



ESRF



**REPORT OF THE PROCEEDINGS OF THE FIRST NATIONAL
DIALOGUE AND PROJECT LAUNCH WORKSHOP OF THE
LINKAGES BETWEEN TRADE, DEVELOPMENT AND
POVERTY REDUCTION (TDP) IN TANZANIA**

Organized by Economic and Research Foundation (ESRF) in Collaboration
with CUTS Centre for International Trade Environment and Economics (CUTS-
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ACRONYMS

AGOA	African Growth and Opportunity Act
AoA	Agreement on Agriculture
BET	Board of External Trade
CSO	Civil Society Organizations
CTI	Confederation of Tanzania Industries
CUTS	Consumer Unity Trust Society
CUTS CITEE	CUTS Centre for International Trade Environment and Economics
DAIPESA	Private Enterprise Support Initiatives
DDA	Doha Development Agenda
DFID	Department for International Development
DTIS	Diagnostic Trade Integration Study
EAC	East African Cooperation
EBA	Everything But Arms
ECGS	Export Credit Guarantee Scheme
EPA	Economic Partnership Agreement
ESRF	Economic and Social Research Foundation
EU	European Union
GDP	Gross Domestic Product
IF-NSC	Integrated Framework – National Steering Committee
IF-TRAC	Integrated Framework – Trade Related Assistance Committee
ILO	International Labor Organization
ITV	Independent Television
JITAP	Joint Integrated Technical Assistance Programme
MDG	Millennium Development Goals
MIT	Ministry of Industry and Trade
MKUKUTA	National Strategy for Growth and Poverty Reduction
MLYDS	Ministry of Labor, Youth Development and Sports
MNRT	Ministry of Natural Resources and Tourism
MVIWATA	Network of Farmers' Groups in Tanzania
NAFTA	North American Free Trade Agreement
NAMA	Non-Agriculture Market Access
NSGPR	National Strategy for Growth and Poverty Reduction
NTB	Non Tariff Barriers
NTP	National Trade Policy
PELUM	Participatory Ecological Land Use Management
PER	Public Expenditure Review
PMS	Poverty Monitoring System
POPP	President's Office-Planning and Privatisation
PRS	Poverty Reduction Strategy

RAAWU	Researchers, Academicians and Allied Workers' Union
REER	Real Effective Exchange Rate
REPOA	Research for Poverty Alleviation
SADC	South African Development Community
SIDA	Swedish Agency for International Development Cooperation
SME	Small and Medium Enterprises
SOE	State Owned Enterprises
TA	Technical Assistance
TANGO	Tanzania Association of Non-Governmental Organizations
TDP	Trade Development and Poverty
TGNP	Tanzania Gender Networking Programme
TRA	Tanzania Revenue Authority
TRACE	Training and Facilitation Centre
UNDP	United Nations Development Programme
VIBINDO	Organization of Small Producers and Petty Traders
VYAHUMU	Oilseed Processing Trust

1.0 WELCOMING FORMALITIES

1.1 Introduction of Participants, by the Chairman cum Facilitator, Mr. Hussein Kamote, (a Representative from the Confederation of Tanzanian Industries)

The workshop started at about 9:30am with the chairman Mr. Hussein Kamote, a representative from the Confederation of Tanzanian Industries (CTI), facilitating the self-introduction of participants. According to Mr. Kamote participants represented various stakeholders, which implied that the workshop was well represented nationally. The participants included government officials, and representatives from private sector organizations, civil society organization, farmers associations, research institutions, academic institutions and the media. There were about 50 participants who attended the workshop.

1.2 Welcoming Remarks from the Acting Executive Director, ESRF, Dr. Oswald Mashindano

Dr. Oswald Mashindano on behalf of the Executive Director of the Economic and Social Research Foundation (ESRF), Prof Haidari Amani (who could not attend because he was out of the country) thanked the Guest of Honor Honorable Wilfred Nyachia, who is the Permanent Secretary, Ministry of Industry and Trade, for sparing his time and accept to officiate the workshop. Dr. Mashindano also extended his appreciation to the participants for attending the workshop. According to him, the attendance was an indication that the participants were not only interested but also concerned with issues of trade and poverty. Dr. Mashindano also took the opportunity to thank the authors of the workshop papers for the well-written papers and particularly for making the National Dialogue on linkage between Trade, Development and Poverty possible. Lastly, Dr. Mashindano invited the Guest of Honor to speak to the audience, officially open the workshop and launch the TDP project.

1.3 Official Opening and Launching Speech by the Guest of Honor, Permanent Secretary, Ministry of Industry and Trade, Honorable Wilfred Nyachia

The Permanent Secretary first welcomed all the participants to the workshop and thanked the Consumer Unity and Trust Society (CUTS) and the Economic and Social Research Foundation (ESRF) for having given him the opportunity to participate in the launching of the project. He also appreciated the support offered by the Royal Dutch Government and the Department for International Development (DFID) of the United Kingdom in promoting the TDP project and for choosing Tanzania to be one of the fifteen countries that are participating in this project. According to him, he is confident Tanzania stands to benefit from enhanced perception of the policies that can effectively maximize actualization of the potential inherent in trade towards ameliorating the quality of life of the poor.

According to the permanent secretary, the twin goals of achieving sustainable development and reducing poverty are embodied in Tanzania's National Development Agenda which is articulated in the

Tanzania's Vision 2025. The National Strategy for Growth and Poverty Reduction (NSGPR) popularly codenamed "MKUKUTA" is designed as the vehicle to realise the Vision 2025. Consistent with the international development targets Tanzania aspires to meet the twin goals by attempting to achieve the Millenium Development Goals (MDGs), which among others anticipates to reduce extreme poverty and hunger by half in 2015.

As far as the trade policy is concerned in an effort to achive the twin goals internationally, being a member of World Trade Organization, Tanzania participates in the negotiations of the Doha Development Round, which is a driving force of promoting sustainable development for developing countries, such as Tanzania. Domestically, Tanzania in 2003 launched the National Trade Policy. The objective of this National Trade Policy is to enable Tanzania to identify ways and means of navigating through a viable and steady path towards competitive export-led growth for the realisation of the goal of poverty eradication. According to the Permanent Secretary the adoption of the National Trade Policy, implies that Tanzania commits itself to one direction of change, namely that of applying trade liberalisation based on selectivity and a gradual process towards impacting positively to socio economic development.

The Permanent Secretary then highlighted the critical issues facing the Tanzania economy that the Trade Policy addresses. These include:

- Consolidating consensus on trade development measures that will entrench the continuing policy shift from a protected and controlled economy towards a competitive market economy;
- Highlighting the central role and contribution of the trade function to the attainment of the primary goal of poverty eradication under the National Development Vision 2025;
- Identifying measures for the development of the domestic market as a tool of inclusion and broad-based participation in economic activities based on improved market-infrastructure, technology diffusion and access to market information;
- Alignment of national development agenda with regional and international trade obligations and maximisation of the benefits of participation in regional and international trade arrangements; and
- Addressing the supply-side constraints that inhibit expansion of trade within the domestic and global market as the route towards rapid economic development.

On the linkages between trade, development and poverty reduction the Permanent Secretary cautioned the participants that the linkages are still complex. Consequently, economists and trade experts are still engaged in a debate on how international trade impacts on development and poverty reduction. He also challenged the project team to incorporate inputs from several studies and initiatives to further assess the various dimensions of the linkages and inform the policy debate on possible options that will orient

trade towards contributing more to development agenda including but not limited to poverty reduction. He cited a few examples of those studies as the Trade and Poverty Programme report which was prepared for the Ministry of Industry and Trade in 2004 to address the country's capacity to develop and promote a trade policy for the benefit of the poor; and the Diagnostic Trade Integration Study (DTIS) for Tanzania, which assesses among others how changes in trade policy and removal of non trade policy-related barriers to trade, can impact positively on poverty.

As far as the launch workshop is concerned the Permanent Secretary appealed to each participant to make maximum use of the opportunity to ponder on the issue of "how to make international trade work for the poor in Tanzania". In so doing, special considerations need to be made to distinguish what the policy can do to facilitate these linkages, and what the policy cannot do. In particular, the linkages can be more effective where the government (the custodian of policy) and the private sector (the custodian of the market) can dialogue and work together through a sustainable responsive institutional framework that clearly identifies roles and responsibilities of each actor.

The Permanent Secretary was also confident that the wide range of experiences, knowledge and interests of the stakeholders participating in the launch workshop would greatly enrich the deliberations and ultimately the implementation of the project. He also called upon each stakeholder to participate effectively by being as open-minded as possible and offer constructive ingredients to the debate on "smart" options. The objective is not only to disseminate research results, but also to make trade policy easy to be understood by the actors and to solicit feedback on issues that limit effective implementation or performance of trade policy for poverty reduction. He also ensured the participants that his Ministry being a custodian of trade policy would offer maximum cooperation and effective collaboration as socially accountable participants to achieve the objectives of the project. Finally he wished the participants very resourceful deliberations and ultimately a very successful workshop.

After the conclusion of his speech the Permanent Secretary officially launched the project on "Linkages between Trade, Development and Poverty Reduction (TDP)" for Tanzania and officially opened the workshop.

1.4 Introductory Remarks on the Overview of the TDP Project by Director of CUTS-CITEE, Nairobi, Mr John Ocholla

During the welcoming formalities Mr. John Ocholla, the Director of CUTS-CITEE in Nairobi was welcomed to give the introductory remarks of the TDP project. In his remarks he presented the overview of the TDP project, specifically, the background of the project, objectives of the project, and the specific activities of the projects.

In the background, Mr Ocholla informed the participants that the CUTS-CITEE is undertaking the TDP project under the support of the Ministry of Foreign Affairs Netherlands and the DFID UK. The project is implemented in selected countries in Africa, Asia and Europe. It is a four-year project starting from January 2005 and ending in December 2008.

Mr. Ocholla also informed the participants that there have been difficulties in identifying the linkages between trade, development and poverty. According to him, trade policy affects poverty both directly and indirectly. Indirectly it affects poverty through its impact on economic growth. However, economic growth can better reduce poverty if income distribution and other pro-poor growth policies in the country are addressed. Mr. Ocholla also informed the participants that the direct impact of trade policy on the poor is complex, as both the open trade policies and protectionist policies have had mixed impacts on poverty. He therefore informed the participants that due to this fact the project would look at these issues holistically.

According to Mr. Ocholla, besides identifying the linkages between trade, development and poverty reduction, the TDP project aims to help policy coherence between international trade and national development agenda. Other objectives mentioned included facilitation of cross fertilisation of experiences and lessons learnt; strengthening of the ability of developing countries on trade and development issues; facilitation of synergies between governments and CSO; and advocating development orientated trade policies

Mr. Ocholla ended his presentation by highlighting the specific activities of the TDP project. These include conducting perception surveys and participation in conferences both international and regional. In the perception survey, a case study approach will be undertaken. Two sectors will be selected one, which has benefited from trade liberalisation and the one, which has not benefited from liberalisation. But before the survey a background paper will be needed. In the perception survey the project will also analyse the implications of home grown policies vis-à-vis externally imposed policies.

2.0 PAPER PRESENTATIONS AND DISCUSSION

After the opening session, the paper presentation and discussion session started. Mr. Kamote, the chairman cum facilitator welcome the presenters one after another to give their presentations.

2.1 TDP Tanzania – Country Background Paper, by Dr. Josaphat Kweka, Senior Research Fellow, ESRF

Dr. Josaphat Kweka presented the TDP background paper for Tanzania. He informed the participants the background paper was prepared as part of the activities of the project and was co-authored by himself, Mr. George Kabelwa and Mr. Justine Musa. The content of the background paper included the introduction; macroeconomic environment; trade policy and performance; linking trade, development and poverty; and conclusion.

According to Dr. Kweka the recent debate on trade and development hinge on efficacy of trade in reducing poverty. He informed the participants that trade had assumed significant position in PRS processes in the last 5 years. The argument is that trade is as source of growth, which is the basis of poverty reduction. The recent World Bank's DTIS (2005) summarizes the evidence on Tanzania. That is Trade contributed about 60% of the 3.8% average annual GDP growth (1990-2004). However, according to the DTIS, despite this contribution to the GDP growth, the growth had no significant effect on poverty reduction. Therefore, the background paper specifically asks whether this is due to missing impacts or linkages. Dr. Kweka noted that the objective of TDP project is to consistently identify TDP linkages and short-term impacts.

On Tanzania's macroeconomic environment and performance in general, Dr. Kweka informed the participants that substantive part of reforms in Tanzania have included massive trade liberalization; moving away from centrally planned to market oriented economic policy; privatization of State-Owned Enterprises (SOE's); recognition of private sector as the engine of growth; getting "prices right", combating inflationary pressure; and institutional reforms that include improvement of business operating environment. As a result, Tanzania achieved impressive macroeconomic performance overall, including among others, overall increase in GDP growth; macroeconomic stability; and increased resource inflows.

Dr. Kweka, however, identified a number of macroeconomic challenges facing Tanzania despite the achievements of the reforms. These include slow growth of exports hence worsening balance of trade and the sustainability of growth and macro stability. The issue of sustainability of growth arises due to the fact that Tanzania relies on depletable natural resources; the surge in aid inflows exacerbates dependency and associated macro effects; the slow growth of the private investment, which seems to be crowded out by public investment; and the ineffective macro-micro linkages (i.e distributional mechanism to avoid macro achievements to micro agents)

On specific trade reforms and policies, Dr. Kweka informed the participants that significant reforms and policies have been implemented. He cited a few examples including (i) Rationalization and harmonization of the trade regime in Tanzania. For example massive import liberalization (reduction of rationalization of tariffs); simplifications of export procedures; abolition of export taxes and lifting ban on export of cereals; and elimination of NTB (by reform and tariff equivalent); (ii) Introduction of National Trade Policy in 2003. The new National Trade Policy of 2003 anchors the government policy thrust to build a competitive export led economy but challenges exists in its implementation, for example exchange rate regime (managed float); favorable investment policy; macroeconomic and institutional reforms; falling inflation and turning REER; (iii) Revision of export development measures, which include abolition of less effective export development measures; establishment of ECGS; and restructuring of BET's role and mandate; (iv) Participation in the regional integration initiatives, such as membership into EAC and SADC; preparation of EPA processes at National and Regional level; and establishment of EAC Customs Union and possible fast-tracked federation, and (v) Participation in the multilateral and bilateral market access and TA initiatives. For example, participation in WTO processes including the DDA, AoA, NAMA and the July Package; initiatives at global level exists for Trade related TA (e.g JITAP) and market access opportunities by US (AGOA) and EU (EBA); and recent initiatives by the IF-NSC secretariat to establish Trade-Related Assistance (IF-TRAC) committee to enforce harmonization and coordination of TRA.

