The strategic exports initiative in Uganda

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Background to the PSIA Studies

Poverty and Social Impact Analysis (PSIA) is an important feature of the new approach to supporting poverty reduction in developing countries. PSIA is defined as the analysis of intended and unintended consequences of policy interventions on the well-being or welfare of different groups, with a special focus on the vulnerable and poor. Well-being or welfare includes the income and non-income dimensions of poverty.¹

The overarching objective of PSIA is to promote evidence-based policy choices, by explicitly including poverty and social impacts in the analysis of policy reforms, and to build country ownership of policies by informing a public debate on the trade-offs between policy choices.

Analysing poverty and social impact is not new, but it has yet to be routinely applied to macroeconomic and structural policy measures. In August 2000, the International Monetary Fund (IMF) and World Bank agreed to consider the poverty and social impact of major reforms in their lending programmes to developing countries.² Increasingly, developing country governments are initiating plans to undertake PSIA of key policy measures as part of the process of refining their Poverty Reduction Strategies (PRGs).

In 2001, the UK Department for International Development (DFID) undertook to support demonstration studies in six countries, in response to requests from governments and other national stakeholders for ex ante analysis of the likely poverty and social impact of particular policies or programmes. Six DFID-supported PSIA pilot studies were carried out in Indonesia, Honduras, Armenia, Uganda, Rwanda, and Mozambique.

The World Bank also undertook to pilot PSIA in six countries. In October 2002, findings from the DFID- and World Bank-supported pilot studies were brought together at a workshop in Washington DC, hosted by the World Bank, IMF and DFID. Key findings of the workshop include that it is feasible to undertake PSIA using existing data and knowledge in country, and that for PSIA to be effective in informing policy decisions, it needs to be country-owned and embedded in the national PRS process.³

The following report has been produced by independent researchers, and has been independently peer reviewed. The analysis and views contained in the study are the authors' alone.

Disclaimer

This report is the work of independent researchers. It was commissioned by the Government of Uganda in collaboration with the Department for International Development (DFID). The report does not necessarily represent either the views of the Government of Uganda or of the Department for International Development.

In its present form, the responsibility for any of the opinions expressed in this report rests with the authors alone. Comments may be directed to:

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## Acronyms

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<tr>
<th>Acronym</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>ACPC</td>
<td>Association of Coffee Producing Countries</td>
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<td>ATO</td>
<td>Alternative Trade Organisations</td>
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<tr>
<td>BWI</td>
<td>Bretton Woods' Institutions (World Bank and IMF)</td>
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<tr>
<td>CDF</td>
<td>Comprehensive Development Framework</td>
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<td>DFID</td>
<td>Department for International Development (UK)</td>
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<td>DHS</td>
<td>Demographic and Health Survey</td>
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<td>EIU</td>
<td>Economist Intelligence Unit</td>
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<td>EPRC</td>
<td>Economic Policy Research Centre</td>
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<td>ESAF</td>
<td>Enhanced Structural Adjustment Facility (IMF)</td>
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<td>FLO</td>
<td>Fairtrade Labelling Organisation</td>
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<td>FAO</td>
<td>Food and Agricultural Organisation (UN)</td>
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<td>FOB</td>
<td>Free on Board</td>
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<td>GoU</td>
<td>Government of Uganda</td>
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<td>ICA</td>
<td>International Commodity Agreement</td>
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<td>ICO</td>
<td>International Coffee Organisation</td>
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<td>IDA</td>
<td>International Development Association (World Bank)</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<tr>
<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
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<tr>
<td>MFPED</td>
<td>Ministry of Finance, Planning and Economic Development</td>
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<td>MGLSD</td>
<td>Ministry of Gender, Labour and Social Development</td>
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<td>MP</td>
<td>Member of Parliament</td>
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<td>MTEF</td>
<td>Medium Term Expenditure Framework</td>
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<td>NAADS</td>
<td>National Agricultural Advisory Services</td>
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<td>NGO</td>
<td>Non-governmental organisation</td>
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<td>NGP</td>
<td>National Gender Policy</td>
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<td>PAF</td>
<td>Poverty Action Fund</td>
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<td>PEAP</td>
<td>Poverty Eradication Action Plan</td>
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<td>PEWG</td>
<td>Poverty Eradication Working Group (MFPED)</td>
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<td>PMA</td>
<td>Plan for the Modernisation of Agriculture</td>
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<td>PPA</td>
<td>Participatory Poverty Assessment</td>
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<td>PRGF</td>
<td>Poverty Reduction and Growth Facility (IMF)</td>
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<td>Poverty Reduction Strategy</td>
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<td>PRSC</td>
<td>Poverty Reduction Support Credit (World Bank)</td>
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<td>PRSP</td>
<td>Poverty Reduction Strategy Paper</td>
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<td>PSA</td>
<td>Poverty and Social Impact Analysis</td>
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<td>SAL</td>
<td>Structural Adjustment Loan (World Bank)</td>
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<td>SME</td>
<td>Small or Medium Scale Enterprise</td>
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<td>STRATEX</td>
<td>Strategic Exports Initiative</td>
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<td>SWAP</td>
<td>Sector-Wide Approach Programme</td>
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<td>UBOS</td>
<td>Uganda Bureau of Statistics</td>
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<td>UCDA</td>
<td>Uganda Coffee Development Authority</td>
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<td>UNHS</td>
<td>Uganda National Household Survey</td>
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<td>UPPAP</td>
<td>Uganda Participatory Poverty Assessment Process</td>
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<td>USDA</td>
<td>United States Department of Agriculture</td>
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Summary

