issues; and
- Transforming NETT into a Standing Consultative Committee on Trade and broadening its remit from just EPA to trade policy in general.

4.6.4. Civil Society

The Cotonou Agreement with the EU signed in 2000 requires governments to make CSOs part of dialogue and consultations on trade and other issues. This led to the first institutional initiative by the government for broad stakeholder consultations. Accordingly, in 2004 the government organised a NSAs Conference in Dar-Es-Salaam. The NSAs Conference 2004 resulted in the establishment of two consultative mechanisms to prepare country positions for EPA. These were: National EPAs Steering Committee (NESC) consisting of only the government officials; and National EPAs Negotiation Team (NETT) which included representatives from NSAs (private sector and CSOs) as well as government officials.

NETT was welcomed by the CSOs. NETT not only provided a forum for consultations but conducted countrywide EPAs awareness events to improve CSO understanding of the issues involved³⁷.

CSOs realised the importance of trade policy issues and the need to develop a coordinated CSO approach towards these issues. Therefore, in 2003, a CSO Trade Coalition was formed. They attempted to strengthen it further in 2005 when 25 CSOs drafted a “memorandum of understanding” (MoU) to coordinate their activities on trade issues. However, this MoU has not been signed yet by the heads of all the CSOs involved in the exercise.

The main focus of the CSO Trade Coalition has been EPA negotiations. The Coalition holds meetings to strategise on campaigning to stop EPA in its current form. It facilitated several dialogue meetings of CSOs with MITM on alternatives to EPAs. It also lobbied the Parliamentarians in 2004 and 2006 to stop the EPA in its current form.

Tanzania Association of NGOs (TANGO) has been quite active on trade issues. It has undertaken lobbying and capacity building activities, particularly on EPAs. For example, with support from CUTS London Resource Centre TANGO conducted EPAs awareness events in four regions of the country. It also ran a research project on the impact of EPA on Tanzania. Findings of this research also helped many CSOs to take a more informed position on EPA.

Despite all the preparations, and unlike their counterparts in the private sector, CSOs were not invited to participate in regional or global EPA negotiations as part of the official Tanzanian delegation. Later on NETT too was restructured into sectoral negotiating groups and civil society was not given adequate access to them. Therefore, after the initial phase the participation of CSOs in NETT has declined. Main reasons for this are:

- Poor communication between NETT Secretariat and CSOs;
- *Ad hoc* and irregular invitations to CSOs to participate in meetings;

- Lack of feedback to stakeholders on their positions and suggestions; and
- Growing lack of interest among NSA representatives in NETT process.

The experience of NETT indicates serious problems that CSOs face in participating in stakeholder consultations on trade policy issues in Tanzania. These include:

- Limited understanding of trade issues among CSOs;
- Inadequate funding for advocacy and research activities;
- Fear among most CSOs of the consequences of engaging aggressively in policy advocacy which may not sit well with governmental authorities;
- Lack of CSO focus on trade issues (e.g., most of them are working on multiple issues at the same time);
- Inadequate advocacy skills;
- Failure of CSOs to provide alternatives, e.g., their Stop EPA campaign could have been more effective had they provided ideas regarding viable alternatives to the form of EPA they were criticising;
- Lack of engagement between private sector organisations and CSOs;
- Poor coordination between advocacy CSOs and research institutions;
- Lack of legal framework for NSAs engagement/participation in decision making processes; and
- Lack of government interest and sustained commitment to involve CSOs in policy making processes as watchdogs³⁸.

4.7. Tanzania Inclusive Trade Policy Making (ITPM) Index

Given the information and analysis in the previous section and based on the framework given in the annexure, an attempt is now made to construct a simple ITPM Index for Tanzania. While this presents a useful picture, it should be viewed only as a very rough estimate of the actual situation. It should also be noted that the scores presented in this table are based on the feedback from corresponding groups of stakeholders. The main objectives of this graphic presentation are:

- Increasing the awareness regarding the political economy aspects of trade policy making in Tanzania;
- Assessing in qualitatively terms the inclusiveness of trade policy making process in Tanzania in terms of the capacities, actions and participation of main groups of stakeholders;
- Illustrating the areas where further efforts and action is required thus facilitating the focusing of capacity building initiatives by all concerned: and
- Facilitating the development of more inclusive trade policy making process in Tanzania that will create local buy-in for the resulting policy. Only such a buy-in can ensure a successful and sustained implementation of the trade policy to achieve the objectives of Vision 2025, NSGRP, and the TTIS.

Table 4.12: Tanzania ITPM Index		
Action Variable	Action by	Action Value
A. Identification of all key stakeholders	MITM	Some identified = 0.50
B. Creating awareness about the need for trade policy	MITM	Some efforts made = 0.50
C. Establishment of formal consultative mechanisms	MITM	Established on several trade policy issues = 0.75
D. Functioning of formal consultative mechanisms	MITM	Irregular functioning = 0.50
E. Regular information flow to the stakeholders including on the content of trade policy	MITM	Ad hoc information flow = 0.25
Part I Score	MCTI	2.50/5.0
F. Regular participation in the process and feedback to the relevant authorities	Other relevant government ministries/agencies	Irregular = 0.50
G. Faithful representation of and regular feedback to the represented constituencies	Other relevant government ministries/agencies	Occasional faithful representation and/or irregular feedback = 0.50
H. Acquiring relevant knowledge and expertise	Other relevant government ministries/agencies	Some knowledge and expertise = 0.50
Part II Score	Other relevant government ministries/agencies	1.50/3.00
I. Regular participation in the process and feedback to the relevant authorities	Private sector and business umbrella organisations	Most of the time = 0.75
J. Faithful representation of and regular feedback to the represented constituencies	Private sector and business umbrella organisations	Most of the time = 0.75
K. Acquiring relevant knowledge and expertise	Private sector and business umbrella organisations	Some knowledge and expertise = 0.50
Part III Score	Private sector and business umbrella organisations	2.00/3.00
L. Regular participation in the process and feedback to the relevant authorities	Civil society organisations	Irregular = 0.50
M. Faithful representation of and regular feedback to the represented constituencies	Civil society organisations	Occasional faithful representation and/or irregular feedback = 0.50
N. Acquiring relevant knowledge and expertise	Civil society organisations	Some knowledge and expertise = 0.50
Part IV Score	Civil society organisations	1.50/3.00
ITPM Index Score	All stakeholders	7.50/14.0

Out of a total possible value of 14, Tanzania ITPM Index has a value of 7.50. This is not very high. But of greater interest and relevance are the scores by various groups of stakeholders. The MITM, other relevant government ministries and agencies, and the CSOs, have similar and lower scores, with private sector getting the highest score. This indicates the active participation by private sector organisations on the one hand, and the need to improve the participation of other stakeholders, particularly other relevant government ministries and agencies and the CSOs on the other as well as the need for greater proactive involvement of the MITM by making more and better efforts to ensure a more participatory trade policy making process.

4.8. Conclusions

The information and analysis in this study brings out several important points. These include:

- Despite having a trade policy in place since 2003, Tanzania's trade deficit has in fact increased and the performance of the trade sector has not improved as expected. This illustrates how trade policy in itself is not enough, as it needs to be effectively implemented with the help of a comprehensive implementation strategy and in consultation with the main stakeholders. Without a buy-in from stakeholders, policy framework and execution will not realise its full potential.
- Tanzania needs to bring its National Trade Policy in line with its National Strategy for Growth and Reduction of Poverty (NSGRP). NTP was adopted in 2003 whereas Tanzania Poverty Reduction Strategy was renamed the National Strategy for Growth and Reduction of Poverty (NSGRP) and was developed in 2005. Hence, the NTP was finalised before this five-year national development strategy was concluded. The trade policy dimensions of the five year national development strategy should be addressed and the NTP should be adapted to the new national development paradigm where needed.
- The EPA process had initiated the process for establishing systematic and regular mechanisms for consultations on trade policy issues with the private sector and civil society. These had been weak in the past as the only other mechanism for regular consultations on broad policy matters had been executed through the Tanzania National Business Council. This later mechanism, however, is limited to the private sector and covers all policy issues, trade being only one of many. Therefore, and keeping in view the importance of trade issues, a standing mechanism for stakeholder consultation on all trade issues is urgently needed. This mechanism should engage civil society, farmers, and consumers in addition to the private sector representatives.
- There is a need for constant efforts for thorough feedback and evaluation, from the inception of a trade policy making measure till its final implementation. Policy evaluation has mostly been avoided as it often is perceived negatively in terms of developing would-be clients, for fear that weaknesses would emerge. TTIS is an important step to rectify the situation and should be implemented in earnest³⁹.

Based on the above, and keeping in view the weak areas as brought out by the scores of various groups of stakeholders in the ITPM Index, following recommendations for targeted action are put forward:

- MITM, in consultation with other stakeholders should identify the stakeholders currently outside the consultation loops, for example, consumers, Parliamentarians, and involve them in the consultations on trade policy issues.
- MITM, CSOs, and private sector should organise awareness-raising activities particularly for the stakeholders that have been on the margins of the trade policy making process, e.g., farmers, consumers, SMEs, and trade unions
- Government should establish a standing consultative mechanism on all trade policy issues and including representatives of all key stakeholders, government ministries, private sector, and civil society; NETT should be under this overall consultative mechanism. This overall consultative mechanism on trade policy should have a clear legal mandate to advise the MITM, which should act as its secretariat.
- MITM, with support from other stakeholders, should establish mechanisms for regular information flow including on the content of trade policy to all stakeholders. Modern information technology tools can be used for this purpose to the extent possible.
- MITM should make efforts to improve the functioning of NETT by holding regular meetings with participation by all stakeholders.
- Government should take further steps to improve coordination and interaction among all relevant line ministries and other government agencies that either provide inputs/ feedback on or assist in the implementation of trade policy measures.
- There is need to increase the opportunities and improve the capacity of the CSOs for regular participation in various consultations on issues related to trade policy.
- CSOs should make further efforts to improve the feedback to and from their constituencies, and
- MITM with support from interested donors should execute programmes for building knowledge and expertise of all stakeholders on priority trade issue.

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- 29 The EIF has been launched to improve upon the IF as the experience of IF implementation has shown the need for improvements. The improvements endorsed by the 6th WTO Ministerial Conference in 2005 at Hong Kong include: provide increased, predictable and additional funding on a multi-year basis; strengthen the IF in-country including through mainstreaming trade into NDPs and PRSPs, more effective follow ups to DTIS and implementation of action matrices, and achieving greater and more effective coordination amongst donors and IF stakeholders, including beneficiaries; and improve the IF decision-making and management structure to ensure an effective and timely delivery of the increased financial resources and programmes.
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- 36 For example, government has delegated the authority to TCCIA to issue origin certificates for all preferential export purposes, for example, under AGOA, EAC, GSP, EBA, etc.
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5 Uganda

5.1. Brief Introduction to Uganda's Basic Economic Outlook

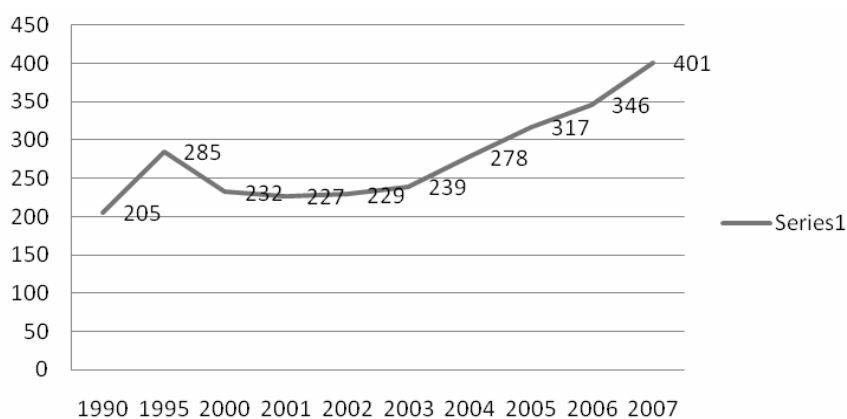
Uganda is a landlocked LDC in sub-Saharan Eastern Africa with a population of 30.88 million and nominal GDP of US\$12.379bn in 2007 (source: UNCTAD Handbook of Statistics 2008)¹. The majority of Ugandans live in rural areas and in 2006 the rural population constituted 87.3 percent of the total population². Uganda is considered as one of the economic growth success stories in Africa. The real GDP grew by 7.4 percent per annum in the period 1990-2000, and by 6.1 percent in the period 2000-2005. This growth rate further increased to 6.2 percent in 2006, and to 6.5 percent in 2007. As a result the nominal GDP per capita reached US\$401 in 2007.

Table 5.1: Nominal GDP Per Capita Over Time (in US\$)

1990	1995	2000	2001	2002	2003	2004	2005	2006	2007
205	285	232	227	229	239	278	317	346	401(e)

Source: UNCTAD Handbook of Statistics, 2008. e=estimated

Figure 5.I: Nominal GDP Per Capita Over Time (in US\$)



Prepared on the basis of Table 5.1

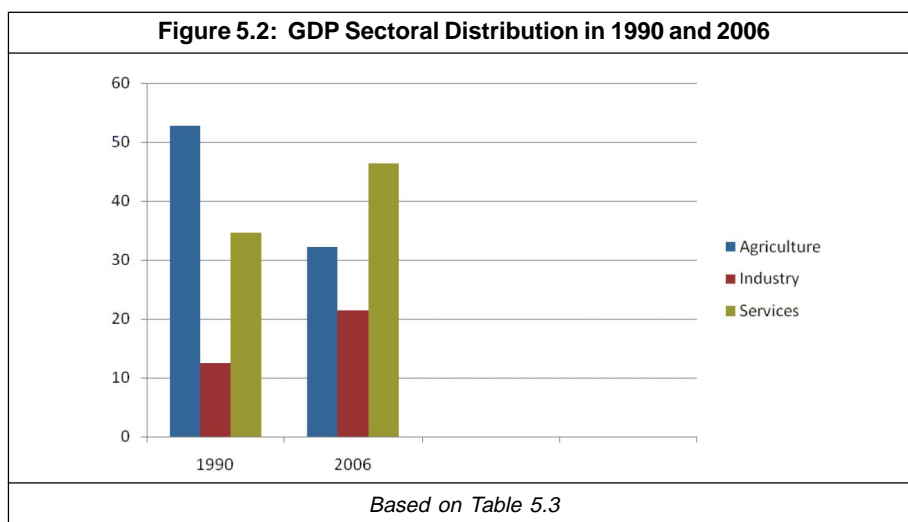
Table 5.2: Real GDP Growth Rates Over Time			
1990-2000	2000-2005	2006	2007
7.4	5.8	6.2	6.5(e)
Source: UNCTAD Handbook of Statistics, 2008 ⁴ . e = estimated			

Despite this impressive growth, the per capita GDP of Uganda is still about half of its bigger neighbour Kenya.

The sustained growth in the last decade or so has also helped in reducing poverty. The percentage of population living below the national poverty line was 56.4 percent in 1992-93 which has decreased by almost half, to 31.1 percent in 2005-06⁵. Poverty rates have also declined at international poverty lines for Uganda. In 2005, 51.5 percent of the population was living on less than US\$1.25 per day and 75.6 percent on less than US\$2.00 per day. These figures were an improvement from the 2002 rates of 57.4 percent of the population below US\$1.25 per day and 79.8 percent below US\$2.00 per day⁶. However, geographical spread of poverty incidence is uneven with higher poverty rates in Northern Uganda.

Over the last 15 years, the contribution to GDP of various sectors of the economy has changed quite significantly. In 1990, production in agriculture and other primary goods totalled 52.8 percent of total GDP, whereas services stood at 34.7 percent. By 2006, agriculture comprised 32.2 percent of GDP and share of services had increased to 46.4 percent of GDP. During the same period, the share of industry (mining, manufacturing and construction) in the GDP also increased from 12.5 to 21.4 percent. Agriculture continues to account for a bulk of employment with almost two thirds of the total population still depending on that sector. In 1999, the informal urban sector employed 1.5 million people. This figure was equivalent to 90 percent of total non-farm private sector workers falling in the informal urban sector, and in 1999 it was also estimated that this sector's contribution to GDP was greater than 20 percent⁷.

Table 5.3: Sectoral Composition of GDP Over Time (percentages)				
	Agriculture, hunting, forestry, fishing	Industry		Services
		Total	Manufacturing	
1990	52.8	12.5	6.4	34.7
1995	46.5	16	7.9	37.5
2000	36.9	20.1	9.3	43
2005	32	21.5	9	46.5
2006	32.2	21.4	9	46.4
Source: UNCTAD Handbook of Statistics, 2008 ⁸ .				



The basic economic outlook for Uganda is promising. The sustained economic growth, strides in poverty reduction and economic transformation underway provide opportunities for further growth and development. However, future growth and development strategies should be based on a deeper analysis of the past performance, for example, the reasons for the almost constant share of agriculture in total employment while its contribution to the GDP has gone down substantially; the identification of growth sub-sectors in services; and the value-addition in manufacturing.

5.2. Uganda Trade Profile

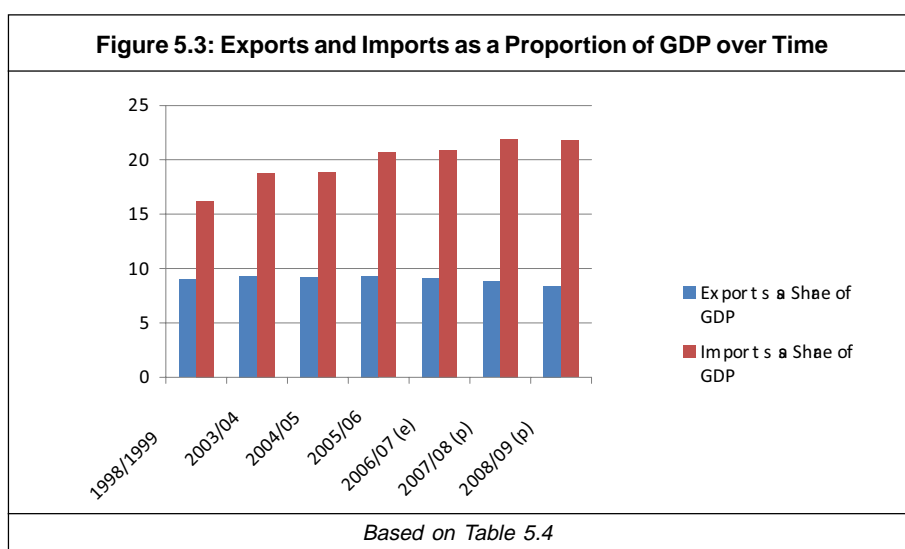
According to 2008-2009 projections, Uganda will import two-and-a-half times as much (in value) as it exports. This is a considerable balance of payments deficit, explained by significant imports of petroleum products and other industrial inputs.

Total exports amount to US\$1.724bn, according to 2008 figures⁹. Coffee is Uganda's most important export, followed by fish and fish products, electronic equipment and minerals (salt, sulphur, earth, stone, plaster, lime and cement). Coffee exports have more than doubled over the last five years, attributed partly to liberalisation of the trade policy. This policy orientation also explains why most other exports have followed suit¹⁰, although not at as high a rate of growth, with exports growing by US\$800mn between 2003 and 2007.

Most manufacturing that takes place in Uganda is consumed domestically and inputs for these manufactured goods are imported. Share of manufactured products in total exports is around two to three percent. The main manufacturing exports are: soap, hoes, hand tools, axes, plastic materials, cement and building materials, clothing, petroleum products, milk, beer, shoes, soft drinks, tobacco products, mattresses, furniture and blankets. Manufactured exports are mainly sold in the COMESA and EAC area, particularly in neighbouring countries of Tanzania, Sudan, Rwanda and Democratic Republic of Congo¹¹.

