

**From the Drylands to the Market:  
Policy Opportunities and Challenges  
in Dryland Areas of East Africa.**



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## List of Acronyms

ACP	African Caribbean and Pacific Countries
AFC	Agricultural Finance Corporation
AGOA	African Growth and Opportunity Act
ASALs	Arid and Semi Arid Lands
ATIA	African Trade Insurance Agency
AU	African Union
CBD	Convention on Biological Diversity
CET	Common External Tariff
CITES	Convention on International Trade in Endangered Species
COMESA	Common Market for Eastern and Southern Africa
DDC	Drylands Development Centre
DSC	District Steering Committee
EAC	East African Community
EC	European Commission
ECOWAS	Economic Community of West African States
EPA	Economic Partnership Agreement
ERS	Economic Recovery Strategy
EU	European Union
EW	Early Warning
FAO	Food and Agriculture Organization
FMD	Food and Mouth Disease

FSA	Financial Service Associations
GDP	Gross Domestic Product
GHP	Good Harvesting Practice
GOK	Government of Kenya
GRTKF	Genetic Resources, Traditional Knowledge and Folklore
HH	House Hold
IBAR	Inter African Bureau for Animal Resources
IDDP	Integrated Drylands Development Programme
IFAD	International Fund for Agricultural Development
IGAD	Inter Governmental Authority on Development
ILRI	International Livestock Research Institute
IPR	Intellectual Property Rights
KACE	Kenya Agricultural Commodity Exchange
KARI	Kenya Agricultural Research Institute
KBS	Kenya Bureau of Standards
KDDP	Kenya Drylands Development Programme
KEFRI	Kenya Forestry Research Institute
KLMC	Kenya Livestock Marketing Council
KMC	Kenya Meat Commission
KMDP	Kenya Maize Development Programme
KFSM	Kenya Food Security Meeting
KWFT	Kenya Women Finance Trust
KWS	Kenya Wildlife Service
LAC	Latin America and the Caribbean
LDC	Least Developed Countries
LDP	Livestock Development Programme

MARD	Ministry of Agriculture and Rural Development
MDGs	Millennium Development Goals
MFI	Micro Finance Institutions
MoH	Ministry of Health
MLFD	Ministry of Livestock and Fisheries Development
MT	Metric Tonnes
NAP	National Action Plan
NCPB	National Cereals and Produce Board
NEMA	National Environment Management Authority
NGO	Non-Governmental Organization
NTB	Non-Tariff Barriers
OECD	Organization of Economic Cooperation and Development
OP	Office of the President
PIC	Public Investment Committee
RAP	Regional Action Programme
SA	South Africa
SADC	Southern Africa Development Community
SME	Small Micro Enterprise
SPS/TBT	Sanitary and Phytosanitary/Technical Barriers to Trade
SRAP	Sub Regional Action Programmes
TARDA	Tana and Athi River Development Authority
TRIP	Trade Related Aspects of Intellectual Property
UAE	United Arab Emirates
UN	United Nations
UNCCD	United Nations Convention to Combat Desertification
UNDAF	United Nations Development Assistance Framework



UNDP	United Nations Development Programme
UNEP	United Nations Environmental Programme
USAID	United States Agency for International Development
VHF	Very High Frequency
VSO	Swedish Livestock Marketing Organization
WB	World Bank
WFP	World Food Programme
WIPO	World Intellectual Property Organization
WTO	World Trade Organization



# Executive Summary

Being the driest areas of the region, the drylands of East Africa face unique challenges, which affect lives and livelihoods of their residents. However, these areas also have significant potential, which can be converted into beneficial economic opportunities with the right mix of policies, investments in infrastructure, and access to credit and markets.

This paper presents a summary of the challenges, opportunities and policies adopted by the three East African countries –Kenya, Uganda and Tanzania- to address the production and marketing of goods and services from drylands. It also provides recommendations on policy that could enhance production and marketing of relevant products. It is based on three national policy studies undertaken in the three countries, Kenya, Uganda and Tanzania.

At the onset, the report illustrates that although the relevant areas have a harsh climate, they nevertheless host substantial natural and economic potential, which, if developed, could be the basis for alternative livelihood options for the local people. These include:

- a) Comparative advantages in livestock and livestock products (hides and skins, meat, milk, ghee, bones, hooves, horns, and poultry)
- b) Significant quantities of diversified nature-based products (i.e., Aloe, Gum arabic, jatropha, incense, herbal products, herbal tea, honey, fish, tree dyes, fragrance, wild sisal, wild fruits)
- c) Minerals (asbestos, gold, quartz crystals, green and red garnet)
- d) Pockets of land that are suitable for farming on agro-pastoralism basis
- e) Substantial potential for ecological and cultural-based tourism

But owing to a host of challenges, such potential has hardly been tapped. Some of the main challenges include generally hostile climatic conditions, low availability of surface water, poor infrastructure, low productivity, few and underdeveloped marketing opportunities, unavailability of credit schemes for producers and ineffective production and marketing policies. Consequently, general poverty and deprivation have continued to plague the relevant areas.

Although the four target sites typify the challenges in the drylands of East Africa, they nevertheless demonstrate comparative advantages that could be developed into viable sources of income. These include:

As part of their overall endeavour to tackle challenges of uplifting local people's livelihoods, the three East African countries have embraced different policies and strategies. Of importance here are 'mega' policies such as poverty reduction strategy papers (PRSPs) and economic recovery strategy (for Kenya), Macro-Economic Policy Framework and Mkakati wa Kukuza Uchumi na Kupunguza Umaskini Tanzania (MKUKUTA, (for Tanzania) and Uganda's Poverty Eradication of Poverty (PEAP).

The three countries have also enacted policies that are more 'pointed' towards addressing challenges in the drylands. These include Kenya's 2004 draft ASAL Policy<sup>1</sup>, which mainstreams needs and aspirations of communities inhabiting arid and semi-arid lands into the national economy. Tanzania's MKUKUTA places emphasis on economic growth, good governance, and commitment to reforms, improvement of living standards and the mainstreaming of vulnerable groups. In the case of Uganda, the PEAP has laid emphasis on well-developed markets, which not only engender rural growth but also sustainable development. Uganda focuses on those products it has a unique advantage on, value addition and manufacturing based on natural resources (forestry and fisheries) and on agricultural products.

The countries have also embarked on removing impediments to trade and development of drylands through revitalisation of key marketing and financing institutions and engendering the growth of local enterprises. For instance:

- a) Uganda has not only removed levy on export but has also made export procedures simple.
- b) Kenya has sought to put in place a framework for a comprehensive approach to ASAL development that is sensitive to prevailing causes of poverty.
- c) Besides MKUKUTA, Tanzania has also enacted the 2004 National Agricultural Marketing Policy that offers guidance to the country's agricultural marketing systems besides seeking to raise farm incomes, enhance food security and reduce poverty.

This paper aims to demonstrate that apart from domestic policies, existing and emerging trends in global trade regimes and regional trading blocks also affect the production and marketing of dryland products. These include the World Trade Organization Rules -that govern international trade- and Agreements and Protocols, which regulate how products from different countries enter the world markets.

Other regimes include international conventions that regulate international trade in endangered species (e.g., CITES, Convention on Biological Diversity, etc.). Generally though, the three East African countries have not significantly benefited from global trade arrangements owing to the complexity of the issues involved and immense volume of the negotiations (i.e. an average of 12,000 meetings each year).

Some of the relevant developments at the international level include trading agreements and particularly one binding the European Union and the 77 African Caribbean and Pacific (ACP) countries, through which Europe agreed to offer free access to most products from

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<sup>1</sup> The ASAL Policy is waiting approval from the Cabinet.

