

AID-FOR-TRADE: CASE STORY

UNCTAD

The Bio Trade Initiative Programme in Uganda (BTIU)

UGANDA

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

The Bio Trade Initiative Programme in Uganda (BTIU)

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Executive Summary

The Bio Trade Initiative of UNCTAD is an example of an aid for trade case that aims to promote sustainable development through the sustainable commercial use of biodiversity-based products and services. In many developing countries, UNCTAD has launched national programmes that aim to support the inclusion of social, economic and environmental sustainability practices (Bio Trade Principles) into promising biodiversity sectors such as natural ingredients, sustainable tourism, sustainable agriculture, wildlife trade, handicrafts, among others. Through national counterparts, the Bio Trade concept¹ and methodologies are implemented in Asia, Africa and Latin America.

The Bio Trade Initiative Programme in Uganda (BTIU) was initiated through a bilateral understanding between UNCTAD and the Ministry of Tourism, Trade and Industry (MTTI) in 2003. The overall objective is to enhance trade and investment in biological resources while ensuring their sustainable utilization. The BTIU is implemented under the Uganda Export Promotion Board (UEPB) and responds to the country export diversification strategy and integration of trade into environment conservation and poverty alleviation

In Uganda, the BTIU prioritized and supports the development of four sectors: natural ingredients, wildlife trade, ecotourism and carbon trade. In particular for the natural ingredients sector, a strategy was developed and worked focused on strengthening the sector activities through mainstreaming sustainability principles throughout its value chain, supporting market access activities, developing business-to-business initiatives and capacity-building on quality issues.

1. Issues Addressed

Uganda is naturally endowed with a rich biodiversity base that gives it a comparative advantage to develop value added products that capture the international demand for natural, healthy and socially-environmentally friendly products which could be placed in developed countries market such as Europe and the USA. Trade in these biodiversity based products and services managed by rural communities will allow the country to be in a position to exploit opportunities in external markets. The benefit will be an incentive for the communities to conserve biodiversity on private and communal lands. Most of the harvests for raw materials for natural products are from these lands and they make up 70 percent of the country.

The BTIU follows the priorities laid out in the national frameworks such as the National Development Plan (NDP), National Biodiversity Strategy and Action Plan (NBSAP), National Trade Policy (NTP), National Trade Sector Development Plan (NTSDP), National Export Strategy (NES), Competitive Investment Climate Strategy (CICS), Plan for Modernisation of Agriculture (PMA) and international agreements such as Convention on Biological Diversity (CBD), Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), United Nations Convention to Combat Desertification (UNCCD) and Millennium Development Goals (MDGs).

2. Objectives Pursued

The objectives of Bio Trade Initiative Uganda are:

¹ BioTrade refers to those activities of production, transformation and commercialization of products and services derived from native biodiversity (species and ecosystems), under environmental, social and economic sustainability criteria (UNCTAD, 2007). For more information, please visit www.biotrade.org

- (i) create an enabling climate for Bio Trade;
- (ii) disseminate information and create awareness;
- (iii) provide technical assistance to enterprises and their suppliers;
- (iv) promote Bio Trade products in national and international markets; and
- (v) integrate sustainability issues in the productive processes.

3. Design and Implementation

A Bio Trade Unit was created at Uganda Export Promotion Board (UEPB) to coordinate the implementation of the sector strategies under the Bio Trade Programme. The Unit is supervised by the Executive Director of UEPB.

The intervention strategy is focused on strengthening priority value chains through direct support to small and medium size companies to reach national and international markets while at the same time, promote and invest in the development of their suppliers, mainly rural communities. Work also aims to support the integration of value chain strategies into national programmes promoting sustainable use such as the wildlife use rights programme of UWA, and strengthening national sector associations that would promote the sustainable use of biodiversity among other companies.

Since its launch, the Bio Trade Initiative in Uganda has focused in strengthening the natural ingredients for the cosmetic, pharmaceutical and food sectors and wild-life trade for pets. Activities have been developed jointly with representatives from government, private sector, academia, UNCTAD Bio Trade, Dutch Centre for the Promotion of Imports from Developing Countries (CBI), Global Mechanisms and other actors.