On trade policy performance, Dr. Kweka informed the participants that there has been a fall in average tariffs, which has helped to increase openness. However, Tanzania continued to experience slow growth of exports, driven by gold and tourism exports. Furthermore, traditional exports declined in share from 60% in 1998 to barely over 20% in 2004 (as non-traditional exports rose from 40% to about 80% respectively); manufactured exports declined by half from 18% in 1990 to 9% in 2004. Dr. Kweka also identified the successful export sector other than gold as being the fish industry and the worst one as being presumably textiles. India, Japan and Germany have been the leading export destinations, but in recent years, exports to South Africa, Kenya, Netherlands and China have shown dramatic increase. According to Dr. Kweka, the performance of export continues to be limited by low level of competitiveness, which is characterized by high production and transaction costs, unfavorable exchange rate; low technology base; low entrepreneurial capacity; and poor markets and infrastructure

On linking trade, development and poverty, Dr. Kweka informed the participants that the linkage between Trade and poverty is not straightforward, and that the conceptual framework that has been applied in the paper only simplifies the causal links so as to enhance analysis of impacts. According to Dr. Kweka, trade can impact poverty either directly or indirectly. In either case several strong assumptions exists, four most important are (i) trade is pro-poor; (ii) the poor are able to participate in trade; (iii) the market institutions exists and are pro-poor; and (iv) conditions for trade performance are favorable.

In his presentation of the conceptual framework of how trade can impact the poor, Dr. Kweka identified three institutional conduits. These include (i) enterprises, which offer jobs and wage income; (ii) distribution, which mainly impacts on prices and helps to increase the welfare of the poor through the

consumption of cheap products; and (iii) government through its pro-poor expenditure. Dr. Kweka, however, cautioned that the effectiveness of these channels depend on the extent of internal barriers to production and exchange; the extent of the rationalization of tariff structure and removal of unnecessary NTB; and the capacity of the poor to participate in the production and exchange.

Dr. Kweka then showed how each of the three trade-poverty channels has performed in Tanzania. Under enterprises, he focused on the three sectors which Tanzania has export interest in, namely agriculture, tourism, and mining. He informed the participants that there seem to be agreement that, growth of agricultural exports is most effective in reducing poverty, since agriculture is the major economic activity of the poor – mostly found in rural areas. He also noted that households in export sectors have lower poverty rates and in addition income growth in rural areas is approximately four times as efficient in reducing poverty as growth in urban areas. He also noted that, Tanzania traditional export crops have done worse than comparable economies in Africa. The other sector which h

With tourism and mining, whereas significant backward linkages, key for growth and prominent in pro-poor sectors exist in the tourism sector, the mining sector despite being a top key driver of economic growth, has insignificant linkages in the economy.. Therefore with impressive performance of the tourism sector, Tanzania can reduce poverty by designing appropriate policies that can make the sector contribute to poverty reduction.

On distributional evidence, Dr. Kweka underscored the role of infrastructure and related transaction cost in raising prices of the products and hence reducing consumer surplus. According to Dr. Kweka investment in transport infrastructure is considered a priority in the PRS. In one of his recent studies he showed that improvement in infrastructure efficiency can significantly reduce marketing margin and increase growth rate by about 3 percentage point.

On Government pro-poor expenditure, Dr. Kweka showed that over 50% of the 2005/6 budget is allocated for PRS2(MKUKUTA) with pro-poor sectors experiencing real increase in allocation. Dr. Kweka, however noted that most of this expenditure is not financed by trade revenues as tariff rates have continually been reduced, export taxes abolished, and royalties in mineral exports have been low.

On policy response on trade and poverty, Dr. Kweka informed the participants that market alone cannot deliver pro-poor growth. Therefore there is need for government to intervene especially in addressing complementary policies for trade performance.

Dr Kweka also informed that participants that the Terms of References requires two sectors to be analyzed in Tanzania: one representing a success story of trade liberalization and the other a failure case of trade liberalization. The intention is to understand factors, which were responsible for the success or the failure in order to be in a position of raising the effectiveness of our trade policy. Dr. Kweka therefore informed the participants the TDP-Tanzania has identified fish sector as success and textile sector as failure case sectors. He noted that both sectors are export oriented, pro-poor and comparatively advantaged for Tanzania

Dr. Kweka concluded his presentation by saying that clearly trade has not led to significant poverty reduction in Tanzania. Hence Tanzania faces two questions, which need analysis. First, is it due to missing impact on growth or link between growth and poverty? And second, is Tanzanian trade poverty reducing? From the evidence, trade seems to impact favorably on growth, but link between growth and poverty is missing. Unfortunately poverty-reducing trade (especially exports of traditional crops) grew sluggishly. The real challenges for Tanzania seem to be on how to effectively increase export supply capacity; improve macro-micro linkages (e.g through further institutional reforms and enhancement of distributional measures); and target measures to increase capacity of the poor to participate and bargain in export activities.

2.2 Trade and Poverty: The Gender Dimensions by Dr. Flora Kessy, Research Fellow ESRF

Dr. Kessy started his presentation by defining poverty. According to her, until recently, poverty has been defined exclusively as a shortfall in private consumption or income, and viewed in absolute rather than relative terms.

One approach that has emerged includes additional elements, such as access to common property resources and state provided commodities, possession or lack of assets, dignity, autonomy etc. Proponents of this approach argue that poverty should be viewed as a process, rather than a state of being, and that those living in poverty should be seen as deploying whatever assets they possess in an effort to cope with poverty.

Another approach is the capabilities approach, which defines poverty in realm of deprivation, that is, lack of capabilities essential for escaping poverty. Relative deprivation in incomes and commodities can lead to an absolute-deprivation in minimum capabilities. Thus poverty, in absolute terms, is seen as related to relative deprivation and social inequality. This approach focuses not only on income poverty but on human poverty defined as the denial of opportunities and choices to live a most basic or tolerable human life.

According to Dr. Kessy, the poverty concept has also been revised to include both physical and social deprivation, including powerlessness, and social exclusion. People have also been involved in defining their poverty condition. Thus, it has now been acknowledged that, poverty, is not just a shortfall in consumption or income, but is multidimensional, involving lack of power, assets, dignity, access to public resource, and time. Poverty is also a dynamic phenomenon that is socially reproduced over time and from one generation to the next. It is the consequence of interesting structural inequalities across and within nations such as those based on class, race, and gender. Thus, patterns of inequality are seen to be of crucial importance in understanding as well as reducing poverty. Dr. Kessy also noted that men and women experience poverty differently. In addition, it is recognized that: while growth is important for poverty reduction, countries cannot rely on high growth rates as the primary way to reduce poverty. Therefore, empowerment of poor people, particularly women, is critical to poverty reduction.

On linking trade and poverty, Dr. Kessy warned that assessment of trade policies and trade performance from a human development perspective must employ a much broader perspective, shifting from an exclusive focus on market-based criteria to include non-market criteria. Since inequalities influence the outcome of macroeconomic and trade policies, such assessment also needs to take into account the impact of social inequalities on trade performance. In particular gender inequalities are important to an understanding not only of the social content and social impacts of trade policies, but also of the relationship between trade policies and poverty reduction.

Examination of the relationship between gender inequalities and trade policies and trade flows is an entry point for an investigation that takes a broader view of development, poverty and well-being. Gender is important not only for its own sake as a human rights issue, but also because of the interactions between gender inequalities, on the one hand, and the dynamics of growth and poverty, on the other.

Dr. Kessy summarized the conceptual entry points as follows: (i) Gender relations influence the distribution of output, work, income, wealth and power; (ii) Gender influences the economic behaviour of agents. Men and women do not always respond in the same way to similar economic phenomena; (iii) Institutions, including “markets” and the state, transmit gender biases in economic life; and (iv) Labour is a produced input, whose costs of production and reproduction remain partly invisible as long as unpaid household work, performed mostly by women, is not considered part of economic activity.

According to Dr. Kessy, a comprehensive assessment of the gendered impacts of trade reform include: (i) Changing patterns and conditions of work, including paid and unpaid work; (ii) Changes in gender gaps in wages, earning, patterns of ownership and control over assets; (iii) Changes in consumption patterns and use of technology by men and women; and (iv) Changes in public provisioning of services and their gendered impacts, as well as the gender-differentiated empowerment implications of trade flows. According to her, central questions should be whether trade reform and emerging patterns of trade perpetuate, accentuate or erode existing gender inequalities, and whether there is a change in gender-based power relations within households, communities and the society at large.

Dr. Kessy then presented some empirical evidence of the linkages between trade and gender inequality. She noted that the empirical evidence is drawn from experiences in several countries, both developing and developed countries. Dr. Kessy identified five key issues in the analysis of the linkage between trade and poverty as far as gender is concerned. These include (i) participation of women in paid employment; (ii) gender differentiated impacts of trade policies; (iii) trade liberalization and working conditions; (iv) trade, gender and labour standards; and (v) toward gender sensitive trade policies.

On participation of women in paid employment, Dr. Kessy observed that export-orientation in developing countries has developed in tandem with the feminisation of paid employment. Specifically, manufacturing exports has been associated with female-intensive labour which includes textiles, apparel, electronics, leather products and food processing. By contrast, in most industrialized

economies, increased trade with developing countries has led to loss of employment in industries such as textiles, apparel, and leather goods where women are over-represented.

On gender differentiated impacts of trade policies, Dr. Kessy observed that feminisation of employment through export-orientation has been found to be more common in the manufacturing sector and in semi-industrialized economies than it is in agriculture-based economies. According to her, case studies suggest that trade liberalization in agricultural economies can disadvantage women or benefit them less than men, even when traditional export crop production increases

Dr. Kessy cited a few examples of experiences in many sub-Saharan African countries as regards gender-differentiated impacts of trade policies. For example, although women constitute the backbone of agricultural production and their work is critical for food security, they are usually small farmers or engaged predominantly in the production of food crops. Also, trade reform tends to advantage large and medium producers, and disadvantage smaller ones, partly through intensified import competition. When opportunities emerge with new markets, women are slow to take advantage of them, as they often lack access to credit, new technologies, knowledge of marketing and the like. The impact of these changes is likely to be more severe for women-headed households and for poor women. Moreover, in those instances where the household income increases with increased cash crop production for export markets, the well-being of women and children may not improve. Increase in family income may be accompanied by a decrease in food crop production. As women's labour is mobilized in cash crop production, the family nutritional intake might suffer while the work burdens of women and girls increase. This is more likely to happen when men retain control over the increased household income and use it for their own consumption.

According to Dr. Kessy, although research is sparse, there are reasons to expect that trade liberalization in predominantly agricultural economies may jeopardize women's livelihoods and well-being. And women will be the last to take advantage of the opportunities created, owing to the gender division of labour and gender-based differences in ownership and control over land, credit and production and marketing knowledge.

Trade liberalization has been termed to be beneficial for women in semi-industrialized economies, as it helps to close the gender gaps in employment and wages. However, liberalization creates "winners" and "losers" among women even if there is a net gain in women's employment compared to men; and conditions such as job security, health and occupational safety and pay may not improve for women as they make relative gains in employment; indeed, they may deteriorate under the pressure of international competition. Feminisation of employment may be a temporary phenomenon, which may reverse at later stages of export-promotion as exports move up the skill ladder, or as the export quotas are removed. While the overall expansion of women's paid work may be viewed as potentially empowering to women, this also spells an increase in women's overall work burdens, as increases in women's paid work are not accompanied by a similar reduction in their unpaid household labour.

On trade liberalization and working conditions, Dr. Kessy observed that trade liberalization, and market liberalization policies more generally, have served to weaken workers' rights as labour-market deregulation has been justified in the name of staying competitive internationally. Workers' bargaining power and governments' ability to protect workers' rights has been further eroded by the increased mobility of capital. Thus, what is important is not only whether women and men are gaining in employment opportunities, but also to what extent they are able to negotiate for better wages and working conditions. Even the women who may be making gains in some dimensions such as employment may be losing in other dimensions, such as leisure time, or facing a deterioration of their health conditions through their work in hazardous workplaces. Dr. Kessy gave an example of the cut flower sector.

On trade, gender and labour standards, Dr. Kessy informed the participants that what initially brought the issue of labour standards to the trade agenda was the fear of downward harmonization of wages and working conditions in the context of trade liberalization. The core labour standards presented by in the Declaration on Fundamental Principles and Rights at Work by the International Labour Organization (ILO) in June 1998, refer to (i) freedom of association and the effective recognition of the right to collective bargaining; (ii) elimination of all forms of forced or compulsory labour; (iii) effective abolition of child labour; and (iv) elimination of discrimination in employment and occupation. These conventions have been identified by the ILO as being "fundamental to the rights of human beings at work," irrespective of the level of development of individual member states.

Two other ILO conventions are important particularly for women, namely the 1996 Home Work Convention; and the 2000 maternity convention. The implications of ILO conventions from a gender and poverty perspective is to empower workers to collectively organize themselves. Part of the reason for the perpetuation of poverty has to do with women's lower wages compared to men, with particularly adverse affects on poor women headed households. Low wages, especially for women, also encourage greater reliance on child labour, which depletes capabilities, health and well-being and further depresses adult wages in countries where child labour is relatively widespread.

On gender-sensitive trade policies, Dr. Kessy reported that gender awareness has not been one of the factors in the negotiation of trade agreements and policies. Women and women's voices are largely absent in trade policy-making institutions and very few men in such institutions acknowledge the relevance of gender to trade policies. Thus, according to Dr. Kessy, promotion of gender awareness in trade issues is of essence and the following measures can be undertaken (i) integration of gender perspectives into all country level WTO work; (ii) the inclusion of gender in the Trade Review Mechanism; (iii) promotion of the availability of disaggregated data for trade analysis; (iv) making visible the gender-trade links in trade analysis; (v) review trade policies to incorporate gender aspects of trade (see Tanzania Trade Policy); (vi) strengthen the capacity of trade related Ministries to apply a gender analysis to all policies and programs; (vii) trade related Ministries must work more closely with ministries of women's affairs; and (viii) at the global level, achieving more gender-equitable trade policies requires a serious dialogue on the need for a new institutional structure and how the WTO can be reformed to carry out some of the needed functions.

In her conclusion, Dr. Kessy emphasized the need to analyze two critical questions in order to identify the linkage between trade and poverty as far as gender is concerned. First, whether trade reforms and emerging patterns of trade perpetuate existing gender inequalities and thus increase poverty. In other words we need to know whether trade reforms and emerging patterns of trade have decreased bargaining power and thus less wages/income; have decreased welfare of households; have led to deteriorating health conditions resulted from poor working conditions; have increased women's workload; have decreased household nutritional situation as a result of decreased women's income; and whether they have decreased employment opportunities as a result of openness to foreigners. Second whether trade reforms has resulted to change in gender-based power relations within households, communities and the society at large. In other words whether trade reforms have increased employment opportunities by women; have increased income by women; have increased markets for products manufactured by women; and whether they have increased women's empowerment—increased control and access to resources, access to market information, access to credit etc.

2.3 The Role of Trade in Achieving MDG/MKUKUTA Targets, by Mr. Amon Manyama, National Economist/Team Leader, Pro-Poor Policy Development and Poverty Monitoring Unit, UNDP

In the introductory section Mr. Manyama stated the aim of the paper. That is, to examine the contribution of trade to development and poverty reduction in Tanzania. Specifically the paper addresses the importance of international trade in achieving the MKUKUTA and MDG targets of sustainable development and poverty reduction; identifies the potential constraints and prospects for mainstreaming international trade into national development agenda; and recommends on the way forward for the implementation of the trade policy for poverty reduction and for advocating the role of trade in the MKUKUTA/MDG framework.