ACP countries on non-reciprocal basis. This arrangement ended in 2007 and has been gradually replaced by Economic Partnership Agreements (EPA) that calls for the creation of a free trade area between ACP countries and the EU.

Other arrangements include the African Growth and Opportunities Act (AGOA), a legislation passed by the United States in 2000. AGOA offers poor countries that meet certain human rights and labour standards, duty-free and quota-free access to US markets for finished textile and a whole range of other products.

There are regional trade arrangements including COMESA that brings together 20 Countries in Eastern, Southern and Northern Africa. This arrangement offers access to each other's markets on concessional terms. Included here too, is the East African Customs Union Protocol (CUP) which came into force in December 2004 and which now signifies a regional resolve to create a most favourable regional trade devoid of all tariff and non-tariff barriers besides making it possible for the marketing of natural products.

This paper concludes that poverty in the drylands of East Africa is compounded by such climatic traits as recurrent droughts, long-running neglect by governments, inappropriate policies, poor marketing systems and low investment in development activities and infrastructure.

The paper recommends that planning for development of the relevant areas be based on detailed assessments that would create hands-on information on their natural potential.

It also recommends the incorporation of sound policy options for addressing the constraints hindering the enhancement of production, processing and marketing of drylands products.



# Chapter 1: Opportunities and Challenges in the Marketing of Dryland Products

## 1:1: Overview

This section presents the unique opportunities and challenges in the drylands of East Africa. It also highlights a number of issues that hamper the inhabitants from effectively raising the production and marketing of what they produce.

Generally, drylands of East Africa are characterised by aridity as evidenced by low rainfall, low availability of surface water, high evapo-transpiration rates and coarse vegetation species. Although these conditions pose significant challenges to development, drylands have unique natural potential that could be tapped to alleviate poverty.

The drylands of East Africa are characterized by communities that are resilient and innovative, traditional livestock management practices that have survived through centuries; possess important natural assets (e.g., wildlife) and cultural assets that are valuable for tourism and ecotourism, indigenous knowledge of their flora and fauna, and other natural resources that have high demand. These endowments imply that drylands have high potential if they are properly managed for the benefits of all.

In 2004, the Improving Market Access for Drylands Commodities Project (known in its short name as the Market Access Project) commissioned baseline studies in the three East African countries that were based in the four target districts; Monduli (in Tanzania), Moroto (in Uganda) and Turkana and Kajiado (in Kenya). The three policy assessments were part of this process.

The areas assessed face almost similar ecological threats which consequently affect local biological diversity and environmental sustainability as presented in Box 1.

### **Box 1: Brief Situational Analysis of the Four Study Areas**

- a) Loima hills of Turkana District in Kenya;*
- b) Namanga hills of Kajiado District in Kenya;*
- c) Moroto hills of Karamoja District in Uganda; and,*
- d) Monduli hills of Monduli District in Tanzania.*

*Loima Hills is situated in Turkana District. The area faces such challenges as overgrazing, hunting of wildlife for meat, insecurity, and poor mining practices (e.g., use of mercury in gold extraction), among others.*

*Namanga Hills are situated in Kajiado District of Kenya and constitute part of a wildlife dispersal area for Amboseli and Ngorongoro National Parks. The major environmental threats here include uncontrolled felling of trees for building materials and charcoal production, over-extraction of medicinal plants, overgrazing within the forest (especially during the dry season) and disruption to natural water sources.*

*Moroto Hills Area incorporates the dry mountain forests of Karamoja District in Uganda. Although the area is important as a water catchment zone, it is now under increasing threat due to overexploitation of its resources by the local population and from overgrazing. The area is prone to insecurity and conflict amongst its nomadic inhabitants. It is also facing threats from natural and human-generated bush fires, and encroachment by cultivators owing to increase in human population.*

*Monduli District of Tanzania has 10 forest reserves, seven of which were gazetted and three proposed as village forest reserves. This district faces threats that include deforestation and illegal harvesting of natural resources, rapid population increase, high poverty levels, low awareness on the value of natural resources and inadequacy of implementation of relevant environmental laws.*

The studies established that commerce, beekeeping, fishing, craft making and tourism are particularly important in the relevant areas and further highlighted the common and unique challenges that negatively hamper the development of these areas' potential.

## **1:2 Opportunities in East African Drylands**

The drylands of East Africa have a variety of economic opportunities. These include the following.

- a. a) Nature based products such as forest products, water, energy, minerals and other biodiversity-based resources. Research shows that nature-based products such as Aloe, gum Arabic, Commiphora gum and honey have a high potential. Already, there is a growing global demand for some of the products from the drylands which means that such potential could be tapped to raise incomes and provide alternative livelihoods for the local people. For example, there is a high international demand for Gum arabic and Aloe vera.
- b) A significant potential for the production of high quality livestock and their

products (hides and skins) for export. For example, Uganda is already tapping part of its leather marketing potential while Kenya's drylands are now beginning to enjoy a favourable livestock-marketing infrastructure since the revival of the Kenya Meat Commission and subsequent entry into the export markets of the Middle East and other parts of Africa.

- c) Significant potential in production, processing and marketing of medicinal plants. All four districts have several herbs and high value trees that are in use locally.
- d) Potential for widespread production of high quality honey. The ASAL regions have some of the best forage trees, shrubs and herbs that support production of high quality honey.
- e) High potential for poultry and poultry products in areas such as Moroto where women's groups are pursuing this enterprise opportunity.
- f) Many of the people in these areas are endowed with unique traditional skills for handicrafts production that have a ready market among millions of tourists visiting East Africa. There are also opportunities in the export market.
- g) Drylands have a huge potential for cultural tourism and ecotourism, which could be tapped to supplement incomes acquired from livestock keeping.
- h) There is potential for dryland farming of fruits, vegetables, cereals and cash crops, which could be tapped through both rain-fed and irrigation agriculture especially along such river valleys as Mto wa Mbu and Engaruka rivers in Monduli district of Tanzania.
- i) The existence of key supporting policies such as MKUKUTA in Tanzania, draft ASAL policy in Kenya and the Poverty Eradication Action Plan (PEAP) of Uganda also opens up space for development.

### **1:3 Challenges Facing the Production, Processing and Marketing of Drylands Products**

The challenges facing the production, processing and marketing of drylands products include:

- a) Lack of extension and veterinary services as well as poor cattle management skills cause damage to hides and skins, on the one hand, and lead to ineffective surveillance and control of trans-boundary livestock diseases, on the other.
- b) Underdeveloped infrastructure network as evidenced by dilapidated roads and poor or non-existent communication networks in many of the areas make accessing the market and relevant market information extremely difficult.

- c) Unreliable, traditional beekeeping technology leading to low honey production. Almost all drylands lack facilities for processing honey products, which consequently leads to low financial returns.
- d) Generally, there is poor development of the Aloe industry in the three countries despite its high potential. For instance, in the Karamoja area of Uganda, Aloe exploitation was being carried out by “black market” operatives when the MAP natural resource assessment was undertaken in 2004.
- e) Herbal medicine in the drylands is largely processed through traditional methods. Unfortunately, local communities’ entitlements to relevant intellectual property rights are generally not recognized by other interested parties. This has led to such knowledge being accessed free-of-charge.
- f) Lack of access to and registration of land in many of the areas leads to conflict over use of natural resources.
- g) Lack of access to credit hinders raising productivity in all the four study areas. Although microfinance institutions have a significant presence in high-potential areas of East Africa, most perceive investing in drylands as both unprofitable and risky. In addition, many producers in the relevant drylands lack collateral other than livestock, which is not accepted by most financial institutions.
- h) Underdeveloped markets and poor access to market information leading to low commercialisation of local products.
- i) The adoption of inappropriate production technologies has led to low productivity in nearly all sectors of the drylands’ economies.
- j) The adoption of inappropriate development policies has hampered the tackling of many of the production and marketing constraints in relevant areas.
- k) Most of the relevant areas have fragile ecosystems, which have been experiencing severe degradation occasioned by overstocking, adoption of poor land use practices and rise in human population.
- l) Undeveloped irrigation facilities; difficulties in accessing financing for irrigation ventures, and lack of access to high quality seeds leading to low development of dryland farming and over-reliance on rain-fed agriculture.
- m) High levels of poverty, illiteracy and limited access to essential services.

