

# Linkages between Trade, Development and Poverty Reduction (TDP)

Regional Conference, Nairobi, Kenya, October 16-17, 2006

## Event Report

### Introduction

CUTS Africa Resource Centre with collaboration with CUTS Centre for International Trade, Economics & Environment (CUTS CITEE), organised the Regional Conference on “Linkages between Trade, Development and Poverty Reduction” as part of the project entitled “*Linkages between Trade, Development and Poverty Reduction (TDP)*”. Details of this project are available at: <http://www.cuts-citee.org/tdp.htm>

The TDP project aims to promote coherence between trade development poverty reduction policies in 13 developing countries in Africa and Asia and promote pro-poor trade policies at the national international level. This regional conference on TDP was an important event that provided an opportunity for project partners and other key stakeholders from across the Eastern and Southern African region to get together to share insights and experiences while working on TDP linkages. In addition, it offered an opportunity to critically investigate existing initiatives. Discussions were stimulated by the presentation of a study critically analysing the effectiveness of existing TDP initiatives.

The Regional Conference of the TDP project was held at the Hotel Silver Springs, Nairobi, on October 16-17, 2006.

### Objectives

The objectives of the regional Conference were to:

- to provide a discussion forum in which to deliberate the various trade-related capacity building initiatives in Africa from the point of view of development and poverty reduction;
- to promote the cross fertilisation of experiences and lessons learnt from existing TDP initiatives; and
- to facilitate appropriate civil society policy responses evolve synergistic positions and take forward well-argued viewpoints for pro-poor development and sustainable economic growth.

### Participants

There were around 50 participants including representatives from the Kenyan government and NGOs, research institutes and private sector bodies from across Eastern and Southern Africa. The countries represented in the conference included Kenya, South Africa, Tanzania, Uganda and Zambia.



## Opening Plenary Session

*David Ongolo*, Board Member of CUTS Nairobi, welcomed the participants to the conference and introduced the topic, “Linkages between Trade, Development and Poverty Reduction”. He emphasised the significance of the debate in the context of Eastern and Southern Africa, citing the example of Economic Partnership Agreement (EPA) negotiations, in which development concerns are playing a central role.

*Bipul Chatterjee*, Deputy Executive Director, CUTS Centre for International Trade Economics and the Environment (CITEE), welcomed the participants to the conference and thanked the donors supporting the TDP project, the Dutch Ministry of Foreign Affairs and Department for International Development (DFID), UK. He pointed out that in recent years trade has taken an increased significance as an issue for the development community to focus on and efforts are also being made to gain further insights into the linkages between trade and poverty reduction, as we currently know more about the linkages between trade and growth. The TDP project aims to contribute to these efforts.



Bipul Chatterjee

He said that through the TDP project CUTS has commissioned research on existing TDP initiatives in the Eastern and Southern African region, which aims to critically analyse these initiatives to improve their impact and implementation. He added that the study by Alex Werth would provide the basis for discussion in the next session, together with the paper to be presented by Professor Sheshmani on the linkages between Poverty Reduction Strategy Papers (PRSPs) and trade. He emphasised that the research papers to be presented suggests that TDP initiatives approach and TDP linkages work in a mechanical manner without incorporating a holistic perspective on these interrelationships. In addition, it suggests that CBOs/CSOs are not being involved in the design and implementation of these initiatives, which is harming their ability to respond to grassroots needs.

He further elaborated that the issues, which they will be discussing are very pertinent to the ESA region, especially given the current context of the EPA negotiations in which development concerns are taking a central role at the moment. Another issue that has strong links to our discussion is the impact of the multi-fibre arrangement (MFA) phase-out, which is contributing to increased vulnerability amongst workers in textiles and clothing (T&C) sector across the developing world. The most vulnerable workers, especially women are the ones being impacted the most, he added. He informed that a key factor that can contribute to improving TDP linkages and the effectiveness of TDP initiatives is the facilitation of improved dialogue and coordination between government, private sector and the civil society. These groups are currently discussing policy responses amongst themselves but are not cooperating effectively enough to tackle the key issues. He emphasised that despite the fact that there are initiatives taking place at the international level to promote improved market access for the poorest countries e.g. duty and quota-free access for least developing countries (LDCs) market access will not be enough for the poorest producers who need support to link them to markets and increase their capacity to trade. He hoped that the participants would engage in some lively discussions over the next two days and help to identify policy responses, which will promote improved TDP linkages.



