

***TOWARDS A FORMAL***

***CONSULTATIVE MECHANISM***

***FOR***

***TRADE POLICY IN UGANDA***

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(Modified to include recent developments)*

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## 1. **Background:**

At the time government pursued inward-oriented policies the process of trade policy formulation was the reserve of Government. Government officials prescribed policy for the private sector to follow with hardly any consultation with them (private sector) or if at all, it was in the form of limited informal consultations.

Since introduction of outward oriented policies, however, stakeholders have demanded that they are fully involved in the formulation of trade policies, after all, it is their business that are directly impacted by the policies.

Today, government recognizes that the Private Sector must play a role in setting the trade policy agenda and it is committed to a consultative process that involves consulting stakeholders in the process of developing a trade policy framework. The challenge however is to institutionalize the consultative process in order to enhance co-ordination and ownership of the policies that result therefrom.

## 2. **Why a consultative process?**

The need for a formal and inclusive consultative process is necessary today than in the past because; while globalization and regionalization of trade brings opportunities, it comes with complex challenges, which must be understood by all. For example, much as Uganda is a founder member of the World Trade Organization (WTO) and regional trade arrangements (COMESA, East African community), it did not effectively participate in the Uruguay Round negotiations that led to the establishment of WTO and to a limited extent regional trade structures. Therefore, understanding how these arrangements operate, complying with their provisions, and knowing how they impact on Ugandan businesses is vital.

Secondly, developments in the Multilateral Trading System (MTS) , regional and other trade arrangements such as the African Growth and Opportunity Act (AGOA); Uganda's relationships with the European Union (EU) in the context of Cotonou Agreement are dynamic. Therefore it is important that stakeholders take part in defining Uganda's relationship within these structures, anticipate their implications, and keep abreast with the changes. Besides, these arrangements call for making reforms which require changes in legislation, regulatory rules and enforcement; all of which impact on how business is/and will be done in future.

## 3. **Past Forms of dialogue**

Since coming into power of the NRM Government attempts have been made to involve stakeholders in the policy making process. The main aim has been to forge a public/private sector partnership that would foster policy dialogue and help build

consensus on national economic policies. In particular the following forms of dialogue have been tried:

- The Presidential Economic Council (PEC), headed by the President and consisting of top government technocrats, government Ministers responsible for economic policy and private sector representatives;
- The National forum, jointly convened by PEC and UMA once a year was initially constituted of public servants and private sector leaders and later broadened to form a taskforce composed of individuals from both public and private sector.

Initially, PEC met quite frequently- once a month and then quarterly while the National forum was convened once every year.

The agenda for discussion in both foras was to consider problems that constrained economic growth and development. These included; poor investment climate; under developed export potential; weak financial sector; poor tax administration and tax policy regime.

While PEC met to consider papers by the Ministries and government departments on these issues, the national forum worked through working groups. The groups comprised of a select combination of private and public sector individuals, political leaders, government agencies, private sector association representatives and representatives of the donor community. Their task was policy articulation and monitoring implementation through networking.

#### ***Achievements:***

This process of dialogue made some achievements to include *inter-alia*; establishment of a dialogue culture; private sector had a chance to influence government policies especially; adoption of a liberal exchange rate and interest rate regimes, liberalized internal trades and introduction of inter-bank money markets.

#### ***Shortfalls***

Despite some achievements, the following setbacks made the national forum ineffective:

- ◆ ambitious and unattainable targets in the stipulated time-frames;
- ◆ lack of defined point within government for delivering recommendation for implementation;
- ◆ the forum had no powers to censor Ministries and other government agencies that refused or neglected to implement recommended policy changes;
- ◆ geographical limitation of the forum; in that the forum concentrated in Kampala;

- ◆ lack of a permanent forum Secretariat, to coordinate forum activities ; including sponsoring and managing in-depth research on topical issues;
- ◆ limited funding- provided mainly by donors and limited to organizing the forum discussions.

*However, even when the forum was re-organized to take in consideration geographical limitations (decentralized to district and regional level) inadequate funding; let alone lack of a delivery point within government and lack of authority remained factors that made it ineffective.*

#### 4. **Trade policy formulation and implementation processes**

##### *a) Government*

The Ministry of Tourism, Trade & Industry (MTTI) is mandated to handle all trade-related matters. However, other Ministries and government departments have in their mandates aspects of trade policy making and advocacy and have established desks to do this.

The Ministry of Foreign Affairs & Regional Co-operation (MFARC) through its missions abroad especially in Geneva and Brussels, participates in WTO and ACP/EU trade negotiations respectively. It also co-ordinates regional trade negotiations - (EAC/COMESA). Ministry of Finance, Planning & Economic Development (MFPED) is the official authorizing arm of government for funds under the ACP/EU Lome' IV and its successor arrangements under the Cotonou Agreements. It also co-ordinates trade and investment aspects of this partnership. In addition, MFPED together with the Prime-Ministers Office implements the Medium Term Competitiveness Strategy (MTCS) for the Private Sector Growth (2000-2005). The strategy has a trade policy component under the theme "Private Sector Growth in the context of Globalisation".

The Uganda Investment Authority (UIA) and Uganda Export Promotion Board (UEPB) have in their mandates aspects of policy advocacy.