## 1:4 Policy Issues Affecting Production and Marketing of Products in Drylands of East Africa

The key policy issues affecting production and marketing of drylands products for the three countries are highlighted in the table below.

**Table 1: Key policy challenges affecting production and marketing of products in Kenya, Tanzania and Uganda**

Kenya	Tanzania	Uganda
1. Livestock diseases management, disease surveillance and control mechanisms, and disease zones	1. Lack of a National Marketing Policy and Strategy	1. Ineffective agricultural and extension services
2. Holding grounds for livestock and abattoirs	2. Conflict between sectoral policies	2. Lack of storage, cooling, production and agro processing facilities
3. Lack of livestock standardization measures	3. Livestock disease control and management and lack of cross-border disease surveillance and zones	3. Poor transport and communication infrastructure
4. Poor transport and communication infrastructure	4. Holding grounds for livestock	4. Lack of market information
5. Inadequate marketing infrastructure	5. Lack of livestock standardization measures	5. Lack of entrepreneurial and business skills
6. Lack of commercialization policies for ASAL products	6. Range/pasture management	6. Lack of market facilities
7. Lack of market information	7. Lack of market information	7. Lack of financial services
8. Weak marketing systems	8. Lack of knowledge on non wood forest products	8. Lack of knowledge on intellectual property rights
9. Lack of financial services	9. Lack of entrepreneurial and business management skills	9. Lack of basic knowledge on sustainable land management practices
10. Lack of entrepreneurial and business management skills	10. Lack of credit facilities	10. Security of tenure – communal land ownership
11. Lack of incentives for private sector investment	11. Exploitation by middlemen	11. Drought control
12. Brokers and middlemen exploitation	12. Lack of inputs –seeds, etc	12. Lack of water
13. Drought control	13. Lack of knowledge on intellectual property rights	13. Soil and water conservation/irrigation
14. Pasture management practices	14. Soil and water management and conservation/irrigation	14. Lack of inputs –seeds, etc
15. Soil and water management and conservation/irrigation	15. High illiteracy among pastoralists – education and poverty	15. Middle men and Brokers exploitation
16. Lack of knowledge on intellectual property rights	16. Limited infrastructure and communication networks in the drylands.	16. High illiteracy among pastoralists – education and poverty
17. Lack of inputs –seeds , etc		18. Insecurity
19. Insecurity		
20. High illiteracy among pastoralists and poverty		

The market access challenges and opportunities for the identified drylands commodities in the target areas are highlighted in the table below.

**Table 2: Market Access Challenges and Opportunities across Kenya, Uganda and Tanzania**

Drylands commodities	Market access challenges and constraints	Market access opportunities
Pastoralism	<ul style="list-style-type: none"> <li>• Disease control including trans-boundary diseases, establishment of Disease Free Zones (DFZ) and improvement of animal health delivery systems</li> <li>• Livestock marketing infrastructure</li> <li>• Recurrent drought</li> <li>• Controlled exportation of livestock products</li> <li>• Export market prefers younger livestock (2-4 years), hence discriminating livestock from the drylands which range between 5-10 years on average</li> <li>• Livestock sold domestically in informal markets, especially in Karamoja</li> <li>• Lack of market information</li> <li>• Poor quality of livestock products, e.g., hides and skins</li> </ul>	<ul style="list-style-type: none"> <li>• Livestock trade including large domestic markets especially in the urban centers and export – international markets</li> <li>• Middle East has market for livestock products from IGAD States</li> <li>• Opportunity exists to create awareness and provide market information to the pastoralists</li> </ul>
Agro-pastoralism	<ul style="list-style-type: none"> <li>• Difficulty in attracting investments – investors</li> <li>• Financing of irrigation systems</li> <li>• Accommodation of informal seed systems</li> </ul>	<ul style="list-style-type: none"> <li>• Drylands crop production</li> <li>• Economic use of drylands through irrigation, e.g. along Mto wa Mbu and Engaruka rivers in Monduli, Tanzania</li> </ul>
Medicinal plants, e.g., aloe	<ul style="list-style-type: none"> <li>• Legislative and regulatory systems (certification and practices)</li> <li>• Knowledge of uses and market potential limited to traditional or black market, especially in Kenya, while its value is unknown in Uganda and Tanzania</li> <li>• Export market development</li> <li>• Community benefit sharing</li> <li>• Resource management (preservation, conservation and propagation)</li> </ul>	<ul style="list-style-type: none"> <li>• Exploitation of natural resources including traditional medicine and herbal products, and extraction of pharmaceutical products</li> </ul>
Other high value trees – e.g., Gum Arabic,	<ul style="list-style-type: none"> <li>• Industry underdeveloped in the Karamoja drylands</li> <li>• No exports of Gum Arabic or its by-products has been reported in Uganda, although it can be exported under AGOA</li> <li>• Lack of market information for the Karamoja community</li> <li>• Traditional practices such as burning of the grass, which leads to the destruction of Gum Arabic trees</li> </ul>	<ul style="list-style-type: none"> <li>• Production of Acacia senegal and Acacia seyal, which are used to produce Gum Arabic present a big opportunity for production and commercialization of Gum Arabic in the right quantities, quality and variety</li> </ul>
Jatropha	<ul style="list-style-type: none"> <li>• In spite of its high potential, there are no clear policies to address the production, marketing and certification of Jatropha products in Tanzania</li> <li>• Little awareness of the significance and importance of emerging natural resource products, e.g., jatropha, balanites and sunflower in Tanzania.</li> </ul>	<ul style="list-style-type: none"> <li>• High potential products including non-edible oil and bio-diesel</li> </ul>

**Table 2: Market Access Challenges and Opportunities across Kenya, Uganda and Tanzania**

Drylands commodities	Market access challenges and constraints	Market access opportunities
Fishing (In Turkana – Kenya)		
Honey production	<ul style="list-style-type: none"> <li>• Producers use traditional methods and sell locally in crude form</li> <li>• No enforcement of quality standards</li> <li>• No investment in value addition</li> </ul>	<ul style="list-style-type: none"> <li>• Bee-keeping is sustainable</li> <li>• Honey has medicinal properties</li> <li>• Investors can exploit honey industry in the drylands</li> </ul>
Handicrafts	<ul style="list-style-type: none"> <li>• Enforcement of quality standards</li> <li>• Lack of financial services for the sector</li> </ul>	<ul style="list-style-type: none"> <li>• Based on the uniqueness of products from the drylands</li> </ul>
Ecotourism	<ul style="list-style-type: none"> <li>• Encouraging community and private sector investment partnerships</li> <li>• Benefit sharing</li> <li>• Conflict between sectoral policies (lack of harmonization in policy implementation)</li> <li>• Inadequate entrepreneurial skills among communities, little or no awareness of business opportunities and limited awareness of policies that support entrepreneurial activities</li> <li>• Limited access to finance and credit facilities</li> </ul>	<ul style="list-style-type: none"> <li>• Co-existence approach that minimizes human-wildlife conflicts</li> <li>• Avenue for direct community benefit from natural and wildlife heritage</li> <li>• Possibility for exploiting cultural tourism and ecotourism, and linkages with other tourist circuits</li> <li>• Existence of key supporting policies such as MKUKUTA in Tanzania</li> <li>• The peace enjoyed in Monduli and Kajiado provides an enabling environment for practicing ecotourism</li> </ul>

As demonstrated above the drylands of East Africa present unique economic opportunities. The market access challenges and constraints should however be properly addressed for the significant opportunities to be opened up.