Walter Odera

*Walter Odera*, Director of DFID’s Kenya office, while welcoming the participants expressed that DFID’s committed to promote improved dialogue and analysis on TDP linkages. He said DFID believes that trade is the exit for aid and it is vital that trade is transformed into a more effective tool for development and poverty reduction. While addressing, he said that DFID believes in fair-trade and that for trade to impact on poverty

producers need to benefit at all levels of the supply chain. He informed that one of DFID's core objectives in the ESA region is to provide resources and advice to developing countries in building their capacity to trade. He elaborated that DFID believes regional trade as a steppingstone to gaining a stronger foothold in global markets and they are committed to helping African countries and LDCs to deepen regional integration. DFID believes in Millennium Development Goal (MDG) 8, as the countries need to work together globally for these problems and provide developing countries more opportunities to expand their trade. DFID's recent white paper, which was launched in July 2006 details 180 win-win policies and initiatives that he believes, will support developing countries to tackle growth, poverty and the environment.

He further added that DFID has also committed itself to trebling its resources for trade related assistance by 2010, when this support will total British £100mn (US\$190mn) per year. Much of these funds will go to the enhanced Integrated Framework, but will also be directed to other initiatives as well. DFID is supporting the Aid for Trade (AFT) initiative and he thinks it should cover a wide range of trade related support areas, including infrastructure. DFID is also doing work with the Kenyan government to find ways to improve supply chain capacity and also improve institutions that are vital in promoting trade expansion and poverty reduction. He concluded that the TDP project has highlighted some important issues in a number of sectors and made some very useful recommendations, which need to be taken into account in the design and implementation of policy. Some good work is already taking place in this regard in Kenya, he added.

*The Permanent Secretary of Trade for the Kenyan Government* expressed apologies on behalf of Trade Minister Mukhisa Kituyi who was outside of Nairobi and unable to attend. He welcomed CUTS and its partners for organising this meeting to discuss such vital and interesting issues. He opined that this discussion came at a very important time, as many developing countries are still struggling to expand their trading capacity, to integrate into global markets and through this promote poverty reduction. He added that this discussion also came at a time when the rules based trading system is facing a crisis as the Doha Round is currently suspended mainly because the needs of developing countries were not effectively addressed, he added. He explained that as the MDGs state, there is a need for a global partnership to promote sustainable development and the TDP project aims to contribute to strengthening that partnership. He hoped that the discussions would provide ideas and initiatives to promote this sense of partnership and collective responsibility.



David Nalo

He further emphasised that it is important for us to focus on the regional context, as the ESA region is currently negotiating an EPA with the EU through the Cotonou Agreement, which calls for the engagement of Non-State Actors (NSAs) in development cooperation. In his opinion, the main issues, which might be important for the conference to discuss are the legal framework, promotion of small and medium-sized enterprises (SMEs)/marginal producers and technology transfer. He lamented that consumer rights and intellectual property laws are weak in Kenya and counterfeit are common which hurts consumers and innovators. He said that it is important that SMEs are given support, but there is currently a lack of accurate data on it, which is hindering the design of effective support programmes. He stressed the need for finding ways to promote business to business (B2B) technology transfer. He hoped that the participants would focus on these issues and develop some new ideas to tackle them effectively.

In a question addressed to him that there is little discussion at the local level to bring together grassroots stakeholders to discuss trade policy, he replied that we need to localise trade policy

discussions and the government consulted widely in developing its private sector development strategy, which has recently been finalised. For strengthening consumer rights, he said that there is also need for improved grassroots engagement. In another question addressed to him on the how is the ESA region making progress in these negotiations and how does he feel about them, he said that EPAs are part of the rules based system, which is vital to the interests of the global economy and is an inevitable part of the international trade. Integrating more effectively with the global economy is a vital and a reality in today's world and we need to make sure that EPAs help us do this effectively. Answering a final question on role of services trade in promoting development and poverty reduction he said that the ESA council of ministers recently confirmed the importance of services trade to growth in the ESA region. He concluded by saying that services trade is growing rapidly and it needs to be harnessed effectively to support development and poverty reduction

*Clement Onyango*, Manager of CUTS Nairobi, thanked the Permanent Secretary of Trade for attending and welcomed all attendees to the conference. He outlined that the purpose of the conference was to find ways to promote development and poverty reduction through trade. CUTS Nairobi has been working to strengthen the voices of the poor and the vulnerable producers in trade policy discussions and trade development programmes. He hoped this conference would help support these efforts and develop new ideas for creating effective TDP linkages.