INTRODUCTION

Poverty and Social Impact Analysis
Poverty and Social Impact Analysis (PSIA) is an important feature of the new approach to supporting poverty reduction in developing countries, characterised by the development of Poverty Reduction Strategies (PRSs). PSIA is defined as the analysis of intended and unintended consequences of policy interventions on the well-being or welfare of different groups, with a special focus on the vulnerable and poor. Well-being or welfare includes the income and non-income dimensions of poverty.

The overarching objective of PSIA is to promote evidence-based policy choices, by explicitly including poverty and social impacts in the analysis of policy reforms, and to build country ownership of policies by informing a public debate on the trade-offs between policy choices.

Analysing poverty and social impacts is not new, but it has yet to be routinely applied to macroeconomic and structural policy measures. In August 2000, the IMF and World Bank agreed to consider the poverty and social impact of major reforms in their lending programmes to poor countries. In 2001, DFID in collaboration with the World Bank undertook to support demonstration studies in six countries where governments and other national stakeholders expressed clear demand for PSIA (including Indonesia, Honduras, Armenia, Uganda, Rwanda, and Mozambique). In October 2002, findings from the DFID- and World Bank-supported pilot studies were brought together at a workshop in Washington DC. Key findings of the workshop include that it is feasible to undertake PSIA using existing data and knowledge in country, and that for PSIA to be effective in informing policy decisions, it needs to be country-owned and embedded in the national PRS process.

The Origins of the Ugandan PSIA

Interest within Uganda. The PSIA arose out of discussions between the Ministry of Finance, Planning and Economic Development (MFPED), and a DFID mission. Uganda’s Poverty Reduction Strategy Paper (PRSP)—the Poverty Eradication Action Plan (PEAP)—has a tradition that includes both consultation within and outside government, and use of evidence to improve policies. Thus, PSIA is a new technique rather than a major departure in Uganda. MFPED was interested in PSIA as a means of strengthening the evidence base at its disposal in turning political initiatives into viable policies.

The consultants brainstormed with various stakeholders, including MFPED, to achieve consensus on a study that would be both useful and feasible with the resources available. The topic selected was one of two that were of interest, the other being considered infeasible.

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5 The World Bank undertook to pilot PSIA in an additional six countries.
The two international consultants selected three national consultants to ensure a balanced multidisciplinary team. The methodology was then defined by the team as a whole, with trial and error playing a fairly considerable role.

**Poverty Reduction Strategy.** Uganda is in the vanguard of international practice in respect to institutional arrangements and processes for developing PRSs. Highlights include:

- the open and inclusive processes used in the PEAP;
- the linkage of the PEAP to resource allocation through the budget and Medium Term Economic Framework (MTEF);
- the efficiency and influence of the related monitoring arrangements.

While considerable progress has been made major challenges include:

- improving engagement of line ministries, departments and districts;
- ensuring that policy initiatives in the PEAP benefit from strong and broad political commitment;
- securing the closest possible alignment between the PEAP, the Poverty Reduction Support Credit (PRSC), Poverty Reduction and Growth Facility (PRGF) and donor support.