# Chapter 2: National and Sector-Specific Policies Affecting Production and Marketing of Drylands Commodities

## 2:1 Overview

This section presents broad national and sector-specific policies that have impact on the production, utilization and marketing of products from the drylands of East Africa. The products include livestock and livestock products, honey, poultry, edible wild food resources, Gum Arabic, Aloe, and medicinal plants, high value trees, ecotourism and handicrafts.

Policies necessary to develop the production and marketing of goods in the areas are also highlighted. These include:

- a) Intellectual property rights of relevant communities;
- b) Relevance of existing national credit schemes in the target sites; and
- c) Effects of food aid on the economies of the target areas.

The section also presents an outline on the macro-economic policies that are relevant to the production and marketing of commodities produced in the drylands areas.

## 2:2 Broad National Economic and Environmental Policies and Laws

The three countries have enacted framework environmental management and coordination laws - Kenya in 1999; Tanzania in 1997; and Uganda in 1994.

The three countries are in different stages of enacting sectoral laws and policies meant to promote sustainable utilization of environmental goods and services. For instance,

- a) Kenya is now implementing the new Forest Act and the Water Act;
- b) Tanzania enacted its new Forest Act in 2002; and,
- c) Uganda has revised its Forest Act of 1964 and replaced it with the National Forestry and Tree Planting Act of 2003.

Basically, these laws are meant to ensure that access and use of forest products is carried out in a sustainable manner.

### **a) Kenya**

Kenya enacted an Arid and Semi-Arid Lands Policy in 1979 which was informed by the 1965 Sessional Paper on African Socialism and its Relation to Economic Development. This in part resulted in programmes for the settlement of pastoralists in irrigation schemes and group ranches and also offered some policy options to address land degradation.

Kenya came up with a draft ASAL Policy in 2004 that acknowledged among other things, the importance of conducting accurate livestock censuses, responding effectively with emerging diseases and strengthening livestock marketing channels through pastoralists' marketing organizations.

The 2004 draft ASAL Policy offers Kenya a more coherent approach for developing drylands, which constitute about 80% of the country. The policy formulation process was participatory and largely succeeded in identifying what could stimulate economic growth and reduce vulnerability of relevant populations to droughts and famines.

Some of the draft policy's salient features include:

- a) An appreciation that developing arid and semi-arid areas is bound to lead to effective economic growth throughout the country.
- b) Recognizing that assigning communities more assertive roles in charting their own development agenda – identification, planning, implementation and evaluation of projects – gives them a real chance of owning schemes meant for their benefits.
- c) Official recognition that equitable development, livelihood diversification, significant investments on exploiting the areas' unexploited potential is crucial to raising economic profiles of the ASALs.
- d) Acknowledging the need for government assistance as far as land use and tenure policies are concerned as well as provision and development of effective financial services.
- e) Commitment to reducing the perpetual loss of lives and livelihoods occasioned by natural disasters and food insecurity in the ASALs.
- f) Commitment to increase income accruing to livestock keepers by a factor of four by the year 2015, through raising of livestock numbers and quality, improved access to forage and water resources through integrated resource management; control of livestock diseases, and improved access to functioning livestock markets.

- g) Facilitating livestock marketing so as to increase household incomes and contribute to poverty reduction.
- h) Creating an enabling environment within which credit to community-based organisations engaging in livestock markets can be offered.

The draft ASAL policy has been presented to the cabinet and is awaiting approval. Once the document is subsequently approved by parliament, it will become operational.

Kenya has also revived key institutions and corporate bodies to effectively guide production and marketing of drylands goods - the Kenya Meat Commission, the Agricultural Finance Corporation and the Kenya Cooperative Creameries. The process has involved the drafting and implementation of service charters of such institutions, relevant ministries and implementation of contractual employment in the civil service.

Gradually too, Kenya has been strengthening its capacity to control diseases by partnering with international research institutions and NGOs, UN agencies, bilateral and multilateral programmes, the African Union, the East African Community and COMESA. It has, for example, been involved in annual vaccination campaigns to get rid of diseases such as Foot and Mouth Disease.

In line with recommendations by the World Bank and IMF, Kenya has also undertaken the privatisation and decentralization of animal health care system.

## **b) Uganda**

Uganda's macro-economic policies have focussed on sustaining the country's economic growth. Under the Structural Adjustment Programmes, Uganda engaged in trade liberalization which enabled it to attract significant external investments in agro processing, banking and education.

Since 1997, Uganda adopted PEAP which is aimed at transforming the country into a modern economy by 2017. The policy also recognizes the important role growth in exports and especially the export of value added commodities has on the country's development.

At the heart of Uganda's PEAP is a resolve to strengthen the capacity of key institutions to enable them respond to such export challenges as quality assurance, enforcement of standards and procurement of market information.

To scale up trade with other countries, Uganda has adopted the following measures:

- a) A two-pronged tariff system that eliminated all qualitative restrictions, on the one hand, and reduced the number of tariffs and tariff rates from 60% to 15%, on the other. The system also maintains a "nominal" export duty of 1 and 2 percent collected by the Uganda Coffee Development Authority and Cotton Development Organization, respectively.

- b) The Manufacturing Under Board Scheme (MUBS of 2000), which allows local and foreign investors intending to engage in export trade to import goods without payment of any custom duty.
- c) Facilitating Ugandan exporters to access reasonably priced credit to meet their pre – shipment cost under the export credit scheme. Such short-term credit is extended through accredited commercial banks and Participatory Financial Institutions while the Bank of Uganda acts as the guarantor.
- d) Exporters of crop and animal products, minerals, crafts and services are covered by the Export Refinance Scheme whereby they benefit from financing to meet pre- and post-shipment costs and from medium term credit to finance the development of storage facilities, or for cleaning, drying and grading equipment.
- e) Uganda has also established a number of safeguards as remedy to injury, dumping and to injurious subsidization. Included here are the anti-dumping and countervailing measures, which are provided for in domestic policies and various policies of the East African Community (EAC).
- f) The government also created the Uganda Investment Authority (UIA) to reduce bottlenecks to trade and encourage investments.

Evidently, Uganda’s policy focus has recognised the important role access to markets for products from drylands and other rural areas has on rural growth, development and poverty reduction. Uganda has also been striving towards reducing regional disparities in development through setting up equalisation grants, restocking of livestock, and devoting public funds into providing basic services to the poor.

But this positive trend has had limited impacts in the remote northern part of the country and particularly in Karamoja, one of the drylands areas.

### **c) Tanzania**

Tanzania has experimented with different policy approaches –state control; unregulated markets; cooperatives marketing boards; centralized marketing and bank – based marketing, centralized marketing and back to unregulated marketing.

These policies have evolved dramatically since the early 1960s when the country pursued Ujamaa socialist policies to a more market-oriented development approach practiced today. Indeed, Tanzania has gone full circle as far as macro – economic policy formulation is concerned.

Tanzania had initially embraced the co-existence between a significantly autonomous semi-subsistence small–holder sector and privately owned plantation agriculture. Although the private sector had dominated marketing, the state had intervened by establishing cooperative unions, (e.g., the Kilimanjaro Native Cooperative Union) while independent traders collected cash crops for sale.

Between 1976 and 1983 (i.e., the Post -Arusha declaration period, the government completely overhauled production and marketing systems, centralized all planning and policy making roles and further nationalized most factors of production under the Ujamaa programme.