Table 5.4: Exports and Imports as a Proportion of GDP over Time							
	1998/1999	2003/04	2004/05	2005/06	2006/07(e)	2007/08(p)	2008/09(p)
Exports of goods (f.o.b.)	9.0	9.3	9.2	9.3	9.1	8.8	8.4
Imports of goods (f.o.b.)	16.2	18.8	18.9	20.7	20.9	21.9	21.8

Source: AfDB/OECD. "Uganda." 2008, African Economic Outlook. 599-614.
e = estimated
p = provisional



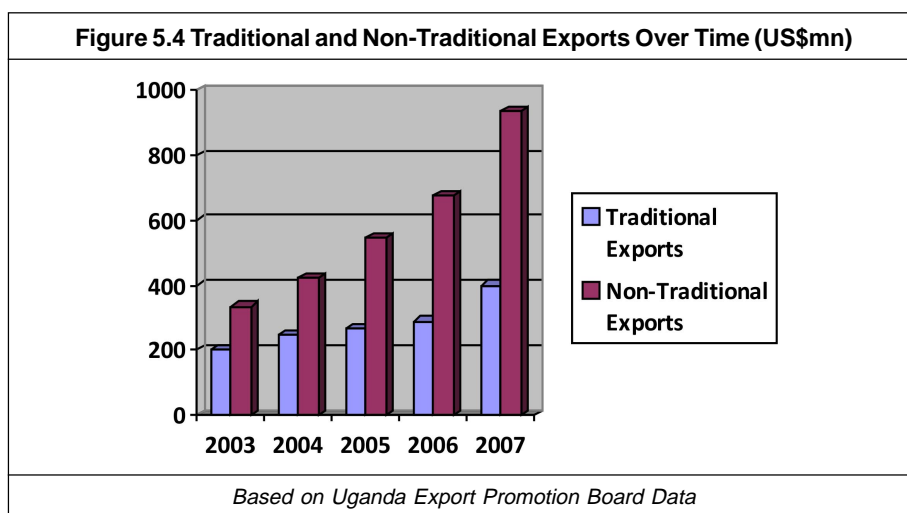
As Table 5.5 shows, non-traditional exports grew more rapidly than traditional exports of coffee, tea, cotton and tobacco in the period 2003-2007. As a result, the share of traditional exports in total exports decreased to 29.9 percent in 2007 from 37.3 percent in 2003 while that of non-traditional exports increased from 62.7 percent in 2003 to 70.1 percent in 2007. Key elements of this increase in non-traditional exports should be noted. One, the value of exports of several non-traditional items increased manifold (for example, cattle hides, soap, soya beans, fruits, live animals, bananas, other manufacturing, etc.). Two, value of exports of many of these items was quite low in 2003. Three, several new items are being exported now, for example, sugar and sugar confectionary, iron and steel and plastic products.

Table 5.5: Traditional and Non-Traditional Exports by Volume and Value (US\$ '000)											
Commodity	Unit	2003		2004		2005		2006		2007	
		Vol	Value	Vol	Value	Vol	Value	Vol	Value	Vol	Value
Traditional Export Crops											
Coffee	Tonne	146,299	100,233	159,983	124,237	142,513	172,942	126,887	189,830	164,540	265,853
Cotton	Tonne	16,762	17,755	29,293	42,758	30,403	28,821	18,480	20,474	16,230	19,571
Tea	Tonne	36,669	38,314	36,874	37,258	36,532	34,274	30,584	50,873	44,015	47,629
Tobacco	Tonne	24,669	43,042	27,843	40,702	23,730	31,486	15,794	26,964	26,384	66,301
Non-Traditional Exports											
Maize	Tonne	60,298	13,724	90,576	17,896	92,794	21,261	115,259	24,114	101,233	23,816
Beans and other Legumes	Tonne	18,070	5,235	26,233	8,968	28,332	8,693	27,087	8,162	22,532	10,099
Fish and Fish products	Tonne	26,422	88,113	31,808	103,309	39,201	142,691	36,461	145,837	31,681	124,711
Cattle hides	Tonne	18,565	4,925	18,502	5,409	25,349	7,064	22,214	8,032	20,942	18,114
Sesame seeds	Tonne	4,108	2,183	4,283	2,788	7,412	4,779	7,568	4,547	5,945	5,447
Soya beans	Tonne	592	87	468	118	574	126	3,048	609	5,798	1,331
Soap	Tonne	11,402	5,553	16,281	7,708	17,072	7,194	11,681	5,530	28,109	14,324
Electric Current	000 Kwh	217,486	13,778	193,104	12,075	62,577	4,465	53,019	4,855	65,927	8,696
Cocoa beans	Tonne	4,328	7,001	5,155	6,801	7,600	9,638	7,632	10,016	9,404	15,936
Cobalt	Tonne	-	0	438	11,548	582	14,320	861	18,063	684	17,325
Hoes and hand tools	'000	407	580	180	348	466	1,159	68	518	55	1,117
Pepper	Tonne	103	176	394	368	817	594	218	189	194	256
Vanilla	Tonne	91	13,546	71	6,120	234	6,135	195	4,808	422	6,262

Contd...

Commodity	Unit	2003		2004		2005		2006		2007	
		Vol	Value	Vol	Value	Vol	Value	Vol	Value	Vol	Value
Non-Traditional Export Crops											
Live animals	'000	8	61	37	130	12	29	0	28	23	1,551
Fruits	Tonne	425	436	1,297	917	3,061	1,158	7,821	1,167	7,361	1,976
Groundnuts	Tonne	4	7	1	1	22	23	63	8	101	148
Bananas	Tonne	1,646	110	1,792	850	2,196	806	494	127	1,151	430
Roses and Cut flowers	Tonne	5,636	22,080	6,092	26,424	6,162	24,128	4,989	20,987	5,267	22,782
Ginger	Tonne	13	15	14		8	78	4	12		
Gold and gold compounds	Kg.	3,478	38,446	5,465	61,233	4,241	73,072	6,937	122,579	3,602	65,783
Other Precious Compounds	Kg.	22	13,612	0	4,713	2	6	20	117	4	43
Manufactures/Other Products			77,193		114,507		183,935		257,345	477,077	413,546
Petroleum products	Litre	63,645	27,901	65,277	27,904	74,380	32,015	81,977	36,401	87,148	38,553
Sorghum	Tonne									141	23
Plastic Products	Tonne									8,476	8,276
Animal/Veg. Fats & Oils	Tonne									47,491	62,850
Sugar & Sugar Confectionary	Tonne									72,772	33,451
Iron & Steel	Tonne									43,674	40,469
Traditional exports			199,344		244,955		267,522		288,142		399,354
Non-traditional exports			334,762		420,134		545,335		674,051		937,314
Total			534,106		665,090		812,857		962,193		1,336,668

Source: Uganda Export Promotion Board. <http://www.ugandaexportsonline.com> (September 2008)



Uganda's top five export destinations in 2008 were: the Sudan, Kenya, Switzerland, Rwanda, and the UAE. Switzerland's share in exports from Uganda declined substantially from 1995 to 1999, from 32 to 5 percent as a result of the fall in re-exports originating from neighbouring countries formally at war.

Since 1995 exports to Asia and the rest of Africa have increased dramatically. The African continent ranked second in importance, as a destination of Uganda's exports after Europe in 2005. Since 2007 COMESA has been the leading destination market of Uganda's merchandise export, followed by the EU and the UAE. In 2008, 41.9 percent and 21.9 percent of total exports from Uganda went to the member countries of COMESA and EAC respectively¹². From trading with COMESA, Uganda earned over US\$500mn in 2007 compared to US\$283mn in 2006, a growth of 78.9 percent. During 2005, Kenya was the largest market for Uganda's products in COMESA followed by Sudan, DRC and Rwanda. Sudan, and in particular Southern Sudan, remains an attractive market due to high demand mainly for building materials and semi-processed foods. Uganda's exports to Rwanda more than doubled from US\$30.5mn in 2006 to US\$83.3mn in 2007. Exports to DR Congo grew from US\$44.8mn in 2006 to US\$100mn in 2007¹³.

Country	Percentage of Total Exports
Sudan	14.3
Kenya	9.5
Switzerland	9.0
Rwanda	7.9
UAE	7.4

Source: International Trade Centre Trade Map (www.intracen.org 20 July 2009)¹⁴

Uganda's imports consist predominantly of machinery and transport equipment, food products, fuels and chemicals. Petroleum and petroleum products accounted for 16.7 percent of total imports in 2005 and the amount spent on these products more than doubled between 2001 and 2005, mostly due to rising oil prices. Road vehicles represented 9.4 percent (originating mostly from Japan and other Asian countries). Recently, imports of steel, and medical and pharmaceutical products have significantly increased. Telecom equipment also makes up a substantial amount of imports¹⁵.

The Asian continent was the biggest source of Uganda's imports with total imports growing from US\$382.1mn in year 2003 to US\$2,325.3mn in the year 2008. Uganda imports more from Asia than it exports.

Table 5.7: Uganda's Major Imports Over Time (US\$000)				
Types of Product	1995	2000	2005	2006
All products	1,037,641	953	2,054	2,557
Primary commodities	229	336	712	95
<i>Primary commodities, except fuels</i>	<i>211</i>	<i>172</i>	<i>363</i>	<i>411</i>
All food items	163	134	308	347
Food, basic	162	130	297	330
Beverages and tobacco	1	3	10	17
Agricultural raw materials	27	20	31	34
Ores, metals, precious stones and non-monetary gold	2	17	24	28
Ores and metals	20	17	24	28
Non-ferrous metals	8	5	12	16
Other ores and metals	11	12	11	12
Pearls, precious stones and non-monetary gold	0	0	0	0
<i>Fuels</i>	<i>18</i>	<i>164</i>	<i>348</i>	<i>539</i>
Manufactured goods	807	617	1,341	1,601
<i>Chemical products</i>	<i>110</i>	<i>108</i>	<i>26</i>	<i>337</i>
<i>Machinery and transport equipment</i>	<i>361</i>	<i>25</i>	<i>537</i>	<i>662</i>
<i>Other manufactured goods</i>	<i>335</i>	<i>250</i>	<i>536</i>	<i>601</i>
Food, basic excluding tea, coffee, cocoa and spices	162	129	294	326
Iron and steel	2	1	29	31
<i>Source: UNCTAD Handbook of Statistics, 2008</i>				

Africa is the second largest source of Uganda's imports with total imports growing from US\$490.7mn in the year 2003 to US\$971.5mn in the year 2008. In terms of percentage share, this shows a decrease from 35.7 percent to 21.6 percent from 2003 to 2008. Imports from COMESA region were US\$378.6mn in the year 2003 and US\$596,8mn in the year 2008. In terms of percentage share, this decreased from 27.5 percent in 2003 to 13.2 percent in 2008. Within the COMESA region, Kenya was the biggest source of Uganda's imports followed by Egypt and Swaziland. In 2008, the share of EAC member countries in total Ugandan imports was 12.6 percent¹⁶.

Country	Percentage of Imports
UAE	11.4
Kenya	11.3
India	10.4
China	8.1
South Africa	6.7

Source: International Trade Centre Trade Map (www.intracen.org, July 20, 2009)

Two further points need mention in respect of Ugandan trade performance. One, both the export product concentration and export market concentration have decreased during the period 2000-2004 to 2006-2008 (from 27.84 to 25.10 and from 29.6 to 23.64 respectively). This may be due to efforts to diversify export products and export market destinations. Two, Ugandan integration in the global economy is substantial and has been increasing: trade measured as a percentage of GDP increased from 38.3 in the mid 1990's to 47.1 in 2007¹⁷. Some CSOs point out that the nature of this integration does not always help in poverty reduction as Ugandan exports are mostly commodities and raw materials whereas it imports significant amounts of manufactured and value-added products¹⁸.

5.3. Uganda in International Trade and Regional Integration Agreements

Uganda is an active participant in many international and African regional trade and integration agreements. Its trade policy measures are informed by its commitments under these agreements as well as by the on-going negotiations under several fora.

Uganda is a founding member of the WTO and has often led the LDCs and Africa Group in the WTO discussions and negotiations. Uganda also benefitted from the non-reciprocal preferences under the Lomé and then Cotonou Agreements as an ACP country. It has initialled an interim EPA agreement with the EU and is part of the negotiations with the EU to conclude final regional EPA as part of the EAC.

While Uganda benefits from trade preferences granted to the LDCs by developed and some developing countries, its main preferential trade benefits accrue under the EBA initiative and the AGOA, in the EU and US markets respectively.

Ugandan active participation in international reciprocal and preferential trading arrangements is complemented by its involvement in several African regional integration arrangements. It is a member of the AU and hence committed to the goal of continent-wide, comprehensive integration. It is also a member of both COMESA and EAC.

5.4. Trade Regime of Uganda

5.4.1 Evolution and Main Features

From independence until 1986, trade policy was erratic and inconsistent under the Obote I and Idi Amin regimes. During this period, an anti-export bias emerged, based on state-owned monopolies on trade, tight control over the foreign exchange market and generally, a poor policy-making environment. This atmosphere discouraged the private sector, leaving Uganda without many competitive, privately-held industries¹⁹.

After an Economic Recovery Programme was signed in 1987 with the World Bank, many of these controls were eliminated, including those applied to the foreign exchange markets, pricing policies and national monopolies. Export promotion measures were launched, coupled with reductions in barriers to trade. Since 1995, tariff and non-tariff restrictions have significantly reduced. Also, almost three-fourths of all public enterprises have been privatised, a process that continues to take place²⁰. Uganda now has one of the more liberal trade regimes in SSA. The table 5.9 presents the key trade policy reforms from 1987 till 2000.

Although most tariffs have been eliminated, some remain in effect including those that ensure health, security, environmental and consumer protection. Since 1995, Uganda has continued to simplify the structure of its tariff. In fact, the number of bands has been reduced from 5 to 3, and the maximum rate lowered from 60 to 15 percent in 2001. All tariffs are *ad valorem*. The simple average of Uganda's applied MFN tariff was 9 percent in 2000.

The 2008 Trade Tariff Restrictiveness Index of the World Bank reported Uganda's trade regime to be more restrictive than that of the average SSA country. By most indicators, Uganda's trade regime is more closed now than in the early 2000s. In 2007, Uganda's MFN applied simple and import-weighted tariff averages were 12.6 and 11.9 percent respectively, both higher than in the early 2000s. Including preferences, its applied import-weighted tariff average is 8.9 percent, up from 5.8 percent in the early 2000s. In January 2005 Uganda joined the East African Community (EAC) and adopted its Common External Tariff (CET) which caused the recent increases in tariff protection, restricting its overall trade regime over the past few years²¹.

There are customs tariffs, import licenses, internal taxes, excise duties and value-added taxes that amount to a significant amount of tax revenue. The sugar and textile industries enjoy special protections and unprocessed agricultural products are exempt from Value Added Taxes. MFN status is allocated to all trading partners²².

Today, Uganda's trade policy is intended to alleviate poverty, promote employment, encourage economic growth, diversify exports, and advance processing of more primary export products. Regional trade agreements are seen to encourage integration and

Table 5.9: Chronology of Trade-Related Reforms, 1987-2000	
Year	Reform
1987	<ul style="list-style-type: none"> • Dual trade licensing system introduced • Duty exemptions on raw materials and capital goods suspended
1988	<ul style="list-style-type: none"> • Some protective tariffs (sugar, soap) raised • Open General License (OGL) scheme for imports implemented
1989	<ul style="list-style-type: none"> • Retention account scheme for export earnings introduced • Duty exemption on raw materials
1990	<ul style="list-style-type: none"> • Export licensing system replaced with certification system • Foreign exchange bureau/parallel foreign exchange market legalised
1991	<ul style="list-style-type: none"> • Import licensing replaced with certification system • Duty drawback scheme introduced
1992	<ul style="list-style-type: none"> • Tariff structure rationalised (6 rates in 10-60 percent range) • Several duties on raw material abolished • Tax on coffee exports abolished
1993	<ul style="list-style-type: none"> • Unified inter-bank foreign exchange market/floating exchange rate • System of trade documentation reformed, pre-shipment requirements introduced • Cross border initiative (CBI) to promote regional trade introduced
1994	<ul style="list-style-type: none"> • Further rationalisation (10-50 percent range) of the tariff structure • Import duties on some of the materials suspended • Tax on coffee exports reintroduced
1995	<ul style="list-style-type: none"> • Coffee tax reduced • Narrow range of products only on negative import list • Reduced exemptions from duties on raw materials and intermediate inputs
1996	<ul style="list-style-type: none"> • Coffee tax abolished • Further rationalisation of tariffs, to three non-zero rates with maximum of 30 percent
1998	<ul style="list-style-type: none"> • Tariff bands reduced to three – 0, 7 and 15 percent (although with some special excise duties) and almost all import bans removed • Uganda qualifies for Heavily Indebted Poor Countries (HIPC) debt relief
2000	<ul style="list-style-type: none"> • Fixed Duty Drawback Scheme and the Manufacturing Under Bond Scheme introduced for exporters
<i>Source: Morrissey, Rudaheranwa and Moller, 2003.</i>	

trade between fellow African countries²³. Aligning trade policy with regional organisations and WTO guidelines on anti-dumping laws, countervailing measures, sanitary and phyto-sanitary (SPS) policies, and intellectual property laws, is Uganda's main priority in trade-policy adjustments²⁴.

Participation in the IF process too has an important impact on Ugandan trade policy. This process started in May 2005 with the preparatory mission. Main findings of the preparatory mission were incorporated in an *aide-mémoire* and a concept note was also prepared. After the review of this concept note by the World Bank and the IF Working Group the main mission took place in July 2005, leading to the preparation of draft Diagnostic Trade Integration Study (DTIS).

Preliminary findings of DTIS were incorporated into Uganda's Poverty Eradication Action Plan (PEAP) 2005. Some of the included issues were: regional trade issues, trade facilitation, product standards/SPS, and export promotion.

The IF National Validation Workshop took place in October 2006 to discuss and validate the draft DTIS. After the workshop, an *aide-mémoire* was prepared, describing the envisaged implementation and follow-up process.

Uganda is currently engaged in the preparation of an indicative five-year implementation plan for the Enhanced Integrated Framework (EIF)²⁵. This plan, *inter alia*, will cover:

- a. Setting up of a Focal Point and a National Implementation Unit (NIU);
- b. Establishment of a National Steering Committee;
- c. Designation of a Donor Facilitator to help in fund-raising for priority projects from development partners (EC delegation in Kampala has been designated as the donor facilitator);
- d. Staging of two updates of DTIS;
- e. Evolution of trade mainstreaming in next five years; and
- f. Identification of the parts of the original DTIS Action Matrix that still need to be implemented.

The link between EIF and national trade and development policy making will continue. The National Planning Authority, the body in charge of coordinating PEAP, is committed to enhance the incorporation of trade into Uganda's national development plan and take into account any findings of the DTIS in future revisions of the PEAP²⁶.

5.4.2 Key Elements of Uganda Trade Policy 2007²⁷

Ugandan trade regime was without any single, comprehensive trade policy document till recently. This had led to the adoption of various trade policy measures in a piecemeal fashion. Recognising this, the government developed and promulgated a comprehensive trade policy in 2007.

The vision of the Trade Policy is "to transform Uganda into a dynamic and competitive economy in which the trade sector stimulates the productive sectors; and to trade the country out of poverty, into wealth and prosperity". The overall Mission of the Policy is to develop and nurture private sector competitiveness, and to support the productive sectors of the economy to trade at both domestic and international levels, with the ultimate objective of creating wealth, employment, enhancing social welfare and transforming Uganda from a poor peasant society into a modern and prosperous society.

13 principles have been enunciated for the Trade Policy:

- a. Development of both domestic and international trade;
- b. Creating opportunities for equal participation in trade through entrepreneurial development, giving priority to the socially and economically disadvantaged groups in society;
- c. Provision of an enabling environment with a view to developing and nurturing a private sector that is capable of competing at global level;
- d. Targeted government interventions in specific sectors, if and as deemed necessary;
- e. Pursuit of bilateral, regional and multilateral trade initiatives;
- f. Mitigating any adverse effects of practices by the country's trading partners by invoking and implementing trade defence measures as and when appropriate, taking into account multilateral disciplines in the area;
- g. Efficiency, and prudent resource mobilization and utilisation;
- h. A coordinated approach to formulation and implementation of trade policy;
- i. Placing greater emphasis on policy coherence, synergies and complementarities;
- j. Nurturing and using a Public-Private Partnership (PPP) approach in the formulation, implementation and monitoring of the National Trade Policy;
- k. Strengthen capacity to engage in, and advocate for Uganda's interests in and during trade negotiations through improved organisational coordination and leadership, including at preparatory stage;
- l. Be mindful of the negative social and economic effects that might come with growth in trade, and ensure that mitigating measures and policies are put in place; and
- m. Supporting the country's vision to industrialise by complementing the Industrialisation Policy.

Trade Policy has also listed 10 priorities of the government while implementing the policy. These are:

- enhancing the competitiveness of Uganda's products and services in the domestic, regional and international markets;
- facilitating the smooth flow of trade, while ensuring that trade conforms to national and international laws and regulations;
- strengthening trade institutions, such as those dealing with trade policy, standards, trade facilitation/customs, and provision of trade information;
- securing and maintaining improved market access to the regional and international markets for Uganda's goods and services;
- providing trade/market information to traders and all the business community to enable them to reach prudent and optimal investment decisions;
- developing capacity to exploit existing market access opportunities;
- boosting capacities of the socially and economically disadvantaged sections of the community to trade;
- developing domestic trade and ensuring that it is a foundation for developing Uganda's capacity to produce and engage in remunerative international trade;
- exploitation of policy synergies, coherence and complementarities between different policies on one hand and trade policy on the other; and
- ensuring that the gains from growth in trade are equitably shared, while cognisance is taken of the fact that more gains will accrue to those who participate more in trade activities or undertake deliberate efforts to harness the available opportunities.

The Trade Policy 2007 provides a good basis to continue the trade policy reform process in tandem with the implementation of other relevant national policies while taking into account the socio-economic consequences of the reform.