According to Mr. Manyama, while PRSP (2000) highlighted the importance of trade, and private sector as the engine of growth, not enough attention was paid to precisely show how this is to come about. With the development of the National Trade Policy and SME policy in early 2000s, which take cognizance of the critical role of trade and private sector development in achieving the Vision 2025, it was possible to integrate trade policy in the new generation of PRSP i.e., MKUKUTA. As regards MDGs Mr. Manyama also noted that a number of external and domestic policy interventions are needed to reinforce the relationship between MDGs, poverty reduction and sustained growth. At the top of the list is foreign market access, which when complemented with trade capacity building will result in export growth – an important growth pole.

According to Mr. Manyama, in theory, the idea that participation in trade enhances human welfare is as old as modern economics. From different perspectives, Adam Smith, David Ricardo, John Stuart Mill and Karl Marx all argued that specialization through trade would increase productivity, economic growth and living standards. While many of their insights remain valid, the pathways between trade and human development are complex. In practice, evidence shows that countries do not necessarily do better

because they are more open but gradually open up as incomes increase. The trick has been to combine the opportunities offered by global markets with strategies for domestic investment and institution building, to stimulate domestic entrepreneurs.

As regards trends, Mr. Manyama pointed out that while trade has risen as a share of GDP from 40 to 55 percent, the Sub-Saharan region's share (excluding South Africa) of world exports has fallen to 0.3 percent. The trend implies that losses from trade can outweigh the benefits associated with aid and debt relief. If Africa enjoyed the same share of world exports today as it did in 1980, its exports today would be some \$119 billion higher (in constant 2000 dollars). That is equivalent to about five times aid flows and budget savings from debt services relief provided by high-income countries in 2002.

On how trade could deliver for the MKUKUTA and MDGs, according to Mr. Manyama five issues should be taken into consideration:

- (i) *Export success* where export value addition – a measure of wealth created – leads to economic growth which in turn leads to poverty reduction through resource allocation and income distribution. Mr. Manyama however pointed out that there is two-way causality between economic growth and human development.
- (ii) *Benefits to household*, where exports can provide an important source of income (e.g., the case of Vietnam in rice exports) and employment (e.g., the case of Bangladesh in garment exports).
- (iii) *Imports and production capacity*. Here Mr. Manyama cited an example of Korea and Taiwan where imports of cheaper capital goods helped these countries, which exported labour intensive manufactured goods to adapt the technologies needed to diversify their manufacturing sectors, raise productivity and enter higher value-added areas of world trade.
- (iv) *Adjustment costs*; in which according to Mr. Manyama are inevitable for any reform affecting national markets. Because of the adjustment costs there must be winners and losers from a reform. The government should therefore intervene to ensure that the benefits are widely distributed and that vulnerable populations are protected from the costs.
- (v) *Policies in developed countries*; in which Mr. Manyama pointed out that unfair and unbalanced trade rules are hampering international efforts to achieve MKUKUTA and MDGs targets. The Doha Round provides an opportunity to address this problem, but there has been little progress so far. According to Mr. Manyama developed countries need to fully implement the MDG8 on global partnership.

Mr. Manyama then continued his presentation by highlighting important conditions for trade to deliver for MKUKUTA and MDGs. These include developing an active industrial and technology policy; managing openness; tackling inequality; reducing vulnerability; confronting the “resource curse”; and counting social and environmental costs.

- (i) *Industrial and Technology Policy.* According to Mr. Manyama success in global economy depends increasingly on the development of industrial capabilities. However, since climbing the value chain depends on managing the processes of adapting and improving new technologies – an area with widespread market failure – the government must intervene to overcome the market failure and create incentive for development of local technology capacity by regulating foreign investment, encouraging reverse engineering of imported technologies and restricting some imports as per the case of Korea, Taiwan and China.
- (ii) *Managing Openness.* Here Mr. Manyama cited the case of Mexico and Vietnam to illustrate the type of openness that can result in poverty reduction. While Vietnam was successful because of broad based and inclusive export growth, a commitment to equity, and gradual and selective liberalization, Mexico experienced failure because of weak industrial activities characterized by simple assembly and re-export of imported components and export associated with limited local value. In addition, Mexico had high degree of initial inequality and adopted rapid liberalization under NAFTA. The contrasting case of Mexico and Vietnam underline the importance of viewing trade policy especially exports as an integral part of national poverty reduction strategies rather than as standalone efforts.
- (iii) *Tackling inequality.* According to Mr. Manyama, participation in trade can exacerbate inequality as poor people absorb the adjustment costs of increased competition from imports, while people with assets and market power take advantage of opportunities provided by exports. Mr. Manyama cited a few examples on cases where export performance could not translate into poverty reduction in the face of inequality. That is, Madagascar since the late 1990s has experienced surge in textile and apparel exports but the jobs created were predominantly for skilled workers. Brazil is the world’s fourth agricultural exporter but about four firms account more than 40% of the export. Guatemala has sustained export growth rates of more than 8%, but with minimal progress on human development because of inequality.
- (iv) *Reducing vulnerability.* According to Mr. Manyama integration into world markets creates opportunities, but also creates risk. These risks, particularly for countries, which are heavily dependent on primary commodity trade like Tanzania, are linked to price vulnerability, potential for policy change in importing countries and competition related shocks. Consequently, participation in trade creates losers and winners, and it brings with it adjustment costs. Poorly managed adjustment can inflict high human development costs. Some protection mechanisms need to be in place to protect the losers.

- (v) *Resource curse.* According to Mr. Manyama oil and mineral wealth generated through exports can be bad for growth, democracy and development. Resource curse operates by weakening institutions of governance, creating perverse economic incentives and creating conditions for conflict. For example, it is estimated that less than 10% of Equatorial Guinea \$700 million in oil revenue goes into government coffers. However some countries have wisely used their resources – for example Botswana and Norway.
- (vi) *Social and Environmental costs.* According to Mr. Manyama inappropriate regulated or unregulated export growth can undermine human development through its impact on the environment. Export growth figures do not take into account human costs and environmental externalities that weaken the links between trade and human development. Factoring in these costs and externalities is one of the primary conditions for making trade work for human development.

Mr. Manyama then identifies five trade interventions in the MKUKUTA. These included growth and reduction of income poverty; broad based growth and equity; external shocks and disaster management; infrastructure, science and technology; and structural and institutional reforms. For example under growth and reduction of income poverty, the sources of growth, which have direct and indirect bearing on trade include (i) a well-educated society is critical factor for trade development in a knowledge-based global society; (ii) the importance of infrastructure network to facilitate trade can not be overemphasized; (iii) Increases in factor productivity (iv) Private sector development (PSD); (v) Domestic trade; (vi) Trade development towards a diversified and competitive economy; (vii) Trade-related assistance to increase the capacity of domestic producers, particularly SMEs and rural producers; and (viii) attract more FDI with a view to realizing the gains in form technology transfer and increased productivity and diversification of the structure of the economy.

According to Mr. Manyama there are several constraints that impede the mainstreaming trade into national development. In addition to the supply side constraints, these include: demand side constraints particularly poorly developed domestic and regional markets; challenges for good governance, and problems in economic management and structure such as investment climate, agriculture dominated, security etc; inadequate development in legal and regulatory framework impacting on the performance of the business sector; limited knowledge on links between trade and human development, for example, trade and environment, trade and gender, etc; limited prior knowledge about transmission mechanisms that determine the effect of trade on poverty in a country context; impediments to international trade including non-tariff barriers and unpredictable behavior of trade partners, for example, India and China levy high tariffs on cashews, cotton, coffee, tea, gemstones, fish and seafood; limited capacity of the private sector to participate and influence in policy making; lack of a clear industrial policy; inadequate and weak infrastructure development – physical, technology and financial; and inadequate institutional set up to implement joint sectoral/cluster planning and implementation. It may be the case that the public sector configuration is still inadequate.

There are however several prospects of mainstreaming trade into national development agenda. According to Mr. Manyama these include: First, the fact that the MKUKUTA had an opportunity to be informed by the National Trade Policy (Feb. 2003) and SME Policy (April 2003) documents. Mr. Manyama here warned that reflection on these policies in the MKUKUTA should continue in the implementation and monitoring stage. Second, the integration of Trade in the Public Expenditure Process as part of cluster one. Note that the second generation of the PER has taken the "cluster" approach, which makes trade an integral of cluster one (growth and reduction of income poverty) and three (good governance). Third, the review of the Poverty Monitoring System brings to the fore the discussion about enhancing monitoring of cluster 1 of the MKUKUTA. The review of the PMS is an opportunity to integrate monitoring of trade targets and its impact on development and poverty reduction. Fourth, implementation of trade policy through cross-sectoral collaboration arrangement to strengthen linkages and tape synergies as it is provided in MKUKUTA. This will enable stakeholders to reflect on how trade impacts on the implementation and achievement of other policies. Fifth, build on ongoing reforms to increase involvement of private sector in the preparation of policies, reforms and implementation e.g. promoting productive capacity and integrates trade capacity building. And sixth, review the findings of the "diagnostic trade integration study" and prepare programme for implementation.

Lastly Mr. Manyama recommended on broadly, scaling up private-public partnership consultation mechanisms in promoting the participation of the private sector in business including the provision of public services. More specific: (i) continue strengthening planning and implementation capacity, particularly the "cluster" approach; (ii) make deliberate efforts to foster regions and district investment forum, (iii) identify sectors to explore areas of collaboration in the pursuit of specific poverty reduction outcomes. (iv) continue to undertake assessments of trade institutional and capability development needs akin to those undertaken for human development. (v) Fast track implementation of recommendations emerged in the "Diagnostic trade integration study" 2005. (vi) Mainstream trade into other national policy making processes such as Public Expenditure Review and MKUKUTA monitoring system. (vii) Emphasis should go beyond liberalization and privatization. and lastly (viii) there is no 'one size fits all' when it comes to promoting trade as an engine for growth however the emphasis on adequate human resources, public infrastructure, social peace and political and economic stability are key.

2.4 The Linkages Between Trade Development and Poverty in Tanzania: Experiences from Grass Roots, by Reuben R. Matango, Chairman, Mtibwa Outgrowers Association

Mr. Matango observed that Tanzania has for some decades now undertaken many significant structural reforms including liberalization of trade. With these reforms and liberalization measures Tanzania has managed to attain the growth rate of 6% and managed to attract a significant amount of FDI inflows. However, in August this year, United Nations revealed its survey of 177 countries in the world in terms of Human Development and Tanzania emerged 14th from the bottom of the list. According to Mr. Matango while there has been an increase in GDP growth rate and FDI inflows, there has been

increased inequality in income distribution as the gap of the have and the have-nots has increased. His paper therefore attempted to show that the gap can be narrowed if not bridged by involving private sector organizations and some Civil Society Organizations at the grassroots.

Mr. Matango informed the participants that Civil Society and Private Sector Organizations play an important role in making international trade work for the poor Tanzanians because they are the representatives of the poor Tanzanians. He noted that 87% of Tanzanians are living in the rural areas and are engaged in agriculture. Part of the reasons for poverty in the rural areas is that of poor infrastructure, including roads, bridges, power, irrigation systems, markets and processing, transportation systems, markets and processing facilities. In addition capacity building is insufficiently provided and there a number of taxes that act as a burden to smallholder farmers.

As far as the private sector is concerned, Mr. Matango observed that the absence or lack of even partial legal protection has opened doors to investors who have formed cartels in the guise of “associations” such as in tobacco and sugar to make huge profits on the expense of the small holder farmers. It is therefore not surprising to note that more than 10 million people in Tanzania live below poverty line. Although the private sector should be supported since it is an engine of economic growth, Mr. Matango called for the government to subject it into regulations so that it is largely of a local control, the one that upholds the permanent interest of Tanzania. The government must also plan carefully, coordinate its many ministries to come up with a concrete policy for economic growth and poverty reduction. That is, policy reforms must be carefully thought of and planned to protect the present and future national interests. On international trade such Governments should empower the private sector with necessary analytical skills in negotiations in trade negotiations. The government should also offer assistance to creating a strong private sector from the grassroots which will also contribute to looking into opening doors to International Trade, According to Mr. Matango, increased production at the grassroots will necessitate looking for export markets as well as creation of local forums for small holder farmers or business to defend their interest against exploitative market systems.

As for Civil Society Organizations Mr. Matango noted that many Civil Society organizations are merely brief case organizations, as they have no vision or interest to promote the development of the society. According to him, serious and potential NGOs, Civil Society Organizations are actively working at the grassroots, at regional, district, and national levels. These include groups involved in gender networking, advocacy, farmer group networking, academics, researches and farmers associations. He also noted that currently grassroots farmer organizations especially smallholder farmer groups are on the increase country wide. He cited a few examples of these as MVIWATA, VYAHUMU, VIBINDO, PELUM, Smallholder Tea Association, Sisal Out growers Associations and the Sugarcane Out growers Associations are notably active in poverty alleviation.

Mr. Matango then took time to present experiences of Sugar Cane Growers Associations of Mtibwa and those of nearby area of Kilombero. According to Mr. Matango, unlike the post-socialism cooperatives societies where the government changed the people – owed cooperatives into government-run cooperatives based on village councils, the outgrower associations formed their own associations with

democratically elected leaders. Their objectives are to represent farmers' interests in Government and other forums/including markets and better crop prices; play advocacy role; source for funds and extend the same as loans to members; educate farmers on proper crop husbandry and entrepreneurship through training, study tours etc.; acquire machinery, equipment and inputs for cane development; promote education on Sugar Cane farming through school building contributions and establishing cane fields for schools; environmental conservation and any other activities conducive to development of the Association and members.

According to Mr. Matango many things have been achieved since the establishment of these associations, including doubling of their memberships; acquiring some machinery and equipment; employment creation; establishment of SACCOs which source for cane Development Funds and extend it to cane growers; and an increase the production of cane which has increased by 22.7% . However, like many other CSOs and private sector organizations they still lack skills in trade negotiations.

Mr. Matango concluded that in order to understand the critical issues on CSOs and private sector capacity building so as to influence and implement trade policies in Tanzania a participatory research approach is necessary. There are areas where the researcher can learn a lot from the farmers' experiences. The limited capacities in their area can be increased through understanding of their existence and kinds so that they can be solved through need-driven approach. Quick action is called for because the country is taken by events as globalization unfolds. Tanzania lags behind and its citizens will continue suffering under abject poverty. Mr. Matango also recommended that the research findings coming out of this project should be given to the affected organized people in the rural areas, at the same time creating awareness will go hand in hand with necessary capacity building and employment. According to Mr. Matango, this has been done elsewhere it can also succeed in Tanzania.

2.5 Engagement of Civil Society and Private Sector in Trade Policy for Poverty Reduction by Andrew Mushi - Programme Officer Policy and Advocacy, TANGO

As an introduction Mr. Mushi informed the participants that many national and international trade policies and instrument recognises Civil Society organizations as the key actors. Their roles and responsibility will be to build local capacity and empowering communities to participate in monitoring and evaluation at national and community level, mobilizing and enhancing community participation as well as community resources for a fair trade and economic justice. CSOs will advocate for accountability of its members and government to the people.

Mr. Mushi then identified the four major types of CSOs operating in Tanzania: These included the service delivery CSOs, which include education, income generation and services delivery CSOs (These are normally found at the local-level); the support to social welfare CSOs, which represent disadvantaged groups that are not able to articulate their needs/interests individually (e.g. the disabled, blind, etc.); the research CSOs, which deal with research, information generation, documentation and dissemination. They sometimes identify policy gaps; and policy analysis and advocacy CSOs, which

monitor policy development and implementation. They identify policy gaps and advocate for changes. Mr. Mushi noted that there are interlinkages in the work of all the above-mentioned categories of CSOs.