In the period running between 1983 and 1993, Tanzania embraced more liberalized production and marketing following the failure of the centralization experiment. During this period, the government enacted policies to increase and diversify agricultural production, and to enhance market efficiency.

But since 1993, Tanzania has significantly reduced state intervention at the macro and micro levels. The Tanzanian government excluded itself from participation in, and controlling the supply, marketing and pricing of inputs and commodities and sought to engage the private sector in revitalization of the export processing industries. It further sought to improve the marketing of inputs and other factors of production, and to bring most sectors into taxation while, at the same time, providing tax-based incentives to investors in agricultural-based activities.

The most important result of these reforms was the establishment of such policies as MKUKUTA, National Trade Policy, and Agricultural Marketing Policy; all of which have enabled the creation of an enabling environment for private sector participation.

The 5-year MKUKUTA (Mkakati wa Kukuza Uchumi na Kupunguza Umaskini Tanzania) or the National Strategy for Growth and Reduction of Poverty was approved by the cabinet in February 2005. The strategy seeks to harmonize the implementation of policies and strategies that cut across sectors and provides for the collaboration of actors –both public and private. It is also aims at equitable growth, reduction of poverty, raising economic and social welfare (health, nutrition and shelter) and good governance.

## **2:3 Implications of National Policies on Marketing of Dryland Products**

To tackle the immense challenges facing drylands in the region and to tap their potential besides making relevant products marketable, each East African country has –over time- shaped and shifted its policies to suit such areas.

Generally, East African governments have been playing facilitative and indirect roles in the production and marketing of products from dry areas. Although the degree of success differs from one country to the other, the three East African countries have come up with policies that target improvement in infrastructure -roads, rail, communications, water services, and market buildings- public health, disease-control through quarantine, education and credit facilities.

In addition to the above positive changes, it is also important for the governments to offer means through which populations in drylands can access the right information at the right time to allow for effective marketing.

More importantly, governments ought to facilitate the improvement of marketing institutions to make them more sensitive to the difficult situation under which producers and marketers of various dryland products operate. Unlike traditional marketing systems, modern marketing operates within a sophisticated structure characterized by a large number of agents.

Improving the operations of institutions that facilitate production and marketing of products from drylands also requires enhancing security, protecting property rights and contracts, controlling corruption, providing access to and allowing use of natural resources; offering services such as education, healthcare and credits.

## 2:4 Addressing Sectoral Policy Issues in the Drylands of East Africa

### a) Livestock

Broadly, the main issues affecting livestock marketing in the drylands are:

- a) Water management and pasture improvement
- b) Disease control
- c) Productivity and marketing of livestock products

In their attempt at addressing these issues, the three East African countries have steered their policies along different paths.

### Kenya

Kenya has emphasized on the importance of conducting an accurate livestock census, dealing effectively with emerging diseases and strengthening livestock marketing channels through the revival of the Kenya Meat Commission and working with pastoralists' marketing organizations. Additionally, Kenya has decentralised animal health care system besides carrying out annual vaccination to control such recurrent diseases as Foot and Mouth Disease.

### Tanzania

Through its Livestock and Agricultural marketing policy, the Tanzanian government has been involved in the transformation of marketing systems. However programmes to improve marketing have faced challenges such as low involvement of the private sector and relevant communities and inability of district authorities to translate national policies to suit local needs which leads to inconsistencies between village plans and national policies. Local communities also lack market information. In addition, Tanzania's Trade Policy and Cooperative Development Policy of 2003 are not sensitive to the needs of a liberalized economy and neither do they offer strategies for promoting the marketing of various dryland products.

## Uganda

As outlined in its Export Diversification Policy and Plan for Modernization of Agriculture, Uganda's overall plans and strategy for developing the livestock industry hinges on facilitating investments, making animal inventories, promoting related businesses, engendering efficiency in production, integrating producers into the mainstream economy and producing surplus for export (Govt of Uganda 2004).

The government's strategy also focuses on disease control, attaining self-sufficiency in livestock products (particularly, meat, milk and poultry), promoting the emergence of related industries and strengthening research in livestock breeding for purposes of upgrading the quality and productivity of indigenous breeds.

However, insecurity, diseases, costs and logistical hurdles, and lack of water not only hamper the development of Uganda's livestock potential but also its attempt to integrate such areas as Karamoja into the export markets.

In addition, local breeds in Karamoja are of low quality and productivity. Communities are also not exposed to modern livestock husbandry practices.

### **b) Nature-based Products**

Generally, the drylands of East Africa are rich in nature-based products. Besides Aloe, there are medicinal plants, Gum Arabic, high value trees and shrubs such as sandalwood and *Jatropha*, honeybees, etc.

In principle, the exploitation of nature-based products in the East African countries is governed by international agreements such as the Convention on Biological Diversity (CBD) that binds countries to conservation of biological diversity, sustainable utilisation (e.g., use of biological products for medicine, agriculture or for industrial purposes) and fair and equitable sharing of benefits arising from genetic resources.

That East Africa's policies have not been conducive to the development and marketing of nature-based products as viable alternatives to traditional land uses is exemplified by a 1986-presidential ban on the exploitation of Aloe in Kenya. The decree had forced trade on the product to go underground besides hindering investment in its production and processing.

Though there are substantial quantities of *Aloe* and *Gum arabic* in Karamoja and other drylands of Uganda, they are yet to be developed into industrial products or exploited for commercial purposes. In addition, the country's market for medicinal plants and herbs is largely under-developed with the processing largely been done through traditional techniques.

On its part, Tanzania has enacted the National Forest Programme (2001-2010) as a means of making forest resources contribute to poverty reduction by supplying forest products and enabling relevant institutions to manage and develop forests. The programme seeks to combat ongoing degradation of forest cover. Although the country is yet to define natural products in policies that support investment in the non-wood forest industry, it nevertheless

has shown interest in supporting the production and marketing of non-traditional products such as Aloe, jatropha and Gum arabic.

What is lacking –across communities inhabiting East Africa’s drylands- is widespread knowledge on the usefulness of these products. Creating necessary awareness on usefulness, production techniques, and marketing dimensions, among others, would thus be very crucial.

### **c) Accessing Credit in Drylands**

In general, there are four types of financial services open to families residing in rural areas of East Africa:

- a) Savings schemes
- b) Credit for agricultural production, marketing and processing
- c) General insurance against certain uncertainties (e.g., output, price and marketing risks)
- d) Financial resources mobilized through credit schemes (e.g., agricultural cooperative schemes)

The three East African governments have embraced a number of policies to support access to credit by communities in rural areas.

In Uganda, the microfinance sector has been on transformation since the late 1990s to ensure that it is sustainable. This has involved a collaborative effort between the Bank of Uganda, Uganda Finance Trust, the EU, USAID, and World Bank. The government has been facilitating the enhancement of capacity of microfinance institutions and has also shifted its approach away from a private sector-led microfinance sector to a members-based one that is capable of catering for public good.

The Karamoja area is yet to benefit from this policy and has not reaped from the significant growth in the numbers of Micro Finance Institutions (MFIs) in Uganda -which stood at about 1,500 in 2003. This is largely due to conflict in the North, which had not only led to the collapse of basic infrastructure but also rendered the delivery of micro-financial services almost impossible. As a result, micro-finance institutions are largely non-existent there. At the same time, although pastoralists would like to use such services to improve their livelihoods, they lack collateral that is necessary to secure financing.

The Tanzanian government came up with the National Micro Finance Policy in 2000, which caters for the provision of financial services to households, smallholder farmers and small enterprises in both rural and urban areas. Tanzania has also enacted the Small and Medium Enterprises Development Policy that runs between 2002 and 2012. This policy seeks to improve access to credit; promote rural industrialization besides institutionalizing public-private partnerships in the existing financial system. But these policies are poorly translated on the ground because unavailability of credit still affects people’s ability to invest in productive ventures.