**Choice of Topic.** The Strategic Exports Initiative (STRATEX) is a high profile initiative promoting increased export earnings, reduced aid dependency and reduced poverty. The policy relates to coffee, tea, livestock, fish, cotton, horticulture and Irish potatoes. It will be achieved by:

- stimulating indigenous investments, particularly for value added;
- removing specific bottlenecks to trade opportunities;
- other specific actions, including joint government-private sector investment, enhanced access to medium- and long-term financing, accelerated production of planting materials, accelerated skills development in selected areas, amendment of relevant laws and regulations, and institutional reform to strengthen service delivery.

STRATEX was selected as the focus for the demonstration PSIA following consultations with official, NGO and donor stakeholders in Kampala, along with the Uganda desks at the World Bank and IMF in Washington. Although STRATEX had already begun and has already been the subject of some technical debate, there has been little explicit consideration of poverty and social impact. While the technical debate had raised a number of important policy questions, it did not appear to have made full use of available poverty data and other relevant forms of assessment.

In addition, although STRATEX enjoyed strong political commitment, with its origins as a presidential initiative, it has not been subjected to as much broadly based discussion as other elements of the PEAP. It was therefore felt that the demonstration PSIA might help to promote wide debate.

**POVERTY IN UGANDA**

The PEAP is Uganda’s PRSP. It adopts a multi-dimensional concept of poverty, where deprivation in terms of health, nutrition and educational standards are taken as seriously as low income. It also recognises insecurity and social exclusion as dimensions of
poverty, following findings on poor people’s own perceptions. The latest surveys suggest that the distribution of income poverty is very different from that of multi-dimensional poverty in Uganda. However many policy makers still think about poverty mainly in income terms.

The PEAP contains a good discussion of cross-cutting issues, but there is a limited appreciation of the degree to which some of these (eg gender and age relations, as well as region and ethnicity), affect outcomes such as aggregate income growth. Social arrangements at the intra-household level tend not to be considered in macro and sectoral policy. Despite much research evidence to the contrary, there is still a widely held assumption that poor households are cooperative, income-sharing units that respond to price signals in a unified way.

A PSIA ON THE STRATEGIC EXPORT INITIATIVE

Methodology
The study follows the PEAP in using a multi-dimensional concept of well-being and poverty. That is, when considering poverty impacts, the focus is not just on the aggregate income of households that fall below the poverty line, but also about how such income is shared within the household, and the consequences for the general well-being of household members. In the light of international and Ugandan research, it is not assumed that the different poverty measures invariably move together, or even in the same direction.

The study distinguishes between transmission mechanisms and indirect and/or second round effects. It then considers the distributional impact and effects on the incentives of different economic agents and identifies where the weaknesses have been in the current debate.

The PSIA demonstration concentrates on correcting the bias of existing analysis, as far as available information and analytical resources permitted. The household survey was analysed to shed light on the scale and distribution of likely direct income effects from growth in coffee and fish sales. This was done partly with a view to probing the scope for using poverty data from household surveys in PSIA work, since the surveys have proven very valuable for other purposes. The results were disappointing in substantive terms, so that the principal conclusions to be drawn are methodological.

In contrast, the work done to draw together the findings of local case studies (especially on incentives and distributional issues at the household and intra-household levels) was revealing from both a methodological and a substantive point of view.

Findings

Existing Analysis. The most substantial contribution came from a series of consultants’ reports concerned with private-sector and export development in Uganda. These reports are largely concerned with incentive issues. This focus is sound, as these are the factors that will determine whether there is any income growth as a result of the policy. However, there has been little analysis of the distribution of the effect on incentives, especially at a household and intra-household level. This gap is particularly serious as the government sees STRATEX as an instrument for reducing poverty.

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6 As measured by such indicators as the infant and maternal mortality rates and the nutritional status of children.
Commissioned work has also addressed other issues, including an assessment of the degree to which supply chains are competitive. The scale of possible direct and indirect impacts on household income has been treated only tangentially.

**Distributional Impact.** The limitations of the household survey analysis arise from two sources:

- first, the survey measures consumption, as a proxy for income. Total household incomes can be estimated, and regressions can be run showing the influence of crop prices on the consumption or income of some sub-samples or a panel. However, the data tell us little about the composition of household income. Hence, it is not possible to model different output-growth and price scenarios for different producer groups in the way that would be desirable in analysing possible STRATEX impacts. The PSIA analysis is therefore confined to simple extrapolations from poverty incidence among households participating and not participating in coffee growing by district in 1999/2000;
- second, the numbers are too small to say anything significant about fish. They are also too small for coffee in some districts and in the North.