According to Mr. Mushi the two key challenges of engaging the Civil Society in trade include lack of availability and accessibility of trade information to all citizens; and low capacity building to enable a better engagement from the base to the national level and vice versa. Mr. Mushi proposed a number of roles that the CSOs, depending on their position, ability and capacity, could play to address those challenges. These included:

- *Popularizing policy*: in which Mr. Mushi proposed the use of the four Ds, that is Design, Demystify, Distribute and Discuss. Note that a policy is designed by experts after wide ranging consultation.
- *Research and social action*: Here Mr. Mushi emphasized the need to break the barrier between action and research – the two must become part of the same process.
- *Campaign*: Here Mr. Mushi observed that CSOs in Tanzania have used campaigns to push for certain demands to government(s). There is time when certain policy needs concerted efforts to be implemented or changed. CSOs seek support of wide stakeholders and other well-wishers.
- *Negotiation*: Mr. Mushi noted that CSOs have capacity and experience of working with grassroots. Negotiating team could benefit greatly from this wealth available in the CS.
- *The use of mass media effectively to disseminate information*: Here Mr. Mushi noted that this is necessary in order to inform, educate and entertain the public. The media can also sensitise and mobilise people into taking action on matters that affect them. It can play a significant role in shaping people's attitudes, values and perceptions.
- *The use of popular theatre*: Mr. Mushi noted that popular theatre speaks to the common man in his own language and deals with problems, which he can recognise. The purpose of popular theatre is to stimulate ordinary people to analyse their situations so as to plan, act and makes changes in their world.
- *Monitoring*: Mr. Mushi suggested this to be a continuous process of collecting and analysing data to compare how well a project, program or policy is being implemented against expected results.

In conclusion, Mr. Mushi noted that for the above roles to compliment each other and for a CSO to play a particular role it will depend much on the availability of funds and expertise. Given the nature and role of CSOs in the community, their role should that of bringing grassroots issues and concern to the attention of policy makers.

2.6 Discussion of the Papers

Comments from the Floor

After the paper presentations, the Chairman gave a brief summary of what was presented. Then he opened the discussion to the floor.

Mr. Lucas Katera (REPOA)

In the paper presented by Dr. Kweka, Mr. Katera was concerned about the failure of macroeconomic performance and trade performance to address poverty in Tanzania.

Talking on macro-economic performance, he said that although Tanzania has performed well in terms of economic growth, poverty has increased. Mr. Katera attributed this to the lack of macro-micro linkages, which have hindered the macro economic achievements to be translated into micro-economic improvement. He singled out urban-rural income inequality as one of the contributing factor to this.

On trade performance, Mr. Katera said that although Tanzania has recorded high export growth over the past few years, most of this growth was attributable to mineral export performance. However, the government has been granting the mining sector massive tax incentives in order to attract investments. With lack of backward linkage in the mining sector in Tanzania accompanied by the government policies that reduces tax revenue coming from the sector, the linkage between trade and poverty is therefore highly affected.

Mr. Amon Manyama (UNDP)

Mr. Manyama commented on paper presented by Dr. Kweka and the one presented by Dr. Kessy.

According to Mr. Manyama, the paper presented by Dr. Kweka focused on only two policies: national trade policy and SMEs policy. Mr. Manyama therefore was concerned about the exclusion of the industrial policy. Mr. Manyama also echoed on more emphasis on the issues of income distribution and pro-poor growth. According to Mr. Manyama, the issue of inequality in income distribution originates from inequality that are inherent in the distribution of productive assets such as land ownership, forest, water bodies, and finance among others. Mr. Manyama also warned that most of the 50 percent of government revenue that is needed for implementation of MKUKUTA and MDGs is likely to be channeled into financing the wage bill.

As regards to Dr. Kessy's paper Mr. Manyama added two important issues that can address the issue of trade and gender. These are governance and human rights.

Ms. Beatrice Hezekiel (TGNP)

On Dr. Kessy's paper, Ms. Hezekiel was concerned about conflicting policy statements and in-laws. According to her, the government has signed a lot of conventions and these conventions have not been domesticated. Therefore there is need to domesticate these conventions in order to make them operational.

Ms. Hezekiel was also concerned that none of the papers presented has covered the issue of HIV/AIDS. According to Ms. Hezekiel, this issue is very important since about two thirds of women in Sub-Saharan Africa are at risk of contacting HIV/AIDS.

Ms. Hezekiel also noted that while the cost sharing policy has been hurting the poor, it has been strengthened. She also called for the project that is launched to advocate action-oriented research.

Mr. Jalibu Mwene-Milao (SIDO)

According to Mr. Milao, it is inevitable that trade should lead to poverty reduction because of specialization. Therefore if we look at the two channels that trade can contribute to poverty reduction we have to ask ourselves what went wrong. For example in the direct channel agricultural exports have been performing well over the years in Tanzania, why has it failed to reduce poverty? Is it because of bad land distribution? In the indirect channel, what has the government done to distribute income from export activities?

Mr. Abel Lyimo (DAIPESA)

According to Mr. Lyimo with trade liberalization, Tanzania is on the losing side in terms of international competition. This is because Tanzania exports mainly primary commodities like cash crops with fluctuating prices in the world market, and also exports products of low quality. Mr. Lyimo therefore recommended the need to build the capacity of local investors in order to be able to produce quality products. Mr. Lyimo also recommended that in order for farmers to be able to compete in the world market they should form farmers' groups. Mr. Lyimo was also concerned about bureaucracy surrounding the formation of farmers groups and associations.

Dr. Stergomena Tax – Bamwenda (BEST Program)

Dr. Tax wanted clarification about the purpose of carrying out the perception survey and the need to know whether the policies are home grown or imposed from abroad. The questions were directed to Mr. Ochalla who presented about the overview of the TDP project.

On paper presented by Dr. Kessy, Dr. Tax was concerned about feminization in the work places. According to Dr. Tax the major issue is not the number of women at work places but rather at what level

of work they are employed. That is, there is a need to know whether they are employed at unskilled level, semi-skilled level or skilled level.

On the paper presented by Dr. Kweka, Dr. Tax identified other key constraints that make trade fail to reduce poverty. These were lack of convergence between various national policies; low productive capacity; trade related constraints; failure to exploit the domestic market as a starting point in learning to compete in the international market; and inadequate emphasis of safety, hygiene and quality.

Responses from the Presenters

The Chairman then called upon the presenters to react to the comments given by the participants

Dr. Kessy

Dr. Kessy concurred that it is important to look at the women in different categories of wage employment. She also agreed that there is a need to include the gender impact of HIV/AIDS. According to her, HIV/AIDS has a woman face. She also agreed on taking on board issues about governance and human right in the trade and poverty analysis.

Mr. John Ochalla

On the purpose of the perception survey, Mr. Ochalla responded by saying that each partner country on the project will choose the sector, which performed well in trade liberalization and that which performed poorly because of trade liberalization. The purpose is to share experiences on how successful trade policy can reduce poverty.

He also responded on the purpose of identifying whether a particular trade policy is home grown or imposed from abroad. The aim is understand to what extent the policies imposed from abroad have been domesticated in order to be understood and implemented easily by the local.

Dr. Josaphat Kweka

With the industrial policy, Dr. Kweka noted that the exclusion of this policy is due to the fact that attention has been diverted from the industrial policy towards trade and SMEs policy. He also agreed about the economic theory that trade will increase specialization, increase employment and incomes and reduce poverty. However, in practice trade has produced mixed impacts on poverty. Dr. Kweka was also not sure about the 50 percent budget on MKUKUTA and MDG. He also agreed with Mr. Milao on the need to increase the bargaining power of farmers by creating farmers' groups.

3.0 GROUP DISCUSSIONS

After lunch, participants were divided into three groups. The respective questions that the groups were assigned to tackle were as follows:

- Group 1: Which constraints are critical in making trade more poverty reducing? Suggest practical solutions.
- Group 2: In which ways non-state actors (e.g., civil societies and private sector) can engage more effectively in the implementation of the trade policy for poverty reduction? Identify strategic roles and responsibilities of state and non-state actors.
- Group 3: Identify the 3 most critical policy and non-policy constraints and respective measures for enhancing trade performance (participation in international trade) in Tanzania.

3.1 Group One: Identification of Constraints that are Critical in Making Trade More Poverty Reducing and Suggestions of the Respective Practical Solutions

Mr. Abel Lyimo was the rapporteur of the Group 1, and he presented the following on behalf of the group.

The group identified five constraints, which are critical in making trade work for the poor. These were:

- Institutional back-up: There are many institutions which operate at different visions. Therefore there is need to harmonize these visions. There is also the problem of bureaucracy which lead to delayed decisions, as decisions have to be made by different ministries. There are also policy conflicts for example on the issue of exemption for TRA and TIC. Furthermore the grassroots institutions are also ineffective, for example member farmers in many farmers' associations experience delays in their payments.

Solution: Develop policies with common vision towards the Vision 2025 and MDGs; carry out continuous policy reviews involving all stakeholders, strengthen the NTBS, and strengthen the private sector.

- Production structure: There has been production and market mismatch. In most cases production is lower than what market demands. There is also a problem of lack of market information, which affects farmers in terms of the prices they receive.

Solution: Obtain economic intelligent on specific markets for commodities.

- Value adding chain: Most products are unprocessed thus sold at lower value. Some of the examples include, coconuts, coffee, tanzanite, oranges, gold, and makonde carvings.

Solution: Conduct the value addition chain analysis.

- Production capacity: Most of the exported goods lack the required quality, have low quantity, which fails to meet the international market demand and are inconsistent in terms of supply.

Solution: Assist in organizing production groups and associations.

- Supporting infrastructure, most of the Tanzania's infrastructure especially is poor. This has made some areas especially those bordering the neighboring countries to feel comfortable to trade more with neighboring countries than trade internally. One of the examples is Sumbawanga which buys its sugar from Zambia.

Solution: finance the SACCOS, conduct studies on power costs, conduct benchmark studies on taxation, conduct entrepreneur trainings and encourage incubation.

3.2 Group Two: Identifications of Ways that Non-State Actors can Engage More Effectively in the Implementation of the Trade Policy for Poverty Reduction and Strategic Roles and Responsibilities of State and Non-State Actors

The group identified several ways several ways that non-state actors can engage more effectively in the implementation of the trade policy for poverty reduction. These included:

- Involvement of NSA's right from the beginning of policy formulation;
- Simplification of the trade policy to make it understandable for effective implementation;
- Wider distribution of trade policy documents; and
- Wider discussion of the policy so as to provide feedback to policy makers

On the strategic roles and responsibilities of state and non-state actors, the group identified the following roles.

Government

- Domestication of the policy,
- Simplification of the policy,
- Undertake regular reviews of the policies,
- Build the capacity of NSAs, and
- Provide conducive environment of doing business.

Non-State Actors

- Since the coverage is big, support distribution of the policy document,
- Support the government during the international arena so that they have a single voice
- Monitoring the implementation so as to provide a feedback to the government
- Improve competitiveness in their production activities, e.g., improve quality, and entrepreneurship skills,
- Should be committed in executing their social obligations,
- Harmonization of private sector groups such as CTI, TCCIA in order to help the government take appropriate trade policies.

3.3 Group Three: Identification of Three Most Critical Policy and Non-Policy Constraints and Respective Measures for Enhancing Trade Performance (Participation in International Trade) in Tanzania

Mr. Gerhard Gallus Haule, the rapporteur of the group, did the presentation

According to group 3, the three most critical policy constraints in enhancing trade performance (participation in international trade) in Tanzania included

- Weak policy coordination leading to poor complementarity
Measure: To review and harmonize the policies so as to enhance complementarity.
- Weak involvement of stakeholders at policy formulation and dissemination levels
Measure: Policy should be stakeholder demand driven.
- Weak management of trade liberalization policy. This leads to weak performance in trade.
Measure: To institute mechanisms for monitoring and evaluating systems so as to maximize benefits from trade liberalization.

As regards to the three most critical non-policy constraints in enhancing trade performance (participation in the international trade) in Tanzania, Group 3 identified the following

- Weak production technology system: That is inadequate education and skills among producers.
Measure: To have proper education system so as to cope with market demand. There is need to strengthen and promote formation of producer organizations.
- Weak export strategy and its implementation
Measure: strengthen export strategy and its implementation.
- High costs of all factors of production
Measure: To cut the costs of production through having production of high value products and less costs of production.

4.0 CLOSING FORMALITIES

4.1 Way Forward, by Dr. Josaphat Kweka and Mr. Justine Musa, TDP Team Members

Dr. Kweka thanked the participants and highlighted the number of activities that the project intends to take in the next four years of the project. He also suggested that due to lack of resources the implementation of the project will be participatory, where all the participants in the workshop will form the national reference group. He also assured the participants that the project will include inputs from other studies such as Trade and Poverty Program which was part of the TTTP and the Diagnostic Trade Integration Study by the World Bank. After that brief presentation, he welcomed Mr. Justine Musa to give a detailed account of the project life cycle.

Mr. Musa highlighted the activities of the projects. According to Mr. Musa there are about eleven activities which should be covered within the project's four year duration. Some of these activities will require the involvement of the participants of workshop, who will form the National Reference Group. He noted that the National Reference Group will also include other invited stakeholders who could not attend the launch workshop. According to Mr. Musa, members of the National The National Reference Group will be consulted during the perception survey and will be invited to participate in other project's national dialogues. Out of the National Reference Group, the media will be involved in the distribution of the campaign kit and other policy advocacy documents, which will be made also available to other members of the National Reference Group.

4.2 Closing Remarks, by Ms Marie Shaba, Chairperson, TANGO.

On behalf of the ESRF Ms Marie Shaba thanked the participants for accepting to attend the workshop. She noted that this was a rare workshop where there is diversity in terms of participation. The workshop brought together participants from higher level of policy decision making and those from the grassroots. She hoped that the participants would have more time to interact and exchange the ideas during the course of the project.

Being a chairperson of TANGO (a non-state actor), she reminded all the civil society organizations on the importance of working together in order to meet their objectives. Here she cited an example of how the body organs work together. That is, no one organ is important than the other. Therefore, civil society organizations need solidarity and consciousness. According to her, "more is not our problem, wrong is the way we organize ourselves".