4. Problems Encountered

The main challenges of the sector, as identified by UEPB are:

- Complexity of the market entry and acceptability into the foreign markets;
- Limited information on Uganda commercial plant species;
- Capacity inadequacies at enterprise level;
- Relatively new sector with limited support by policy makers;;
- Low technologies levels whereby processes use local fabricated equipment, which does not necessarily meet the international standards;
- Limited value addition initiatives in the sector (over 70% is sold as raw materials);
- Unclear national standards for production and processing of biodiversity-derived products;
- Lack of sector / producer / processor associations and community supplier programmes; and
- Need to continue increasing the quality of the products offered and competitiveness of the SMEs involved.

5. Factors for Success/Failure

The current market trends for innovative, natural and safe products offer an opportunity for countries like Uganda, where its rich biodiversity could be used for developing new and value added products. For instance, the market value of wildlife trade is estimated to be USD 300 billion in 2005 considering declared import values and USD 21 billion without timber and fisheries (Roe, D., 2008 in Kisu-Kisira, H., 2009).

In relation to natural ingredients (NI), the prospects for the sector in Uganda are:

- The sector is community-based for livelihoods and for income generation - poverty reduction;
- Uganda is endowed with the wide range of varieties/species and there is also valuable traditional knowledge available;
- Increased demand for natural ingredients due to growing consumer preferences for green products. In particular, with the support of partners such as UNCTAD and CBI, access to the EU market has been facilitated. This is one of the world's biggest traders and second largest consumer of natural ingredients;
- Favourable climatic conditions for the sector with improved security in areas considered as potential for natural ingredients; and
- The sector attracts vocational skills and entrepreneurship training.

For instance, the natural ingredients sector has been prioritized and is now included in Uganda's National Export Strategy 2008-2012. The Export Strategy recognizes that countries that focused on commercialization of natural ingredients now reap heavily from a multi-billion dollar market of natural ingredients. These range from food, to pharmaceutical and cosmetic ingredients which are being sold internationally.

However, SMEs in these sectors need to be further developed and supported, if they are to capture the promising markets in developed countries. As an indication, trade in wildlife is characterized with stringent regulatory and market demands for conformity to environmental regulations, high quality and traceability requirements, high product specifications and documentation requirements, supply consistency and volumes, etc. Developing countries' SMEs in Bio Trade face these challenges and hence their growth depends on their capacity to respond to these requirements and sustain supplies, and also on the provision of an enabling climate for Bio Trade growth.

6. Results Achieved

In particular, Bio Trade has been implemented in Uganda through a value chain approach, hence through small and medium enterprises (SMEs) at enterprise level and through national partners at sector levels. Accomplishments in the recent period include:

- Review process for the wildlife trade policy to accommodate private sector interests and support implementation for CITES' regulations by United Nations Environment Programme (UNEP)/CITES Secretariat;
- Streamlining and harmonization of methodologies and approaches for sustainable resource use;
- Awareness and information dissemination through local expositions, materials production and stakeholder forums supported by UEPB, National government agencies and UNCTAD;
- Facilitate the establishment of a natural ingredients association (UNIPA) with membership from public and private sector;
- Capacity needs assessment for production of natural ingredients and outline of a training manual to integrate sustainability principles;
- Regional study tour to Tanzania to share experiences and information on wildlife trade;
- Initiative to explore opportunities to support implementation of the UN Convention to Combat Desertification (UNCCD) with support from Global Mechanism and UNCTAD; and
- Participation at international forums (CITES and CBD Conference of Parties) to share experiences and also complement the national agenda.

The Initiative in the past two years focused on contributing to the creation of an enabling environment for Bio Trade in Uganda as indicated above. Also, it partially supported the private sector to address some of the challenges at enterprise level. However, for better results, more Government of Uganda support to the Initiative is needed in order to make SMEs more competitive. Since SMEs are key drivers for the country's trade development and economic growth, a comprehensive and private sector oriented project is needed to consolidate the efforts achieved for bio-enterprises.