5.5. Trade Policy Making in Uganda

5.5.1. Objectives

Overarching framework for medium term planning in Uganda is provided by the Poverty Eradication Action Plan (PEAP). This framework guides policy formulation and implementation for all sectors in the country including trade. The Trade Policy also takes into account other national development policies and strategies, particularly the Poverty Reduction Strategy Paper, the Medium Term Competitiveness Strategy (MTCS), the Plan for Modernisation of Agriculture (PMA), The Rural Development Strategy, and Vision 2025. Findings and recommendations of the DTIS have also provided significant guidance to the formulation of this Policy. It also is based on Ugandan commitments under various international, regional and bilateral agreements.

The Trade Policy aims to address development aspects in a holistic manner, including sustainable development, by providing opportunities for:

- i. creating wealth through income generation and distribution,
- ii. increasing employment,
- iii. improving competitiveness, and
- iv. increasing economic and social well-being.

5.5.2. Process

In Uganda, the Executive through the cabinet has the main responsibility for policy making. The general process of policy making consists of the following steps:

- The need for policy measures is usually identified by the concerned Ministry (although the President and/or the cabinet have also initiated the action) which prepares the outline of the proposal.
- The proposal by the Ministry is submitted to the cabinet for discussion and approval in principle.
- After the in-principle approval by the cabinet, Ministry of Justice in collaboration with the ministry concerned prepares a draft bill for presentation to the cabinet.
- The cabinet has the authority to approve the bill which is then published in the official gazette as an approved policy measure.
- On issues requiring legislation, the bill approved by the cabinet is then presented to the Parliament. Parliament debates and adopts the bill in three readings, and submits it to the President for assent.
- After the assent by the President, the legislation is published and comes into force on the indicated date.

The Ministry of Tourism, Trade and Industry (MTTI) has the primary responsibility for initiating and formulating all trade policy issues. It generally follows the process as mentioned above and is also responsible for the implementation of the approved trade policy measures²⁸.

5.5.3. Policy Making Process for Trade Policy 2007

Uganda until recently did not have a single comprehensive trade policy to guide the trade sector. There were various trade and trade-related policies scattered in various documents which were not well harmonised and not always in line with the evolving economic realities and development needs of the country. Therefore, the government decided to formulate a comprehensive national trade policy to consolidate, harmonise and update all trade related policies. This was done through a specially designed process – this being the first time that Uganda had undertaken such an exercise.

The MTTI initiated the process for National Trade Policy making in 2004. Following were the various stages of the process that culminated in 2007 with the adoption of the policy.

- The MTTI started the process by constituting a sub-Committee selected from amongst the members of the IITC. This sub-Committee consisted of representatives from the relevant government ministries, the private sector and civil society. The sub-Committee was tasked to develop ToR to guide preparation of a comprehensive background document.
- A consultant was then recruited to prepare a comprehensive document on “Background to Uganda’s Trade Policy”, based on the ToRs prepared by the sub-Committee. This paper examined existing trade and trade-related policies, while identifying the gaps therein, the institutional framework for trade policy, and to gather stakeholder views and to recommend the elements that the new trade policy should address. While preparing the paper, the consultant consulted numerous stakeholders, either individually or as a group. These included: government ministries and agencies – including those affiliated with MTTI, Parliamentarians, private sector, academia, and civil society.
- After the preparation of the background document, the MTTI constituted a National Trade Policy Drafting Team to study the document, solicit and analyse stakeholders’ views on the background document, and produce a draft trade policy.
- The first draft of the trade policy was then discussed by the technocrats and political leaders in the Ministry and revised. This revised draft was also shared with some external stakeholders in the relevant ministries and private sector and their comments incorporated to come up with the second revised draft.
- This draft was then presented at the second National Trade Sector Review Conference (NTSRC) which was held in 2006. The NTSRC included members of the IITC as well as the local government representatives, Parliamentarians, and development partners.
- This Conference had been convened to examine the challenges that the sector was facing as well as to examine the National Trade Policy and the DTIS. The Conference examined the draft trade policy and recommended some changes. These changes were adopted by the plenary of the Conference and incorporated into the document.
- MTTI then constituted a five-person team (MTTI – three, MFPED – one, and one Technical Advisor) that held a two-day retreat to discuss, clean up, and finalise the policy.
- The final document was presented to the Minister in-charge of MTTI.
- The Minister took the final document to the cabinet for consideration and approval. Cabinet passed the draft on 1 August 2007 which then became the National Trade Policy.

The process was funded by the EU under the Uganda Programme on Trade Opportunities and Policy (UPTOP)²⁹.

5.5.4. Key Institutions and Actors

Ministry of Tourism, Trade and Industry (MTTI)

The MTTI has the primary responsibility for trade policy making and implementation. Core functions of MTTI in light of the new NTP revolve around coordination, policy formulation and guidance, resource mobilisation, and monitoring and evaluation

Within the MTTI, the mandate of the Department of Trade that is specifically charged with dealing all trade issues is to “develop, promote, and facilitate both internal and external trade with particular emphasis on export promotion and diversification”. The Department of Trade is headed by a Commissioner who is assisted by two Assistant Commissioners, below whom are several technical level professionals working on specific sets of issues, for example, the WTO negotiations, EPA negotiations, regional integration agreements, domestic trade, etc³⁰.

Since the Trade Policy is a general document that only provides a roadmap for the sector, another instrument to guide the implementation of the policy has been developed by the MTTI. The National Trade Policy envisions implementation through five year rolling National Trade Sector Development Plans (NTSDP), and the first of these was prepared by the MTTI. This was passed by the cabinet in October 2007 for the period 2008-2009 to 2012-2013. The NTSDP 2008-2009 to 2012-2013 identifies and prioritises areas for implementation of the Trade Policy over the next five years. It also sets clear and measurable goals, provides cost estimates, resources and programmes monitoring as well as setting procedures and methods for annual monitoring and evaluation.

Other Relevant Ministries and Government Departments

The Ministry of Tourism, Trade & Industry (MTTI) is mandated to handle all trade related matters. However, several other Ministries and government departments also deal with certain aspects of trade policy making and implementation.

At the top is the Presidential Economic Council (PEC) (now restructured as President’s Economic Policy Forum), headed by the President and consisting of top government technocrats, government Ministers responsible for economic policy and private sector representatives. The PEC deals with all issues of economic policy including trade policy. It used to meet every month, but more recently the meetings have been infrequent, leading to doubts about its continued effective engagement on economic policy issues. The PEC has the mandate to issue directions for policy measures to the MTTI.

The Ministry of Foreign Affairs through its missions abroad especially in Geneva and Brussels, participates in WTO and ACP/EU trade negotiations respectively. It also coordinates regional trade negotiations, for example, those under EAC and COMESA. However, the recently established Ministry for East African Affairs has now the primary responsibility to deal with all issues related to EAC.

Ministry of Finance, Planning & Economic Development (MFPED) is the official authorising arm of government for funds under the ACP/EU Lomé IV and its successor arrangements under the Cotonou Agreement. It also coordinates trade and investment aspects of this partnership. In addition, MFPED together with the Prime Minister's Office implements the Medium Term Competitiveness Strategy (MTCS) for the Private Sector Growth. The strategy has a trade policy component under the theme "Private sector growth in the context of globalisation". Two departments of this ministry are directly involved in trade policy: Tax Policy Department, responsible for initiating policies that enhance revenue and assessing the impact of proposed trade policies on revenue and private sector growth; and Economic Development and Research Department (ERD) that oversees the policy development arena.

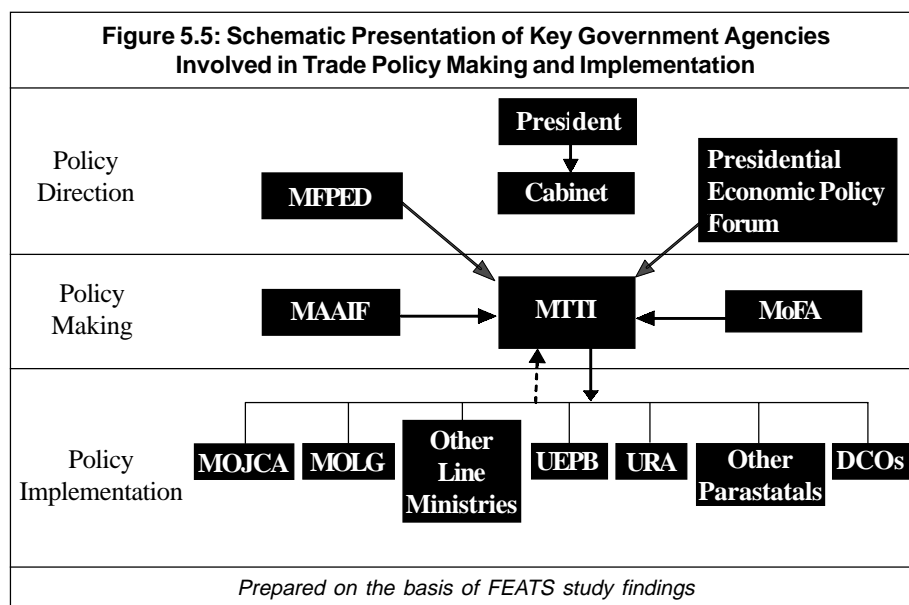
Ministry of Local Government (MOLG) is involved in trade policy issue with a view to facilitate self sustaining and effective decentralised local government systems capable of delivering the required services to the people. This is being pursued in the context of domestic trade.

The Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) works closely with MTTI on WTO issues related to agriculture. A senior official from MAAIF participates in WTO agriculture negotiations, financed within the overall trade policy budget of MTTI. This official also heads the sub-committee on agriculture of the Inter-Institutional Trade Committee (see later). MAAIF formulates and reviews national policies, plans, legislation and programmes related to the agricultural sector. In this context, the ministry has been responsible for designing and implementing the Plan for Modernisation of Agriculture (PMA).

Ministry of Justice and Constitutional Affairs (MOJCA) is involved when it comes to the need for changes in Ugandan legislation arising out of international trade agreements. It is also responsible for preparing other appropriate legislation on trade policy issues. Other ministries become involved in trade policy issues in specific instances, as appropriate. For instance, the Ministry of Health becomes involved when matters related to health services and patents on drugs are discussed.

An independent Export-led Growth Strategy & AGOA Country Response Office was set up under State House some years ago to effectively deal with the opportunity provide by AGOA. The main focus of the AGOA Office had been helping Ugandan exporters into the US market through assistance with trade fair participation, with a focus on organic products. The coverage of the Office has now extended beyond AGOA, with assistance now being provided to exporters trying to break into other external markets.

Several other government agencies are also involved with providing inputs and/or the implementation of specific aspects of trade policy, for example, the Uganda Investment Authority (UIA), Uganda Export Promotion Board (UEPB), Uganda Revenue Authority, Bank of Uganda, Uganda Development Bank, Uganda Bureau of Statistics, and Uganda National Bureau of Standards, to name some. District Commercial Officers (DCOs) play an important role, particularly when it comes to the implementation of trade policy.



Private Sector and Business Organisations

There are several private sector and business organisations in Uganda. These include the broad membership-based umbrella organisations like the Private Sector Foundation (PSF) and Uganda National Chamber of Commerce and Industry (UNCCI), as well as more sector and activity-specific umbrella organisations like Uganda Manufacturers' Association (UMA), Uganda General Importers and Exporters Association (UGIEA), and Uganda Small Scale Industries Association (USSIA). All of them undertake advocacy and lobby activities related to trade policy issues of interest to their members. UMA and UNCCI have been particularly active on these issues. However, the most active and apparently the most influential is the PSF which is in regular contact with the relevant government agencies through various formal and informal means.

The core mission of PSF is to improve the environment in which private sector firms operate, through policy advocacy and dialogue. It is an apex body which brings together over 125 business associations, engaged in a wide variety of sectors, including: manufacturing, agriculture, consulting, trade, services, and exporting. PSF has been designated by the President of Uganda to be the National Hub for Sustainable, Measurable, Attainable, Result-oriented, Timely (SMART) partnership in Uganda. Through this initiative, PSF brings together policy makers and businessmen regularly in a relaxed informal atmosphere to debate development strategy focusing on:

- a. effective management of technology,
- b. liberalisation and challenges of globalisation,
- c. nurturing a knowledge driven economy, and
- d. supporting private-sector led initiatives.

As a national hub for SMART dialogue PSF organised the Global 2001 SMART partnership international dialogue in Uganda and also coordinated Global 2002 SMART partnership held in Malaysia. The cabinet also nominated PSF to host “Think Tank” group meetings to discuss topical economic issues affecting economic performance of the country and make recommendations to the PEC.

The PSF runs a Trade Policy Capacity Building Project. Under this project, three sector-specific trade policy committees have been established on agriculture, manufacturing, and services respectively. The task of these committees is to receive and process trade policy related concerns regarding their respective sectors for onward transmission to Government, through the Inter-Institutional Trade Committee (IITC).

Civil Society Organisations

Uganda has a vibrant civil society scene with a number of CSOs working on many issues related to national development policies and their implementation. These CSOs can be divided into four broad categories. First, there are networks of CSOs that bring together interested CSO actors including from the grassroots on specific issues. The Uganda Debt Network (leading organisation to coordinate civil society inputs into policy processes), Food Rights Alliance (FRA), and Development Network of Indigenous Voluntary Associations (DENIVA) fall into this category. Second, there are CSOs representing the interests of farmers, for example, the Uganda National Farmers’ Federation (UNFF). Third, there are CSOs that are active at the international and /or regional level. These include: SEATINI, Advocates Coalition Organisation for Development and Environment (ACODE), ActionAid Uganda, and Oxfam Uganda. Finally, there are research institutions like the Economic Policy Research Centre (EPRC) at Makerere University and the Centre for Development Initiatives (CDI) that undertake policy research and analysis to inform the advocacy by other CSOs as well as the policy making by the government.

Most if not all of the above mentioned CSOs follow trade policy issues and endeavour to influence trade policy making and implementation through their lobbying and advocacy activities. Given their limited financial and technical resources, they have organised themselves into two networks that allow for sharing of knowledge and expertise on the one hand and strengthen their lobbying capacity on the other. These two networks are: the Civil Society Working Group on Trade (CSWGT) and the Food Rights Alliance (FRA). The CSWGT is a loose group of CSOs working on trade issues; while the FRA is a network of CSOs working on issues related to trade and food security.

The CSOs used these two networks to lobby the government during the process for the formulation of National Trade Policy 2007. Their objective is to ensure that the trade policy is a truly development tool and that it addresses the development needs of the people of Uganda especially the most vulnerable among them. The CSOs consider their major task is to bring the aspirations of the people into the trade policy. Hence, they consider themselves as representatives of the interests of the people, particularly those that are marginalised in the current processes. CSOs argue that this representation does not require a formal mandate, e.g., through voting.

CSOs are cognizant of their own capacity building needs to better participate in trade policy making activities. Accordingly, they have organised meetings and workshops to educate CSO actors on trade policy issues. For example, two meetings, where trade policy experts were invited from CSO and government, were organised after the CSOs were invited to participate in the process for National Trade Policy making.

The research institutions also play an important role. In particular, they carry out “independent” research to guide policy development, implementation and review, provide quick analysis on on-going trade negotiation processes, and generate policy options through analysis of short and long term impact of policy measures on the interests of sectors/groups. Their work has been most noteworthy on providing inputs to CSOs to develop well informed positions on trade policy and to support trade negotiations, for example, in the WTO and EPAs.

5.5.5. Key Consultative Mechanisms

President’s Economic Council (PEC³¹)/The National Forum

The PEC and the National Forum have mandates much broader than trade. But they also provided space for broad and high level consultations on trade policy issues. Headed by the President, PEC includes ministers and high level government technocrats dealing with economic policy issues, and the representatives of private sector. The National Forum is jointly convened by PEC and UMA once a year and consists of the representatives of the public and private sectors.

Initially PEC met quite frequently – once a month – but subsequently its meetings were held on a quarterly basis, a periodicity that has not been maintained in recent times. As mentioned, the National Forum is to be convened once every year.

The agenda for discussion in both fora include problems that constrain Ugandan economic growth and development. Some of the issues discussed include: poor investment climate; under-developed export potential; weak financial sector; poor tax administration; and tax policy regime. While PEC meets to consider papers by the Ministries and government departments on these and other issues, the National Forum work through working groups. The working groups generally comprise of political leaders and the representatives of relevant government agencies, private sector associations, and the donor community. Their task is two-fold: to develop and articulate policy options to deal with a given issue and to monitor the implementation of agreed action on these issues.

Inter-Institutional Committee (IIC)/Inter-Institutional Trade Committee (IITC)

The Inter-institutional Committee (IIC) was set up in 1998 with the following mandate:

- To co-ordinate the formulation and implementation of trade policy relating to the implementation of WTO obligations in the country and to prepare for the WTO negotiations,
- To backstop Uganda’s negotiators at the WTO,
- To provide a platform for the formulation of policy relating to the utilisation of export opportunities, and
- To assist in sensitising relevant stakeholders about the WTO.

The IIC was established to deal with mainly WTO-related issues. It consisted of representatives of stakeholders from relevant government ministries, private sector and the civil society.

Recognising that trade issues have far wider origins and implications than the WTO agreements and negotiations, the IIC was later transformed into Inter-Institutional Trade Committee (IITC). The IITC mandate covers both the functions of inter-ministerial coordination, and dialogue and consultation with other stakeholders, particularly the private sector. It operates as the single, undisputed coordination and dialogue institution for all trade policy matters.

The IITC membership is capped at 55 persons representing various institutions/categories of stakeholders. The staff of the MTTI Trade department is ex-officio member of the IITC. The MTTI also provides the secretariat for the Committee.

The IITC has the following four sub-committees each having a membership of 20 with the provision of one person being eligible for membership of more than one sub-committee:

- Sub-Committee on the WTO
- Sub-Committee on the Cotonou Agreement
- Sub-Committee on Regional and Bilateral Arrangements
- Sub-Committee on Domestic Initiatives

The IITC is supposed to meet at least twice a year, while the sub-committees are intended to meet once a month. While IITC meetings have been held regularly, the same has not been the case for sub-committee meetings.

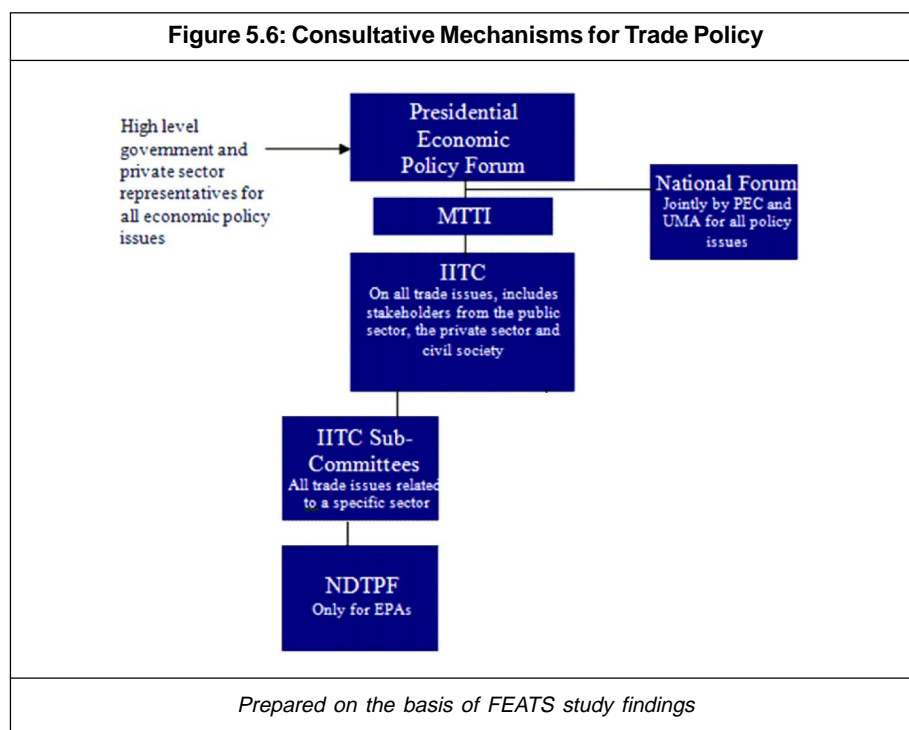
IITC is at the centre of consultative arrangements on all trade policy issues in Uganda. However, it faces challenges in carrying out its mandate due to:

- Uncertain funding,
- Lack of clear legal status, and
- The establishment of other *ad hoc* consultative arrangements, for example, to develop the National Trade Policy 2007.

Uganda National Development and Trade Policy Forum (NDTPF)

Under the sub-Committee on the Cotonou Agreement has been established the Uganda NDTPF to coordinate the development of its negotiating position for the EPA with the EU. (This mechanism is to be established in all countries negotiating EPAs with the EU.) In the case of Uganda, the NDTPF works under the IITC and brings together the relevant governmental negotiators, the private sector, and the CSOs to discuss and coordinate views and approaches towards EPA.