Kenya has seen a significant growth in the number of Financial Services Associations (or village banks). There are over 160 Village Banks that cater for the poorer sections of the country. These are mainly sponsored by K-Rep Development Agency and the Catholic Relief Services (CRS).

Kenya has also seen tremendous growth of indigenous banks and particularly Equity Bank and Family Bank, that have made it easier for the poor to run accounts and access credit. These banks also have significant representation in areas dominated by the poor.

Furthermore, Kenya came up with the Micro-Finance Act (2006), which enables small financial institutions to operate in those rural areas neglected by mainstream commercial banks. But the requirement that the targeted institutions raise a core capital of Ksh60 million –among other regulations- might not be met by the smaller micro-financial institutions.

Generally though, credit schemes are either non-existent or do not work well in most drylands of East Africa because of the following reasons:

- a) Financial institutions find it risky (in terms of natural disasters and uncertainties in the operations of the businesses) to lend to drylands' households and small enterprises.
- b) Banks and other lending institutions do not recognize traditional 'collateral' such as livestock.
- c) Alternative intermediaries such as NGOs and local savings and credit groups are either poorly structured or exist as welfare groups lacking required capacity to mobilize savings and offer credit.
- d) Some of the existing laws and regulations especially on interest rates tend to reduce ability of lending institutions to recover the cost of lending to small enterprises.
- e) Relevant households have low business and financial skills.

### *Box 3: Lending Risks in Uganda*

*In Uganda, poor record keeping among borrowers, lack of efficient infrastructure and unreliable data and assets registry end up denying even credit-worthy borrowers access to much needed financing. In addition, risks related to the very nature of agricultural production, basic lack of collateral and inability of existing mechanism to enforce loan payment mean borrowers in such places as Karamoja cannot access financing that is so crucial for improving production and marketing.*



Policy options for strengthening access to credit in the drylands of East Africa include:

- a) Raising the capacity of informal financial systems to address the financial needs of producers in drylands. Although this is a big challenge, it requires the governments to come up with appropriate incentives, on the one hand, and on the other hand to facilitate inhabitants of these areas to produce for the market.
- b) Converting existing welfare-oriented saving schemes into sound commercial ventures through training on risk management, how to raise revenues and reduce overheads.
- c) Enabling target populations inhabiting drylands of East Africa to access credit through expansion of microfinance institutions, general policy and legislative reforms and arming relevant people with business and financial management skills. This could be through the establishment of village banks.
- d) Establishing credit and savings schemes in the drylands and making them attractive to people engaged in livestock production and dryland agriculture.

#### **d) Intellectual Property Rights**

As communities in drylands seek to produce for local and international markets, the issue of who owns the intellectual property of the goods and services they produce becomes crucial.

Each of the three East African countries is a member of the World Intellectual Property Organization (WIPO) and the World Trade Organization (WTO), which provide the institutional frameworks for the protection of intellectual property. In addition, each country has identified national institutions to translate and domesticate legislations governing intellectual property.

Uganda, which enacted the Trademarks Act and the Copyrights Act in 1964, has mandated both the Uganda National Council for Science and Technology and the Ministry of Trade and Industry to handle policy issues related to indigenous technology and knowledge. However the legal environment needs to be improved so as to protect the intellectual property rights of people inhabiting such far-flung dryland areas as Karamoja.

In Kenya for example, the Convention on Biological Diversity (CBD) or the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) lacks the means to protect products and innovations developed by indigenous groups. In some cases, traditional knowledge and technology owned by different groups has become the property of private companies under controversial circumstance (e.g. kiondo and kikoi).

In Tanzania, patents and trademarks are protected by the 1987 Patent Act and are administered under the Business Registrations and Licensing Agency. Further, the Copyright Society of Tanzania is mandated to register copyrights. However, the country is in the process of amending its intellectual property laws to be in tune with World Trade Organisation's TRIPS requirements.

The problem emanates from the fact that CBD and TRIPS are global agreements which East African countries are yet to fully domesticate through enactment of policies and laws that would protect such property.

### **e) Food Aid**

In most drylands of East Africa, food security is severely affected by unreliable climatic conditions, lack of viable income-earning alternatives, low savings and lack of a well-maintained strategic food reserve.

For example, production of most food crops in Kenya –where 80 percent of total land area is characterized as ASAL- has been on a steady decline making most people in these areas vulnerable to food shortages especially when droughts strike.

To some extent, food aid has filled the gap. However, more often than not, large influxes of such relief not only works against the attainment of food security but also has tended to disrupt established markets. This is more so when food crops and other products donated on humanitarian grounds land into local markets. This situation necessitates enactment of food security policies that promote local markets and facilitate self-reliance.

In their attempt to reduce food insecurity, the East African countries have adopted strategies aimed at attaining food self-sufficiency. For instance, Kenya's reaction to food insecurity, as chronicled in Sessional Paper No. 2 of 1994, has sought to steer the agricultural development towards the attainment of food self-sufficiency, employment creation, and income generation among other goals.

In Uganda, food aid policies -that are especially relevant to most parts of Northern Uganda- complement existing agricultural activities. This is because the World Food Programme, NGOs [e.g. USAID-funded ACDI/VOCA and Catholic Relief Services (CRS)] buy the supply food from areas with plenty for purposes of supplying people inhabiting areas with shortages. As a result, the cost of food had reduced -before the current global food crisis- and had also ensured the generation and circulation of income in relevant areas. This model has the potential of developing local food industry as well as reducing reliance on food aid.

# Chapter 3: International Trade Regimes and Marketing of Drylands Commodities in Relevant Areas

## 3:1 Overview

This section highlights important international trade regimes and agreements that impact on marketing of products from the dry areas of East Africa.

The three East African countries have international trade obligations under different global and regional trade regimes that influence and affect trade in dryland commodities. These include among others WTO, ACP-EU agreements, AGOA and other regional trade arrangements.

## 3:2 World Trade Organization (WTO)

Topping global trade arrangements are the agreements entered through, and rules guiding the operations of, World Trade Organization (WTO). Important trade instruments under WTO include the Multi-national Trading System (MTS) that is fashioned around the use of trade to stimulate the world economy, engender specialization and eliminate tariff and non-tariff barriers. Under WTO's agreement reached on 29 November 2005, East African countries have up to 01 July 2013 to provide protection of their people's intellectual property through trademarks, copyrights, patents, etc. The Tanzanian government has, for example, been raising local awareness on such rights.

WTO coordinates the Multilateral Trade Systems that are meant to stimulate sustainable growth in the global economy through trade expansion, specialization and opening up of national economies by elimination of most barriers (tariff and non-tariff) to trade.

Under the General Agreement on Tariffs and Trade (GATT), reduction in tariffs on agricultural goods (where most drylands commodities fall) has not been as significant as in industry. The most significant development has been the adoption of the Agreement on Agriculture under the Uruguay Round (between 1986 and 1994) in which states agreed to enhance market transparency and access through the conversion of non-tariff barriers to tariffs, reduction of domestic support to the sector and the lowering of export subsidies.

But even with the agreement in place, the European Union and the US have maintained export subsidies (for wheat, coarse grains, pork, beef, chicken olive oil, fruits and vegetables), which has tended to affect the attractiveness of similar products from East Africa in the world markets. On the contrary, East African countries had largely removed most forms of support to agricultural and livestock producers under the World Bank-supported structural adjustment programmes. However, in the 2008 World Development Report, the World Bank has conceded that structural adjustment programmes (SAPs) affected agriculture in African countries negatively and now calls for the enhancement of governmental roles in the sector.