APPENDICES

Appendix I: Workshop Program

TIME	ACTIVITY	RESPONSIBLE
8.30am-9.00am	Registration	All
9.00am-9.10am	Welcoming Remarks	Dr. Mashindano (Acting Executive Director, ESRF)
9.10am-9.30am	Official Opening and Launching by the Guest of Honor	Hon. Wilfred Nyachia, (Permanent Secretary, Ministry of Industry and Trade)
9.30am-9.45am	Overview of TDP Project	Mr. John Ochalla (Director of CUTS, Nairobi, Kenya)
9.45am-10.05am	Presentation of TDP Tanzania Country Background Paper	Dr. Josaphat Kweka (Research Fellow, ESRF)
10.05am-10.30am	Discussions	Facilitator and Participants
10.30am-11.00am	Tea Break	All
11.00am-11.20am	Presentation on Trade and Poverty: The Gender Dimension	Dr. Flora Kessy (Research Fellow, ESRF)
11.20am-11.40am	Discussions	Facilitator and Participants
11.40am-12.00am	Presentation on the Role of Trade in Achieving MDG/MKUKUTA Targets	Mr. Amon Manyama (VPO MKUKUTA Secretariat and UNDP)
12.00am-12.20am	Discussions	Facilitator and Participants
12.20am-12.30am	Presentation on Linkage between Trade, Development and Poverty: Experiences from the Grassroots	Mr. Reuben Matango (Chairman, Mtibwa Outgrowers Association – MOA)
12.30am-12.40am	Presentation on the Engagement of Civil Society and Private Sector in Trade Policy for Poverty Reduction	Mr. Andrew Mushi (Programme Officer – Policy and Advocacy, TANGO)
12.40am-1.00pm	Discussions	Facilitator and Participants
1.00pm-2.00pm	Launch Break	All
2.00pm-3.30pm	Group Discussions	Facilitator and Participants
3.30pm-4.00pm	Tea Break	All
4.00pm-4.40pm	Group Presentations and Discussions	Facilitator and Participants
4.40pm-4.50pm	Way Forward	TDP Team
4.50pm-5.00pm	Closing Remarks	Ms. Marie Shaba (Chairperson, TANGO)

Appendix II: List of Participants

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Appendix 3: Workshop Presentations¹

SPEECH BY THE PERMANENT SECRETARY, MINISTRY OF INDUSTRY AND TRADE, MR. WILFRED L. NYACHIA

Mr. Chairman,
Executive Director of ESRF, Prof. Haidari Amani,
Representative of CUTS (Mr. John Ochala)
Distinguished Participants,
Ladies and Gentlemen,

Let me at the outset welcome all of you to this important workshop which will also serve as a “launching pad” for the project.

I wish to sincerely thank the Consumer Unity and Trust Society (CUTS) and the Economic and Social Research Foundation (ESRF) for having given me this unique opportunity to participate in the launching of this important project. On behalf of the Government of the United Republic of Tanzania, I would like to express appreciation for the support offered by the Royal Dutch Government and the Department for International Development (DFID) of the United Kingdom in promoting this project and for choosing Tanzania to be one of the fifteen countries that are participating in this project. I am confident Tanzania stands to benefit from enhanced perception of the policies that can effectively maximize actualization of the potential inherent in trade towards ameliorating the quality of life of the poor.

The twin goals of achieving sustainable development on the one hand, and poverty reduction on the other, are clearly stated in the Tanzania’s National Development Vision 2025 and in the UN’s Millenium Development Goals (MDGs). Both goals are therefore embodied in Tanzania’s National Development Agenda. Whereas in the Vision 2025, Tanzania envisages to achieve high quality livelihood, in the UN Millenium Development goals the world anticipates to reduce extreme poverty and hunger by half in 2015, among other goals. In the case of Tanzania, the National Strategy for Growth and Poverty Reduction (NSGPR) popularly codenamed “MKUKUTA” is designed as the vehicle to release the Vision 2025 and the MDG targets.

Mr. Chairman, during the past decade, trade has become more convincingly linked to development. Until the conclusion of the Uruguay Round in the 1990s, trade was seen as being largely distinct from development. During the GATT, trade was basically about dismantling protectionist policies. The establishment of the World Trade Organization (WTO) was a notable culmination of decades of progress towards more open trade. The establishment of this inclusive rules-based system brought the issues of trade and development together. At the same time the WTO membership expanded in total from 90 to nearly 150 countries in a decade, three quarters of which are developing countries. To demonstrate the importance of trade in enhancing development, the Doha Development Round was

¹ With the exception of the TDP Tanzania – Country Background Paper

introduced with a driving force of promoting sustainable development for developing countries, such as Tanzania.

Earlier this year the G8 countries deliberated on ways and means of overcoming the deplorable nature and extent of poverty in developing countries with emphasis on Africa, particularly through increased aid and debt relief. We in Tanzania are appreciative of the efforts that have been made so far to realize the importance of debt relief and increasing assistance for fighting disease and extreme poverty not only in our country, but also generally in Africa through promotion of better health, education and general social and communication infrastructure. All these developments have raised our expectations that the future holds positive prospects for enhancing both foreign assistance, as well as improved trade and investments from developed countries to Africa.

Mr. Chairman, it is important to note that the linkages between trade, development and poverty reduction are empirically very complex. Consequently, economists and trade experts are still engaged in a debate on how international trade impacts on development and poverty reduction. While freer trade, or "openness" in trade, is now widely regarded as "economically benign" the recent Anti-globalization critics have suggested that it is "socially malign" several dimensions, including aspects of poverty and inequality. Their contention is that free trade accentuates rather than ameliorates poverty levels in poor countries. It is however generally valid to observe that in most developing countries including Tanzania, trade liberalization has had a mixed impact on various economic development indicators.

In Tanzania, efforts to identify the linkage between trade, development and poverty are not new. The Government of the United Republic of Tanzania in 2003 launched the National Trade Policy. The objective of this National Trade Policy is to enable Tanzania to identify ways and means of navigating through a viable and steady path towards competitive export-led growth for the realisation of the goal of poverty eradication. By adopting this National Trade Policy, Tanzania commits itself to one direction of change, namely that of applying trade liberalisation based on selectivity and a gradual process towards impacting positively to socio economic development.

This policy addresses the critical issues facing the Tanzania economy including:

- Consolidating consensus on trade development measures that will entrench the continuing policy shift from a protected and controlled economy towards a competitive market economy;
- Highlighting the central role and contribution of the trade function to the attainment of the primary goal of poverty eradication under the National Development Vision 2025;
- Identifying measures for the development of the domestic market as a tool of inclusion and broad-based participation in economic activities based on improved market-infrastructure, technology diffusion and access to market information;
- Alignment of national development agenda with regional and international trade obligations and maximisation of the benefits of participation in regional and international trade arrangements; and
- Addressing the supply-side constraints that inhibit expansion of trade within the domestic and global market as the route towards rapid economic development.

Furthermore there are studies which have been undertaken to articulate how trade can be structured to act as a vehicle to facilitate poverty reduction. They include the Trade and Poverty Programme report which was prepared for the Ministry of Industry and Trade in 2004 to address the country's capacity to develop and promote a trade policy for the benefit of the poor. Another study is the Diagnostic Trade Integration Study (DTIS) for Tanzania, which is currently in progress, this one assesses radically how changes in trade policy and removal of non trade policy-related barriers to trade, can impact post truly on poverty. I understand that the project we are launching to-day intends to incorporate inputs from these and other studies and initiatives to further assess the various dimensions of the linkages and inform the policy debate on possible options that will orientate trade towards contributing more to development agenda including but not limited to poverty reduction.

In this launch workshop, participants will also be informed of the activities to be carried out for the purposes of this project. I therefore appeal to each participant us to make maximum use of this opportunity to ponder on the issue of "how to make international trade work for the poor in Tanzania". In so doing, special considerations need to be made to distinguish what the policy can do to facilitate these linkages, and what the policy cannot do. In particular, the linkages can be more effective where the government (the custodian of policy) and the private sector (the custodian of the market) can dialogue and work together through a sustainable responsive institutional framework that clearly identifies roles and responsibilities of each actor. Even as we apply our minds to the narrower issues of trade, development and poverty reduction, we must not forget to render primary attention on the wider and complex issues of social and economic development dimensions, such as gender, culture and other social institutions, which also have a bearing on the outcome of trade policy for poverty reduction.

Mr. Chairman, I am confident that the wide range of experiences, knowledge and interests of the stakeholders participating in this workshop will greatly enrich the deliberations and ultimately the implementation of the project that is to be launched shortly. I have been informed that the project has two major components: that is research and advocacy components. The latter component is aimed at disseminating the contents of the project with the view of fertilizing the dialogue on trade and poverty reduction using inputs generated from research. In enhancing that dialogue, I call upon each stakeholder to participate effectively by being as open-minded as possible and offer constructive ingredients to the debate on "smart" options. The objective is not only to disseminate research results, but also to make trade policy easy to be understood by the actors and to solicit feedback on issues that limit effective implementation or performance of trade policy for poverty reduction. On our part we will ensure that our Ministry being a custodian of trade policy, offers maximum cooperation and effective collaboration as socially accountable participants to achieve the objectives of this project. I wish you very resourceful deliberations and ultimately a very successful workshop.

Mr. Chairman, Distinguished Participants, Ladies and Gentleman,

With these remarks, let me now pronounce that the project on "Linkages between Trade, Development and Poverty Reduction (TDP)" is officially launched and that this workshop is officially opened.

Thank you for your attention.

TRADE AND POVERTY: THE GENDER DIMENSIONS BY DR. FLORA KESSY, RESEARCH
FELLOW ESRF

(TO BE ATTACHED LATER)

**THE ROLE OF TRADE IN ACHIEVING MDG/MKUKUTA TARGETS, BY MR. AMON MANYAMA,
NATIONAL ECONOMIST/TEAM LEADER, PRO-POOR POLICY DEVELOPMENT AND POVERTY
MONITORING UNIT, UNDP**

1.0 Introduction

1. This paper aims to examine the contribution of trade to development and poverty reduction in Tanzania. In doing so it investigates the linkage between trade, development and reduction of poverty. Greater trade does offer enormous opportunities for human development. Under the right conditions it has potential for reducing poverty, narrowing inequality and overcoming economic injustice.

2. While the PRSP (2000) highlighted the importance of trade, and private sector as the engine of growth, not enough attention was paid to precisely how this is to come about. More attention to private sector and trade has come during the development of the National Trade Policy and SME policy. These policies take cognizance of the critical role of trade and private sector development in achieving the Vision 2025. The new generation of PRSP i.e. MKUKUTA is well informed by the above policies, and ensures that private sector participation is more effective in terms of poverty reduction than in the past. The integration of trade policy in the MKUKUTA is another dramatic improvement compared with the PRSP (2000) and other prior strategies – *integration of trade into the NSGRP is the key element of the discussion in this paper.*

3. The background section briefly examines theory, practice and trends in trade and development. The third section provides insights on how trade could deliver for the MKUKUTA and MDGs. The fourth section walks the talk about trade and MKUKUTA particularly what does MKUKUTA say about trade or trade related issues. It provides insights on trade interventions, which contributes to achievements of MKUKUTA and MDGs targets. The fifth section talks about potential constraints and prospects for mainstreaming international trade into national development agenda. The last section focuses on Recommendations on the way forward – both implementing the trade policy for poverty reduction (i.e. what to be done to make trade poverty reducing or make PRS take advantage of the important role of international trade); and for advocating the role of trade in the MKUKUTA/MDG framework.

4. The overall purpose of this paper is to stimulate discussion by trying to answer the following questions:

- To what extent is international trade important in achieving the MKUKUTA and MDG targets of sustainable development and poverty reduction?
- What are the potential constraints and prospects for mainstreaming international trade into national development agenda?
- Recommendations on the way forward – both implementing the trade policy for poverty reduction (i.e. what to be done to make trade poverty reducing or make PRS take advantage of the important role of international trade); and for advocating the role of trade in the MKUKUTA/MDG framework.

2.0 Background

5. The MDGs are more than targets set by the international community for minimum levels of human and social well-being in poor countries. They are also basic preconditions for sustained human development. The improvements that MDGs envisage in health, education, gender, environment and infrastructure are essential if productive sectors are to grow and create employment. The greater equity and opportunities implied in the MDGs and MKUKUTA can provide the social stability without which growth cannot succeed – the achievement of MDGs and MKUKUTA targets also requires faster economic growth.

6. Complementing the efforts to overcome adverse social conditions via the MDGs/MKUKUTA, a number of external and domestic policy interventions are needed to reinforce the relationship between MDGs, poverty reduction and sustained growth – locally articulated in MKUKUTA. At the top of the list is foreign market access, which when complemented with *trade* capacity building will result in *export growth*-an important growth pole.

7. The idea that participation in trade enhances human welfare is as old as modern economics. From different perspectives, Adam Smith, David Ricardo, John Stuart Mill and Karl Marx all argued that specialization through trade would increase productivity, economic growth and living standards. Many of their insights remain valid. But the pathways between trade and human development are complex – and there are no simple blueprints for successful integration into global markets.

8. The idea that openness to trade is inherently good for both growth and human development now enjoys almost universal support. Translated into policy reforms, this belief has led to an emphasis on the merits of rapid import liberalization as the key to successful integration into global markets.

9. The evidence to support the proposition that import liberalization is automatically good for growth is weak – almost as weak as the opposite proposition that protectionism is good for growth.

10. The main message is that there is no clear or automatic relationship between trade liberalization; economic growth and poverty reduction and trade must be viewed as a means to development not an end. Developing countries and Tanzania in particular must address human development needs and concerns in order to reap the benefits from trade liberalization.

11. There is a growing literature that suggests that countries do not necessarily do better because they are more open but gradually open up as incomes increase (i.e. countries dismantle barriers as they get richer). "...no country has developed simply by opening itself to foreign trade and investment. The trick has been to combine the opportunities offered by global markets with strategies for domestic investment and institution building, to stimulate domestic entrepreneurs. Nearly all the cases of development in recent decades - East Asia since the 1960s, China and India since the early 1980s - have involved partial, gradual opening to imports and foreign investment." (Making Global Trade work for People, UNDP, 200?),

12. Success in world trade depends increasingly on entry into higher value-added markets for manufacturing goods. Most of the increase in developing world market share in manufacturing goods can be traced to one region -East Asia - and to a small cluster of countries. Since 1980 East Asia has more than doubled its share of world manufactured exports, to 18% of the total. China has been doubling its share of world trade roughly every five years. China now supplies one-fifth of the world's clothing exports and one-third of the world's mobile phones, and it is the largest exporter of domestic appliances, toys and computer electronics.

13. While trade has risen as a share of GDP from 40% to 55% since 1990 – the Sub-Saharan region's share (excluding South Africa) of world exports has fallen to 0.3%. Today, the share of world exports of Sub-Saharan Africa, with 689 million people, is less than one-half that of Belgium, with 10 million people.

14. Trends in trade for Sub-Saharan Africa shows that losses from trade can outweigh the benefits associated with aid and debt relief. If Africa enjoyed the same share of world exports today as it did in 1980, its exports today would be some \$119 billion higher (in constant 2000 dollars). That is equivalent to about five times aid flows and budget savings from debt services relief provided by high-income countries in 2002. *Africa is a low value-added producer.*

15. Between 1997 and 2001 the combined price for all commodities fell by 53% in real terms. This means that African exporters had to double export volumes to maintain incomes at constant levels.

3.0 How trade could deliver for the MKUKUTA and MDGs?

16. The ability of a country to convert export success into rising incomes – and so into improved living standards and poverty reduction – depends not just on the volume of production and export, but also on value added – a measure of wealth created².

17. The extent to which economic growth (fuelled by trade) has an effect on poverty reduction depends to a large extent on resource allocation and on the creation of opportunities for all parts of the population (i.e. to ensure the benefits are widely distributed and the support is provided for alternative livelihoods for those who lose).

18. There is a two-way causality -- from growth driving human development and better human development outcomes (improved capacities from a healthy, better educated, knowledgeable and more skilled labor force) contributing to higher economic growth and trade outcomes.