### **Session 1**

#### **TDP Initiatives in Eastern and Southern Africa**



Alexander Werth

*Alexander Werth*, representing MS Uganda, presented the paper he developed for CUTS looking at effectiveness of TDP initiatives that have been/are being implemented in the ESA region. The study was undertaken in May/June 2005 and was one of the first activities of the TDP project. Its aim was to guide the TDP project in the ESA region. The study investigates a number of TDP initiatives (TDPIs, mainly Trade Related Assistance and Trade Capacity Building programmes) in the ESA region and assesses the degree to which they respond to development priorities and incorporate a poverty perspective. The TDPIs included in the study are being implemented in Kenya, Uganda and Zambia, including regional TDPIs in South African Development Community (SADC), Common Market Eastern and Southern Africa (COMESA) and the East African Community (EAC), and also an international TDPI (the IF in Uganda and Zambia).

The study incorporated the findings from interviews with the main stakeholders involved in these initiatives, including donors, recipients and programme implementers.

Donors – Responded that the TDPIs aim to promote investment, support the development of an enabling environment, support skills development, expand regulatory capacity and expand capacity to engage in negotiations effectively.

Recipients – Responded that the main objective for implementing TDPIs is to gain capacity, and believe there is currently a bias against skills development in favour of building regulatory and negotiation capacity.

Implementers – The study found that delivery was split 50-50 between Southern and Northern implementers/agents. Recipients were divided over whether they preferred Southern or Northern implementers, as Southern implementers have more relevant experience but still

have an agenda. In terms of assessing the results of TDPIs, recipients were least satisfied with the outcomes, and felt there was a bias in favour of a trade liberalisation component to these initiatives, which are pushed by donors.

**Design** – The study found that there was a reasonable level of involvement amongst recipients in the design of TDPIs. However, TDPIs are sometimes presented to recipients fully developed and then they are asked to comment on their design.

The study found that larger NGOs and private sector bodies are involved in programme design. However, CBOs and smaller grassroots CSOs were not much involved, as they lack capacity and expertise and are often seen as politically dangerous.

**Holistic approach** – A holistic approach is needed make sure trade policy responds to challenges at the grass-roots level and complimentary policies are also required as well as trade reforms.

**TDP mainstreaming** – There is still a need to convince ESA governments that trade can be an important tool for development and poverty reduction, and this is perhaps why trade is still neglected in PRSPs. The Department of Telecommunications and Information Services (DTIS) is a useful tool and trade needs to be looked at across the economy. There also needs to be a ministry dedicated to trade policy.

**Coherence** – It might be useful to establish a Trade Related Assistance (TRA) overseeing committee to coordinate TRA activities from different donors.

**Best practice** – TDPIs work best when autonomous, non bureaucratic, flexible, having grassroots and high level commitment, good governance structure, based on trust, good consultation, focussed, look at regional and domestic trade.

**Recommendations** – Need development at centre to integrate TDP linkages perspective, link micro and macro, address complimentary issues, and incorporate consultations.

**Process requirements** – Need strong ownership, a comprehensive needs assessment, good governance based on effective consultation.

**Observations** – In government to government TDPIs, there is low trust, poor not that much involved, government centered TDPIs are often bureaucratic, inflexible and slow, TDPIs often top-down, TDPIs often focus on negotiating capacity at the expense of empowerment and skills development, TDPIs often lack an innovative methodology, and need to focus on trade development and main binding constraints.

**Way forward** – Need more involvement of CSOs, which could have their own dedicated TDPIs and they could also pool their resources to work on TDP linkages.

*John Omiti*, Kenya Institute for Public Policy Research and Analysis (KIPPRA) stated that this discussion on TDP linkages was timely because poverty continues to hamper developing countries and causes misery. While talking about TDP linkages it is vital to focus on improving rural markets and rural infrastructure. He said that in relation to Alex's study, it would be good to know who was involved in the interviews; how were they selected; to what degree CSOs were involved; whether Northern NGOs were involved in TDPIs with Southern NGOs; how much perceptions might have been impacted through bias; and what long term recommendations does the study point to. He added that it is important to look for the best practices from other regions, e.g. South-East Asia, and draw lessons from them.