This mechanism has been funded by the EU and hence did not face financial constraints till 2007 when the UPTOP project came to an end. There have also been calls for government to fund this mechanism (and the IITC in general) to avoid the situation of being funded by the country one is negotiating with.



5.6. Uganda Experience of Trade Policy Making Process as Viewed by Stakeholders³²

Ugandan authorities recognise the importance of trade policy in achieving development objectives. They also realise that three inter-linked actions were needed to maximise the contribution of trade policy to overall development strategy. Hence, they have taken important steps in the following three areas:

Development of a Comprehensive National Trade Policy (NTP)

The process to develop a comprehensive NTP was initiated in 2004. This aimed at anchoring the trade policy into overall development strategy and to provide a single document to outline policy in respect of all trade issues. The NTP was approved in August 2007 and is now being implemented through five year rolling National Trade Sector Development Plans and Annual Trade Sector Reviews.

Streamlining and Strengthening MTTI

MTTI has been the lead government ministry to deal with trade issues. However, it lacked the required resources to carry out its mandate. Moreover, and partly as a result of this lack of sufficient capacity in the MTTI, other ministries, particularly the MFPED, often played a more influential role in trade policy issues. Efforts have been made to ensure that the MTTI is able to play its mandated role in trade policy area through its restructuring, strengthening, and overall streamlining of the role of various ministries.

Improving Consultations with Stakeholders

The authorities accept that broad and comprehensive consultations are a key to develop better policies and ensure ownership of the policies. Accordingly, both regular (e.g., IITC) and *ad hoc* (e.g., the process adopted for the development of NTP 2007) means have been used to involve stakeholders in trade policy making and implementation.

Despite these efforts, many challenges remain. Many stakeholders still feel that the processes adopted for consultations so far are not enough. The following sub-sections present and analyse the views of main stakeholder involved in trade policy making and implementation.

5.6.1. Ministry of Tourism, Trade and Industry (MTTI)

MTTI, in collaboration with other relevant ministries and governmental agencies is responsible for all trade policy issues. Within that mandate is also the implementation of NTP 2007. MTTI core functions in relation to NTP 2007 include:

- Policy formulation, and development of the National Trade Sector Development Plans,
- Provision of policy guidance and supervision to Affiliated Institutions and decentralised levels of service delivery, particularly the District Commercial Offices,
- Mobilisation of resources for implementation of the Policy,
- Coordination and spearheading of implementation of all aspects of the Policy,
- Monitoring and evaluation of the overall performance of the trade sector, and
- Ensuring that trade policy remains an integral component of national development plans.

To ensure proper implementation, the NTP outlines, inter alia, the following as the main requirements which are being addressed:

- a. Strengthen the Ministry of Tourism, Trade and Industry, Affiliated Institutions, and the District Commercial Offices, and create a closer link between the Ministry and the District Commercial Offices,
- b. Provide adequate resources, both financial and human, to facilitate trade development activities right from the grassroots,
- c. Provide resources for participation in activities that are aimed at securing improved and predictable market access for Uganda's products and services, and
- d. Institutionalise and strengthen the Public-Private Sector Partnership in the formulation and implementation of the trade policy and trade development strategies and programmes.

In a similar vein, the NTP includes the following in the planned specific interventions:

- a. Institutionalisation of the public-private sector consultative mechanism through the formal establishment of the IITC;
- b. Establishment of the National Trade Negotiations Team;
- c. Creation of a Trade, Debt and Finance Committee to ensure reflection of the importance of trade in macroeconomic and monetary policies, and vice versa;
- d. Implementation of the Marketing and Agro-Processing Strategy;
- e. Strengthening the District Commercial Offices; and
- f. Development and implementation of a Standards Policy.

MTTI continues to face challenges. Main challenges have been identified as:

- a. Lack of adequate financial and human resources despite the recent strengthening. MTTI still lacks the required number of staff to effectively deal with all trade policy issues and also undertake regular stakeholder consultations; and
- b. Lack of full engagement by non-state stakeholders. While the private sector is now more closely involved, CSOs often complain regarding lack of adequate opportunities for their full participation in the area of trade.

5.6.2. Other Relevant Government Ministries and Agencies

As mentioned in an earlier section, a number of other government ministries and agencies are involved in the trade policy making and implementation process in various ways. Their participation and engagement in trade policy making is mainly through IITC. Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) is a key ministry given the importance of agriculture sector in Uganda. In fact, the NTP specifically mentions the implementation of Marketing and Agro-Processing Strategy as a planned intervention and also states that “Analysis indicates that the NTP would, inter alia, have to address problems in the agricultural sector, especially the falling agricultural commodity prices, and managing trade liberalisation and its effects in order for trade to be a tool of poverty reduction³³”. This will not be possible without close collaboration between the MTTI and MAAIF. Therefore, the experience of MAAIF in trade policy making and implementation can serve as a useful example of the engagement of other relevant government ministries in the trade policy making process.

Agriculture is the mainstay of Ugandan economy: it employs about 80 percent of the population either directly or indirectly, accounts for almost 1/3rd of GDP, and contributes over 70 percent to national exports (including traditional – coffee, cotton, tea and tobacco – and non traditional – fish, fruits and cut flowers – crops).

However, agriculture sector in Uganda is dominated by subsistence farmers and food crops which provide the bulk of the raw materials for the largely agro-based industrial sector. Coffee is still the main crop and a main source of livelihood for a large proportion of the population. Cotton is the next most important cash crop. The third most significant product, which also attracts great export interest, is fish and fish products. The recent growth in exports of fruit, vegetables and flowers is attributable to agricultural reforms, which encouraged diversification of agricultural exports toward non-traditional crops.

In the above context, accompanied by a desire to use agriculture as the basis for growth and poverty reduction, the MAAIF has issued the following as objectives for the development of the agriculture sector:

- a. increase incomes and improve the quality of life of poor subsistence farmers through increased productivity and value addition, and an increased share of marketed production;
- b. improve household food security through the market rather than emphasising self-sufficiency;

- c. provide gainful employment through secondary benefits arising from the implementation of the PMA (Plan for Modernisation of Agriculture), such as agro-processing and the provision of services to both forward and backward linkage industries; and
- d. promote the sustainable use and management of natural resources by developing land-use and management policies and systems, and by promoting environmentally-friendly technologies.

While MTTI is responsible for trade policy formulation and implementation, MAAIF is responsible for the promotion and guidance of the production of crops, livestock and fish, in order to ensure improved quality and increased quantity of agricultural produce and products for local consumption, maintaining food security, and for export. This requires close collaboration between the two ministries which is achieved through the following:

- a. The Presidential Economic Policy Forum, where MAAIF is also represented, carries out periodic reviews and assessments of trade-related policies within the Government institutions.
- b. One MAAIF staff member (Assistant Commissioner from Planning Department) is a member of IITC (earlier there used to be three MAAIF representatives in the IITC - Commissioner Fisheries, Commissioner Agricultural Planning, and Assistant Commissioner Agro-processing).
- c. MAAIF is consulted before and during the policy making process, particularly with regard to WTO issues. MAAIF has been quite active in relation to the WTO negotiations and has chaired the sub-Committee on Agriculture under the IITC.
- d. MAAIF has not actively participated on issues related to EPA negotiations. However, MTTI has contacted MAAIF for this purpose and the latter has established a committee to prepare the ToR for a study to assess the implications of EPA on agriculture policy, major crops, and livestock.

MAAIF recognises that the stakeholder consultations on trade policy issues, and the collaboration between the MAAIF and the MTTI need improvements in view of the following:

- a. Various institutions dealing with trade policy, including the MTTI and MAAIF, do not have sufficient capacity to manage collaboration arrangements effectively and to fully implement the necessary reforms.
- b. Existing institutional structure for dealing with trade matters (e.g., on EPAs) is not working perfectly and hence coordination among relevant government agencies is less than ideal.
- c. MAAIF has only one member in IITC whereas the agriculture sector contributes the largest share to exports. It will help if a representative from each of the MAAIF departments (dealing with agriculture, livestock and fish, and policy and planning) is included in the IITC.
- d. MAAIF needs to get more involved by participating in all trade consultation fora/ meetings (MAAIF did not participate in the awareness workshop on WTO and EPA issues held in 2008 in Ninja).
- e. MAAIF also should make further efforts to work closely with groups like the National Farmers Federation to establish a better link between ground realities and policy making and implementation.

5.6.3. Private Sector

Earlier when the government pursued inward-oriented policies the process of trade policy formulation was exclusively the preserve of the government. The government officials prescribed trade policy measures without any formal consultation with the private sector. At best, occasional informal consultations were held. However, after the introduction of outward oriented policies, three factors have changed the situation. One, the private sector has demanded full involvement in the formulation of trade policies as such policies have a sizeable impact on their business activities. Two, the government has realised that the private sector is a key to the success of export-oriented policies and policy measures because they can more easily achieve their objectives if they are designed in consultation with the private sector. Three, many donors have encouraged initiatives for greater stakeholder consultations in the trade policy making process.

IITC is the formal consultative mechanism between the government and the private sector. However, they also hold consultations through bilateral meetings, workshops, and other fora on trade-related issues³⁴.

Private sector participation in trade policy making is mainly accomplished through the participation of PSF, UNCCI and UMA, while other smaller sectoral umbrella organisations also endeavour to bring issues of their concern to the government. PSF has emerged as the most influential private sector organisation partly because it is one of the few organisations that have the resources and the skills to participate regularly in all the important trade-related meetings³⁵. It is also recognised by the government as the most important private sector apex body, proved by the fact that the President has designated it to be the National Hub for SMART Partnership.

While there has been progress in recent years in the role and influence of the private sector on public policy and legislation on trade in Uganda, many challenges still remain including the following:

- a. Beyond the meetings of IITC and its sub-committees, there appears to be little proactive effort in support of dialogue and consultation with the private sector, except for the PSF and occasionally UMA.
- b. Even the regular participation in IITC meetings has not been enough. In a survey, "...private sector respondents were doubtful as to the degree to which IITC deliberations actually led to real changes in government positions, which dampens their enthusiasm in participating in IITC³⁶".
- c. Private sector umbrella organisations, except for PSF, have limited capacity to regularly follow all trade policy developments and engage with the relevant government authorities.

Three suggestions have been made to further improve private sector participation in trade policy making:

- a. Strengthening the role of IITC so that its deliberations and recommendations are regularly taken on board, giving a sense of real participation and ownership to the participants³⁷;

- b. Involving also the private sector umbrella organisations other than the PSF in trade policy discussions and consultations; and
- c. Building the capacity of the private sector to identify their interests, develop their positions, and to undertake lobbying activities with the government.

5.6.4. Civil Society

CSO participation in trade policy making in Uganda is through the membership in the IITC. They are also invited to participate in other trade-related meetings and workshops, for example, the National Trade Sector Review Conference (NTSRC). Moreover, they were involved in the processes for the development of the NTP 2007 and the first five-year National Trade Sector Development Plan (NTSDP). It is particularly instructive to look at the perceptions of the CSOs regarding their participation in the NTP making process for at least two reasons. One, this was a long process that started in 2004 and ended in 2007 when the trade policy was finally approved by the cabinet. Two, NTP is the first comprehensive trade policy document in Uganda linked to PEAP and will guide the trade policy measures for many years to come.

To ensure pooling of knowledge and views, and to facilitate representation of collective CSO views on trade policy, CSOs organised themselves under Civil Society Working Group on Trade (CSWGT) and the Food Rights Alliance (FRA). This was also due to the limited number of participants invited to the process (to keep the process manageable) which prevented the inclusion of all CSOs.

CSOs have mentioned a number of challenges they faced in the NTP making process related to both their own lack of capacity and organisation, as well as the flaws in the process. These include:

- a. There were no formal, regular channels through which civil society could influence the NTP. The consultations were held by convening large meetings, which were good for presenting and hearing various points of view, but did not allow for specific and focused dialogue.
- b. There is limited trust between the government and civil society as civil society does not agree with many aspects of the governments' neo-liberal approach.
- c. Civil society in Uganda feels that when its positions became strong, it was consequently blocked from playing a role in the consultative process.
- d. There was limited outreach to rural areas and the grassroots, including outreach carried out by Kampala based NGOs.
- e. Civil societies' capacity and response was also deficient. They did not manage to develop their own alternative document, nor did they meet after the NTP had been released to discuss the extent to which it met/did not meet their expectations.
- f. The government did not respect the views of civil society even when they presented informed critical responses.
- g. One of the problems CSOs have is that they cannot always make a strong case that they represent certain stakeholders because they do not have an official mandate and do not always effectively consult their own stakeholders³⁸.

CSOs acknowledge that on one issue they were successful. This was the issue of domestic trade which had not received proper attention in the first NPT draft. The

CSOs raised this issue with the drafting team and the consultant, and thereafter it received the attention it deserved.

Aside from the NTP making process, CSOs believe the IITC does not provide adequate opportunity for systematic and sustained dialogue among all stakeholders because the invitations to work with the IITC have been *ad hoc*.

Several suggestions have been made to improve CSO participation and influence in trade policy.

- a. Civil society should establish a permanent CSO forum on trade issues through which civil society can be brought together to deliberate on trade issues and respond to any developments.
- b. There is need for better procedures to govern trade policy-making; ones that do allow for proper dialogue as well as consultation.
- c. Government, civil society and the private sector should strive to build understanding and trust with each other.
- d. CSOs should work more closely with research institutions as the latter command credibility and their analytical support can increase the influence of CSOs lobbying.
- e. CSOs should take advantage of the role they have been given in the NTP implementation plan. They should actively monitor and participate so that the NTP serves its central purpose of lifting people out of poverty and into wealth and prosperity.

5.6.5. Further Observations

In addition to the above mentioned points that are specific to individual groups of stakeholders, stakeholder views' and perceptions also point to the following general issues to improve the trade policy making process in Uganda:

- a. Parliamentarians and the Parliament need to be more involved in trade policy issues. Presently trade policy, like other policies, is the preserve of the executive only.
- b. Other important stakeholders that need to be included in consultations on trade policy issues are: consumers, trade unions, academia, and farmers.
- c. Policy issues are mostly Kampala affairs. This should change to involve stakeholders from rural areas.
- d. NTP presents a balanced policy. The challenge now is to ensure its implementation including the provision of adequate resources and following through on the outlined interventions.

5.7. Uganda Inclusive Trade Policy Making (ITPM) Index

Given the information and analysis in the previous section and based on the analytical framework developed for this study and given in the annexure, an attempt is now made to construct a simple ITPM Index for Uganda. While this presents a useful picture, it should be viewed only as a very rough estimate of the actual situation. It should also be noted that the scores in this table are based on the feedback from the corresponding groups of stakeholders. The main objectives of this graphic presentation are:

- a. Increase the awareness regarding the political economy aspects of trade policy making in Uganda;

- b. Assess qualitatively the inclusiveness of trade policy making process in Uganda in terms of the capacities, actions and participation of main groups of stakeholders;
- c. Illustrate the areas where further efforts and action is required thus facilitating the focusing of capacity building initiatives by all concerned: and
- d. Facilitate the development of a more inclusive trade policy making process in Uganda that will create local buy-in for the resulting policy. Only such a buy-in can ensure a successful and sustained implementation of the trade policy to achieve the objectives of PEAP and NTP 2007.

Out of a total possible value of 14, Uganda ITPM Index has a value of 8.25. However, more revealing are the respective scores by the four sub-groups of stakeholders. Best score is by the private sector, followed by other relevant government ministries and agencies (though based only on the experience of MAAIF), CSOs, and the MTTI.

5.8. Conclusions

Uganda has recognised the importance of trade policy for its growth and development. It is also conscious of the need to have an inclusive and participatory trade policy making process to facilitate buy-in by all the stakeholders and to ensure that trade policy reflects the interests of its people. Many steps have been taken for this purpose as described in this study. However, much more remains to be done as is clear from the Uganda ITPM Index in the previous section. This situation can and must be improved through joint efforts by all concerned. These efforts should focus on the weak areas as highlighted by the Index which are:

- Identification and involvement of remaining stakeholders: In particular, Parliament and Parliamentarians, and representatives of farmers, consumers, SMEs, trade unions, and the youth (which comprise the vast majority of the population) should be involved in trade policy making and implementation. Here action is needed by the Executive, particularly the Ministry for Trade, Tourism and Industry (MTTI).
- Establishment of consultative mechanisms with legal mandates and adequate resources: Most of the current consultative mechanisms do not have clear legal mandates, and also lack resources for regular functioning. MTTI should be supported to take appropriate actions to address these important gaps.
- Improving coordination with line ministries and other relevant government agencies: It will be critical to have regular coordination between the MTTI on the one hand and other relevant government ministries and agencies on the other on trade policy issues. This will ensure that all the necessary inputs are taken into account while making trade policy as well as effective implementation of the trade policy.
- Organisation of awareness-raising activities on trade issues: These activities that can be organised by MTTI, CSOs, and the private sector should particularly target the stakeholders that have been on the margins of the trade policy making process, e.g., farmers, consumers, SMEs, Parliamentarians, youth, and trade unions,
- Establishment of mechanisms for regular information flow: The primary responsibility lies with the MTTI but CSOs and private sector should also play their roles. Given the low and declining readership in Uganda, such mechanisms should try to make use of the electronic media as much as possible.

Table 5.10: Uganda ITPM Index		
Action Variable	Action by	Action Value
A. Identification of all key stakeholders	MTTI	Most identified = 0.75
B. Creating awareness about the need for trade policy	MTTI	Few efforts made = 0.25
C. Establishment of formal consultative mechanisms	MTTI	Yes = 1.00
D. Establishment and functioning of formal consultative mechanisms	MTTI	Irregular functioning = 0.50
E. Regular information flow to the stakeholders including on the content of trade policy	MTTI	Ad hoc information flow = 0.25
Part I Score	MTTI	2.75/5.0
F. Regular participation in the process and feedback to the relevant authorities	Other relevant government ministries/agencies	Most of the time = 0.75
G. Faithful representation of and regular feedback to the represented constituencies	Other relevant government ministries/agencies	Occasional faithful representation and/or irregular feedback = 0.50
H. Acquiring relevant knowledge and expertise	Other relevant government ministries/agencies	Some knowledge and expertise = 0.50
Part II Score	Other relevant government ministries/agencies	1.75/3.00
I. Regular participation in the process and feedback to the relevant authorities	Private sector and business umbrella organisations	Yes = 1.00
J. Faithful representation of and regular feedback to the represented constituencies	Private sector and business umbrella organisations	Occasional faithful representation and/or irregular feedback = 0.50
K. Acquiring relevant knowledge and expertise	Private sector and business umbrella organisations	Some knowledge and expertise = 0.50
Part III Score	Private sector and business umbrella organisations	2.00/3.00
L. Regular participation in the process and feedback to the relevant authorities	Civil society organisations	Little and / or ad hoc = 0.25
M. Faithful representation of and regular feedback to the represented constituencies	Civil society organisations	Occasional faithful representation and/or irregular feedback = 0.50
N. Acquiring relevant knowledge and expertise	Civil society organisations	Substantial knowledge and expertise = 0.75
Part IV Score	Civil society organisations	1.75/3.00
ITPM Index Score	All stakeholders	8.25/14.00

- Improving the opportunities for regular CSO participation: CSOs should be accorded similar access to various consultative mechanisms as is given to the private sector.
- Improving the feedback to and from PSF to other private sector and business associations: PSF is in a privileged position but its relationship with other smaller private sector and business associations, particularly those dealing with/representing SMEs and the informal sector needs to be improved. PSF should pay attention and commit resources for this purpose.
- Improving the feedback from CSOs to their constituencies and vice versa: CSOs links with grass roots are limited and weak. CSOs should make more efforts to have regular feedback to and from their constituencies, particularly those in the rural areas.
- Building knowledge and expertise of all stakeholders on priority trade issues: Many stakeholders have acquired useful knowledge and expertise on many trade-related issues. However, many knowledge gaps still exist in all the four groups of stakeholders covered in the analysis. MTTI should take the lead, and be provided the resources, to build capacity of its own staff and representatives of other stakeholders on selected trade issues deserving priority, e.g., due to their link with on-going WTO and EPA negotiations, development and poverty reduction, etc. CSOs and private sector should also contribute to this effort.
- Developing the culture of working together: Different stakeholders will often have different agendas and interests. But this should not hinder their working together to find common ground where possible. For example, private sector and CSOs can attempt to identify issues where they share common concerns. Similarly, the governmental and non-governmental stakeholders, despite the differences in their roles and perceptions, need not view each other as adversaries. Consultative mechanisms can work much better when there is a spirit of constructive dialogue among all stakeholders.

