AID-FOR-TRADE: CASE STORY

THE GLOBAL MECHANISM OF THE UNITED NATIONS CONVENTION TO COMBAT DESERTIFICATION

Towards a common agenda on Trade and Agriculture:
Lessons from the Ugandan experience

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Introduction

In developing countries the majority of the population depends on agriculture and natural resources for their livelihoods. The sector generates, on average, 29 per cent of the gross domestic product (GDP) and employs 65 per cent of the labour force. The industries and services linked to agriculture value chains often account for more than 30 per cent of GDP in transforming and urbanized countries[1]. As trade enables farmers to capitalize on the economic potential of their produce, it helps to turn agriculture into one of the most important contributors to food security, income generation, and poverty reduction.

One important factor contributing to making trade in agriculture sustainable and profitable is sustainable land management (SLM). SLM is the foundation of sustainable production in agriculture, and a vital measure in determining the productive and supply-side capacity of countries in this sector. It combines policies, technologies and activities aimed at integrating socio-economic principles with environmental concerns.

Coordination and coherence of policies and processes related to trade and agriculture as well as external support to their development will facilitate the matching of supply and demand of agricultural products, thereby leading to greater capacity of aid for trade to contribute to poverty reduction, and improved aid effectiveness overall.

The experience of Uganda share the progress made to-date by this country in harmonizing its trade priorities across sectors in order to build more coherent policy frameworks, and coordinate trade investments in agriculture to promote SLM, address supply-side capacity in sustainable production, and facilitate the matching of supply and demand of agricultural products.

The Benefits of Sustainable Land Management (SLM) Practices in a context of land degradation[2].

Agriculture is the main source of food and income in developing countries. The degradation of natural resources is still mostly perceived as a strictly environmental concern. However, the reality is that natural resources like land are of key economic importance. This is especially true for the agricultural sector, since natural resources are the principal inputs of all productive processes. The quality of land and other natural resources available to rural communities determines both the quantity and quality of agricultural production, and consequently the capacity of these communities to generate and diversify their income.

In Uganda, land degradation is undermining future productivity growth in the agriculture and forestry sectors. This is especially serious because of the limited scope for bringing additional land resources into production, in particular in the most affected areas of Uganda. The only viable option in these areas is sustainable intensification, i.e. increasing the productivity of land and genetic resources in ways that do not compromise the quality and future productive capacity of those resources, and also reducing land use conversion. The urgently needed

[1] WB, World Development Report: Agriculture for Development, 2008

[2] In general terms, land degradation means impoverishment of the land by human activities (such as industrial agriculture/monocropping, deforestation/logging, and overgrazing) and by natural causes (due to wind, water and climate).

productivity revolution in Uganda must be based on a technology change that systematically integrates Sustainable Land Management (SLM).

SLM, agriculture and trade linkages: strengthening supply-side capacity

> *Sustainable land management (SLM) can be defined as "the use of land resources such as soils, water, animals and plants for the production of goods – to meet changing human needs – while assuring the long-term productive potential of these resources, and the maintenance of their environmental functions"*[3].
>
> SLM is the foundation of sustainable production in agriculture, and a vital measure in determining the productive and supply-side capacity of countries in this sector. It combines policies, technologies and activities aimed at integrating socio-economic principles with environmental concerns.
>
> SLM adds value to productive processes by making supplies more reliable, reducing waste, optimizing the use of resources and improving product quality. One example of the value of SLM, is its central role in limiting the use of fertilizers and pesticides to compensate for weak environmental services provided by dysfunctional ecosystems.
>
> Environmental concerns promoted through SLM can also be powerful marketing instruments. The success of organic production and the growing number of eco-labelling and certification schemes are examples of value addition produced through SLM.

The adoption of SLM practices in Uganda is low, yet it can considerably contribute to reduce the variability of agricultural production through, for example, soil/water conservation and organic improvement practices that enhance soil moisture holding capacity, or through integrated pest management practices that reduce vulnerability to pests. SLM can also contribute to the diversification of agricultural incomes, for example through agroforestry practices with non-timber forest products, or crop rotations. It can also combat the different manifestations of climate change: many SLM practices can simultaneously achieve both adaptation and mitigation goals, especially those that increase soil organic carbon.

Aid for Trade in Uganda

According to OECD's statistics, Uganda received USD 151.9 million in Aid for Trade (AfT) in 2007.