*Peter Kiuluku*, Trade Policy Training Centre, Tanzania, introduced his centre which provides training on trade issues for people from LDCs, carries out needs assessments and works in partnership with developing and developed countries. He opined that stakeholders tend to blame external factors for their problems but they need to get a better sense of their own responsibilities, what they could achieve, which is in their hands. He mentioned one problem that the government often does not understand the private sector well. The government needs to appreciate the private sector better and allow it to flourish. Another problem is the strategy of donors that he has come across in observing African policy-makers who have been incredibly frustrated when they have developed homegrown plans only for donors to oppose them. He asked for the need to focus on a wide range of policy areas than just World Trade Organisation (WTO) issues. There are funds available for TRTA activities through COMESA and other regional institutions. What is needed is to use them against the full variety of requirements, including developing a country-owned domestic agenda. There is also a need to improve the ability to define the long-term objectives of TRTA interventions and integrate them into long-term strategies, he added.

Responding to the issues Alex Werth said that the study was not exhaustive but sampled as per the existing TDPIs. Only a small number of people were interviewed from each TDPI. Of course, perceptions can be tainted as biased. Many responses are confidential as they were quite confrontational and controversial in nature.

Questions were raised on the issues like how to deal with the fact that in trade negotiations the African countries are often financed by those we are negotiating with, how to ensure that local/grassroots are incorporated into policy processes, where is the link between PRSPs and TDPIs, which would ensure an effective linkage between trade and development etc.

Comments were received that CSOs are good at having campaigns but less good at getting involved with technical discussions and finer details of trade policy. The countries need to invest in technical and research capacity in NGOs and not just advocacy capacity. Trade liberalisation is pushed by big capital without a focus on the poverty impacts.

The Permanent Secretary suggested that more needs to be done to gather information on SMEs and informal economy, but it should not be government's responsibility as well. He added one of the main problems is that we develop development plans like the PRSPs and then they do not get funded and just lay in the shelf.

Also, governments themselves need to have political will to implement such development plans e.g. cotton sector in Kenya. Given that 90-95 percent of government revenue in Kenya comes from taxes, trade is absolutely vital to Kenya's development. It is important to disseminate national development plans so the public know about them and can hold decision-makers accountable to implement them. Farmers/small producers are struggling to market their products because of competition from imports and we need to protect strategic producers. Without ownership of trade reform and liberalisation strategies they are unlikely to promote development, so there needs to be greater ownership.

## Session 2

### Trade and Development Policy Coherence in Achieving MDGs in Zambia: An analysis of a PRSP/National Development Plan/HDI Report

*Professor Venkatesh Sheshmani*, University of Zambia, said he was presenting on TDP issues for the eighth time in recent years and hoped to bring out some new issues in his presentation. He presented a paper on 'policy coherence in Zambia in relation to national development plans and PRSPs'. He commented that development policy has become MDGised and these provide an opportunity for monitoring the impact of development policy. He said that the experience of Zambia illustrates that the using these indicators to monitor progress is fraught with challenges. The government claims a number of indicators have improved, due to its policies; however, NGOs dispute the figures and also claim that outside factors e.g. copper boom are responsible. Also, PRSP disbursements have not been sufficient, he added. He elaborated that when the current government came into power in 2001 it decided that the PRSP was not comprehensive and the country needed a national development plan and strategy. It was also felt that to respond to the MDGs their needs to be a development plan and for following decentralisation it needs link with local structures and stakeholders. He explained that it was, therefore, decided that there should be three plans: a medium term; a long term; and a decentralised one. These plans are all very laudable but problem is that there is no real strategy to achieve them. If you look at the PRSP and the National Development Plan there are few (if any) specific recommendations about what strategies and measures will be used to take the plan forward, he added. One issue of coherence that is important is EPAs and we need to develop benchmarks to monitor and assess their impact to ensure they support development, he concluded.

He while replying to some questions added that governments are using development plans as their tools for achieving MDGs but there is a need for more effective and coordinated and set targets. He also emphasised that the WTO regulations such as safeguards need to be implemented more effectively to protect national interests. He stressed that policy coherence is vital. For example, in Zambia, EPAs will lead to reduced tariff revenues and which needs to find alternative revenue sources. An assessment of PRSP has been done but not in relation to MDGs. PRSP only has one sentence referring to MDGs. Implementing the PRSPs and making it work is a multi-stakeholder task. The poverty elasticity of growth is only (-0.2) so need high growth rate to reduce poverty.