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- 16 International Trade Centre. Trade Statistics for International Business Development. "Trade Map – Uganda." <http://www.trademap.org/selectionmenu.aspx> (July 24, 2009).
- 17 World Bank Online: World Trade Indicators 2008: "Overtime Comparison : Uganda". <http://info.worldbank.org/etols/wti2008/4a.asp> (April 06, 2009).
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- 19 This section based on: Bongor, Terik. "Uganda: Strategic Trade and Industry Policy-Making in Africa". The Politics of Trade and Industrial Policy in Africa: Forced Consensus? Charles Soludo, Osita Ogbu, and Ha-Joon Chang (eds.). Africa World Press and IDRC, 2004; and Morrissey et al., 2003.
- 20 The civil society, on the other hand, argues that the policy of privatisation needs to be critically examined as not all public enterprises are necessarily inefficient or making losses. Report of FEATS Uganda National Dialogue at <http://www.cuts-grc.org/pdf/NDs-Uganda-Report.pdf>.
- 21 The World Bank, 2008 World Trade Indicators. "Uganda: Trade Brief." <http://info.worldbank.org/etools/wti2008/docs/brief196.pdf> (March 27, 2009).

- 22 WTO, 2001. 31–55.
- 23 This section based on: Republic of Uganda. “Trade Policy Review: Uganda.” WTO, November 21, 2001.
- 24 This section is based on: WTO. “Uganda: Diagnostic Trade Integration Survey.” Volume 1. WTO, Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries (IF), 2006. 38.; and WTO, 2001. 31-55.
- 25 The EIF has been launched to improve upon the IF as the experience of IF implementation has shown the need for improvements.
- 26 Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries. “Uganda Aide Memoire for Preliminary Mission for Diagnostic Trade Integration Study (DTIS) under the Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries (IF)”. http://www.integratedframework.org/files/english/Uganda_AideMemoire.pdf (April 27, 2009)
- 27 Republic of Uganda, MTTI, 2007.
- 28 This section based on: WTO, 2001. 31-55; Waniala, Nimrod. “Towards a Formal Consultative Mechanism for Trade Policy in Uganda.” Paper for PSF/Trade Policy Project, National Conference: November 29-30, 2000; and WTO, 2006.
- 29 This section based on: Ojakol, Silver. “The Trade Policy Processes in Uganda”; and Ddamulira, Davis. “The Role and Influence of Research Institutions in the National Trade Policy Making Process” Presentations for CUTS Geneva Resource Centre FEATS National Inception Meeting in Kampala, Uganda: October 15, 2008.
- 30 District Commercial Officers also play a key role in the implementation of trade policy and the MTTI is striving to establish closer linkages with them to ensure that the new trade policy is properly implemented.
- 31 Recently restructured as the President’s Economic Policy Forum.
- 32 This section is based on the presentations and discussion at CUTS Geneva Resource Centre FEATS National Inception Meeting in Kampala, Uganda: October 15, 2008.
- 33 Republic of Uganda, Ministry of Trade, Tourism and Industry (MTTI). “National Trade Policy Document: Trading out of Poverty, into Wealth and Prosperity.” Kampala: Republic of Uganda, MTTI, August 2007.
- 34 WTO, 2001. 31-55.
- 35 “Only the Private Sector Foundation appears to have staffed up to attend most meetings.” WTO, 2006. 39.
- 36 *Ibid.* 42.
- 37 Waniala, 2000.
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6 Zambia

6.1. Brief Introduction to Zambia's Basic Economic Outlook

Zambia is a landlocked LDC in Southern sub-Saharan Africa. It had a population of 11.919 million and nominal GDP of US\$11.363bn in 2007. The rural share of the population for Zambia totalled at 7,586,129 in 2006, constituting 65 percent of the total population^{1, 2}

Zambia had a difficult period in the 1990s with a real GDP per capita average annual growth rate of -2.0 percent between 1990 and 2000. The situation improved in the early 21st century with a real GDP per capita average annual growth rate of 2.8 percent from 2000 till 2005. Recent years have seen more sustained real GDP per capita average annual growth which was estimated at 4.1 percent in 2006. This also had a salutary effect on nominal GDP per capita which had declined from US\$461 in 1990 to US\$310 in 2000, but increased to US\$938 in 2006.

Table 6.1: Real GDP Per Capita Average Annual Growth Rates (percentage)

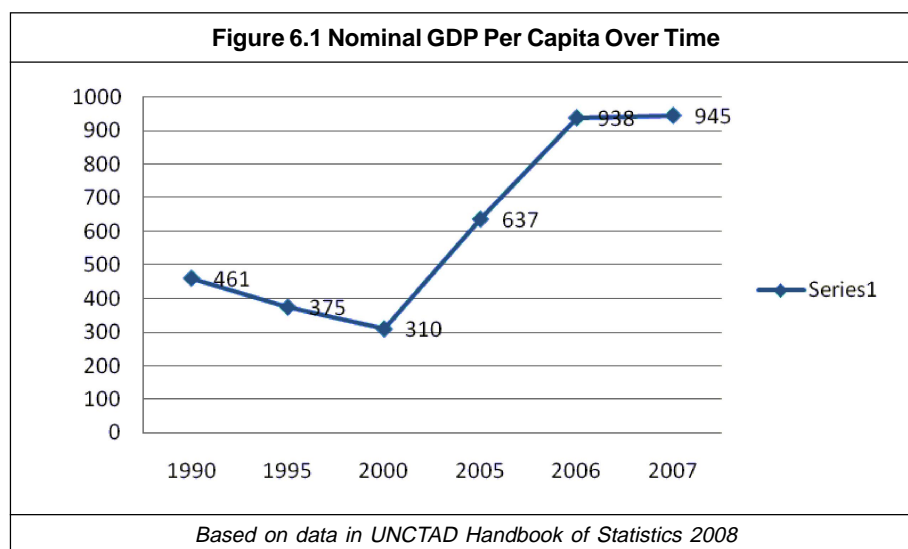
1990-2000	2000-2005	2004	2005	2006	2007
-2.0	2.8	4.3	3.2	4.1	3.5(e)

*Source: UNCTAD Handbook of Statistics, 2008.
e = estimated*

Table 6.2: Nominal GDP Per Capita (in US\$)

1990	1995	2000	2005	2006	2007
461	375	310	637	938	945(e)

*Source: UNCTAD Handbook of Statistics, 2008.
e = estimated*

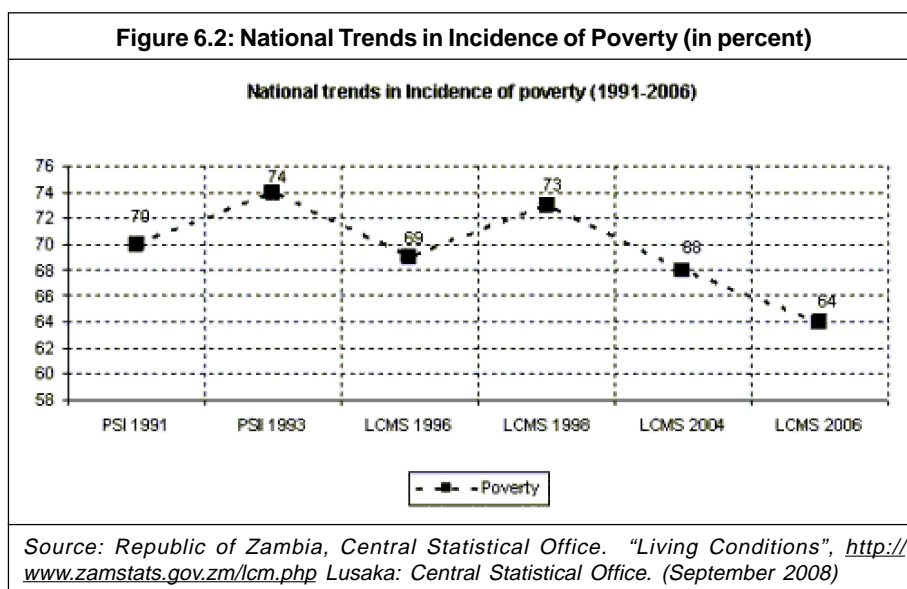


According to the Living Conditions Monitoring Surveys conducted from 1991 to 2006, the incidence of poverty has declined in Zambia³. It stood at 70 percent in 1991 and increased to 84 percent in 1993 before starting a steady decline, reaching 64 percent by 2006⁴. Reduction in the poverty rate has been more pronounced in rural areas as rural poverty fell from 88 to 80 percent between 1991 and 2006. During the same period however, the urban poverty rate increased from 15 percent to 34 percent. In a supplement report to its “World Development Indicators for 2008”, the World Bank reported that in 2004-2005, 64.3 percent of the population was living on less than US\$1.25 per day and 81.5 percent was living on less than US\$2.00 per day⁵.

Table 6.3: Poverty Trends 1991-2006 (percentage)

		1991	1993	1996	1998	2004	2006
Total Zambia	Total Poor	70	84	78	73	68	64
	Extremely poor	61	76	66	58	53	51
	Moderately poor	10	8	12	15	15	14
	Non-poor	29	16	22	27	32	32
Rural Areas	Total Poor	88	92	80	83	78	80
	Extremely Poor	78	89	79	71	65	67
	Moderately poor	6	4	10	12	13	14
	Non-poor	15	8	11	17	22	20
Urban Areas	Total Poor	15	8	11	17	22	34
	Extremely Poor	49	45	60	56	53	20
	Moderately poor	44	56	44	36	34	14
	Non-poor	14	14	16	20	18	66

Source: Republic of Zambia, Central Statistical Office, “The Monthly.” Volume 65, August 2008, Lusaka, Zambia. (http://www.zamstats.gov.zm/media/vol_65_2008_the_monthly_august_copy1.pdf)



The six surveys show a mixed picture for various regions. The Province of Lusaka is the least impoverished region in Zambia, and its incidence of poverty stands at 29 percent according to 2006 figures⁶. In all other regions except two – Central and Western – the incidence of poverty decreased between 1991 and 2006. Western province remained the poorest province in all the six surveys and incidence of poverty there was the same (84 percent) in 1990 and 2006.

Table 6.4: Incidence of Poverty by Province, 1991-2006 (percentage of population)

Provinces	1991	1993	1996	1998	2004	2006
	Incidence of poverty	Incidence of poverty	Incidence of poverty	Incidence of poverty	Incidence of poverty	Incidence of poverty
Central	70	81	74	77	76	72
Copperbelt	61	49	56	65	56	42
Eastern	85	91	82	79	70	79
Luapula	84	88	78	82	79	73
Lusaka	31	39	38	53	48	29
Northern	84	86	84	81	74	78
North Western	75	88	80	77	76	72
Southern	79	87	76	75	69	73
Western	84	91	84	89	83	84

Source: Republic of Zambia, Central Statistical Office, "Living Conditions." <http://www.zamstats.gov.zm/lcm.php> Lusaka: Central Statistical Office. (September 2008)

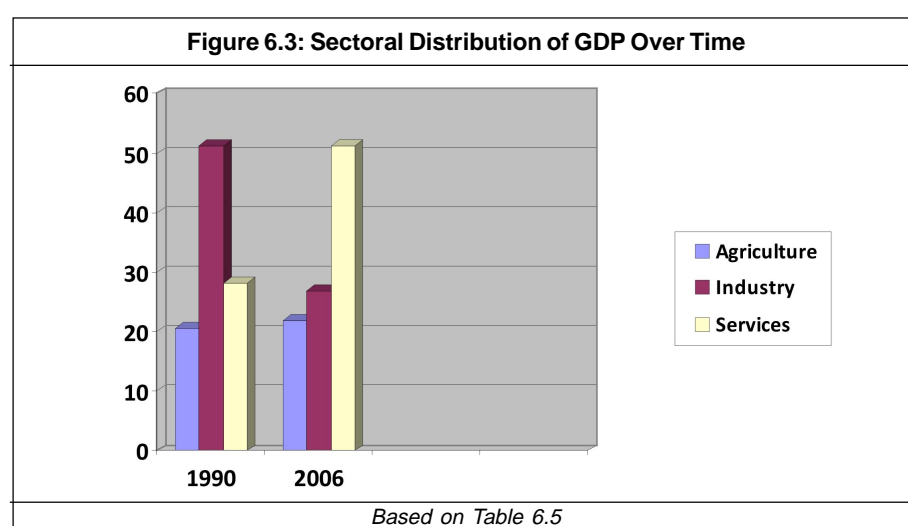
Unemployment was estimated at 12 percent of the labour force on average, between 1996 and 2005⁷.

Zambian economy is characterised by a high level of employment in the informal sector. According to one estimate, only 19 percent of the labour force is employed in the formal sector. This percentage is higher in urban areas, i.e. 53 percent of the urban labour force is employed in the formal sector. On the other hand, informal sector employment in rural areas is a staggering 94 percent of the rural labour force⁸.

Services make up the bulk of GDP, amounting to 51.3 percent in 2006. The industrial sector share stood at 26.8 percent and agriculture at 21.8 percent. As percentage of GDP, the service sector has increased considerably since 1990 when it made up 28.1 percent of the GDP. Conversely, contribution of industry to the GDP has declined during this period; it was the most prominent sector in 1990, making up 51.3 percent of GDP but by 2006 its contribution to GDP had come down to 26.8 percent. The share of agriculture in GDP has remained more or less steady during this period⁹.

	Agriculture, hunting, forestry, fishing	Industry		Services
		Total	Manufacturing	
1990	20.6	51.3	36.1	28.1
1995	17.3	33.6	10.6	49.1
2000	21.0	23.8	10.8	55.2
2005	21.6	28.5	10.9	49.8
2006	21.8	26.8	11.2	51.3

Source: UNCTAD Handbook of Statistics, 2008.

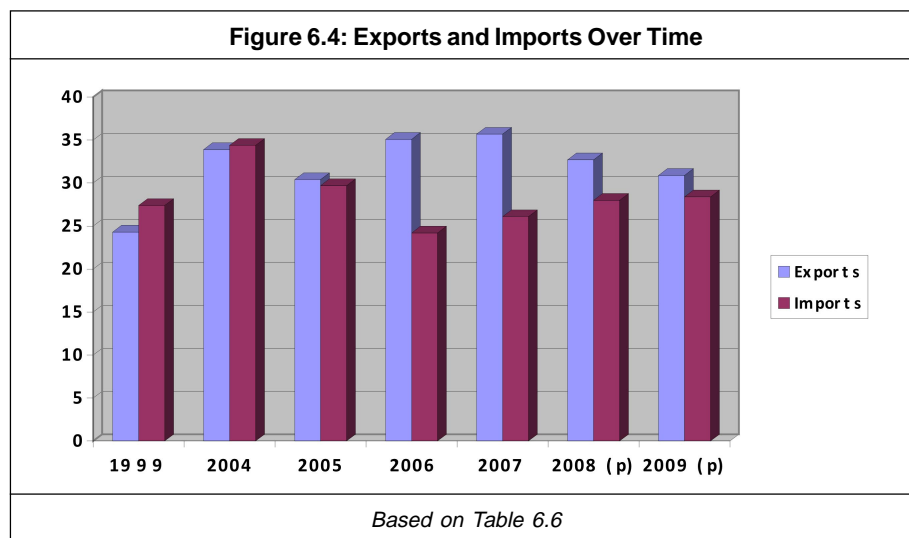


6.2. Zambia Trade Profile

Zambia's balance of payments has been positive since 2005, with exports amounting to 32.7 percent and imports amounting to 28.0 percent of GDP as per the estimates for 2008¹⁰. The estimates for 2009 though indicate a shrinking of the trade surplus as shown in table 6.6.

	1999	2004	2005	2006	2007(e)	2008(p)	2009(p)
Exports of goods (f.o.b)	24.3	33.9	30.4	35.1	35.7	32.7	30.9
Imports of goods (f.o.b.)	27.4	34.4	29.7	24.2	26.1	28.0	28.4

*Source: AfDB/OECD. "Zambia." 2008, African Economic Outlook. 615-629¹¹.
e = estimated
p = prioritised*



Copper is Zambia's main export, comprising more than 50 percent of total exports. Cobalt is the second most significant product and the metals group makes up more than two-thirds of total exports. The value of exports of these two metals has greatly increased since 2000. Copper has jumped from US\$425mn in 2000 to over US\$1bn in 2004. Cobalt increased from US\$72mn in 2000 to US\$285mn in 2004. Primary agricultural products, the next most important export, made up about 9 percent of total export value (34.9 percent of the value of total non-metal exports)¹². Zambia's main export destination in 2008 was Switzerland, which received 50.9 percent of all exports, followed by South Africa, Egypt, China, and the Democratic Republic of Congo¹³. However, it should be noted that the figure for exports to Switzerland is overstated as Glencore, a Swiss company is main trader of Zambian copper but the final destination of this copper are other countries in Europe and Asia including China.

Table 6.7: Composition of Exports Over Time (US\$mn)					
	2000	2001	2002	2003	2004
Metals	497	590	560	669	1,322
Copper	425	507	510	607	1,037
Cobalt	72	83	50	62	285
Non-metals	249	295	357	383	457
Of which (percent of non metal total):					
Primary agricultural products	14.1	16.5	20.8	17.1	34.9
Engineering products	7.8	6.8	6.0	7.8	13.8
Processed foods	13.5	13.8	11.9	10.6	10.6
Horticultural products	10.4	11.7	12.2	8.1	7.7
Petroleum oils	0.2	0.5	0.4	4.5	6.0
Floricultural products	12.8	10.9	8.2	5.2	5.7
Textiles	13.7	11.0	7.0	5.7	5.3
Total	746	884	916	1,052	1,779

Source: South African Marketing Co. and SADC. "SADC Trade, Industry and Investment Review 2007/2008: Zambia" Southern African Marketing Co. And SADC Secretariat (September 2008)

Table 6.8: Main Export Destinations, 2008¹⁴	
Country	Share in Total Exports (percentage)
Switzerland	50.9
South Africa	9.7
Egypt	8.0
China	6.0
DRC	5.3

Source: International Trade Centre Trade Map (www.intracen.org, July 21, 2009)¹⁵

Zambia's most significant imports are machinery and transport equipment (39.9 percent), followed by mineral fuels, lubricants and related materials (15 percent), chemicals (14.8 percent) and manufactured goods classified chiefly as materials (14.2 percent). Food and live animals once assumed a large part of total imports, totalling 10.2 percent in 2003. However, this share declined to 5.8 percent by 2006¹⁶. Zambia imports most significantly from South Africa (44.6 of total imports in 2008)¹⁷.

Table 6.9: Main Imports Over Time (as percentage of total imports)				
	2003	2004	2005	2006
Food and live animals	10.2	4.6	4.4	5.8
Beverages and tobacco	0.1	0.1	0.1	0.3
Crude materials, (excl fuels)	3.8	3.2	3.5	2.7
Mineral fuels, lubricants and related materials	8.2	11.4	10.8	15.0
Animal and vegetable oils, fats and waxes	2.1	1.9	1.6	1.6
Chemicals	18.5	16.1	17.8	14.8
Manufactured goods classified chiefly by materials	15.9	14.6	15.7	14.2
Machinery and transport equipment	32.1	31.2	31.6	39.9
Miscellaneous manufactured articles	9.1	17.0	14.5	5.6

Source: International Monetary Fund (IMF). "Zambia Statistical Appendix" Washington, DC.: IMF Country Report, January 2008

Table 6.10: Main Import Sources, 2008	
Country	Share in Imports (percentage)
South Africa	44.6
Kuwait	9.5
DRC	8.8
China	4.4
India	4.0

Source: ITC Trade Map (www.intracen.org, July 21, 2009)¹⁸

In 2008, 17.0 percent and 19.0 percent of Zambia's total exports were destined to the member countries of the COMESA and SADC respectively. In the same year, the shares of COMESA and SADC member countries in total Zambian imports were 13.6 and 59.5 percent respectively¹⁹.

Two further points need mention in respect of Zambian trade performance. One, both the export product concentration and export market concentration has increased during the period 2005-2007 and 2008 (from 61.2 to 68.4 and from 41.1 to 43.4 respectively). This can be interpreted as lack of meaningful results of export product and market diversification efforts. Two, Zambian integration in global economy is substantial and has been increasing: trade measured as a percentage of GDP increased from 73.5 in 2005-2007 to 80.2 in 2008²⁰.

The overall picture that emerges is rather sobering. Despite having an open trade regime and greater integration into the world economy Zambia continues to face high levels of poverty and uneven GDP growth. This can partly be attributed to Zambian dependence on a few export commodities which makes her vulnerable to swings in the markets for those commodities. Successful diversification and value-added production and exports will go a long way in improving overall growth and poverty situation.

6.3. Zambia in International Trade and Regional Integration Agreements

Zambia is committed to the multilateral trading system as well as regional integration in Africa. It actively participates in several international agreements, as well as African regional trade and integration agreements and its trade policy measures are generally based on its commitments under these agreements and the on-going negotiations under several fora.

Zambia is a founding member of the WTO and has often led the LDC Group in the WTO discussions and negotiations. Zambia is also an active member of the AU and hence committed to the goal of continent-wide, comprehensive African integration. It is a member of both COMESA and SADC and part of their efforts to deepen economic integration in Eastern and Southern Africa. In fact, COMESA headquarters are located in Lusaka.

Zambia was a beneficiary of the non-reciprocal preferences under the Lomé and Cotonou Agreements as an ACP country. It has initialled an interim EPA agreement with the EU (which is expected to be signed in end-August 2009). Zambia is also negotiating with the EU as part of ESA region to conclude final regional EPAs to transform the non-reciprocal, preferential relationship into a WTO-compatible agreement.