19. At a household level exports can provide an important source of income and employment to poor people. In Bangladesh the growth of garment exports since 1990 has created about 1.8 million jobs, more than 90% of them for women. Increased incomes in the garment sector have lowered poverty and

² Concepts of export growth versus export success i.e. high value added.

contributed to improvements in health and education indicators. When Vietnam liberalized rice marketing, it gave domestic producers access to global markets, with important gains for living standards and human development indicators. In both cases the broad-based income and employment effects generated by exports provided an impetus for human development.

20. Beyond the household some of the most important benefits of trade derive from imports of capital goods that are cheaper than those available domestically. Export of labour-intensive manufactured in the 1960s and 1970s enabled the Republic of Korea and Taiwan Province of China to import and adapt the technologies needed to diversify their manufacturing sectors, raise productivity and enter higher value-added areas of world trade.

21. Like any technological change, restructuring or reform affecting national markets, greater openness to trade can give rise to dislocation and adjustment costs. Participation in trade can produce losers and winners. From a human development perspective the challenge is to take advantage of new opportunities presented by trade while ensuring that the benefits are widely distributed and that vulnerable populations are protected from the costs.

22. Fairer international trade rules could give a powerful impetus to the MKUKUTA and MDGs. Generating that impetus will require greater coherence between the trade policies of developed country governments and their development policies and commitments. Unfair and unbalanced trade rules are hampering international efforts to achieve MKUKUTA and MDGs targets. The Doha Round provides an opportunity to address this problem, but there has been little progress so far. What is needed is for the developed countries to fully implement the MDG 8 on global partnership.

Important conditions for trade to deliver for MKUKUTA and MDGs:

23. *Developing an active industrial and technology policy.* Success in global markets depends increasingly on the development of industrial capabilities. In a knowledge-based global economy cheap labour and exports of primary commodities or simple assembled goods are insufficient to support rising living standards. Climbing the value chain depends on managing the processes of adapting and improving new technologies. This is an area in which market failure is widespread. Free markets may not give the right signals for investment in new technologies when there are high and unpredictable learning costs. There is lack of information, weak capital markets and poor support institutions in countries like Tanzania. Governments must intervene to overcome market failure and create incentive for development of local technology capacity by regulating foreign investment, encouraging reverse engineering of imported technologies and restricting some imports.

24. Industrialization has critical role to play in helping Tanzania to raise growth rates. Productive development is the motive force for applying new technologies to production and the most important source and diffuser of technological innovation. It creates new skills and work attitudes, catalyzes institutional change and breeds modern entrepreneurship. It is the best way of modernizing the export structure and creating the base for sustained export growth along with higher wages.

25. Most successful examples of integration into global markets have involved government to overcome market failures. The governments of the Republic of Korea and Taiwan, among the first generation of East Asian “tigers”, created incentive for development of local technological capacity by restricting imports, encouraging reverse engineering of imported technologies and regulating foreign investment. China followed broadly similar path. Foreign investors in the automobile and electronics sectors have been required to transfer new technologies, train domestic workers and use local inputs. Government procurement has been used to create incentives – to qualify for government contracts, for example, foreign software manufacturers have to transfer core technologies to China, invest a minimum proportion of their revenues in the country and meet 50% of development costs for eligible software products. There is no reason why Tanzania should not attempt to do the same; even modest success will be better than the current situation.

26. It is also important to note that capacity development through a focus on specialized science based skills to complement the focus on technology is crucial for industrial development. From the example of China and the others in addition to focus on technology there was a strong push to create a highly skilled –science based – workforce e.g. scholarships to some of the best institutions in the world and developing capacity at home.

27. Managing openness. If openness, as measured by the ratio of trade to GDP, were an indicator of human development progress, Latin America would be an unmitigated success story. The region has led the world in trade liberalization. However, outcomes have been disappointing. After a decade of falling incomes in the 1980s economic growth per capita in the 1990s was just over 1%. Greater openness in Mexico has been associated with negligible reductions in poverty and high levels of inequality. Liberalization in agriculture has further marginalized the rural poor in particular. In contrast openness in Viet Nam has contributed to accelerate human development. Viet Nam has succeeded partly because its export success has been built on domestic reforms that have generated economic growth with equity and partly because it has not pursued greater openness through rapid import liberalization. More important, Viet Nam built integration into global markets on strong human development foundations – e.g. education.

28. The contrasting case of Mexico and Viet Nam underline the importance of viewing trade policy (see the table below), especially exports as an integral part of national poverty reduction strategies rather than as a standalone efforts.

Viet Nam	Mexico
Industrial policy	
Broad based, inclusive growth: export growth was driven by millions of smallholder producers; extended land tenure rights, lifted constraints on imports of fertilizer; restrictions on rice export were relaxed; agricultural wages, domestic trade and local demand all rose.	Weak industrial policy characterized by: production is dominated by simple assembly and re-export of imported components; export activities associated with limited local value added and minimal skills and technology transfer; dependence on a low-wage, low-skill export sector, falling employment.
Broad based, inclusive growth	
A commitment to equity. Collects about 16% of GDP; government able to distribute the benefits of trade more widely through spending on social and economic infrastructure.	High degree of initial inequality, one of the highest Gini coefficients in the world; low tax efforts 13%, which limits government capacity to develop social and economic infrastructure for broad based growth.
Speed of liberalization	
Gradual and selective liberalization: higher growth and export promotion pre-dated import liberalization; tariffs remain at about 15%.	Rapid liberalization: Under NAFTA

29. *Tackling inequality.* Participation in trade can exacerbate inequality as poor people absorb the adjustment costs of increased competition from imports, while people with assets and market power take advantage of opportunities provided by exports.

30. Rapid export is not a panacea for poverty. For example, the surge in textile and apparel exports from Madagascar since the late 1990s has created a large number of jobs, but predominantly for skilled workers. The result: rising inequality and modest impact on poverty.

31. In Brazil, the world's fourth largest agricultural exporter, large commercial farms and agribusiness firms dominate the \$20 billion export market: just four or fewer firms account for more than 40% of exports of soy, orange juice, poultry and beef. The other face of Brazilian agriculture is scarred by mass poverty. More than 10 million people in rural areas live below the poverty line, most of them smallholder farmers or landless laborers.

32. Increased agricultural exports are widely seen as a route to higher rural incomes and reduced poverty. In some cases they are. But the pattern of growth and distribution also matters. Over the past decade Guatemala has sustained export growth rates of more than 8%, with minimal progress on human development because of inequality. Extreme inequality extends to land ownership. An estimated 2% of the population owns 72% of agricultural land, including the most fertile land. Traditional exports – such as sugar, beef and rubber—are dominated by some 20-50 families. Small holders constitute 87% of farmers, but hold just 15% of land and have limited access to credit and marketing infrastructure. Smallholders have effectively been excluded from export growth in traditional sectors such as sugar. While jobs have been created, employment conditions are poor.

33. *Reducing Vulnerability.* Integration into world markets creates opportunities, but also creates risk. Participation in trade creates losers and winners, and it brings with it adjustment costs. Poorly managed adjustment can inflict high human development costs.

34. Many poor countries including Tanzania and small island (like Zanzibar) that depend heavily on trade- especially commodity trade-face high market risks. These risk are linked to price vulnerability and the potential for policy change in importing countries – a problem suffered in recent years by exporters of bananas and sugar to the European Union. Commodities price shocks – banana, coffee, and cotton. And competition related shocks in e.g. garments etc. In addition, weak labour rights all work against benefits of trade. Some protection mechanisms need to be in place to protect the losers.

35. *Confronting the “resource curse”.* Oil and mineral wealth generated through exports can be bad for growth, bad for democracy and bad for development. It is estimated that less than 10% of Equatorial Guinea’s \$700 million in oil revenue finds its way into government coffers. The “resource curse” operates by weakening institutions of governance, creating perverse economic incentives and creating conditions for conflict, but sensible policies and democratic governance can break it. Under good governance natural resources are not always a curse, some countries have wisely used their resources – for example, Botswana and Norway.

36. *Counting social and environmental costs.* Inappropriate regulated or unregulated export growth can undermine human development through its impact on the environment. Export growth figures do not take into account human costs and environmental externalities that weaken the links between trade and human development. Factoring in these costs and externalities is one of the primary conditions for making trade work for human development.

4.0 What does MKUKUTA say about trade or trade related issues?

37. The new strategy (National Strategy for Growth and Reduction of Poverty (NSGRP – known as MKUKUTA in Kiswahili) has put forward key prerequisites for its successful implementation. These prerequisite are mostly originating from key departures of NSGRP from its predecessor –PRS I. These include: (i) A move from priority “sector” approach to priority “outcome” - results-based approach. (ii) Recognition of cross-sectoral contribution to outcomes and inter sectoral linkages and synergies (iii) Emphasis on mainstreaming cross cutting issues (iv) Integration of MDGs policy actions into cluster strategies (v) A five-year implementation period (vi) A greater emphasis on economic growth in poverty reduction (viii) Recognition to address vulnerability and social protection issues.

38. The strategy pays greater attention to further stimulating saving and investment response, trade, infrastructure development, human resource development, increased investments in quality education, science and technology and use of Information and Communication Technologies (ICTs), a competitive knowledge-based economy and an efficient government. In addition the strategy seeks to:

- Deepen ownership in policy making and continue with debate on growth, equity and governance issues along with implementation and monitoring;
- Pay greater attention to mainstreaming cross-cutting issues including governance and employment; and
- Address discriminatory laws, customs and practices that retard socio-economic development.

Snap shot of trade, MDGs and MKUKUTA

Trade Interventions in MKUKUTA	MKUKUTA Development Targets	MKUKUTA/MDG targets (Poverty & Hunger)
See the next sections under 4.0 <ul style="list-style-type: none"> ▪ <i>Sources of growth;</i> ▪ <i>Broad based, inclusive growth</i> ▪ <i>External shocks and disaster management</i> ▪ <i>Infrastructure science and technology</i> ▪ <i>Structural and institutional reforms</i> 	<ul style="list-style-type: none"> ▪ Manufacturing 8.6% to 15% by 2010. 	Reduce proportion of urban poor below the basic needs from 25.8% to 12.9% in 2010.
	<ul style="list-style-type: none"> ▪ Agricultural growth 5% to 10% by 2010. 	Reduce the proportion of the urban food poor from 13.2% in 2000/01 to 6.6% by 2010.
	<ul style="list-style-type: none"> ▪ Livestock 2.7% to 9% by 2010. 	Reduce proportion of rural poor below the basic needs from 38.6% to 24% in 2010.
	<ul style="list-style-type: none"> ▪ Reduce unemployment 12.9% to 6.9% by 2010. 	Reduce the proportion of the urban food poor from 27% in 2000/01 to 14% by 2010.
	<ul style="list-style-type: none"> ▪ Secure and facilitate marketing of agricultural products 	<i>Other MDG targets</i> <ul style="list-style-type: none"> ▪ Education ▪ Gender ▪ Child health ▪ Maternal health ▪ HIV and AIDS ▪ Environment ▪ Safe drinking water ▪ Global partnerships
	<ul style="list-style-type: none"> ▪ Increase profitability in agriculture and outside agriculture 	
	<ul style="list-style-type: none"> ▪ Increase contributions from wildlife, forestry and fisheries 	
	<ul style="list-style-type: none"> ▪ Increase off-farm income generating activities 	

Growth and reduction of income poverty

Sources of growth, which have direct and indirect bearing on trade

39. The following are identified as major sources of growth that Tanzania will need to focus on:

- (i) Investments in human capability – provision of quality education, health and nutrition to the population. Towards having an internationally competitive labour force, more resources will be channelled to improving the quality and expanding secondary, higher and technical education – *a well-educated society is critical factor for trade development in a knowledge-based global society.*

- (ii) Investments in physical capital – will focus on efficient and cost effective provision of infrastructure for transport, power, ICT, with special attention to opening up rural areas and areas with economic potentials in order to address regional inequalities – *the importance of infrastructure network to facilitate trade can not be overemphasized.*
- (iii) Increases in factor productivity – focusing on technological change with particular attention to rural / agricultural productivity and its associated linkages with industry.
- (iv) Private sector development (PSD): domestic firms, including SMEs, will be supported and encouraged to be innovative, pay attention to product development, quality and appropriate marketing strategies that make them competitive and capable of responding to global market conditions. The enabling factors for PSD, which are also in line with the strategies for the TMTP2020 include:
- Addressing entrepreneurship development needs for rural private producers (on farm and non-farm), agro-based industries, urban-based SMEs, formal and informal enterprises;
 - Ensuring access to resources (finance, land, water); technological and managerial skills including marketing; market information and contacts;
 - Facilitating linking-up of domestic producers with local and foreign R&D institutions;
 - Creating fair competition to ensure level playing field; a smooth and stable administrative and regulatory framework, guaranteeing personal and property rights and security and enforcement of contracts;
 - Provision of basic infrastructure such as utilities, water, power, transport and ICTs at competitive prices in rural and urban areas.
- (v) Domestic trade: domestic trade has been liberalised and inter-regional/district barriers removed. However, domestic traders need to develop competitiveness prowess, innovativeness, adherence to schedules and standards, and confidence to venture into neighbouring country markets and overseas. The *Private Sector Development* enabling factors (*iv above*) apply. The government will scale up reduction of administrative hurdles due to complicated licensing and taxation system, harassment by tax and local administration; replace them by simple, “one-stop” mechanisms to reduce the high “costs of starting and doing business” due to red tape.
- (vi) Trade development towards a diversified and competitive economy: this principle aims at linking international trade to domestic productive and competitiveness potentials in close association with development of the private sector and domestic trade. This entails:
- The National Trade Policy (NTP) will provide a guide on fostering innovative and competitive capacity of the economy, addressing supply-side constraints, diversification of the “export basket” by stimulating value-added activities, investments in export-oriented activities and boost the competence of private sector participation in regional and world markets.

- Implementation of the NTP will require a recognition and exploitation of inter-sector linkages and complementary policies including those related to infrastructure, productive sectors, trade in services (e.g. tourism, transit trade) and institutional facilitation.
- Furthering *economic diplomacy* to market abroad Tanzania's products, tourist attractions and other service export, attracting foreign investments and assisting Tanzania's investors to be able to invest abroad.

(vii) Trade-related assistance - including Joint Integrated Technical Assistance Programme (JITAP) and Integrated Framework for Trade Development (IF) and others in support of private sector participation in domestic and international trade, will be tapped to increase the capacity of domestic producers, particularly SMEs and rural producers in processing, packaging, financing, managerial and marketing skills and information about international market standards, patenting, shelf-life, labelling and other conditions.

(viii) Foreign direct investment (FDI): the strategy will foster conditions that attract more FDI with a view to realizing the gains in form technology transfer and increased productivity and diversification of the structure of the economy. A stable investment and regulatory climate will be ensured. Issues related to the choice of technology, strategic links with local firms and higher learning and R&D institutions, technical capabilities and readiness of local firms and labour-force to adapt technology would be examined.

Broad-based growth and equity

- Improving access to and ability to use productive assets (e.g. land, finance) for the poor, for example, those in small-scale agriculture and rural non-farm activities, SMEs and groups such as women and youths. Micro-finance services will be expanded and land access rights ensured for both men and women and for small and large-scale producers;
- Addressing geographic disparities by identifying economic potentials of the disadvantaged districts and supporting exploitation of these potentials and raising returns and productivity in the poorer districts / regions. "Spatial development and development corridor" planning approaches will be employed. This is also consistent with the objectives of the Special Economic Zones (SEZs) of the TMTP (2020).
- Equal and universal access to public services – physical infrastructure and social services – through the budgetary financing of social programmes and support to community-based initiatives considering the special needs of the vulnerable groups.