> Aid for Trade (AfT) is a global initiative, established in 2005, which aims to strengthen the capacity of developing countries to better participate in and benefit from the global trade system by making trade a means to achieve sustainable development and poverty reduction. Essentially, AfT is about:
> - strengthening developing countries' productive capacity;
> - tackling their supply side constraints; and
> - addressing their needs in trade-related infrastructure.
>
> AfT was given a fairly broad definition based on the following six categories:
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> | | |
> |---|---|
> | (a) Trade Policy and Regulations; | (d) Building Productive Capacity; |
> | (b) Trade Development; | (e) Trade-related Adjustment; |
> | (c) Trade-related Infrastructure; | (f) Other Trade-related Needs. |

The main Aid for Trade beneficiary has been the energy sector (72.2%), followed by the agriculture, forestry and fishing sectors (11,8%)[4]. As LDC, Uganda is also a beneficiary of the

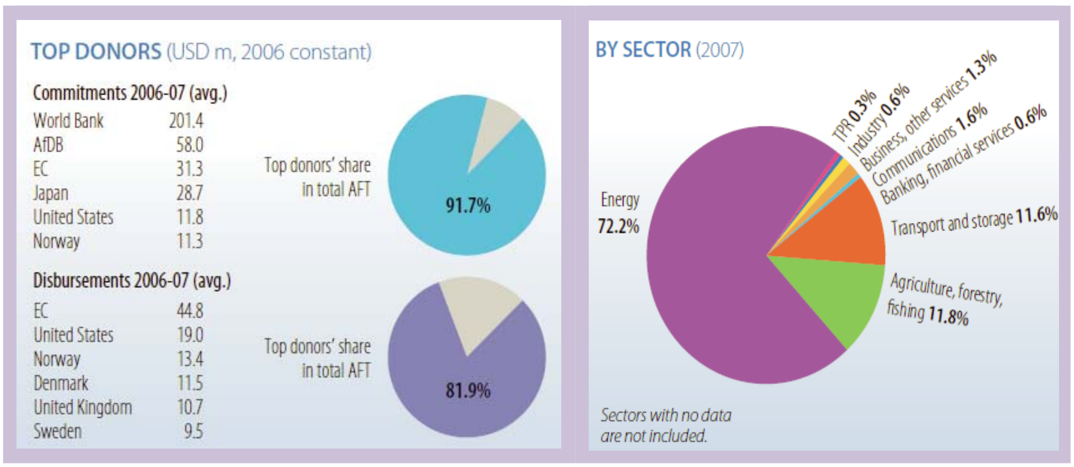
[3] WB, GTZ, CDE, 1999

4 Aid for Trade at a Glance 2009, Uganda Country Factsheet

Enhanced Integrated Framework[5]. Its trade programs and plans are therefore guided by the recommendations of the Diagnostic Trade Integration Study (DTIS)[6] and the resultant Action Matrix. The Ministry of Tourism Trade and Industry is the national focal point for the EIF.

One of the main challenges for trade development has been weak coordination with the productive sectors, in particular with the agricultural sector. Trade issues are cross-cutting. Indeed, a country's ability to trade depends on its capacity to deal in an integrated and coherent manner with a broad range of issues (e.g. production, processing, transport, storage, infrastructure, trade policy, trade agreements etc.) which enable it to link the supply with the demand side. Many of these issues fall under the regulatory responsibility of various non-trade ministries (e.g. agriculture, environment, energy, infrastructure, etc), therefore the harmonization of sectoral trade priorities is fundamental, although challenging due to the division of competencies among ministries.

Figure 1: Aid for Trade flows in Uganda (2006-2007)



Source: OECD

The Uganda Experience

In 2007 a multi-sector platform was initiated by the Ministry of Agriculture, Animal Industry and Fisheries (MAAIF) of Uganda to develop a Strategic Investment Framework on Sustainable Land Management (U-SLM SIF). The platform was developed under the TerrAfrica Partnership[7], with the objective to reduce land degradation through multi-sectoral interventions. The Strategic Investment Framework for SLM involved initially four sectors: agriculture, energy, water and environment, and land. Trade joined as the fifth sector in

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[5] The EIF is the overarching framework for AfT implementation in LDCs. It is a mechanism for coordinating the delivery of AfT technical assistance and the channelling of AfT funds. The EIF assists LDCs in mainstreaming their trade-related needs into national development strategies, thereby strengthening country-level donor coordination and the dialogue with their development partners. See Integrated Framework, The Enhanced Integrated Framework: supporting LDCs to develop trade, December 2009.

[6] The Diagnostic Trade Integration Study (DTIS) is a diagnostic tool used under the Enhanced Integrated Framework (EIF) to assess the status of the trade sector in a given country. The DTIS evaluates internal and external constraints to a country's integration into the world economy, analyses specific sectors of the economy as well as cross-cutting institutional issues (e.g. market access, transportation and trade facilitation, standards, poverty and core trade policy), and recommends areas where technical assistance and policy actions can help the country overcome these barriers.

[7] TerrAfrica is a partnership that aims to address land degradation by scaling up harmonized support for effective and efficient country-driven Sustainable Land Management (SLM) practices in Sub-Saharan African countries. Currently, TerrAfrica partners include African governments, NEPAD, regional and sub-regional organizations, the UNCCD Secretariat, the UNCCD Global Mechanism (GM), the World Bank, GEF, IFAD, FAO, UNDP, UNEP, AfDB as well as multilateral organizations including the European Commission, bilateral donors, civil society and scientific organizations including FARA and CGIAR centres.

2008. The Strategic Investment Framework for SLM points out the different sector priorities in regard to SLM, and each of the sectors involved is responsible for advancing and implementing the priorities identified.