Also important considerations in the trade in drylands commodities are the rules agreed upon under the Sanitary and Phytosanitary Standards that specify the need to apply scientific principles in determining what measures countries take to protect the life and health of humans, animals or plants.

Depending on their economic status, East African countries benefit differently from such global trade arrangements as WTO rules and provisions. For instance, as an LDC, Tanzania is able to enjoy easier access to markets, zero tariffs on its goods, technical assistance from developed trade partners through the Special and Differential Treatment which is designed to smoothen and effectively integrate it into the global economy.

Generally though, the three East African countries have not significantly benefited from global trade arrangements. This is because of the high number of negotiations involved (i.e., an average of 12,000 meetings each year), the complexity of the issues involved and the fact that as developing countries, Kenya, Uganda and Tanzania negotiate from a point of relative weakness.



### 3:3 African Caribbean and Pacific Countries -EU Agreements

At a lower but equally significant international level, the marketing of commodities from the drylands of East Africa is affected by agreements made between the European Union (EU) and the African, Caribbean and Pacific (ACP) countries.

Under the ACP arrangement, EU offered the 77 ACP states non-reciprocal trade preferences under different Lome accords. The EU had agreed to open its markets as called for by ACP countries and promised to give most products from least developed countries free access to its markets by 2005.

The agreements were supposed to come to an end by December 2007 and to pave way for WTO-compatible Free Trade Agreements. The EU has stated its preference for Regional Economic Partnership Agreements operating along the same lines as such African regional trading blocks as COMESA or the West African Economic and Monetary Union. East African countries are now negotiating with the EU on the contentious Economic Partnership Agreement (EPA).

EPAs are meant to create a free trade area in which the EU and the ACP Countries are required to gradually eliminate tariffs and quotas on the goods and services they trade on. African countries, for instance, are being called upon to reciprocate by opening up their market to EU goods and services. This will replace prevailing arrangements in which the EU had given goods from ACP special access to its market without requiring the latter to do likewise (or on non-reciprocal basis).

Negotiations for the setting up of the EPAs have been going on amidst opposition from civil society groups that claim that opening African markets to more efficient European producers would adversely affect the marketability of goods from the East African region and elsewhere in Africa.

In addition, the EU has allowed duty and quota-free entry for all products from LDCs (a grouping including 34 African countries) under the Everything But Arms initiative. But such technical barriers as rules of origin or stringent sanitary and phytosanitary requirements make it more difficult for target countries to benefit from the arrangement.

What remains contentious is the future of the duty-free agreements made on given quotas of beef, sugar, rum and bananas from ACP countries and whether the latter will readily give up their non-reciprocal trade preferences in relation to the EU.

Studies conducted by the European Commission (EC) on Regional Economic Partnership Agreement (REPA) with EAC countries suggest possible enhanced trade between the two regional blocks with the signing of the latter's custom union protocol in 2005.

### 3:4 AGOA

Under AGOA, finished textiles from East African countries have duty and quota free access to US markets. In addition, clothing made from African fabric have duty free access while

apparel made from fabric sourced from third-countries have four years' duty free market access for countries with a GDP per capita of less than \$1,500.

Such dryland products as Gum arabic, cotton and aloe have the potential of benefiting from this arrangement

### 3:5 Regional Trade Arrangements

- a) COMESA -Kenya and Uganda are members of the Common Market of Eastern and Southern Africa (COMESA) which established a free trade area (FTA) on October 31, 2004. Most of the COMESA countries grant each other preferential market access and hope to join the free trade area in a few years' time.
- b) Since the 1999-treaty, EAC has made progress in terms of the establishment of a free trade area and the East African Customs Union Protocol, which came into effect in December 2004. The Protocol binds the East African states to strengthen intra-regional trade through the abolition of tariff and non-tariff barriers. Besides the recognition of the critical roles that efficient institutions can play to the promotion of cross border trade, the Protocol also allows for trade in natural resources some of which emanate from region's drylands and asks partner states to come up with effective policies to support such trade.
- c) African Trade Insurance Agency (ATIA) - This is an arrangement that is meant to stimulate the growth of Africa's private sector and inter-country trade through providing insurance against risks related to conflicts. It covers both African export businesses; export financiers and foreign export firms based in member countries. ATIA is financed by the World Bank and is supported by Lloyd's of London and other private insurance companies. It is a scheme meant to facilitate private sector-led export trade in Africa and can be tapped by exporters of dryland commodities.
- d) Furthermore, each of the three countries has entered into different bilateral trade arrangements with different trading partners. For instance, Uganda has made agreements with China that allow it to operate coffee shops there, an opportunity currently exploited by Ban Café and other coffee houses in Uganda.

### 3:6 Implications of International Trade Regimes on Marketing of Drylands Goods

In most cases, drylands have been left out from the benefits emanating from local and international trade arrangements and policies. This is attributed to the fact that until very recently, the significant potential that commodities originating from these areas have in promoting domestic and international trade, was not fully appreciated.

There is however an opportunity under AGOA, for products such as Gum Arabic. There are also emerging opportunities for the development of Aloe and honey from the drylands as organic products for niche markets. This provides more options for drylands communities to develop the products as alternative sources of livelihood.

To help make regional drylands production more entrepreneurial and to raise local incomes, there is need for policies that engender the development of efficient and well-functioning markets. When combined with credit provision, this can offer real prospects for sustainable investments by agro-pastoralists and pastoralists in crops, livestock production and development and marketing of nature-based products.

To facilitate effective access of the relevant drylands products to the market, policy makers in East Africa must address the following issues:

- i. Lack of basic infrastructure which drives up transaction costs and discourages the entry of efficient and competitive players from the private sector.
- ii. Absence of reliable sources of investment capital in the drylands, which has prevented the emergence and growth of an efficient and competitive private sector.
- iii. Speeding up development of market infrastructure and accompanying services.
- iv. Removal or reduction of barriers to market access and especially among smallholder producers; and establishing a more equitable set of market relations between producers and market intermediaries.
- v. Development of entrepreneurial skills required by producers and marketers to relate more effectively - on a more equal footing - with the private sector.
- vi. Promotion of producer groups or associations which enable the private sector to develop and broaden its outreach.
- vii. Support to micro-enterprises as new entrants into the market to enable them finance the provision of essential infrastructure such as market access roads, communications, and market information.



# Conclusions and Recommendations

Prevailing poverty in the drylands of East Africa is compounded by difficult climatic conditions such as recurrent droughts and –to some extent- floods and land degradation.

Over the years, the drylands have also experienced considerable neglect as different states tended to devote development resources and human capital to more arable areas.

Other factors behind the prevalent poverty include the implementation of inappropriate policies; inefficient production systems; poor infrastructure; limited access to local, national and regional markets; and lack of credit to producers.

To address these difficulties, the three East African countries have come up with a substantial number of policy options. However, many of these policies tend to be more relevant at a broader, national level and are rarely translated well enough to suit the local situations in the drylands.

For example, Uganda has come up with trade policies and macroeconomic environment reforms that are conducive to the enhancement of commodity markets in many of its rural areas; however this has not enhanced the marketing of livestock products, medicinal plants, Aloe, Gum arabic, honey and from drylands areas such as Karamoja.

## General Recommendations

- i. At a broader level, planning is necessary if the goals of enhanced production, marketing and general development of the drylands of East Africa are to be realised. This would require an appreciation –by policy makers- of the type, nature and scale of available resources -both natural and human.
- ii. Towards this end, relevant states would be required to make inventories of natural resources in these areas. Such inventories ought to incorporate the assessment of the economic potential in such alternative livelihood options as processing of natural products, mining or dryland farming.
- iii. Planning also needs to be undertaken for purposes of tapping and intensifying crop production without undue pressure on the fragile ecosystems. Studies are also needed on most appropriate land use systems; how to tap indigenous land husbandry techniques; and how to enable pastoralists to keep livestock numbers that can be sustainably supported by relevant areas' carrying capacity.