External shocks and disaster management

- Growth must be strong enough for the economy to withstand shocks, for example, external shocks due to adverse terms of trade and erratic commodity prices.
- Sustainable and broad based growth can only be realised through accelerated GDP growth and widening the spectrum of actors in the economy, particularly the informal sector, SMEs and the cooperatives. It entails: (i) strengthening of the link between agriculture and industry; (ii) raising contribution of other sectors to GDP; (iii) preventing the negative impacts on environment and people's livelihoods (iv) promoting technological innovations, communication, physical infrastructures such as roads, ports, railway lines and storage facilities; and (v) promotion of regional equity in development is another important dimension for broad-based growth. The TMTF2020 strategic actions address the objective of growth through creation of attractive sites for both domestic and foreign investors so as to accelerate growth in production, per capita incomes, export earnings and employment in the SEZs.

Achievement of sustainable and broad-based growth will incorporate the following strategic actions:

- Promoting investment in the productive and services sectors with a view to increasing productivity and enhancing job creation;
- Empowering Tanzanians to mobilise savings and investments through, among others, sale of units by the Unit Trust of Tanzania, Parastatal Sector Reform Commission and the Capital Markets and Securities Authority and other initiatives;
- Implementing BEST programme, maintaining a predictable business environment and protecting property rights;
- Modernising and expanding physical infrastructures through enhanced public-private partnership;
- Promoting R&D and patenting of proven technologies including support to R&D institutions;
- Increasing the number of irrigation schemes and area under irrigation and promoting rainwater harvesting;
- Increasing productivity and profitability in agriculture through technological innovations such as use of improved high-yielding and pests-, disease- and drought-resistant varieties, improved tools and equipment and better soil and water management, improved extension services, training and promotion of Integrated Pest Management (IPM);
- Promoting efficient utilization of rangeland, empowering pastoralists to improve livestock productivity through improved access to veterinary services, reliable water supply, recognizing pastoralism as sustainable livelihood;
- Promoting use of ICT, expanding communication networks and supporting institutions which facilitate appropriate and environmentally friendly technology development and transfer;
- Promoting appropriate production and processing technology;
- Promoting regional equity through appropriate investment incentives and refocusing public expenditure;

- Involving communities in construction, maintenance and management of rural roads;
- Updating mining policy and legislation and developing and promoting enabling environment for investment in mineral value-addition;
- Attracting investment in coal and natural gas development and increase contribution of coal and natural gas to GDP.

Infrastructure, science and technology

40. In recognition of the need to improve the economic prospects of the productive sectors and social services, there is need to improve provision of physical infrastructure. Levels and quality of transport, communications and energy services are generally poor and thus constraining growth. Rural areas lack road network and rural telecommunications, which in turn limit creation of new opportunities for markets, employment, and trade (domestic and foreign). The situation in rural areas also constrains actions towards social outcomes (e.g. delivery of and quick access to medical attention, schools, courts and markets or trade). Rail, marine, air and road transport networks need to be expanded and maintained to international standards.

41. Energy is critical for the attainment of the NSGRP and MDG targets. It is important for productive activities in industry, agriculture, transport and water supply and in the provision of social services such as education and social services. Unreliable and high cost power has also discouraged private investments. Constraints include lack of adequate investments in the energy sector and of affordable alternative energy technologies.

42. Higher education, Science and Technology are vital for innovative technological advances that increase returns and productivity in all sectors. Linkages between higher education, S&T and R&D institutions and local communities in agriculture, industry, SMEs, trade and social development etc. have been weak and need to be strengthened.

Some of the on-going structural and institutional reforms, which have implications on trade

- **Financial sector:** The sector has been liberalized since early 1990s. Remaining challenges include enhancing access to credit by the private sector, particularly SMEs and rural areas. The recent establishment of a credit rating agency is a further step in enhancing the efficiency of financial intermediation in Tanzania.
- **Parastatal sector reform – A lot has been done.** The major outstanding issues refer to the privatisation of some financial sector entities as well as that of public utilities such as TANESCO and Tanzania Railways Corporation.
- **Trade policies and institutions** – Progress has been made in reducing tariff and non-tariff barriers. Challenges include further improvement in customs administration and improving the capacity to handle various issues, including commitment to WTO agreements and international negotiating capacity; and capacity to participate fully in regional markets such as SADC and EAC.
- **Infrastructure (transport, power and Information and Communications Technology (ICT)):** The formation of the Road Fund Board and the executive agency TANROADS for the trunk and regional road network has been a major step forward.
- The fixed-line telephone company TTCL was privatised; there has also been a rise in the number of mobile phone operators and Internet, and tele-media. There are initiatives to develop tele-centres especially for rural areas and e-

commerce and e-Government. The challenge is to support development of human capabilities to design, implement, manage and use ICT applications and services; put in place an appropriate legal and regulatory framework for the expanding market; and making the telecom infrastructure a platform for the delivery of ICT applications.

- **Spatial Development Initiatives and Development Corridors: (SDIs and DCs):** adopted as more comprehensive and integrated planning and delivery frameworks for development of economic services, especially infrastructure for poverty reduction and specifically aimed to redress regional imbalances in economic opportunities and access to social services. Currently, two initiatives are on-going – the Mtwara Development Corridor and the Central Development Corridor, under government-private sector partnership arrangement.
- **Public institutional interfacing with the private sector** - The government has started reviewing regulations, focusing on removing obstacles to private sector development. Issues include (i) harmonization of local government taxation to remove excessive tax burden on private enterprises; (ii) streamlining work permit procedures; (iii) review and amendment of licensing legislation to reduce the cost of business establishment and continuation - the Business Licensing Reform has been approved by the Government following the consensus of stakeholders; (iv) review and revision of export-import procedures to reduce time costs and corruption related costs; and (v) design and implementation of a program for enhancing access to commercial courts by SMEs; (vi) A Better Regulation Unit (BRU) established as a supportive unit for monitoring implementation of the Business Environment Strengthening in Tanzania (BEST). A draft work plan for the Commercial Dispute Resolution (CDR) component under BEST is being finalised.

5. Potential constrains/prospects of mainstreaming trade into national development agenda

43. There are several constraints that impede the mainstreaming trade into national development. The performance of exports require tackling economy-wide, sector as well as product specific constraints. The national trade policy makes clear that the “essence of impediments against the growth and expansion of Tanzania trade flows lies in “supply-side constraints” pg. 18. In addition to the supply side constraints, other constraints include:

- Demand side constraints i.e. poorly developed domestic and regional markets.
- Challenges for good governance, and problems in economic management and structure such as investment climate, agriculture dominated, security etc;
- Inadequate development in legal and regulatory framework impacting on the performance of the business sector;
- Limited knowledge on links between trade and human development, for example, trade and environment, trade and gender, etc;
- Limited prior knowledge about transmission mechanisms that determine the effect of trade on poverty in a country context;
- Impediments to international trade including non-tariff barriers and un predictable behaviour of trade partners, for example, India and China levy high tariffs on cashews, cotton, coffee, tea, gemstones, fish and seafood;
- Limited capacity of the private sector to participate and influence in policy making;
- Lack of a clear industrial policy;
- Inadequate and weak infrastructure development – physical, technology and financial;
- Inadequate institutional set up to implement joint sectoral/cluster planning and implementation, it may be the case that the public sector configuration is still inadequate – further reforms are needed to tape sector complimentary.

Prospects:

- The MKUKUTA had an opportunity to be informed by the National Trade Policy (Feb. 2003) and SME Policy (April 2003) documents. Reflection on these policies and MKUKUTA should continue in the implementation and monitoring stage.
- Integration of Trade in the Public Expenditure Process (as part of cluster 1), The second generation of the PER has taken the “cluster” approach, which makes trade an integral of cluster one (growth and reduction of income poverty) and three (good governance).
- The review of the Poverty Monitoring System brings to the fore the discussion about enhancing monitoring of cluster 1 of the MKUKUTA. The review of the PMS is an opportunity to integrate monitoring of trade targets and its impact on development and poverty reduction.
- Implementation of trade policy through cross-sectoral collaboration arrangement to strengthen linkages and tape synergies as it is provided in MKUKUTA. This will enable stakeholders to reflect on how trade impacts on the implementation and achievement of other policies.
- Build on ongoing reforms to increase involvement of private sector in the preparation of policies, reforms and implementation e.g. promotes productive capacity and integrate trade capacity building.
- Review the findings of the “diagnostic trade integration study” and prepare programme for implementation.

6.0 Recommendations for Implementation

44. Broadly, scaling up *private-public partnership* consultation mechanisms in promoting the participation of the private sector in business including the provision of public services.

More specific:

- Continue strengthening planning and implementation capacity, particularly the “cluster” approach, which enables actors to recognize the linkages and synergies. This requires re-engineering work plans and processes in the public sector.
- Make deliberate efforts to foster regions and district investment forum, example, Mtwara, Mwanza, Kilimanjaro and Tanga.
- Sectors to explore areas of collaboration in the pursuit of specific poverty reduction outcomes. Such collaboration will lead to more efficient attainment of desired poverty reduction outcomes. Promotion of inter-sector linkages will make possible realisation of backward and forward linkages in the economy, increased employment and cost saving.
- Continue to undertake assessments of trade institutional and capability development needs akin to those undertaken for human development.
- Fast track implementation of recommendations emerged in the “Diagnostic trade integration study” 2005.
- Mainstream trade into other national policy making processes such as Public Expenditure Review and MKUKUTA monitoring system.

- Emphasis should go beyond liberalization and privatization (i.e. not focusing purely on trade liberalization, openness, privatization etc) to emphasize the need to create the institutional underpinnings of market economies. In particular, the focus should be on labor market flexibility, social safety nets, financial sector regulation and prudential supervision, and governance, corruption, legal and administrative reforms - the discussion on MKUKUTA clearly illustrates the intention of the government to focus on this.
- In particular, MKUKUTA addresses specific 'investment strategies' i.e. a set of policy and institutional initiatives including targeted policy interventions that motivate domestic investors in order to set off economic growth. There is no 'one size fits all' when it comes to promoting trade as an engine for growth however the emphasis on adequate human resources, public infrastructure, social peace and political and economic stability are key.

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**THE LINKAGES BETWEEN TRADE DEVELOPMENT AND POVERTY IN TANZANIA:
EXPERIENCES FROM GRASS ROOTS, BY REUBEN R. MATANGO, CHAIRMAN, MTIBWA
OUTGROWERS ASSOCIATION**

Introduction

Tanzania has for some decades now undertaken many significant structural (Economic) reforms including liberalization of trade. Available data indicate that the country has attained growth rate of 6%. Last month United nations revealed its survey of 177 countries in the world in terms of Human Development and Tanzania emerged the 14th in the bottom of the list.

Looking at the positive growth rates, incomes have also changed from 1995 US\$ 176.8 to US\$ 282 in 2004. Balance of payments has remained on the negative. External debt has doubled in spite of the best investment climate available to investors and hence inflows of Foreign Direct Investment.

As the population grows at almost 3% poverty is also increasing and the gap between the haves and the have nots is also increasing.

It is not yet clear as to why the registered growth rate of 6% increased incomes and DFIs, have no overall direct link to poverty reductions!

TDP-CUTS Project through its research could possibly provide the answer to the missing link.

This paper will attempt to show that the gap can be narrowed if not bridged by involving private sector organizations and some Civil Society Organizations at the grassroots.

The Role and Importance of Civil Society and Private Sector Organizations in Making International Trade Work for the Poor Tanzanians

87% of Tanzanians are living in the rural areas and are engaged in agriculture, contributing almost 50% of foreign exchange and employs 83% of labor force. Very low-level technologies are used in agricultural production, mainly the hand hoe. Land area under cultivation is only 4% of total.

In spite of the central role the rural population occupy in the country's economy, poor infrastructure, including roads, bridges, power, irrigation systems, markets and processing, transportation systems, markets and processing facilities. Transportation and communication system are largely absent. In addition necessary skills through training in entrepreneurship, proper crop husbandry, in short capacity building is insufficiently provided. At one time these smallholder farmers were subjected to heavy taxation – of more than 120 types. Although a substantial number of them has been abolished, they still pay taxes which need abolishing, including a chain of middlemen, typical of the hierarchy of cooperatives from primary to unions or Apex Organizations. The absence or lack of even partial legal protection has opened doors to investors who have formed cartels in the guise of “associations” such as

in tobacco and sugar to make huge profits on the expense of the small holder farmers. It is therefore not surprising to note that more than 10 million people in Tanzania live below poverty line.

Private sector is gradually emerging into an engine of economic growth in the country. It needs great support from the government in order to perform and deliver adequately to its constituency. One needs to see a private sector which is largely of a local control, the one that upholds the permanent interest of Tanzania. While there are many varied interests within the private sector, those of economic gains are common. However Tanzania must remain and occupy its proper place and sovereignty in the world map and hence must have permanent interests as a nation. The Brazil-type of Tanzania, led by the private sector can only accelerate polarization and economic growth but poverty reduction, remain untouched given time, will produce volumes of research papers, books and periodicals.

The government must plan carefully, coordinate its many ministries to come up with a concrete policy for economic growth and poverty reduction. Policy reforms must be carefully thought of and planned to protect the present and future national interests. When we talk of DFIs coming to invest, there is always, a reason for them to come to invest here. A good investment climate must have two sides of one coin. Make huge profits coupled with the freedom for capital flight home, the second is leave some "makombo" for the locals e.g., employment and taxes to the Government to help maintain law and order for business to thrive. It is inconceivable and hard to believe that uncontrolled, unregulated DFI will alleviate poverty!!

Some progressive countries have made it mandatory and legally binding for DFI to partner with the locals in any business before they are granted to run business.

On international trade such Governments have empowered the private sector with necessary analytical skills in negotiations in trade negotiations.

Tanzania has been sending very few delegates to such negotiations, ill equipped. When it comes to plenary sessions due to few delegates present the Government is not represented it only has one choice, to accept the group's recommendations especially where there are block representatives in such talks. No country position, no country representation, no contributions. We have lessons to learn from neighboring Uganda and Malaysia.

Deliberate policies have to be evolved to empower the private sector to access capital, financial institutions left alone to run money business as they like can only lead to unofficial cartels where interest rates for deposits and loans are prohibitive to growth and or development.

The private sector in Tanzania is facing a very serious problem of getting seed capital to form rural financial institutions or SACCOs which can accelerate poverty reduction, stimulate small and medium enterprises and employment country wide. Starting with grassroots organizations ensures that necessary skills are developed locally, localized control of their organizations, capital and other

resources mobilized locally will largely be invested locally to reduce poverty through employment creation, increased production, improved markets and indeed local infrastructures.

Assistance to creating a strong private sector from the grassroots will also contribute to looking into opening doors to International Trade, Increased production at the grassroots will necessitate looking for export markets as well as creation of local forums for small holder farmers or business to defend their interest against exploitative market systems.

CSOs: As for Civil Society Organizations one can only caution the there are some brief case of such organizations. They have no vision or interest to promote the development of the society.