The Ministry of Tourism, Trade and Industry (MTTI) became a partner of the Strategic Investment Framework for SLM through the National Implementation Unit of the Enhanced Integrated Framework (EIF) to harmonize the trade priorities across the five sectors involved in the Strategic Investment Framework, and with the ultimate aim of promoting coherent trade investments contributing to rural development, sustainable land management and poverty reduction.

Building on a Memorandum of Understanding between the Ministry of Agriculture and the Ministry of Trade[8], the harmonization process entailed the following exercise:

- facilitating dialogue between the sectors of the Strategic Investment Framework for SLM
- supporting the sectors to identify common trade priorities and develop a joint trade agenda
- identifying the activities contributing to the implementation of the common trade agenda
- identifying the resources for financing the implementation of such agenda

The achievements to date

The exercise has been quite helpful for the Government of Uganda, in particular for the Ministries involved in the Strategic Investment Framework for SLM, to identify the possible trade interventions with cross-sectoral linkages to agriculture, water and environment, energy and land which would complement the national trade priorities in the DTIS of Uganda and in the related Action Matrix. This has been useful to strengthen the links between the trade and development agenda, an essential step to help the productive sectors coordinate their trade investments and facilitate the matching of supply and demand.

The cross-sectoral interventions identified are being taken into consideration by MTTI for DTIS review process, which is also expected to take stock of the externalities that have affected trade development, such as land degradation, climate change and migration. Such interventions have also become a useful reference for the development of integrated project proposals based on sustainable production principles and providing targeted support to agriculture in general and to SLM in particular. While exploring opportunities to mobilise resources for the implementation of cross-sectoral projects, the Government has identified a number of trade-related donor-funded programmes already addressing cross-sectoral issues, and has started to negotiate specific and targeted assistance programmes to fill identified gaps in terms of donors' AfT support to agriculture and SLM .

The increased interaction between the ministries has also contributed to an improved policy environment for cross-sectoral cooperation. Non-trade ministries have demonstrated increasing appreciation of the importance of trade as a means to promote investment in sustainable production. For example, the Ministry of Environment submitted an official request to the Ministry of Trade to consider the inclusion of Non-Wood Forest Products (NWFPs) in the next DTIS review, based on a study demonstrating the market potential of these products, and their expected benefits for sustainable forest management and livelihood diversification for rural communities.

The Ministry of Trade has also increased its efforts to integrate sustainable production in the national trade development plans in view of its potential to increase trade sustainability. In this regard, the role of the EIF national implementation unit has been fundamental. A clear sign of MTTI/EIF commitment to sustain the improved interaction with the other ministries has been the appointment of a programme officer especially tasked to ensure complementarity and harmonization of trade interventions across the various sectors of the

[8] A "Trade & SLM Advisor" was hired to facilitate the process.

Strategic Investment Framework for SLM, and to explore pool funding opportunities for the implementation of the cross-sectoral trade priorities.

The lessons learned

The linkages between trade, agriculture and natural resources are "obvious" in theory, but in practice sectors tend to work independently from one another. Harmonizing priorities across economic sectors requires dedicated efforts and resources.

Dialogue across sectors needs to be facilitated for the sector's stakeholders to realise that their individual goals are interdependent, and can only be achieved by joining efforts. This includes supporting information sharing on the different sectoral processes and on the related synergies, and strengthening the institutional mechanisms for cross-sectoral coordination. It also includes building networks and partnerships with donors and development partners to mobilise technical expertise and financial support for the development, implementation, and replication/up-scaling of cross-sectoral initiatives. In this regard, improved donor coordination and increased use of pool funding arrangements tapping on different sectoral programmes are also needed to address the needs of cross-sectoral cooperation.

The capacity to develop cross-sectoral project proposals is also an area that requires additional support, especially in terms of human resources. National experts knowledgeable of trade, agriculture and natural resource management could act as intermediaries between the sectors/ministries to facilitate coordination as well as undertake technical assignments, ranging from supporting the design and development of cross-sectoral project proposals, to analytical studies on Aid for Trade flows to the different sectors. These "multi-competency" profiles are extremely useful, but they are very difficult to find. More investments in building such profiles would also be important.

Conclusion

Harmonizing priorities across economic sectors requires dedicated efforts. While sectoral processes do foresee cross-sectoral collaboration and coordination, and often see them as key elements of success, this remains a challenge in terms of practical implementation. The longstanding culture of working in restrictive sector boundaries is a major barrier to overcome and has often resulted in sectoral processes which are not known outside the sector itself.

The exercise described above has contributed, and continues to contribute, to enhancing knowledge of sectoral processes and understanding of how they could contribute to meeting the development goals of other sectors. While attention so far has mainly focussed on the EIF and on embedding sustainable production concerns in its national implementation structures, the government of Uganda is already taking actions to build on the achievements of this experience to also strengthen the implementation of the Comprehensive Africa Agriculture Development Programme (CAADP), and particularly of CAADP Pillar II, which focuses on trade and market development.

Author
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http://www.global-mechanism.org/dynamic/documents/document_file/aft_uganda_eng.pdf