A policy conclusion can be drawn from this part of the PSIA exercise: that STRATEX would raise substantial numbers of households above the poverty line, assuming that it is capable of generating increased incomes in households in coffee-growing areas. This seems to apply to the development of *arabica*, as well as *robusta* varieties, which is important given the better market conditions for *arabica*. But this conclusion is limited in two senses:

- it assumes that income growth is possible, under current market conditions, without examining in any detail how producing households will respond to the changes;
- it takes no account of intra-household distributional issues and non-income poverty dimensions that we know are very important.

**Supply Response.** The PSIA argues that current thinking seriously underestimates the micro-level supply-response factors likely to influence success in promoting and rebuilding export capacities in Uganda. There tends to be an implicit assumption that supply response can be more or less taken for granted, so long as the right general incentives can be put in place at the sector level. The debate therefore concentrates on what the key incentives are.

In agricultural sectors such as coffee, this ignores the now abundant evidence for smallholder production in Africa that supply response to improved market incentives is far from automatic. It fails to recognise that among the principal determinants of response are the way incentives are mediated, at the household and community levels, by negotiated relationships of cooperation and conflict between men and women.

The evidence consists partly of abstract modelling of within-household decision-making under realistic assumptions, and partly of concrete studies, showing that, in particular cases, gender relations generate perverse outcomes. These two sorts of evidence converge to suggest that, unless poor women and men expect to benefit from the efforts they make, the overall allocation of resources will be inefficient and willingness to diversify into new ventures will be limited. Under typical conditions, women may be expected to withhold their labour or even sabotage cash crops in subtle ways because they know they will not benefit from the income earned. While most of these studies are
Summary

not specifically concerned with coffee growing, they raise large questions about the viability of the current approach to operationalising STRATEX in the coffee sector.

The criticism has to be formulated somewhat differently in the case of fish, where the degree of women’s involvement in production (as opposed to processing) is not comparable with that in agriculture. Nonetheless, the analysis finds important micro-level supply constraints, as well as other welfare issues related to gender, that call for greater attention in relation to export-oriented fishing too.

**Household Income and Welfare.** Even if household incomes do improve, the analysis shows that poverty headcounts may not translate into reductions in other important dimensions of poverty, such as those measured by high levels of infant mortality and inadequate child nutrition. In Uganda, the aggregate evidence from the last Demographic and Health Survey shows infant mortality to be remarkably resistant to improvement in a period when income-poverty has declined substantially. This is underlined by case study evidence from the Uganda Participatory Poverty Assessment Process (UPPAP) and other sources. Areas that have had sustained success in commercialisation of smallholder production, and otherwise enjoy favourable conditions, seem incapable of achieving equivalent improvements in nutrition and child survival.

In short, the kind of male-biased income growth within households that will result from export-oriented production growth, other things being equal, is quite likely to be unfavourable to important non-income dimensions of poverty reduction. The study argues that complementary measures need to be considered to avert this type of outcome, preferably in ways that address the supply-response problem at the same time.

**Policy Issues and Recommendations.** The policy debate on STRATEX through the PSIA has been useful in widening the issues considered and including more stakeholders. But some key problems have been neglected, and there is still a need to broaden the dialogue. The PSIA findings suggest that policy on STRATEX should:

- harmonise the working methods of STRATEX with the Plan for the Modernisation of Agriculture (PMA), applying the PMA principles of bottom-up, participatory and cooperative approaches to policy design;
- reinforce the capacity of the PMA to facilitate efficient and equitable solutions to gender-related supply blockages;
- give greater priority to targeting women farmers, as well as poor households, improving de facto access to land for women, raising literacy among adult women, and resourcing the Ministry of Gender, Labour and Social Development for its gender mainstreaming mandate;
- provide at least the necessary minimum of arrangements for monitoring STRATEX implementation.

The recommendations from the PSIA complement those arising from previous reports on STRATEX.

**Methodological Lessons Learnt**

In terms of policy-making method, the analysis suggests a need to take more seriously the way actors at the micro level, under typical constraints, are likely to respond to sectoral policy initiatives. Discussions about economic growth need to become less exclusively macro or sectoral, and the assumption that producer households can be treated as an undifferentiated ‘black box’ must be challenged more often in such
contexts. Policies need to become more sensitive to their impacts on both men and women.

The exercise has confirmed that poverty measurement surveys of the sort that have proven so useful over the past decades are not an ideal instrument when it comes to the kinds of question which PSIAs pose. Sample sizes will be too small for many purposes and in many cases, it will be important to know about the composition of household incomes, not just about aggregate consumption.