Serious and potential NGOs, Civil Society Organizations are actively working at the grassroots, at Regional, District, and National levels. These include groups involved in Gender Networking, Advocacy, Farmer Group networking, Academics, Researches and Farmers Associations.

It is in this area the writer of this paper wishes to share his organizations experiences and believe that engaging grassroots organizations especially those engaged in agricultural and or livestock production, will not only link up Trade, Development and Poverty reduction but will alleviate poverty given the necessary tools.

Currently grassroots farmer organizations especially smallholder farmer groups are on the increase country wide: MVIWATA, VYAHUMU, VIBINDO, PELUM, Smallholder Tea Association, Sisal Out growers Associations and the Sugarcane Out growers Associations are notably active in poverty alleviation. These practically link tools they are the tools in our hands let's use them.

Experiences of Sugar Cane Growers Associations of Mtibwa and Kilombero

For the last 43 years (1962 the Small Holder Sugar Cane Growers have been cultivating and selling cane to the miller cum planter in their respective sugar mills. It was in the advent of privatization in 1994-96 when the cane farmers got organized and registered by the Government under the societies Ordinance. Selling of the Parastatal Sugar Mills to private/individual business people sent signals of changing the economy from being State Controlled to private control hence motives for profit making would rein. Without an Organization to represent the smallholder, run and controlled by the smallholder, farmers cane business faced a higher risk.

Unlike the Post-Ujamaa Cooperatives Societies where the government changed the people – owed cooperatives into government-run cooperatives based on village councils, the Outgrower Associations formed their own associations with democratically elected leaders. They all have constitutions.

They have established branches or economic production groups in villages around their respective sugar mills. The number of growers has increased more the double between privatization in 1998 and 2005 from 4700 in all three Associations to 11,110 by 2005.

One important catalyst has been a reliable market and the marketing system coupled with gradual increase of cane prices.

Through the Association Leadership cane growers are able to negotiate prices with the millers. 2005 season experienced a new phenomenon, when both Kilombero and Mtibwa Cane Growers Association made a stand – off in letting millers harvest Outgrower cane fields until they agreed on remunerative prices.

Kilombero farmers held off for about a month, while Mtibwa stood off for two months. Their action shook both the Company Managements and the Government of Tanzania, which pushed its Sugar Board of Tanzania officials to facilitate talks for the three days until agreement was reached, and contract for cane supply was signed.

Objectives of the Associations

These in summary include:

- Being representatives of farmers' interests in Government and other forums/including markets and better crop prices
- Play advocacy role
- Source for funds and extend the same as loans to members
- Educate farmers on proper crop husbandry and entrepreneurship through training, study tours etc.
- Acquire machinery, equipment and inputs for cane development
- Promote education on Sugar Cane farming through school building contributions and establishing cane fields for schools
- Environmental conservation and
- Any other activities conducive to development of the Association and members

Achievements

The achievements include:

1. Doubled membership from 4,470 in ___ to 11,110 in 2005
2. All associations have acquired some machinery and equipment as follows
 - Eight (8) sugar cane loaders (for all 3 associations)
 - Two land preparation tractors (MOA)
 - About 6 motorcycles
 - 3 bicycles
 - 2 Pickups (Kilombero)
 - 7 Personal Computers (PCs) for office use
 - All acquire Agro-inputs and herbicides for farmers
 - Kilombero Associations have built new offices

3. Created employment (3 employees all)
4. All these Associations have established SACCOs which source for cane Development Funds and extend it to cane growers – about Tsh 4 billion has been loaned to farmers between 2003 and 2005
5. Production of cane has increased by 22.7% according to 10 year Development Plan. For 2004/05 season sugar cane production stood at
 - Mtibwa Outgrowers 241,000 tons – 56%
 - Mtibwe Sugar Cane Estate 176,000 tons – 44%

 - Kilombero Outgrowers 511,150 tons – 42%
 - Kilombero Sugar Company 705,875 ton – 58%

 - Total OutGrowers cane 752,000 – 48%
 - Total Estate Cane 1,593,926 tons – 52%
 - Grand Total 2,346,076 tons

Increase in cane production has grown in 7 years from 25.83 & (324,315) in 1999 & (2000) to 752,150 tons in 2005/06 to 48% at the rate of 23% p.a.

Prices 2005/2006 season for the Kilombero is Tsh 22,700 per ton of 10% sugar content (rendment) while Mtibwa prices is Tsh 20,500/= per ton of same quality of cane.

The legal Framework

Since 2000 when the Apex Organization (Tanzania Sugarcane Growers Association) was formed discussions started with the Government to enact law to protect the sugar industry. By 2001 the sugar industry Act 2001 was passed by Parliament after a series of discussions and amendments by the Industry's stakeholders. June 2005 the Sugar Industry Regulations were gazzetted making the law operative.

The some of the salient sections of the Act include:

1. The establishment of the Sugar Board of Tanzania whose members (Directors) are drawn from:
 - Outgrowers associations – 2
 - Sugar producers associations – 2
 - Consumers – 1
 - Knowledgeable and experienced – 1
 - Ministry of Agriculture and Food Security – 1
 - Board Chairman – 1

2. The Act also established the National Sugar Institute for training of farmers and estate employees
3. Also a Sugar Levy fund for Promotion, Research and Development was established.
4. The law protects the outgrowers and millers through registrations and licensing of cane growers and sugar millers. Making it mandatory for the Miller to only buy cane from registered cane growers and making it illegal to refuse buying cane from a registered farmer. Equally the farmer cannot refuse to sell cane to a registered Miller; it provides penalties for offences on each side
5. Have provisions to empower the Sugar Board to prescribe, inspect, and set standards within the industry. This month (September) registration of farmers will be completed. Standards regarding weighing, grading and pricing will be dealt with next year.
6. Importation and exportation of sugar is also regulated through the licensing to be done by the Sugar Board. This will minimize colossal dumping of sugars into the country.

There is still a lot of loop-holes which require to be sealed off to make the industry sustainable and competitive.

Constraints and Prospects of CSO and Private Sector Organizations in Advocating for Implementing Poverty Reducing Trade Policies

Prospects

Both CSOs and Private Sector Organizations have prospects in advocating for and implementing poverty reducing trade policies.

They are engaged in the business of production and working together with the poor.

They have visions and missions. Many of them are specialized in advocacy or in production and do speak for the poor. A few of them have some experiences and training in negotiation techniques. Particular emphasis is made in reference to farmer association like Mtibwa Outgrowers Association, (TASGA), Ruhembe Outgrowers Associations in Kilombero, (KII), Kilombero Cane Growers Association at Kilombero, The Sisal Associations in Tanga Region, and also the Tea Associations of Mufindi and Lushoto. As for the Civil Society Organizations like Action Aid, Care International, OXFAMs finally farmer groups networking in the country being coordinated by MVIWATA, PELUM, VIBINDO and many others.

Constraints

Many of these lack the needed skill training in their respective fields. They have limited capacity to fully engage themselves in trade policy for poverty reduction. However, they exist and work towards that goal. They need to be assisted, as we have seen the case for sugar cane outgrowers at Mtibwa and

Kilombero they have made major strides in advocacy, influencing government to enact laws to protect the industry, they are increasing production and incomes to their members and indeed poverty reduction works in their respective communities.

Sometimes the problem is the government turning a deaf ear to them and some times being insensitive to the problems of the poor. The role of government is to facilitate and regulate for the Civil societies, Farmers Associations to enable them become real partners in poverty reduction and indeed acquire the capacity to influence trade and poverty reduction policies.

Conclusion

In order to understand the critical issues on CSOs and private sector capacity building so as to influence and implement Trade Policies in Tanzania a participatory research approach is necessary.

There are areas where the researcher can learn a lot from the farmers experiences. The limited capacities in their area can be increased through understanding their existence and kinds so that they can be solved through need – driven approach. Quick action is called for because the country is taked by events as globalization unfolds. Tanzania lags behind and its citizens will continue suffering under abject poverty.

It is our sincere hope that Research findings will be given to the affected organized people in the rural areas, at the same time creating awareness will go hand in hand with necessary capacity building and employment. It has been done elsewhere it can also succeed in Tanzania.

ENGAGEMENT OF CIVIL SOCIETY AND PRIVATE SECTOR IN TRADE POLICY FOR POVERTY REDUCTION BY ANDREW MUSHI - PROGRAMME OFFICER POLICY AND ADVOCACY, TANGO

Introduction

Many national and National and International Trade Policies and Instrument recognises Civil Society organizations as the key actors. Their roles and responsibility will be to build local capacity and empowering communities to participate in monitoring and evaluation at national and community level, mobilizing and enhancing community participation as well as community resources for a fair trade and economic justice. CSOs will advocate for accountability of its members and government to the people.

Categories of CSOs

In order to participate in communication strategy effectively, it is important to reflect on the composition, and types of CSOs that are operating in the country. The following are the major types of CSOs operating in Tanzania:

Service delivery CSOs: These include Education, income generation and services delivery CSOs (These are normally found at the local-level)

Support to Social Welfare CSOs: These are CSOs which represent disadvantaged groups that are not able to articulate their needs/interests individually (e.g. the disabled, blind, etc.)

Research CSOs: These deal with research, information generation, documentation and dissemination. They sometimes identify policy gaps

Policy analysis and Advocacy CSOs: These CSOs monitor policy development and implementation. They identify policy gaps and advocate for changes.

It should be noted that there are interlinkages in the work of all the above-mentioned categories of CSOs.

Challenges of Engagement Of Civil Society in Trade

Before talking of role of CSOs in engaging with trade, let us reflect a bit on the perception of CSOs on challenges facing them in this area. The challenges include:

- Availability and accessibility of information to all citizens
- Capacity building to enable a better engagement from the base to the national level and vice versa.

Further the following questions are being raised by CSOS;

- What incentives are there for CSOS to be more responsive?
- How can information from below make a difference?

Role of CSOs in Engagement in Trade

CSOs could play many roles depending on their position, ability and capacity. The following are some role which CSOs could play in the in the engagement;

A. Popularizing Policy — the 4D Cycle Approach

The four Ds are Design, Demystify, Distribute and Discuss. After wide ranging consultation a policy is *designed* by experts and it has to be *demystified* so that ordinary people can understand it. The demystified version has then to be *distributed* so that people can know about it, and *discussed* so that people can work out the implications and take action. The result of the discussions and the impact of the actions are used as feedback to the designers so that the policy can be revised. It is not enough for people sit in meetings to discuss things. The *discussion* must lead to *analysis* which must lead to *action* which must lead to *change*.

B. Research and Social Action

There is a need to break the barrier between action and research – the two must become part of the same process. Participatory research leads to people using their right to take action. This can cause unease in political circles. The only constant thing is change. It is perfectly acceptable that change comes from the grass roots through local people joining together in social movements. Empowerment involves people thinking for themselves and acting on their own behalf. This may involve some changes in how power and wealth are distributed. To be successful it needs local people to act together in a coordinated way. They have a right to ‘choice’ and must be able to project their ‘voice’.

C. Campaign

CSOs have used campaigns to push for certain demands to government(s). There is a time certain policy needs concerted efforts to be implemented or changed. CSOs seek support of wide stakeholders and other well-wishers.

D. Negotiation

CSOs have capacity and experience of working with grassroots. Negotiating team could benefit greatly from this wealth available in the CS.

E. Use of Mass Media Effectively to Disseminate Information

The mass media is used to inform, educate and entertain the public. It can also sensitise and mobilise people into taking action on matters that affect them. It can play a significant role in shaping people's attitudes, values and Perceptions.

There are two types of mass media – ELECTRONIC such as radio and television and PRINT such as newspapers and magazines. The mass media is powerful because it can reach any people in many walks of life all at the same time. The following strategies for making effective use of the mass media:

- Press releases and statements
- Press conferences

- Interviews
- Special programmes (Television/Radio)
- Your own radio or television programme
- Involving media people in the CSO activities

F. Popular Theatre and its Role in Participation for Social Development

Popular theatre speaks to the common man in his own language and deals with problems which he can recognise. The purpose of popular theatre is to stimulate ordinary people to analyse their situations so as to plan, act and makes changes in their world. It is 'popular' because it tries to involve the whole community and not just a small elite group. It follows from this that popular theatre has to be realistic, critical and free. Popular theatre can be a powerful communication and development tool in four ways:

- As *entertainment* it can attract and hold the interest of a large number of people in the same place at the same time.
- As a way of delivering *spoken messages in the local language* it can involve the poorest groups of people who would often be left out because of illiteracy or language problems
- As a *dramatic way of describing local problems* it can help people to understand and analyse their world in a new way.
- As a *collective and communal activity* it lets people share their understandings and action plans. It can also stimulate people to learn from each other rather than waiting for 'knowledge' to come from the top/down.

Popular Theatre is many things; it is a medium, a message, a technique, and art and, above all, a new language. It allows for discussion and dialogue, lamentation and laughter, dance and music: together these fire the popular imagination and create a new voice –the voice of the people.

G: Monitoring

Monitoring is a continuous process of collecting and analysing data to compare how well a project, program or policy is being implemented against expected results.

CSOs monitoring perspective should base on Participatory Monitoring and Evaluation (PM&E), which is a process through which:

- Community members participate in acquiring knowledge, learning process to enable them take action on critical issues of concern.
- Community members engage in monitoring or evaluating poverty programs and performance of the budget and the related policies.

- Community share control over the content, the process and the results of the PM&E activity with their leaders, Officials and other stakeholders at local level.
- Engage in taking or identifying corrective actions to inform the policy-making agenda of policy makers and other stakeholders at national level.

Monitoring form a key part of communication. These could be through;

- Increase critical mass representation of CSOs in the national and international Monitoring systems.
- Establish monitoring and evaluation groups at sub national level which is representatives of stakeholders at all levels
- Strengthen the capacity of citizens on data collection, analysis and use at sub-national level.
- CSOs encourages, the development of local data indicators and verification at sub national levels.

Trade and poverty is a multi-dimensional phenomenon and therefore requires a number of indicators for its monitoring. Monitoring should be done at three levels – *inputs, outputs and outcomes*.

Inputs – Monitoring: To CSOs, the issues of concern are:

- (a) Whether the funds were received *at the point of service delivery (SACCOS)* as disbursed from the center (amounts).
- (b) Whether the received funds were used for the purposes for which they were meant.

Outputs – Monitoring: The implementation trade policies rests with Central and local Governments. It is these institutions that are mandated to monitor outputs. However, CSOs could play an important role of validating whether we are having *value for money*. The Key area of focus is the *quality* of the outputs. Although the reports of the CSOs cannot be equated to those of say auditors, they are very useful in drawing public attention to areas where the government services were sub-standard.

Outcomes – Monitoring: he first and most important step at this level, is to identify *the correct indicators*. CSOs have a role to play in helping governments identify the relevant indicators for monitoring outcomes. Beyond identifying indicators, CSOs have also been instrumental in providing information on changes in well-being of different socio-economic groups especially those that are vulnerable. This is possible because many CSOs are having interventions for specific socio-economic groups e.g. orphans, people with disabilities, displaced persons, street kids etc which groups.

Another role in outcome monitoring envisaged for CSOs is the assessment of beneficiary satisfaction.

Conclusion

The above roles compliment each other. For a CSO to play a particular role will depend much on the availability of funds and expertise. Given the nature and role of CSOs in the community, their role should that of bring grassroots issues and concern to the attention of policy makers.