Zambia is a beneficiary of trade preferences granted to the LDCs by developed and some developing countries. The most important preferential trade benefits to Zambia accrue under the EBA initiative of the EU and the AGOA of the US.

6.4. Trade Regime of Zambia

6.4.1 Evolution of Trade Policy

From independence in 1964 to the mid-1970s, state control characterised the Zambian economy. Copper mining was the main export, amounting to 90 percent of export earnings. With the 1968 Mulungushi Economic Reforms, the government acquired 51 percent ownership of private retail transportation and manufacturing firms. This nationalisation allowed the state to control 80 percent of the economy through parastatals. The parastatals covered all spheres of economic activity, for example, mining, energy, tourism, finance, agriculture, trade, manufacturing and construction. Import substitution strategy was the rationale behind these policies.

The oil shocks of 1970s and the considerable drop in the price of copper took a heavy toll on Zambia and its economic conditions declined steadily during this period. Zambia agreed to its first SAP in 1985, which was put into place partly under donor pressure. By 1987, this programme had to be abandoned due to its failure to ameliorate the economic

crisis as well as the stiff domestic opposition to the implementation of some of the more difficult measures enforced under the SAP.

The year 1991 marked the beginning of a fundamental change. The first multiparty elections were held in that year. The election of the Chiluba regime heralded in a period of liberalization, including an opening of trade, decentralisation, and deregulation of the economy. A second SAP was undertaken, moving the economy away from import substitution and towards an export-oriented, market economy under the guidance of the World Bank and the IMF. Zambia's joining of the WTO as a founding member provided further impetus for liberal trade policies²¹.

The decade of the 1990s showed an almost blind optimism regarding the success of liberal economic policies. Economic activities were speedily liberalised and parastatals privatised with little consultation and were not accompanied by appropriate knowledge, institutions, facilities and regulatory environment that go with liberalisation and privatisation. Concerned government officials did not have the skills, knowledge and experience to manage and regulate economic activities in such a highly liberalised economic environment²².

Partly due to the reasons mentioned above, liberal economic policies did not spur immediate economic recovery. Knowledge, experience and skills were built over a period of time and policies were adjusted accordingly while maintaining the liberal orientation.

Period	Main Features
1964 – mid 1970s	<ul style="list-style-type: none"> ● Mulungushi Economic Reforms, 1968 – Nationalisation across private retail, transportation, and manufacturing firms ● Matero Economic Reforms, 1969 – Partial nationalisation of copper industry ● Import substitution strategy – Pervasive government regulation, 80 percent of economy controlled by government through parastatals
Mid 1970s – 1980s	<ul style="list-style-type: none"> ● Oil shocks contribute to economic decline ● First SAP adopted in 1985, then abandoned in 1987 for failure to ameliorate economic crisis
1990s	<ul style="list-style-type: none"> ● 1991 – first multiparty elections ● Rapid liberalisation, deregulation, parastatals privatised ● 1994 – a comprehensive trade policy developed: goal is to create competitive and productive economy driven by the private sector
2006	<ul style="list-style-type: none"> ● Vision 2030 adopted – long term development plan, provides framework for current development goals and efforts including in the area of trade

First comprehensive trade policy was adopted in 1994. This is based on principles of free trade and also attempts to take into account the larger developmental and poverty reduction objectives. Vision 2030, adopted in 2006 provides the overall developmental framework for all policies including the trade policy.

Zambia continues to follow a liberal trade regime. The 2008 Trade Tariff Restrictiveness Index of the World Bank reported Zambia's trade regime to be more open than that of the average SSA country²³. On the trade tariff restrictiveness index for MFN applied tariffs Zambia received a rating of 8.9 in 2008, slightly increased from 8.7 for 2005-2007. On the other hand, the Overall Trade Restrictiveness Index (including applied tariffs, preferential tariffs and non-tariff barriers) declined from 8.8 to 8.5 during the same period showing the overall trend of increasing openness in Zambia's trade regime²⁴.

At the same time, the consolidation of economic reforms in recent years has put an emphasis on poverty reduction²⁵.

6.4.2. Main Features

The last comprehensive trade policy in Zambia was adopted in 1994. This has guided the adoption and implementation of trade measures since that time. Trade measures have also been adopted in view of the developments in Zambian international, regional and bilateral trade and economic relations²⁶.

Currently, Zambia's trade policy is aimed at creating a competitive and productive economy driven by private sector initiatives, which would improve living standards for Zambians. To achieve this goal, the primary objectives of Zambia's trade policy are as follows:

- To maintain an open economy with a liberalised import and export regime that supports industrial development;
- To encourage the production of exportable products and continue the process of diversifying the export base;
- To support and encourage exports of value added goods;
- To seek new markets and strengthen Zambia's trading ties with regional and other international markets;
- To ensure efficient customs administration and fair trade practices; and
- To reduce poverty through sustainable economic growth²⁷.

Current trade policy is also designed to affirm a commitment to the multilateral trading system²⁸.

Tariffs are the main instruments of trade policy utilised since joining the WTO, although other instruments are in place as well. The simple average duty rate remains approximately 13 percent. The maximum tariff rate of 25 percent applies to consumer and other "non-essential" goods. No export taxes, charges, levies and discriminatory internal taxes on imports are in effect. Quantitative restrictions have been eliminated and import controls are maintained only for environmental, sanitary, phytosanitary, moral, health, and security reasons. An import permit is required for some agricultural products.

Incentives for exports vary from tax exemptions to duty drawback. Public procurement provides for price preferences subject to a minimum of 40 percent local content. Legislation on safeguards is being drafted, and antidumping and countervailing legislation is being amended. Intellectual property legislation is in effect with regards to patents, copyright, trademarks and branding in certain sectors. However the government intends to revise existing legislation to align it with the WTO Agreement on TRIPs²⁹.

Current trade policy measures place a lot of emphasis on export diversification and promotion. It is believed that Zambia has the potential to realise much more export diversification with its comparative advantage in natural resource- and labour-intensive activities such as agriculture, agro-processing, tourism, textiles and garments, and light manufacturing. The main constraints to realize this potential include³⁰:

- Lack of access to water, fertilizer, high yielding variety (HYV) seeds, extension services, and markets;
- Inadequate infrastructure (roads, storage facilities, marketing infrastructure, power and telecommunication services);
- Landlocked status coupled with poor transport and transit arrangements and customs administration;
- Need to upgrade product packaging to meet the standards of major distribution chains in COMESA and SADC;
- Under-developed regulatory environment, for example in gemstones sector that has the potential to increase output and exports; and
- Lack of full coordination among all ministries particularly for sectors requiring a coordinated approach for development (e.g., tourism).

6.5. Trade Policy Making in Zambia

6.5.1. Context and Objectives

The overall policy framework in Zambia is provided by Vision 2030. The Government of Zambia developed and introduced this Vision in 2006. This is the first-ever national long term vision that sets social and economic development targets to be achieved by 2030. The Vision also includes alternative development policy scenarios to achieve the targets.

Vision 2030 is being operationalised through five year development plans. The first such plan is the Fifth National Development Plan that covers the period from 2006-2010. Within the context of Vision 2030 and the Fifth National Development Plan, a strategic plan has been developed by the Ministry of Commerce, Trade and Industry. This strategic plan (2006-2010) aims to promote the growth and development of commercial and industrial sectors as espoused in the Fifth National Development Plan.

Zambian trade policy is seen as a key instrument to develop a sustainable and globally competitive commercial, trade and industrial base to contribute to the country's socio-economic development. The policy consists of goals, objectives and courses of action outlined by the government to provide guidance for activities in the area of trade.

Participation of Zambia in the IF process has contributed to the mainstreaming of trade policy into overall development strategies. It has also led to a greater understanding of the positive role that trade can play for growth and poverty reduction as well as encouraged more consultative and inclusive processes for trade policy making and implementation.

The IF process for Zambia started in May 2004 with the preliminary mission. After several stages including a national workshop to discuss the draft, the final version of the DTIS was approved by the government in 2006.

The DTIS findings have been integrated into the Fifth National Development Plan, the Private Sector Development Programme and the Strategic Plan of MCTI facilitating the implementation of DTIS priorities with support from development partners.

At present Zambia is preparing an indicative five-year implementation plan for the Enhanced Integrated Framework (EIF)³¹. This plan, inter alia, covers:

- Setting up of a Focal Point and a National Implementation Unit (NIU);
- Establishment of a National Steering Committee;
- Designation of a Donor Facilitator to help in fund-raising for priority projects from development partners;
- Staging of two updates of DTIS;
- Evolution of trade mainstreaming in next five years; and
- Identification of the parts of the original DTIS Action Matrix that still need to be implemented.

Government is cognizant of the need to have appropriate processes for the development and implementation of trade policy measures. These processes are designed to ensure to the extent possible:

- Effective policy formulation, adoption and implementation;
- Adequate monitoring and evaluation; and
- Broad-based consultations at all stages of the policy cycle.

6.5.2. Process

National policy-making in Zambia is generally a preserve of the executive wing of the government through Cabinet decisions or pronouncements by the President³². According to article 33 of the Constitution of the Republic of Zambia, executive power is vested in the President whereas under Article 50 of the Constitution, the Cabinet formulates policy of the government and advises the President with respect to the policy of Government, as referred to it by the President. In this constitutional set up, Ministers are advisers to the President and decisions rest with the President whether sitting as Cabinet or not.

The general process for policy making, including for trade policy is as follows:

- The line Ministry, in the case of trade policy the Ministry of Commerce, Trade and Industry, identifies the need for policy reform or review and writes to the Policy Analysis and Coordination Division (PAC) at Cabinet Office.

- The line Ministry outlines the roadmap spelling out how the process towards policy reform/ review would be undertaken (i.e. consultations, engagement of consultants, appointment and role of the secretariat etc.).
- The line ministry may choose to initiate the process through literature review and drafting of a zero draft in consultation with key stakeholders before opening up the process to wider stakeholder consultation.
- Once consultations are completed, a consolidated draft is circulated by means of a memorandum to all Ministries for their comments within 21 days.
- PAC is consulted at all stages.
- Once the final Draft Policy is ready, it is presented before Cabinet for decision.
- The Policy is published after approval by the Cabinet and comes into force on the specified date.

Any issue requiring legislative action has to go through the Parliament and the process for such cases is on the following lines:

- The concerned line Ministry initiates the process of consultations.
- Once the consultative process is completed, the Ministry of Justice is tasked to draft the required bill.
- The bill is circulated to Ministries for comment.
- After completing the comment process by other ministries, the revised bill is presented to Cabinet for approval.
- Once the bill is approved by Cabinet, it is presented to Parliament (National Assembly and the President) for enactment.
- The bill goes through a process of debate and three readings by the National Assembly (the 150 elected plus 8 nominated Members of Parliament and the Speaker) before it is sent by the Clerk of the National Assembly to Government printers and subsequently, passed on to the President for assent. Only after the completion of this process, the bill becomes an Act of Parliament.
- The Act usually comes into force as soon as it is published in the Gazette, unless a specific date is mentioned³³.

Constitutionally, the formulation and implementation of trade policies including ratification of international trade agreements is the preserve of the Executive through the Cabinet (President, Vice President, and Ministers) which may decide to delegate the ratification of any international agreement to a Cabinet Minister as appropriate.

MCTI broadly follows the processes for policy and legislative measures as mentioned above. MCTI also consults other relevant ministries, institutions and non-state stakeholders depending on the nature of the issue. Some parts of the work, for example background studies, analysis of issues, initial drafting of a measure, are sometimes commissioned by MCTI to external consultants. The external consultants are appointed for a short term and for specific purposes, though their outputs are not always fully shared with all stakeholders³⁴.

Similarly, there is a call for submissions by the Ministry of Finance and National Planning (MoFNP) before every forthcoming budget. Private sector and businesses make a lot of submissions to MCTI in response to this call. MCTI examines the submissions and forwards them to MoFNP with its comments. When such submissions become a recurring

issue or focus on one particular issue, MCTI interprets this as requiring policy action and initiates the process as described above³⁵.

6.5.3. Key Institutions and Actors

Ministry of Commerce, Trade and Industry (MCTI)

The MCTI is the principal government ministry in Zambia responsible for developing and monitoring implementation of national policies for private sector development. Accordingly, MCTI coordinates commercial, trade, and industrial matters and liaises with relevant public and private sector organisations to facilitate the preparation and implementation of governmental policies related to trade and industry. MCTI's mission is "to facilitate and promote the growth, development and competitiveness of commercial, trade and industrial sectors in order to enhance socio-economic development".

The MCTI has the mandate to initiate and conclude trade policy changes including advice on bilateral, regional and multilateral trade agreements. Government Gazette Notice No. 547 Vol. XL, No. 58 of 21st September, 2004 on Statutory Functions, Portfolios and Composition of Government signed by the Secretary to the Cabinet allocated the following functions to MCTI as custodian of all trade policy issues in Zambia:

- Trade Licensing policy
- Commercial, Industrial and Trade policy
- Foreign Trade Policy and Agreements
- Competition and Trading
- Investment promotion policy
- Privatisation policy
- Companies and Business Names

Other functions of MCTI include: industrial research; patents, trademarks and designs; copyrights; weights and measures; and medium and small scale enterprise development.

MCTI responsibilities on trade issues have two dimensions. At the domestic level, MCTI is the policy initiator of domestic and international (in close consultation with MoFA, the Presidency and Cabinet) trade policy. At the external level, MCTI advises the Zambian government on membership/participation in multilateral, regional and bilateral trade agreements based on the analysis of their perceived benefits and costs.

To discharge its responsibilities and functions, MCTI undertakes the following main activities:³⁶

- Providing inputs on issues related to regional and international trade policies and implementation mechanisms;
- Providing factual information in the policy documents review reports;
- Presenting and defending Zambia's position on issues in international trade-related negotiations;
- Participating in relevant meetings and conferences;
- Hosting foreign missions to Zambia to consult on trade and related issues;
- Consulting national stakeholders through the most effective mechanisms on a given issue; and

- Inviting as appropriate other stakeholders to submit sector reports directly to regional and international missions³⁷.

MCTI is headed by a Minister. MCTI has a Permanent Secretary as the administrative head and consists of five departments each headed by a Director. The five departments deal with domestic trade, foreign trade, industry, planning and information, and human resources and administration respectively. There are also a number of government agencies working under the MCTI on specific issues. These are:

- Zambia Development Authority
- Zambia Bureau of Standards
- Zambia Competition Commission
- Zambia Weights and Measures Agency
- Patents and Companies Registration Office
- Citizens Economic Empowerment³⁸

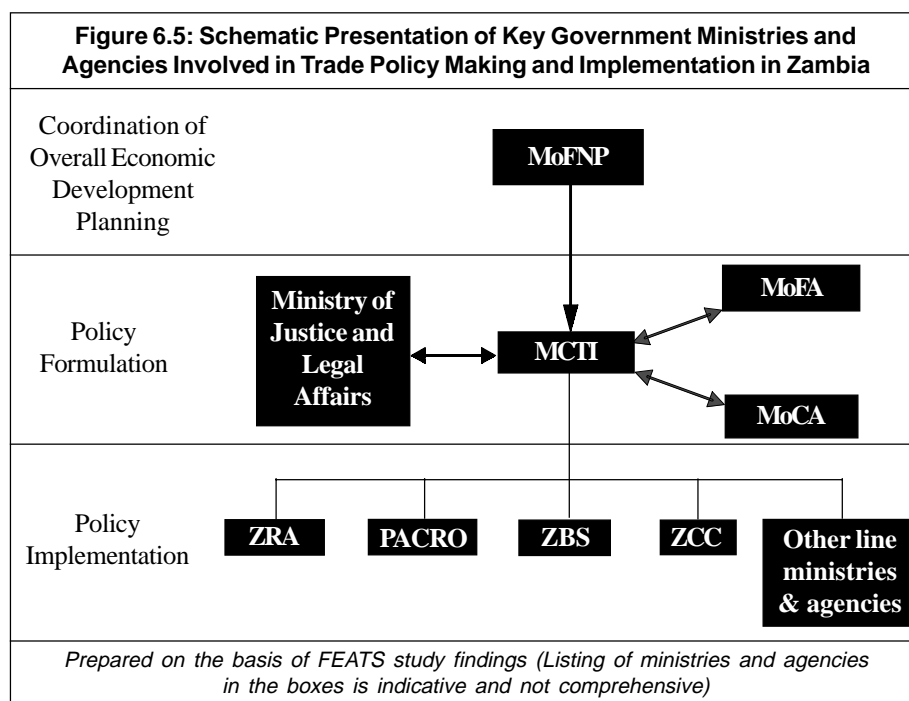
Other Relevant Ministries and Government Agencies

Several government ministries/agencies are important contributors to the trade policy making and implementation. Based on the nature and significance of their roles in trade policy making and implementation, these ministries and agencies can be divided into two broad categories. The first category includes some key ministries that regularly interact with MCTI and play a significant role on trade policy issues based on their respective mandates. These are:

- Ministry of Agriculture and Cooperatives (MoCA) is responsible for the regulation of agricultural trade domestically and internationally because of food security, health, SPS concerns.
- Ministry of Finance and National Planning (MoFNP) sets tariff policies; its agreement is required for any decision with revenue implications. MoFNP views trade policy proposals in terms of their impact on the fiscal and monetary objectives. Proposals that adversely affect fiscal and monetary policy objectives are usually not taken on unless there is very high political commitment – as is the case with COMESA and SADC regional trade liberalisation agenda. MoFNP prepares overall national development plans/strategies in which trade is one of the components. MoFNP spearheaded the development of the PRSP (2002-4), FNDP (2006-10) and Vision 2030 into which MCTI contributed trade-related components.
- The Ministry of Justice and Legal Affairs interprets trade related statutes and laws. It also renders legal opinion and advice on trade policy positions taken by the Zambian Government.
- Ministry of Foreign Affairs (MoFA) is more concerned with arrangements that touch on international relations and political governance such as NEPAD, ACP-EU relationship, COMESA, SADC and AGOA. It is particularly active in ACP-EU negotiations, NEPAD, COMESA and SADC.

The second category consists of ministries and agencies that either are mainly concerned with the implementation of specific trade-related policies and measures or provide inputs/feedback to MCTI only occasionally. Noteworthy among these are:

- Zambia Revenue Authority,
- Bank of Zambia, and
- Central Statistical Office



Private Sector and Business Organisations

Since adoption of more open policies in 1991, many private sector organisations and businesses have started playing an increasingly active role in national policy making and implementation, including trade policy. Government too seeks the inputs and views of the private sector on relevant issues.

Participation of the private sector and businesses in trade policy issues generally takes place through their umbrella organisations. However, there are also important individual businesses in some sectors. Private sector umbrella organisations and individual businesses may be more active on one particular issue than the whole spectrum of trade policy based on their specific interests and concerns. Neither the umbrella associations nor the individual businesses are in a position to represent the interests of those employed in the informal sector³⁹.

Main private sector umbrella organisations involved in the trade policy making process include:⁴⁰

- Zambia Association of Chambers of Commerce and Industry (ZACCI)
- Zambia National Farmers Union (ZNFU)⁴¹
- Zambia Export Growers Association (ZEGA)
- Zambia Private Sector Development Association (ZPSDA)
- Zambian Association of Manufacturers (ZAM)
- Zambia Business Forum (ZBF)
- Textile Producers Association of Zambia (TPAZ)
- Zambia Chamber for Small and Medium Business Associations (ZCSMBA)

There are some companies that are quite active and influential on selected issues. Zambia Sugar is the prime example as it actively participates in the ACP-EU Sugar Protocol negotiations. Similarly, Clark Cotton and Swarp Spinning Mill actively follow the developments regarding AGOA⁴².

The stakeholders in the mining sector, given the critical importance of this sector in Zambian economy, are also organised in associations that are invited and tend to participate when their interests are the subject of any discussions. Prominent among these are: Chamber of Mines, Small Scale Miners Association, Gemstone Association of Zambia, and Women in Mining.

Private sector umbrella organisations like, ZACCI, ZBF, ZCSMBA, PSDA and ZNFU often take an active part in consultations with the government on trade policy issues. However, their participation has been inconsistent in protracted international trade negotiations or policy formulation processes as they do not always have the required human and financial resources. Sometimes they also may have conflicting interests. Moreover, it may be difficult to collect and collate the inputs and positions of all their members and ensure a regular two-way feedback between their secretariats and members.

Private sector is generally considered to be successful in its lobbying efforts for a more conducive business environment through policy reform in Zambia. An oft-cited example is that of the Economic Empowerment Act that was passed at the initiative of the private sector⁴³.

Civil Society Organisations (CSOs)

CSOs were not a part of the formal consultations processes until about eight years ago when the trend changed. Now many CSOs participate in the processes around formulation, implementation and negotiations on trade issues.