#### **Government Method of work and shortcomings:**

MTTI has established in its department of trade three desks to handle all trade policy matters, namely; WTO desk (5 officers), to handle all aspects of WTO, including; carrying out consultations; compliance requirements; negotiations; sensitization/training and COMESA/EAC with one officer to handle all COMESA and EAC-related aspects respectively.

MFPED, has set up a working committee to refine the trade policy aspects of the MTCS but consults stakeholders for inputs into the EU/ACP trade arrangement on adhoc basis.

The MFARC in collaboration with MTTI consults stakeholders for inputs into regional trade negotiations on as needed basis but depends on MTTI and MFPEd to advise its negotiators in Geneva and Brussels respectively.

*The problem with this approach is that apart from lack of human capacity to handle these complex issues , trade policy matters appear to be casually handled in dispersed centers with limited coherence and without a clear co-ordination mechanism through which stakeholder views are collected and processed into government negotiating positions.*

*b) Private Sector approach*

The Private Sector Foundation's (PSF) core mission 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 45 business associations, engaged in a wide variety of sectors, including; manufacturing, agriculture, consulting, trade, services and exporting.

PSF has been designated by HE the President of Uganda to be the **National Hub for SMART** (Sustainable, Measurable, Attainable, Result-oriented Timely) 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:

- effective management of technology,
- liberalization and challenges of globalization,
- nurturing a knowledge driven economy and,
- supporting private-sector led initiatives.

As a national hub for SMART dialogue PSF organized the Global 2001 SMART partnership international dialogue held at Munyonyo, in Uganda last August. It also coordinated Global 2002 SMART partnership held in Malaysia last month.

At their retreat early this year Cabinet nomination PSF to host a "Think Tank" group meetings to discuss topical economic issues affecting economic performance of the country and make recommendations to a re-constituted PEC (a sub committee of cabinet).

Through its Trade Policy Capacity Building Project, PSF has established three sector trade policy committees on; agriculture, manufacturing and services. The task of these committees is to receive and process their sector trade policy concerns for onward transmission to Government, through the IITC.

Other sector private associations and organizations, including the Uganda National Chamber of Commerce & Industry (UNCCI) have in their mandates aspects of trade policy advocacy.

### ***The Inter-Institutional Committee (IIC)***

The Inter-Institutional Committee established under JITAP in MTTI is a good attempt in responding to the problem of co-ordination. It brings together both public and the private sector people to discuss trade policy issues. However, it is constrained by; lack of capacity; limited funding (relies heavily on donor funding which may terminate at the end of June) and limited scope of its mandate in that it was set up to focus on WTO matters only.

At a retreat in June in Jinja, the IIC members re-iterated the important role trade policy plays in economic development of a country. While appreciating efforts of MTTI in sensitizing the public on WTO through JITAP, they decried the apparent lack of seriousness in Government's overall trade policy management. They observed however, that although IIC could play a vital role, in coordinating trade policy issues, it had not functioned as desired to meet its objectives. This was attributed in part to lack of; a legal framework, human capacity and financial resources. Therefore, in order to have an effective IIC, stakeholders recommended as follows:

- that a budget based on a sound work-plan be provided for IIC programmes/activities;
- that the IIC should become a framework for initiatives and formulating the country's negotiating positions;
- that a three level structure comprising of; an assembly; executive committee (composed of representatives of all institutions directly involved in trade policy issues) and specialized committees be adopted for the IIC;
- that the mandate of IIC be extended to cover all trade negotiations (EAC, COMESA, AGOA, Cotonou).
- that while there should be co-ordination between *implementation(IIC work)* and *negotiation* issues the two should be separated; such that while government departments(MTTI, MFARC, & MFPED) play their rightful role of negotiations, a discrete body is created and charged with the task of implementing IIC work programmes.

This committee has now been renamed "***The Inter Institutional Trade committee***"(IITC) with a mandate to discuss all trade policy related matters as recommended by the Jinja workshop. A sub committee of this body is supposed to constitute a negotiating

committee. Funding to operationalise the committee have been secured from the European Union(EU). What remains however is to give this committee a legal identity

#### 5. **The formal consultative mechanism Uganda needs:**

The importance of trade policy in economic development cannot be under estimated. The Government of Uganda is willing and encourages consultations on key policy issues. Unfortunately, the consultative process is not institutionalized and trade issues are not mainstreamed in key government programmes.

It is hoped that with the support from EU, IITC will be operationalized and a trade policy consultative process actualized on a sustainable basis.

#### 5. **Elements of an ideal mechanism**

Building on the achievements of the previous consultative mechanisms and outcomes of the Jinja retreat, while avoiding past mistakes, Uganda needs a consultative mechanism with the following elements:

- *a point of delivery in government(designated ministry or ministries) for well processed private sector views;*
- *a well funded secretariat (Trade Policy consultation hub) staffed with well motivated, knowledgeable personnel - to manage the consultative process and service Government negotiators.*
- *Adequate funding to support research programmes commissioned by the committee.*

**Figure 1 is an illustration of a possible mechanism.**

**Fig. 1: Consultative Mechanism - An Illustration**