7. Lessons Learned

The main lessons learned are:

- In order to promote the objectives of Bio Trade, activities need to be promoted under a value chain approach working both at the company and enterprise level. However, supports need to take place particularly as these are new sectors.
- The bottom-up approach and inclusiveness of the Bio Trade value chain methodology combined with social and environmental sustainable practices, have been essential in promoting the engagement of public, private and academic actors and sectors based on biodiversity
- There is a market for Bio Trade products, but producers and SME need to be able to fulfil the requirements needed by them in terms of volume, quality, management skills and working capital.
- There is an offer of products developed by SMEs in Uganda, but efforts need to be focus on strengthening their managerial, commercial and sustainable use capacities while facilitating mechanisms to access national and international markets with competitive and differentiated products.
- The development of methodologies and guidelines, adapted to the particular needs of the SMEs involved has been crucial in allowing the implementation of the activities promoted
- South-south cooperation with other Bio Trade countries is crucial and UNCTAD has been facilitating this role jointly with other regional organizations.
- The Business to Business (B2B) programmes that were developed as part of the UNCTAD's Bio Trade Initiative have been acknowledged by the companies as the greatest benefit of the programme.

8. Conclusion

There is a development opportunity for developing countries such as Uganda, by capturing the growing demand for Bio Trade products as a result of the consumers' consciousness on environment in line with corporate social and environmental responsibility initiatives that are changing the market place.

For instance, by 2050 (in 2008 prices), sustainability-related global business opportunities in natural resources such as energy, forestry, food and agriculture, water and metals are estimated to be in the range of US\$ 2-6 trillion, according to *The Economics of Ecosystems and Biodiversity (TEEB) for Business (2010)*². Biodiversity is seen as an opportunity for 59 percent of executives that participated in the McKinsey Global Survey³ as may allow their businesses to grow, to obtain cost savings while building an environmentally

² WBCSD (2010) *Vision 2050: The New Agenda for Business*. World Business Council for Sustainable Development: Geneva, cited in *TEEB for Business – Executive Summary (2010)*.

³ Sustainability & Resource Productivity Initiative (August 2010). *The next environmental issue for business*. McKinsey Global Survey results. McKinsey Quarterly, p. 1. This online survey took place from 15 to 29 June, 2010, and received 1,576 responses from executives coming from a *variety of regions, industries, tenures and functional specialities*.

responsible reputation. As a result of the 2009 Eurobarometer survey on the *EU's attitude to sustainable consumption and production*⁴, the environmental impact of a product is a key purchasing decision for 83% of the surveyed participants. Results of the *Ethical Bio Trade Barometer for 2010*⁵ states that 81% of consumers surveyed will stop buying products from companies who disregard ethical biodiversity sourcing practices, and 83% will like to receive more information about companies' sourcing practices.

Work has also be explored in supporting the development of promissory value chains in Northern Uganda, considering the experiences of Bio Trade in post-conflict areas in Colombia and Indonesia (Aceh Selatan). This is carried out under the joint partnership of UNCTAD Bio Trade Initiative and the UNDP Bureau of Crisis Prevention and Recovery.

Bio Trade, through its approaches, represents a concrete way for the private sector to contribute to biodiversity conservation while remaining competitive and promoting socially responsible business practices. Finally, it supports social cohesion and sharing of benefits amongst a variety of stakeholders, thus contributing to sustainable development of rich biodiversity countries.

The progress made in Uganda as well as other regions and the efforts made by national and regional Bio Trade counterparties and UNCTAD in developing Bio Trade is being recognized. Policies, strategies and resources are needed to upscale its activities and impacts in other countries and regions.

9. Annexes and References

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⁴ The Gallup Organization/Hungary, cited in L Jaramillo and F. Staubli. The survey was conducted from 21 to 25 April 2009, with randomly-selected citizenships from 27 EU Member States and Croatia, aged 15 and over.

⁵ Union for Ethical BioTrade (2010). Biodiversity Barometer 2010, www.ethicalbiotrade.org, accessed August 2010. This surveyed was conducted in February 2010 by IPSOS and included 5,000 consumers from France, Germany, UK, USA and Brazil.