Zambian civil society scene is quite vibrant with a number of CSOs working on a plethora of issues including trade. Prominent CSOs are:

- Civil Society Trade Network of Zambia (CSTNZ)
- Civil Society for Poverty Reduction (CSPR)
- CUTS ARC
- Organisation Development Community Management Trust (ODCMT)
- SEATINI
- Trade Law Centre for Southern Africa (TRALAC)
- Women Entrepreneurs Development Association of Zambia
- Zambia National Women's Lobby
- Jesuit Centre for Theological Reflection (JCTR)
- Catholic Commission for Justice and Peace (CCJP)
- Oxfam
- Christian Aid
- Trade Justice Movement
- University of Zambia
- Zambia Congress of Trade Unions

CSOs in Zambia that are working on trade issues can be divided into two broad categories. One, there are local CSOs, for example, Trade Justice Movement and CSPR. They lack adequate human and financial resources to follow all trade-related developments regularly. They become active often around the time of a WTO Ministerial Conference or other such big event. They often also depend on the technical and financial support of international NGOs.

In the second category are international CSOs like Oxfam and CUTS. They have provided valuable help to ensure that local NSAs participate in trade policy related initiatives through their capacity building and sponsorship activities.

An important development is the establishment of CSTNZ as a network of CSOs on trade issues. The core business of CSTNZ is to deal with trade-related issues. This also allows pooling of limited resources of CSOs. Hence, the CSTNZ promises to improve the systematic participation of CSOs on trade policy issues in Zambia.

The engagement of CSOs on trade-related issues is around four broad areas of work: awareness-raising and information sharing; research and analysis; lobbying and advocacy; and capacity building.

CSOs arguably have a comparative advantage in undertaking awareness-raising and information dissemination activities. Their target audiences include both the general public (particularly their constituencies) and the policy makers. CSOs in Zambia have acted as monitors of developments on trade-related issues and disseminated the resulting information. They have tried to identify the problematic issues in the area of trade policy and negotiations and brought these to the attention of public and policy makers. There are several successful examples of this role played by CSOs in Zambia: the Provincial Outreach Programme by CSTNZ and JCTR; the trade and poverty linkage project by CUTS and ODCMT; campaigns and opinion pieces in electronic and print media; and organisations of national and international social forums.

Policy-oriented research and analysis is another area of activity for CSOs in Zambia. The objective is to provide alternative approaches to trade issues. These “think tank” activities generate knowledge that can complement the research and analysis being conducted by relevant government agencies. This is also a critical input for other CSO activities related to awareness-raising, capacity building, and lobbying and advocacy.

There are many examples of relevant research and analysis by CSOs. Most noteworthy include: study titled “For Whom the Windfall” by CSTNZ and CARITUS Zambia; the MDG8 studies focusing on trade, aid and debt by CSPR, CSTNZ and JCTR, respectively; impact assessment of Chinese economic activities in Zambia, Malawi and Mozambique by CSTNZ; social and developmental impact assessment of South African investment in Zambia and Malawi by CSTNZ; and study on debt management policy by JCTR. CSTNZ has made substantial contributions to this effort.

The research and analytical studies have been helpful in generating informed debate and discussions. They have also led to government action, for example, the changes in the tax regime of the mining sector announced by the government can be attributed to the study “For Whom the Windfall”⁴⁴.

Lobbying and advocacy are at the core of CSOs activities. CSOs in Zambia undertake lobbying and advocacy mainly through round table meetings with the relevant ministries as well as participating in the formal consultative mechanisms established by MCTI. They have adopted both inside and outside lobbying strategies.

CSO inside strategy for lobbying and advocacy is based on their participation in stakeholder consultation mechanisms, for example, the National Working Group on Trade, and various working groups dealing with sector-specific trade issues, such as, services, intellectual property, trade facilitation etc. On the other hand, the Civil Society Working Group on Trade has been used as an instrument for outside strategy. Through this forum CSOs plan their campaigns to inform and influence public opinion and exert pressure on policy makers.

CSOs, based on their mandates and research and analysis, also undertake capacity building activities. Their target audiences include other CSOs working on trade issues, staff of relevant government ministries, and other stakeholders, e.g., Parliamentarians and media. This capacity building can lead to better understanding of trade-related issues among all stakeholders and a more informed and constructive dialogue among them. One interesting example of capacity building activities by CSOs in Zambia is the Magoye project by CSTNZ. This project aims to strengthen the voice of small-scale farmers to influence the policy process while at the same time improving their livelihoods through activities such as value-addition production⁴⁵. Such projects also show the rural reach of some of the CSOs. This reach needs to be strengthened as most CSOs active on trade issues are based in Lusaka or in other urban centres.

The CSOs through all the four types of activities attempt to give voice and power to those who are at the margins of the policy making processes. This includes the informal sector employees also. Being self employed, this group does not have any formal representative. Yet, they are equally affected by trade policy measures. CSOs attempt to assess the impact of trade policy measures on various disadvantaged groups and lobby for the measures in their favour.

6.5.4. Key Consultative Mechanisms

After the elections in 1991, and the increased acceptance of democratic principles, non state actors started demanding the opportunity to participate in managing public affairs. NSAs began to become involved in development initiatives including the revision and formulation of economic policies. Government accommodated their participation in the formulation of PRSP, FNDP and Vision 2030⁴⁶. Several mechanisms have also been established to undertake stakeholder consultations on trade issues.

National Working Group on Trade (NWGT)

National Working Group on Trade (NWGT) is the main forum in Zambia that brings together state and non-state stakeholders for consultations on all trade-related issues. This forum provides for the participation of NSAs, particularly the private sector, in trade policy making.

NWGT is headed by a private sector representative: MCTI serves as its secretariat. Current head of NWGT is the Executive Director of the Zambia Export Growers Association. On the Group are represented the following institutions:

- Ministry of Commerce, Trade and Industry
- Ministry of Finance and National Planning
- Ministry of Agriculture and Cooperatives
- Zambia Development Agency
- Zambia Association of Chambers of Commerce and Industry
- Zambia Association of Manufacturers
- Zambia National Farmers Union
- Zambia Federation of Women in Business
- Zambia Revenue Authority
- Chilanga Cement PLC
- Zambia Sugar – Illovo
- Zambia Export Growers Association

NWGT has established a number of sub-committees and working groups for specific issues and to provide recommendations on relevant topics. These sub-committees and groups are organized around various trade agreements and negotiations as well as sectors. In the first category are those that deal with the WTO, COMESA, SADC and Cotonou/EPA with the EU. The second category includes sector and issue specific sub-committees and working groups dealing with agriculture, services, intellectual property rights, trade facilitation, and donor programmes, such as IF. Representatives of the relevant government ministries and agencies and non-state actors are invited to participate in the working groups. These groups meet regularly to discuss trade and related issues relevant to their respective areas of competence.

Consultations with NWGT feed into the formulation of negotiating positions and development of trade strategies by the MCTI. NWGT has been a useful mechanism that has filled an important gap in stakeholder consultations arrangements on trade issues.

The functioning of NWGT can be further improved. Currently there are concerns regarding its sustainability, particularly the mushrooming of sub-committees and working groups. The members of these groups often involve the same people and the plethora of meetings makes it very difficult for them to attend all the working groups and sub-committees. A proposal to rationalise the structure by collapsing all sub-committees and working groups into a few working groups around sectors (for example, agriculture, services and industry) are worth consideration⁴⁷.

Agriculture Consultative Forum (ACF) and Trade Expansion Working Group

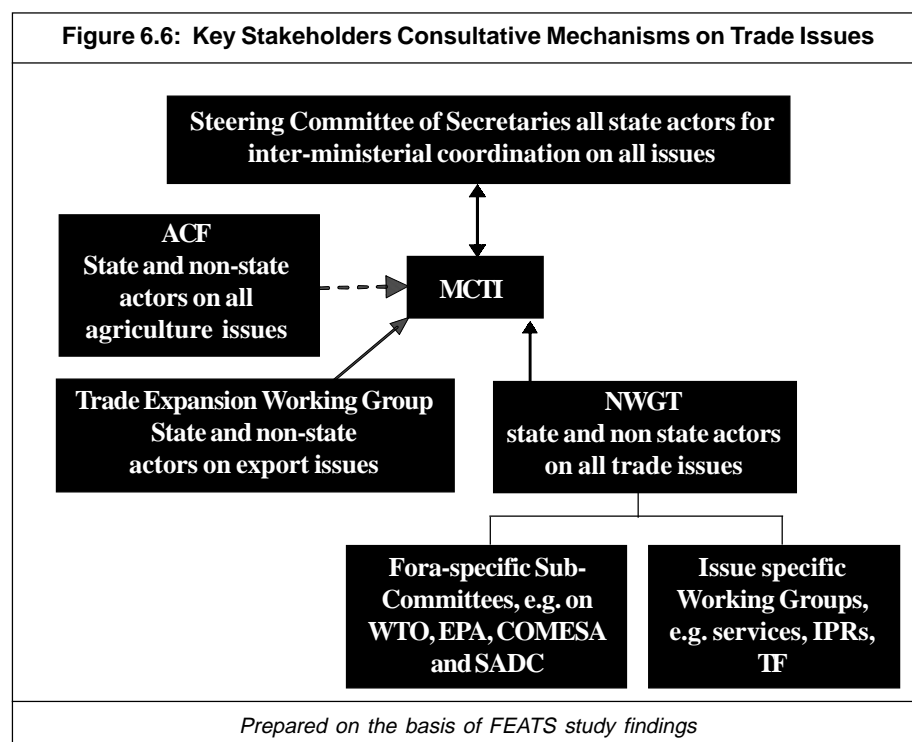
Other forums and groups are convened for dialogue, coordination and recommendations on policy issues that are also related to trade. Most important among these are the Agriculture Consultative Forum (ACF) and the Trade Expansion Working Group.

The ACF solicits inputs from stakeholders and communicates to the relevant authorities through ACF Advisory Notes. This helps the government in understanding the concerns and views of farmers' unions and the private sector on the full range of agricultural issues including those related to trade. ACF is well established and has built a good reputation as the main consultative forum to bring together the state and non-state actors. However, its capacity needs to be built to encourage evidence-based policy making. MCTI too should actively participate in the ACF⁴⁸.

The Trade Expansion Working Group consists of state and non-state actors. It is headed by a chairperson from the private sector. This Group provides information on export-related issues and allows for stakeholders consultations on these issues⁴⁹.

Steering Committee of Secretaries

Apparently there is a Steering Committee consisting of all Permanent Secretaries to ensure inter-ministerial coordination on all issues requiring such coordination. Hardly any information is available on the functioning of this Committee and its effectiveness in ensuring inter-ministerial coordination on trade issues. The available literature often indicates the need for greater coherence and coordination among various government ministries and agencies⁵⁰.



6.6. Zambia Experience of Trade Policy Making Process as Viewed by Stakeholders⁵¹

It is generally acknowledged that the first and second Republics were characterised by non consultation of local stakeholders in policy formulation, while the third Republic has adhered to the principles of consultation and participation of stakeholders⁵². Consultations on issues related to trade are undertaken through the institutional mechanisms established for the purpose (described in section 5). Policy makers and stakeholders also interact through other means, e.g., policy workshops, sensitisation campaigns, roundtable meetings, and other informal contacts⁵³.

The larger group of all relevant stakeholders is divided into four categories for the organisation of information and analysis in this section. These are: Ministry responsible for trade policy making (MCTI); other relevant government ministries and agencies; private sector; and civil society.

6.6.1. Ministry of Commerce, Trade and Industry (MCTI)

MCTI is entrusted with the responsibility to deal with all trade issues. This includes changes to domestic trade policies as well as participation in bilateral, regional and multilateral trade-related negotiations. Important recent contributions by MCTI regarding all these spheres of its mandate are the following:⁵⁴

Domestic Policy

- Amendment of the Control of Goods Act to provide for safeguard measures against imports which threaten or cause injury to domestic industry
- Scrap Metal Act to regulate scrap metal trade
- Amendment to the Trades Licensing Act to revise fees and regulate wholesale and retail trade, and increase trading hours
- Efforts to effectively implement the Competition and Fair Trading Act 1994 to regulate anti-competitive business practices

Bilateral Trade and Regional Integration

- Participation in Joint Permanent Commissions with Namibia, Tanzania and Zimbabwe to discuss trade issues as well as following JPCs with other major bilateral trading partners
- Participation in SADC negotiations on Rules of Origin (RoO), relations with SACU, and trade in services liberalisation among member states
- Contribution to COMESA list of sensitive products for exclusion from the Common External Tariff
- Preparation of list of products to be traded under the COMESA Simplified Trade Regime
- Ratification of the Protocol on the COMESA Fund (AFT programme)

EPA

- Fully engaged in the negotiations and taking a leading role from ESA region

WTO

- Contributing to the preparations for the scheduled Trade Policy Review
- Participation in Doha Round of negotiations

MCTI have consulted with stakeholders with regard to the above, often with high stakeholders' participation in consultations⁵⁵. MCTI has been utilising the NWGT for these consultations and encourages sectoral inputs from other relevant ministries.

MCTI position as the main government ministry to deal with all trade issues is well established. It also has established mechanisms for stakeholders' consultations. On the other hand, MCTI faces two main challenges while performing its trade-related functions:

- The number of technical staff is still limited. The few professionals in the ministry, no matter how competent and dedicated, cannot be expected to handle all the issues thoroughly and ensure continuous stakeholders consultation.
- There is need to improve the information flow to all stakeholders, particularly non-state actors. For example, the revised Trade Policy 1994 is still not on the MCTI website.

6.6.2. Other Relevant Government Ministries and Agencies

A number of other government ministries and agencies have issues under their mandates directly related to trade. Their primary roles *vis-a-vis* trade policy making and implementation range from providing policy guidance (e.g., Ministry of Finance and National Planning), to providing input and feedback (e.g., Ministry of Agriculture and Cooperatives), to implementing trade policy measures (e.g., Zambia Revenue Authority). All these roles require regular interaction with the MCTI. Regular interaction will lead to a coordinated approach on all trade-related issues, facilitate the development of a coherent policy framework, and improve the sense of ownership and hence, better implementation.

The interdependence of various policies is well understood. Still, there are examples of uncoordinated action across relevant government agencies. An oft-quoted example is the substantial and rather sudden appreciation of the Zambian Kwacha in November 2005. This created significant problems for growers and exporters of tobacco, cotton and floriculture as the local costs of production remained the same, while the export revenues decreased drastically. It was argued that this appreciation was a result of market dynamics. However, an early warning and/or intervention by the Central Bank would have helped in stabilising the Kwacha. Closer interaction between the MCTI and the Central Bank would have also helped in taking a more coordinated approach to cushion the growers and exporters from some of the adverse impacts of the sudden appreciation⁵⁶.

The main reasons for less than optimal interaction among all relevant government ministries and agencies are two. One, often the ministries are narrowly focusing on their respective mandates only, without consciously looking at and responding to inter-linkages with other policies under the mandates of other ministries. Two, all government ministries and agencies have limited human and financial resources. They cannot afford to shift these limited resources from their core areas of work to attend to what are perceived to be the interests and concerns of other ministries.

Some suggestions to improve inter-ministerial coordination and interaction on trade issues include:

- Vision 2030 should be consciously used to tailor all other policies. Similarly, the FNDP is to be followed in all policy areas and in the respective strategic plans of all ministries. This will ensure that various policies, strategies and plans are coherent and do not contradict each other.
- Capacity of all relevant ministries and government agencies to understand the linkages with trade policy and contribute positively to trade policy making and implementation in their respective areas should be improved.
- MCTI should take initiatives to share information and developments with other relevant ministries and government agencies. MCTI should also consider establishing institutional mechanisms for regular input and feedback from other ministries on trade policy issues.

6.6.3. Private Sector

The private sector, through its various umbrella organisations as well as via some large individual enterprises, participates in trade policy making. It is engaged through both the established institutional mechanisms for consultations (e.g., NWGT), as well as in bilateral meetings with relevant government authorities. Some business associations, such as the Zambia National Farmers Union (ZNFU) and the Zambia Export Growers Association (ZEGA) have been successful in bringing issues of interest and concern to the government and lobby for appropriate action.

However, the effectiveness of private sector participation in trade policy making is still sub-optimal. The main reasons for this involve:

Lack of Analytical Capacity

While some private sector organisations have been good at lobbying the government on selected issues, they lack the capacity to critically evaluate trade policy. Even the Zambia Association of Chambers of Commerce and Industry (ZACCI) does not have the capacity to monitor all developments, critically analyse trade policy measures to understand their potential impact on various segments of its constituency, and offer concrete suggestions.

Lack of Interest

In some cases it is the larger and better-endowed segments of business that may not be interested in trade policy framework. They may be the ones who have the resources to evaluate trade policy better but whose short term interests do not prioritise such investments. For example, the large-scale miners are more concerned with international metal price movements than the domestic trade policy or WTO negotiations. This may make sense in the short term but ignoring such larger policy issues may not be a wise long term strategy⁵⁷.

It has also been observed that generally the representatives of the private sector participate in those meetings where the supply capacity issues are being addressed through various incentive schemes, including provision of low cost capital⁵⁸.

Reconciling Multiple Interests

It is also true that the private sector is not one monolithic body with a common agenda. Their interests are different depending on, among others: the size, the nature of economic activity, and the benefits they can get under the existing policy framework. The large umbrella organisations cannot reconcile all the differences among various parts of their constituencies. Even the businesses nominally part of the same sector/activity may have different interests. For example, Zambia Sugar plays a key role in Sugar Protocol negotiations with the EU. But the MCTI also consults with Kaleya Smallholder Scheme on issues that may have impact on sugarcane growers, e.g., related to their social welfare.

The above are the major challenges and clearly, there are no easy solutions. What is clear, though, is that the onus is more on the private sector to organise itself better and invest in its capacity building on trade policy issues. At the same time, government efforts are needed to educate and involve those segments of the private sector that are currently on the margins of policy making process, for example small and micro enterprises.

6.6.4. Civil Society

Three important developments in the last decade or so have opened up the policy making process in Zambia to CSOs. First was the reaction and outcry against the impact of policies in the 1990s. Despite good intentions, these policies were designed with little knowledge and even less consultation with stakeholders. The outcry and criticism led to the initial opening up of the process of formulating development programmes, by engaging local non-state actors, including CSOs.

Two, many donors encouraged the government to undertake multi-stakeholder consultations. Furthermore, they sometimes provided the financial and technical support to build the capacity of civil society to better avail itself of the opportunities of consultations. Three, the Cotonou Partnership Agreement (CPA) in chapter two specifically recognised the role of NSAs⁵⁹. There are also provisions under the CPA for financial assistance to facilitate the organisation of stakeholders' consultations as well as for the capacity building of CSOs.

Civil society responded positively to these developments and organised itself according to theme/sector of interest (CSPR, Jubilee 2000, CSTNZ) to have better influence⁶⁰. As a result of a good research base and policy analysis, the CSOs have built up a good platform to lobby the government on issues that concern the general public, including trade-related issues.

CSTNZ is the nodal NGO for MCTI and other government departments for garnering views of civil society on trade-related issues. It is also a member of the various stakeholder consultation groups the government has convened for this purpose. CSOs have also established a Civil Society Working Group on Trade to pool their resources and strategise together on trade-related issues.

CSOs mainly use three means to interact with the government on trade-related issues. One, they participate in the mechanisms and meetings organised by the MCTI on trade issues. Two, they use the platform of round table meetings with relevant ministries to lobby the government. Three, they run media campaigns on selected issues to educate and influence the public opinion that can exert pressure on the government in favour of the CSO positions⁶¹.

The main constraint on better and more effective participation of CSOs in trade policy making processes is their own lack of resources and capacities. For example, CSTNZ is poorly equipped to handle all the demands from the government and perform the role of an interlocutor between the government and the CSOs. Such a role requires more human and financial resources than CSTNZ currently commands⁶².

The lack of capacity is also evident in the area of research and analysis. The Zambia Trade Network has started to build understanding of trade issues in civil society but they have little in-house capacity and their task is enormous. Moreover, trade professionals are generally in limited supply in Zambia – there was few economists at the University of Zambia who had specialised in trade issues, and there is no specialised think tank or research centre on trade issues⁶³.

CSO's lack of capacity is exacerbated by a mushrooming of consultative meetings called by various sub-committees and working groups established by the MCTI under the NWGT. They are simply unable to attend and effectively participate. Hence, a streamlining of these sub-committees and working groups into fewer sector-specific organs of the NWGT will also help the CSOs to take better advantage of the opportunities they offer. CSOs too should consider improving their coordination to better utilize their limited resources.