*Jack Jones Zulu*, from Southern Africa Regional Policy Network (SARPN), South Africa, thanked Professor Sheshmani for putting the emphasis on the need to take a holistic approach to poverty. He discussed that the development plans put a lot of focus on macroeconomic stability, which is important, but the impact on the ground is limited and there is need for a wider focus. He informed that Zambia has achieved 4-5 percent growth in recent years but most is concentrated in mining (profits repatriated, few backward linkages) and not high enough to achieve the targets. Hence, there is a need for a growth of about 7-8 percent to achieve this. He lauded that it is good that the government has gone back to planning as this will help coordinate development efforts. He agreed with Professor Sheshmani in voicing the concern whether the mechanisms for implementing development plans are in place. He however questioned whether poverty could be reduced when agriculture is not tackled effectively. One way forward is to look at fair trade as opposed to free trade, he concluded.

*George Kabelwa*, Economic and Social research Foundation (ESRF), Tanzania, spoke on Tanzania's experiences in relation to trade and PRSPs. He informed that Tanzania's national trade strategy was only finalised in 2003, six years after the first PRSP was developed. Therefore it was only with the second generation PRSP that trade was incorporated in sections

on income and non-income poverty. He said that implementation on the PRSP has been slow due to poor infrastructure, poor business climate, weak private sector and poor policy coherence. He emphasised that trade needs to be integrated more effectively into PRSPs and other development plans, including promotion of public-private partnerships and institutions need to be strengthened so they can play a more effective role. It is also important to develop realistic targets for improving capacity to trade, he concluded.

Comments received from the floor includes that the countries needs to develop better strategies for implementing development plans. The legal regime is vital and tools such as trade safeguards can be important in protecting our economies from import surges. In many developing countries, the governments have abandoned the people and left them to be looked after by foreign investors who do not have their best interests at heart. Others include that in Kenya, the government is more transparent in terms of trade policy and we encourage CSOs needs to get involved and help us to move forward. The countries need to deal more effectively with subsidised imports using safeguards and tariffs. In Zambia, sectors such as potatoes and bananas are being hit by competition from South Africa and elsewhere. The government needs to invest more in poverty sensitive sectors, as much of growth in Kenya is coming from telecommunications with limited poverty impact.

### **Session 3**

#### **The Way Forward**

*Brendan Vickers*, Institute for Global Dialogue, South Africa, proposed that the countries needs to make a more critical analysis of trade policy and current economic structures and decide on how they can contribute to develop productive capacity and link it with poverty reduction. He cited an example that South Africa has moved towards being a services economy, but this is high skilled and most of its labour is low-skilled. The countries need to look at links between trade policy and manufacturing and help create more productive links through identifying winners or at very least pick losers. East Asia practiced this selective liberalisation and Africa needs to follow. Regulation is a key issue and the countries need to look into issues such as safeguards and management of regional integration. The role of the informal sector is vital and needs more attention. Finally, it needs to be at China to find out the challenges and opportunities it poses.

He while responding to some queries on South Africa's industrial and trade policy elaborated that South Africa is currently on the way to develop a comprehensive and coherent industrial policy. Ha-Joon Chang is involved in advising on this and finding ways to use policy space more effectively. He added that sectors that have benefited from policy space include automobiles and T&C, even though the automotive industry is threatened by the WTO regulation and T&C by the MFA phase-out.

*Elizabeth Eilor*, African Women's Economic Policy Network (AWEPON), Uganda, stated that improving productive capacity was absolutely vital. In this respect, tackling supply-side constraints through initiatives such as AfT is important, and the countries need to make sure that these initiatives reach the poorest. She explained that partnership is absolutely vital and projects like the TDP has an important role to play in bringing government, private sector and CSOs together to tackle trade issues. He emphasised the importance of capacity building of civil society, as trade issues are complex and constantly evolving and CSOs need support to tackle trade issues effectively.

Comments received from the floor included that the private sectors are very diverse with diverse needs. The countries need to analyse these needs and integrate them more effectively into policy processes. Product safety and quality, which is often forgotten also needs



attention. Further the countries need to showcase the examples of developing countries using policy-space (tariff policy) so that the policy spaces can be protected. Emphasis was laid to boost through regional integration so that tourists will be encouraged to stay in the region longer and regional business links can be developed.

### **Closing Address**

***Sajeev Nair*, CUTS Africa Resource Centre (CUTS ARC) while addressing the closing session thanked the participants for their contributions to the discussions on such an interesting and vital issue as TDP linkages. He expressed that the discussion and information sharing will continue in future dialogues at both the national and regional level. He concluded by asking feedback from the participants on how to improve the organisation of regional dialogues in the TDP project**