On the other hand, the Uganda exercise shows that there is untapped potential in micro-level literature, and country-specific case studies of change at the local and intra-household levels.

Overall, the Uganda PSIA exercise has shown that it is possible, with existing knowledge, to add important missing ingredients to a typical policy debate. If adopted along with other relevant advice, the recommendations suggested could help the government to avoid committing public spending to activities with zero or negative returns, while encouraging complementary measures that would make similar initiatives more likely to succeed in the future.

The PSIA team encountered significant practical difficulties in delivering on its terms of reference and especially doing so on schedule. Difficulties included:

- complex terms of reference, requiring different kinds of outputs some of them addressed to more than one type of audience;
- managing a team of analysts with different and sometimes conflicting approaches;
- a short time frame for completion of the study and working with consulting analysts who had busy schedules;
- wasting time going up blind alleys because of the experimental nature of the exercise (eg quantitative modeling of scenarios with household data).

INSTITUTIONAL IMPLICATIONS

It is clear that exercises such as this PSIA can generate relevant insights and recommendations. But it is not yet clear that PSIA work will be embedded effectively in the national policy system, so that recommendations are able to be adopted in a timely way.

In Uganda, the institutional framework for embedding PSIA does exists, in the shape of an Economic Affairs directorate that has some track record in evidence-based policy making. The type of analysis that the demonstration PSIA has delivered would not place impossible demands on Uganda’s limited capacity for multi-disciplinary social science.

As in Uganda, there will often be a relatively weak connection between the repositories of detailed case-study understanding of micro-level issues (often, university-based researchers in departments other than economics) and the politicians and officials responsible for macro, structural and sectoral policy-making. Future PSIAs need to build bridges between these institutions, in order to make sure that the scope covers the range of issues highlighted in this study.

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7 A possible conclusion is that a somewhat simpler study design could have produced a more timely and coherent input for Ugandan policy purposes.
1 What is the demonstration supposed to demonstrate?

1.1 BACKGROUND

1. Pilot or 'demonstration' exercises were carried out in a number of countries during 2002, to reveal the potential and feasibility of ex ante poverty and social impact analysis (PSIA) under current conditions, and to encourage its wider adoption. The experiences were drawn together initially at a conference to be held in Washington DC in October 2002.

2. By agreement between the IMF and the World Bank, Bank staff have led PSIA demonstrations in a number of partner countries. In a further six countries, technical support to a PSIA exercise was provided by DFID in response to requests from national governments. These are Uganda, Rwanda, Mozambique, Honduras, Armenia and Indonesia. The DFID-supported exercises have made particular efforts to be demand-driven, government-led, broadly consultative, and oriented to building national processes and capacities.

3. In Uganda, the directorate of Economic Affairs (MFPED) initiated the PSIA demonstration exercise. In response, a scoping mission by two international consultants took place between 03 and 09 April 2002 in Kampala. This led to the identification and contracting of three Ugandan experts to complete the team for the assignment. Discussions with key stakeholders led to the selection of the Government of Uganda's (GoU) STRATEX initiative (GoU, 2001), as the focus of the exercise. These discussions proved very helpful in ruling out several alternative options as unsuitable or non-feasible, and suggesting strong arguments in its favour (these are detailed in Section 3.1 below). The proposal was put to members of the steering committee at the Ministry of Finance on 08 April, and was accepted.

4. Following the scoping mission, the team leader accompanied DFID advisers and the team leader of the Rwanda exercise to Washington, 10–12 April, to consult with Bank and Fund staff. The rationale of the exercise and its proposed focus were explained to staff of the IMF and World Bank with responsibility for Uganda.

5. The main work took place in Kampala at intervals between May and August 2002, responding to the availabilities of the team members. It included a second mission by the international consultants, which took place at the end of May. Multi-disciplinary working, involving two economists of the Economic Policy Research Centre and a sociologist based in the Gender and Women's Studies Department at Makerere University, was the challenging basis for producing this report.

6. A draft Final Report was completed in October 2002, circulated for comment and subjected to peer review. Public presentations of the main findings and lessons were made in Kampala (November 2002 and April 2003) and in London (with a video link to Kampala, March 2003), as well as in Washington in October 2002. The present text includes revisions in response to comments from the nominated peer reviewers and others. Because of the relatively complex report structure required by the terms of
The Strategic Exports Initiative in Uganda

reference, a more narrowly focused Summary Report has also been prepared for circulation in Uganda at the request of the MFPED.