6.7. Zambia Inclusive Trade Policy Making (ITPM) Index

Given the information and analysis in the previous section and based on the framework developed for this study and given in the annexure, an attempt is now made to construct a simple ITPM Index for Zambia. While this presents a useful picture, it should be viewed only as a very rough estimate of the actual situation. It should also be noted that the scores presented in the table are based on the feedback from corresponding groups of stakeholders. The main objectives of this graphic presentation are:

- Increasing the awareness regarding the political economy aspects of trade policy making in Zambia;
- Assessing in qualitatively terms the inclusiveness of trade policy making process in Zambia in terms of the capacities, actions and participation of main groups of stakeholders;
- Illustrating the areas where further efforts and action is required thus facilitating the focusing of capacity building initiatives by all concerned: and
- Facilitating the development of more inclusive trade policy making process in Zambia that will create local buy-in for the resulting policy. Only such a buy-in can ensure a successful and sustained implementation of the trade policy to achieve the objectives of Vision 2030, FNDP, and the MCTI strategic plan.

Table 6.12: Zambia ITPM Index		
Action Variable	Action by	Action Value
A. Identification of all key stakeholders	MCTI	Most identified = 0.75
B. Creating awareness about the need for trade policy	MCTI	Many efforts made = 0.75
C. Establishment of formal consultative mechanisms	MCTI	Yes = 1.00
D. Functioning of formal consultative mechanisms	MCTI	Functioning most of the time = 0.75
E. Regular information flow to the stakeholders including on the content of trade policy	MCTI	Irregular information flow = 0.50
Part I Score	MCTI	3.75/5.00
F. Regular participation in the process and feedback to the relevant authorities	Other relevant government ministries/agencies	Most of the time = 0.75
G. Faithful representation of and regular feedback to the represented constituencies	Other relevant government ministries/agencies	Occasional faithful representation and/or irregular feedback = 0.50
H. Acquiring relevant knowledge and expertise	Other relevant government ministries/agencies	Some knowledge and expertise = 0.50
Part II Score	Other relevant government ministries/agencies	1.75/3.00
I. Regular participation in the process and feedback to the relevant authorities	Private sector and business umbrella organisations	Yes = 1.00
J. Faithful representation of and regular feedback to the represented constituencies	Private sector and business umbrella organisations	Occasional faithful representation and/or irregular feedback = 0.50
K. Acquiring relevant knowledge and expertise	Private sector and business umbrella organisations	Some knowledge and expertise = 0.50
Part III Score	Private sector and business umbrella organisations	2.00/3.00
L. Regular participation in the process and feedback to the relevant authorities	Civil society organisations	Yes = 1.00
M. Faithful representation of and regular feedback to the represented constituencies	Civil society organisations	Occasional faithful representation and/or irregular feedback = 0.50
N. Acquiring relevant knowledge and expertise	Civil society organisations	Some knowledge and expertise = 0.50
Part IV Score	Civil society organisations	2.00/3.00
ITPM Index Score	All stakeholders	9.50/14.0

Out of a total possible value of 14, Zambia ITPM Index has a value of 9.5. However, of greater interest and relevance are the scores by various groups of stakeholders. The lowest score is by other relevant government ministries and agencies, followed by private sector and CSOs with MCTI getting the highest score. This indicates the need to improve the participation of other relevant government ministries and agencies in the process. It also indicates the need for more efforts by private sector and CSOs as well as support by MCTI to all the other groups of stakeholders which will require building its own capacity to provide this support.

6.8. Conclusions

Key conclusions from the analysis in the study include:

- An objective assessment of the situation in Zambia would indicate that many Zambian stakeholders have a reasonable chance to participate in trade policy formulation processes. However, it also emerges that some stakeholders are currently not included in the consultation processes, for example, consumers and Parliamentarians. Moreover, most non-state stakeholders, and some in the relevant government ministries, lack the technical knowledge and capacity to take full advantage of participation opportunities. Streamlining consultative mechanisms can be helpful to address the capacity constraints at least in part.
- The consultative mechanisms mainly focus on improving the participation of stakeholders in the discussions on trade policy issues. The multi-stakeholder fora particularly do not have any decision-making mandate. This can discourage the interest and participation of stakeholders in the consultative mechanisms. Hence, the consultative mechanisms may be vested with at least the power to make recommendations to the relevant authorities who should be bound to either accept such recommendations or provide reasons for not doing so. Such empowerment will make the consultative mechanisms more useful and relevant, and improve the inclusiveness of the trade policy making process.
- The influence of various non-state stakeholders is not the same. The influence and effectiveness of stakeholders in the policy making process is a function of: resources and capacity to participate regularly and make technically sound contributions, regular and timely feedback to their constituencies and faithful representation of their interests, and, relationship with and access to the relevant government authorities. The most influential have been ZBF, ZACCI, ZEGA, CSTNZ and ZNFU. Their advantage arises from their organisation and resources and from the fact that they are umbrella associations representing large numbers of NSAs. Another key factor in their favour is the preference of the government authorities to deal with large umbrella organisations of the private sector and CSOs instead of individual enterprises and organisations⁶⁴.
- Better coordination and harmonisation of policies, in particular organic links between the trade policy, on one hand, and the national development policies, on the other, is needed.

Based on these, and more specifically to address weaker areas as brought out by the dis-aggregated scores of various groups of stakeholders on the ITPM Index, following recommendations for action are also put forward:

- Identification and involvement of remaining stakeholders, particularly consumers and Parliamentarians, should be a priority.
- Streamlining the existing institutional arrangements for stakeholder consultations to reduce the number of sub-committees and working groups and increase the focus of their work, preferably on sectoral lines will greatly improve the effective participation of stakeholders. The legal mandates of these mechanisms should be clarified to endow them with some advisory role.
- Establishment of mechanisms, including through the use of information technology for regular information flow including on the content of trade policy to all stakeholders should be undertaken by all stakeholders, particularly the MCTI.
- Improving coordination and interaction with all relevant line ministries and other government agencies that either provide inputs/feedback on or assist in the implementation of trade policy measures is urgently needed.
- Improving the links between the secretariats of the umbrella organisations and their respective constituencies to ensure regular two-way inputs and feedback should be a priority for both the private sector and CSOs.
- Improving the capacity of the CSOs for regular participation in stakeholder consultations through better CSO internal coordination will require little resources but can pay substantial dividends.
- Building knowledge and expertise of all stakeholders on priority trade issues, e.g. those related to EPA negotiations and national trade policy formulation, should be undertaken by MCTI which should be provided the resources for this purpose. Other stakeholders should also contribute to this effort.

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Annexure

Developing an Inclusive Trade Policy Making (ITPM) Index

1. Introduction and Objectives

This annexure provides a general context for trade policy making in developing countries and LDCs with a view to developing a simple index to measure inclusive trade policy making. This will greatly facilitate the examination of trade policy making processes in the project countries of FEATS. Such an index will serve several objectives that include:

- Raising awareness about the political economy aspects of trade policy making;
- Assessing the inclusiveness of a country's trade policy making processes in terms of the capacities and participation of main stakeholders in these processes;
- Identifying the weaknesses and gaps that should be the target of related capacity building and other activities by the governments, donors, and various stakeholders;
- Allowing for comparisons across countries to identify good practices as well as prompting actions by countries lagging behind; and
- Improving prospects for domestic ownership of trade policies through development and application of more inclusive trade policy making processes.

2. Methodology

The methodology to develop the ITPM Index consisted of three stages. In the first stage, an analytical framework was developed which is explained in detail in the next sub-section. Important elements of this analytical framework include: defining main features of an inclusive trade policy that has national ownership, identifying the links of these features with key elements of the trade policy making process and the relevant stakeholders, and developing action variables to assess the performance of all the relevant stakeholders.

In the second stage, the analytical framework was used to construct initial IPTM Indices for all the five project countries. The values assigned to the action variables were based on the feedback from the corresponding and other stakeholders during the conduct of the study. These initial ITPM Indices were included in the first drafts of the country studies.

The third stage focussed on the validation of the analytical framework and the initial values assigned to action variables. Two means were utilised to carry out this validation. One, the first drafts of country studies were subject to an extensive review process. The

staff of CUTS International, members of the FEATS Project Advisory Committee (PAC), and members of the respective FEATS country National Reference Groups (NRGs) took part in the review process. This review process resulted in the preparation of the revised drafts of country studies which also included revised ITPM Indices. Two, the revised draft studies were discussed at length during the FEATS National Dialogues held in project countries in April-May 2009. Stakeholders participating in these NDs provided many useful comments on the ITPM Index. These stakeholders also provided written inputs/feedback through a short survey conducted during the NDs. These comments and survey feedback were used to further refine the ITPM analytical framework as well as ITPM country Indices.

3. Analytical Framework for Inclusive Trade Policy Making Index

3.1 Trade Policy

Trade has been recognised as a key engine for growth and development. Developing countries and LDCs in particular are encouraged and strive to increase their participation in trade. Their aim is to use trade as a tool to increase production, productivity and competitiveness and thereby generate resources, employment and opportunities to climb the development ladder. Trade policy serves as a means to achieve these objectives and hence has assumed a key position in the development strategies of developing countries and LDCs.

Trade policy of any country can comprise of a number of documents. Broadly defined it can include any governmental measure that has an impact on the trade performance of the country. Such an expansive definition, would therefore, include almost any governmental measure not only in the economic arena but also in the social, environmental and even political spheres. While recognising these inter-linkages, practical considerations require a narrower and more focused scope for the trade policy. Accordingly, a more targeted definition of trade policy would include the following:

- A comprehensive document providing the main objectives – and the methodology to achieve these objectives – dealing with both the imports and exports;
- The legislative acts, executive directives and decisions, and other regulations dealing with individual sectors/sub-sectors of the economy;
- The plan and accompanying instruments to implement the comprehensive trade policy document; and
- The negotiating positions of the country in various trade-related negotiations, for example, under the WTO, regional and sub-regional integration arrangements, and bilateral FTAs etc.

The scope thus defined still remains broad; bringing home the point that trade policy has wider linkages and implications. It should also be noted that not only can there be overlap among the various documents mentioned above (for example, between the sector-specific directives and the trade policy implementation plan), but also, not all countries may have all the documents mentioned (for example, several LDCs still do not have the comprehensive trade policy document). Furthermore, there may be incoherence between policy, and the actual implementation of policy, whether due to a lack of capacity, a lack of knowledge, or a time lag between decision making and enforcement of policy.

This further illustrates the complexity of issues involved while dealing with trade policy making and implementation in developing countries and the LDCs.

3.2 Elements of an Inclusive Trade Policy with National Ownership

Understanding this complexity helps in identifying the features of an inclusive trade policy that has national ownership. There is no one-size-fits-all trade policy that can be good for all countries at all levels of development and for all times. There is a general agreement among economists that an open trade policy, allowing free movement of all factors of production into and out of the country, should be the ultimate goal. However, the pace and sequencing to reach that goal while striving to grow and develop has to be determined in the context of the special circumstances prevailing in each country which requires that the trade policy be inclusive and have national ownership. Hence, a more reasonable approach is to identify the features of an inclusive and nationally-owned trade policy rather than prescribe the exact contours and content of the policy. Following this approach and based on the points above, the features below should be available if a trade policy is to be called an inclusive trade policy that has national ownership:

- It should be based on the overall national development policy (coherence between development and trade policies);
- It should be supportive of and be supported by other government policies dealing with other sectors of the economy and indeed society (coherence between trade and other socio-economic policies);
- It should balance the interests of all key stakeholders, for example, of exporters and importers, of producers and consumers, of farmers and manufacturers, and of urban and rural dwellers, etc. (balance);
- It should be in conformity with the commitments of the country under the WTO and other regional and bilateral agreements (harmony with international commitments); and
- It should have an appropriate implementation plan with the commitment of adequate resources (committing needed resources to implement plans).

3.3 Importance of Trade Policy Making Process

The features of an inclusive trade policy as identified above indicate the importance of the trade policy making process. The process of making trade policy will determine whether the key features of a nationally-owned policy are attained which in turn determines the contents of policy. This may not lead to the best policy under all circumstances but it will be a trade policy developed for the specific context of a country and with the widest possible buy-in and support from all key stakeholders. This support and ownership ensure policy's relevance and proper implementation.

Based on the above, one can outline the key elements of a trade policy making process that can be expected to ensure that the trade policy has the essential features for its relevance and successful implementation. Outlining the key elements of the process also leads to the identification of the relevant stakeholders. This is presented in the analytical table on the next page that first links the essential features of an inclusive trade policy mentioned above with the needed elements of the trade policy making process. Then it also identifies the main stakeholders for each of the needed elements of the trade policy making process.

A very important assumption implicit in the analytical table is that the key stakeholders are an active part of the process. This means not only identification of these key stakeholders but also allowing them opportunities for equal participation and proportionate influence. The trade policy making process will be fundamentally flawed if it does not identify all the key stakeholders, or does not allow them equal participation in the process, or allows for disproportionate influence by small but powerful lobby groups. However, this is easier said than done. Even developed countries with their well entrenched democratic systems and vast resources sometimes fail to ensure all of this, i.e. identification of all key stakeholders, equal participation by all in the process, and proportionate influence. Nevertheless, this remains and should remain the objective for both developed and developing countries. The next sub-section therefore attempts to develop a simple index to measure the participation and influence issues.

Table A.1: Analytical Tool – Linking Essential Features of an Inclusive and Nationally-Owned Trade Policy with Relevant Stakeholders through Trade Policy Making Process		
Features of a Inclusive Trade Policy	Key Elements of Inclusive Trade Policy Making Process	Relevant Stakeholders
Based on national development policy	Clear guidance/directions from national development policy makers	National development policy makers (e.g., Ministry for Planning and Development, President's Office, Parliament, etc.)
Linked with other governmental policies	Timely inputs and feedback from other government ministries/ departments	Other relevant government ministries/departments (e.g., those dealing with agriculture, employment and labour, finance, competition and consumer protection, education and health, etc.)
Linked with international commitments (to implement the commitments as well as to guide the positions regarding future possible commitments)	Timely inputs and feedback from relevant ministries and negotiators	Relevant ministries (e.g., Ministry of Foreign Affairs, etc.) and negotiators (e.g., dealing with the WTO and EPA negotiations)
Balancing the interests of all key stakeholders	Regular inputs and feedback from key non-state stakeholders	Key non-state actors (e.g., representatives of the private sector, farmers, consumers, and the civil society)
Clear implementation plan with adequate resources	Articulation of implementation plan and commitment of required resources	Relevant government ministries (e.g., Ministries of Trade, Finance, Planning) and donors (multilateral and bilateral)

4. Constructing a Simple Index for Inclusive Trade Policy Making (ITPM)

The term ‘Inclusive Trade Policy Making’ (ITPM) has been used to capture all the three elements of the discussion in the previous sub-section. This means that i) all the key stakeholders have been identified; ii) they have the equal opportunity to participate in the process; and iii) none of them is allowed to disproportionately influence the process and outcome in favour of its own interests.

The simple ITPM Index has four parts related to four main categories of stakeholders. Part I has five action variables where action is primarily the responsibility of relevant government ministry responsible for trade policy making and implementation. The remaining three parts have three similar action variables each where action is the responsibility of other relevant government ministries/agencies, private sector, and the CSOs, respectively.

For the sake of simplicity, all the action variables can have only five values: maximum value of 1 (when the appropriate action has been taken by the concerned actor), high value of 0.75 (when quite a lot has been done by the concerned actor but some gaps still remain), intermediate value of 0.5 (when action has been taken by the actor concerned but that is not sufficient), low value of 0.25 (when some action has been taken by the concerned actor but much remains to be done), and minimum value of zero (when the action has not been taken at all by the concerned actor). In qualitative terms, these values correspond to the respective answers of yes, many/most, some, few/little, and no. The table below presents this in a graphic form.

It should be emphasised that this ITPM Index is not based on robust quantitative analysis. It is rather a simple, qualitative instrument which nevertheless is based on a logical methodology which has been tested through FEATS NRG consultations as well as FEATS National Dialogues held in April-May 2009 in all the five project countries of Kenya, Malawi, Tanzania, Uganda, and Zambia. It can be further improved with experience while maintaining its simplicity as was emphasised by the stakeholders in the FEATS National Dialogues.

This simple and qualitative tool has been used in each country study included in this volume to measure the inclusiveness of trade policy making in these countries. The results are quite instructive and provide useful insights not only regarding the processes and roles of various groups of stakeholders, but also in relation to the actions that should be taken to have a more inclusive trade policy that is nationally owned in these countries.

Table A.2: ITPM Index – Action Variables, Actors and Values		
<i>Part I: Ministry responsible for trade policy making and implementation</i>		
Action Variable	Action by	Action Value
A. Identification of all key stakeholders	Ministry responsible for trade policy	Action Value Yes = 1 No = 0 Most identified = 0.75 Some identified = 0.5 Few identified = 0.25
B. Creating awareness about the need for trade policy	Ministry responsible for trade policy	Yes = 1 No = 0 Many efforts made = 0.75 Some efforts made = 0.5 Few efforts made = 0.25
C. Establishment of formal consultative mechanisms	Ministry responsible for trade policy	Yes = 1 No = 0 Established for most trade policy issues = 0.75 Established for some trade policy issues = 0.50 Established for few trade policy issues = 0.25
D. Regular functioning of formal consultative mechanisms	Ministry responsible for trade policy	Yes = 1 No = 0 Functioning most of the time = 0.75 Irregular functioning = 0.5 <i>Ad hoc</i> functioning = 0.25
E. Regular information flow to the stakeholders including on the content of trade policy	Ministry responsible for trade policy	Yes = 1 No = 0 Information flowing most of the time = 0.75 Irregular information flow = 0.5 <i>Ad hoc</i> information flow = 0.25

<i>Part II: Other relevant government ministries/agencies</i>		
Action Variable	Action by	Action Value
F. Regular participation in the process and feedback to the relevant authorities	Other relevant government ministries/agencies	Yes = 1 No = 0 Most of the time = 0.75 Irregular = 0.5 Little and / or <i>ad hoc</i> = 0.25
G. Faithful representation of and regular feedback to the represented constituencies	Other relevant government ministries/agencies	Yes = 1 No = 0 Most of the time = 0.75 Occasional faithful representation and/ or irregular feedback = 0.5 Little faithful representation and / or <i>ad hoc</i> feedback = 0.25
H. Acquiring relevant knowledge and expertise	Other relevant government ministries/agencies	Yes = 1 No = 0 Substantial knowledge and expertise = 0.75 Some knowledge and expertise = 0.5 Little knowledge and expertise = 0.25

<i>Part III: Private sector</i>		
Action Variable	Action by	Action Value
I. Regular participation in the process and feedback to the relevant authorities	Private sector and business umbrella organisations	Yes = 1 No = 0 Most of the time = 0.75 Irregular = 0.5 Little and / or <i>ad hoc</i> = 0.25
J. Faithful representation of and regular feedback to the represented constituencies	Private sector and business umbrella organisations	Yes = 1 No = 0 Most of the time = 0.75 Occasional faithful representation and/ or irregular feedback = 0.5 Little faithful representation and / or <i>ad hoc</i> feedback = 0.25
K. Acquiring relevant knowledge and expertise	Private sector and business umbrella organisations	Yes = 1 No = 0 Substantial knowledge and expertise = 0.75 Some knowledge and expertise = 0.5 Little knowledge and expertise = 0.25

<i>Part IV: CSOs</i>		
Action Variable	Action by	Action Value
L. Regular participation in the process and feedback to the relevant authorities	Civil society organisations	Yes = 1 No = 0 Most of the time = 0.75 Irregular = 0.5 Little and / or <i>ad hoc</i> = 0.25
M. Faithful representation of and regular feedback to the represented constituencies	Civil society organisations	Yes = 1 No = 0 Most of the time = 0.75 Occasional faithful representation and/ or irregular feedback = 0.5 Little faithful representation and / or <i>ad hoc</i> feedback = 0.25
N. Acquiring relevant knowledge and expertise	Civil society organisations	Yes = 1 No = 0 Substantial knowledge and expertise = 0.75 Some knowledge and expertise = 0.5 Little knowledge and expertise = 0.25

Fostering Equity and Accountability in the Trading System (FEATS): Another African Initiative of CUTS

CUTS Geneva Resource Centre (CUTS GRC) has joined hands with CUTS Africa Resource Centres in Lusaka and Nairobi to implement the FEATS project. This project envisages multi-stakeholder capacity building in Kenya, Malawi, Tanzania, Uganda, and Zambia through organically linked research, advocacy and networking activities.

CUTS has been actively working on trade and related issues in a number of sub-Saharan African countries since 2000. Working with local partners on issues such as competition, investment and regulation, trade and development and poverty linkages, it has established itself as a research based advocacy organisation assisting in achievement of the development aims of countries in the continent through South-South partnerships and raising their voices across the globe wherever international trade and development policies are being forged. To sustain and expand these efforts with national and regional linkages, CUTS established its first Africa Resource Centre in Lusaka, Zambia in 2000. Another Centre was established in Nairobi, Kenya in 2003. Both the centres are active civil society participants in their respective regions as well as in Pan-African events.

The international trade and development policy making community is active in Geneva, and the African voice needs to be heard better there. Accordingly, with support from the William and Flora Hewlett Foundation of the US, CUTS GRC was established in July 2008. This Centre is spearheading the implementation of the FEATS project, a re-affirmation of CUTS commitment to build robust North-South linkages for the growth and development of developing countries, particularly in Africa.



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