- iv. Policy makers also need to prioritize the measures to be adopted in the short run and in the long term to effectively facilitate enhanced production and marketing of relevant goods and services.
- v. Topping such priorities is the need to make production and marketing information widely available to pastoralists and agropastoralists. This would go a long way in encouraging them pursue alternative livelihood options as well as enhance production and trade in the goods and services they produce. Currently, producers in the target areas operate without relevant and useful information particularly on the economic potential of existing natural resources. Further, there is a lack of information on availability of markets, pricing of products and quality maintenance. To make such information effective, policy makers need to come up not only with sound ways of packaging it but also modes of delivery that reach out to most besides being suitable to the needs of the inhabitants.
- vi. Going hand-in-hand with information provision ought to be investments in the development of market infrastructure and the creation of efficient marketing systems. It is expected that such markets would provide impetus for higher production and improvement of product quality.
- vii. On credit provision, the three East African governments need to provide security among other incentives to microfinance institutions so that they can freely operate in such areas as Karamoja in Uganda and Turkana in Kenya. In addition, governments should consider strengthening the capacity of local saving schemes, transforming them into village banks and advancing them loans on easy terms so that they can lend to local producers.
- viii. On agriculture, there is a need to raise the capacity of relevant producers so that they can tap and exploit available water resources in a sustainable manner. Relevant government departments also need to recognise and accommodate informal seed distribution systems, which are in operation in many of the drylands. This ought to go hand-in-hand with improvement of farmer organisations at all levels - production, processing and marketing - and promotion of policies that would help meet food security in the drylands of East Africa. There is also need for entrepreneurial skills development and capacity building in these areas that are often characterized by high illiteracy rates.
- ix. All the countries need to support sustainable natural resources management practices in the target areas to ensure that the necessary drylands products continue to be available in the long term. The key interventions should ensure efficient production and consumption patterns that are well supported by both formal and informal institutions.

# Country-Specific Recommendations

## Tanzania

Tanzania is working towards making its markets operate in a fully liberalized manner. To achieve this, it has made an almost complete turn-around from its earlier Ujamaa development philosophy into market-based economic planning and development.

Tanzania has sought to review its marketing policies; enhance the capacity of district and village governments to translate national policies to suit local marketing needs, and is currently developing marketing infrastructure, as well as support to communities in accessing market information.

But much needs to be done to translate such positive policy statements into workable solutions. With its widespread network of village governments and its push to have them localize the national development strategy and plans, the country stands a good chance of developing its drylands. But it needs to devote more resources to research and development of drylands' natural potential. Tanzania also needs to strengthen local institutions to be more efficient and facilitate the carrying out of development projects.

## Uganda

For Uganda, measures recommended include those that have the potential of improving livelihoods in drylands. These include development and value addition of natural resources; enabling relevant populations to cope with ecological risks and providing alternative livelihood options, among others.

Additionally, Uganda will need to improve the ability of drylands communities to access and benefit from existing markets. This will require improving market infrastructure, enabling the smooth operation of local/traditional marketing institutions and facilitating access to cross border markets and access to pastures and other resources.

Furthermore, Uganda needs policies that would improve the terms under which its goods are traded in the regional and international markets as well as others that would help restructure the pastoral economy to cater for diversity in production, enable significant entry of providers of financial and insurance services in the drylands and to enable local people to manage and reduce risks related to climatic variability and loss of production.

However, what appears more critical for Uganda is to address serious cases of insecurity in Karamoja and elsewhere in the North. Although the Ugandan government has made

concrete measures to end the insurgency in the North, it might need to empower local communities to assist in finding lasting peace in the North. Many a community -in Uganda and elsewhere in East Africa- have developed traditional peace keeping initiatives which the government could adopt as it seeks to bring an end to insecurity in the North.

## Kenya

For Kenya, it is recommended that policies aimed at improving productivity and marketing of livestock be packaged under an Integrated Livestock and Meat Marketing Improvement Programme. Such a programme would have -as its general goal- the improvement of livestock marketing through the following means:

- Improvement in data collection and enabling the livestock department to monitor market-based studies and domesticate a number of livestock development initiatives undertaken by the International Livestock Research Institute (ILRI), the New Partnership for African Development (NEPAD), donors and other stakeholders.
- Coordinating access to market information. This should include embracing and facilitating the spread of Safaricom's initiative to enabling farmers' access to market information through short message service (SMS) that is supported by USAID's North-East Pastoral Development Programme.
- Raising the capacity of livestock slaughtering facilities including the newly reopened Kenya Meat Commission (KMC); establishing an Abattoir Owners and Butchers' Cooperative Society, and educating and training stakeholders on the management and control of livestock diseases; weight assessment and pricing. Livestock producers should also be facilitated to access financing and credit and training on general livestock business management and the standards required in the international meat chain.
- Kenya should inject funds to enable the Kenya Livestock Marketing Council be effective in its role of sourcing markets for livestock. In addition, the Kenya Meat Commission should conduct study tours in such international markets as Middle East, other African countries and South East Asia. This would go a long way in helping livestock from Kenya's ASAL access high-value export markets.

Some of the recommendations are area; sector and country-specific, while others are broad based and can be adopted to address constraints that cut across the entire region. These include:

- 1) Addressing challenges in livestock production and marketing, the report calls for a clear livestock development and marketing policy that would incorporate mechanisms for controlling diseases, access to international livestock markets and the improvement of infrastructure.
- 2) For purposes of engendering the growth of marketing and credit facilities in relevant areas, the report calls for the empowerment of local welfare and other

community organization to effectively utilise existing microfinance institutions for credit access and the forging of production and marketing links between public and private sectors. The report also asks relevant governments to provide security, infrastructure and other incentives to draw MFIs in areas where such institutions are lacking.

- 3) To develop agro-pastoralism and dryland agriculture, the report asks for the official recognition, accommodation and facilitation of informal seed and fertilizer distribution systems as well as forging the growth of farmer organisations especially in processing and marketing. This includes the starting up of business development associations, through which stakeholders can voice their concerns and participate towards the economic, social and environmental advancement of relevant areas.
- 4) For purposes of developing natural products, it is crucial for communities occupying these areas to be made aware of their potential as economically viable livelihood options. They also need to be facilitated to safeguard community heritage, intellectual property as well as secure patents and trademarks on indigenous knowledge and technology.
- 5) Protecting traditional knowledge and the rights of local people to ancestral lands and natural resources is of paramount importance since today, many East African indigenous groups have no legal right to the lands they inhabit. Their traditional knowledge and technologies are also not patented. Effective policies are therefore needed to prevent the exploitation of this knowledge by profiteers. Policies that promote forging partnerships between community groups and relevant national bodies would help in the development and marketing of different areas with tourism potential.
- 6) Each country will need to tackle challenges that hinder it from attaining food security in the drylands. This would mean facilitating people in the drylands of East Africa to break away from dependency on food aid. This could partly be accomplished if governments could partner with relief and development agencies in establishing projects that would facilitate target population to produce drought-resistant crops such as sorghum, millet and pigeon peas. East African governments ought to take cue from crop improvement schemes currently being undertaken by ICRISAT and other centres under the Consultative Group on International Agricultural Research.

To promote agriculture in the drylands, there is a need to recognise and accommodate informal seed distribution systems, which are in operation in many of the drylands. This ought to go hand-in-hand with improvement of farmer organisations at all levels - production, processing and marketing - and promotion of policies that would help meet food security in the drylands of East Africa.

From the policy issues raised, it is clear that appropriate policy interventions for the drylands of East Africa are needed. These will create an enabling environment for improved marketing and improved livelihoods in the drylands.



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