1.2 WHAT IS PSIA?

7. PSIA refers to analysis of the intended and unintended consequences of policy interventions for the well-being of different social groups, with a special focus on the vulnerable and the poor. It can be applied to any significant set of macroeconomic, structural or sectoral policies. It covers policy choices relating to the sequencing and pace of implementation of a package of reforms as well as with the crude decision whether or not to proceed with the measure. Consideration of complementary measures that may be needed to reinforce or mitigate particular positive or negative impacts is also central to PSIA.

8. Ex ante PSIA—to anticipate the likely effects of proposed policy measures before they are agreed—is a required element in new generation of IMF (PRGF) and World Bank/International Development Association (IDA) (PRSC etc.) lending programmes. This responds to criticisms of previous Fund/Bank programme for being insufficiently informed by explicit consideration of the possible social impacts of alternative policy measures, including the implications of their likely pace, timing and sequencing. In principle, however, it is a tool for improving the role of evidence-based argument in policy making for development across the board.

9. In other words, the usefulness of ex ante PSIA is not restricted to traditional stabilisation and adjustment measures, or to policies particularly associated with the reform agendas of the Bretton Woods institutions (BWIs). It is also relevant to initiatives from any source that form part of the government programme set out in a PRSP, which in turn provides the framework for lending and aid operations. This is particularly important to note in the case of Uganda, where the phase of basic stabilisation and adjustment is largely complete, and the government itself is an important source of new policy ideas about macro, structural and sectoral reform.

1.3 WHAT KINDS OF PAY-OFF?

10. In any case, looking more carefully and in advance at the possible impacts of proposed policy measures is likely to have multiple benefits and several beneficiaries. The pay-off from a good PSIA is of two kinds.

11. First, if the impacts of a policy initiative, or of doing it in a particular way, can be anticipated, there is less likelihood of different kinds of costly policy error. Such errors would include instances where the object of the exercise is simply not achieved; where it is achieved at the cost of unanticipated negative consequences; and where it is achieved at higher cost or with more negative side-effects than could have been attained with a different design. All parties gain, if prior identification of these difficulties leads to the adoption and implementation of a better-designed package.

12. Not all impacts are likely to be capable of being anticipated. Some may need to be noticed, and appropriate adjustments made, ex post. In this sense, PSIA is complementary to, and not a substitute for, other key instruments of evidence-based policy making at the national level, such as regular input, output and outcome monitoring; and selective ex post evaluation. PSIA can be expected to draw on past monitoring and
What is the demonstration supposed to demonstrate?

evaluation evidence of a relevant sort, and to suggest guidelines for future monitoring and evaluation.

13. Second, so long as it is technically sound and well managed a PSIA can contribute to a general raising of the quality of policy making in a country. The current climate of international thinking places stronger emphasis on stimulating policy discussion in countries because weak national ownership has been identified as a principal reason for the failure of past anti-poverty efforts. National PRS processes are seen as part of the answer to this deficit. But one of the obstacles to the institutionalisation of such processes is a continuing perception that key policy decisions are taken behind the backs of significant national actors. Another is that in-country familiarity and capacity to engage with the sometimes technical issues involved is poorly developed. This is partly a matter of lack of practice.

14. If it is conducted in such a way that policy options are more widely debated in-country before their final adoption by government and endorsement by the BWIs, PSIA may thus have benefits that spread beyond the particular policy topic being considered. It may be particularly helpful in responding to demands from non-governmental PRS stakeholders for greater public debate on macro and structural policy options in advance of Bank and Fund country missions. But equally it serves a purpose if the national policy process tends to be exclusive for reasons that do not directly stem from the involvement of the BWIs.

15. If it is to be useful in the second as well as the first sense, a PSIA exercise obviously needs to be embedded in the national policy process. Otherwise, it may result in better policy design, but the improved policy may not be nationally owned, and there may be no wider contribution to country policy frameworks and capacities.

1.4 THE POINT OF THE 'DEMONSTRATION'

16. Three things are to be demonstrated by the present exercise:

- that with available evidence and limited resources, it is possible to generate insights about the likely impacts of a typical policy initiative that significantly improve the quality of the debate and the range of options considered;
- that this creates options for avoiding costly policy errors, and being more effective in achieving policy goals, including reducing poverty;
- that it can be done in such a way that it widens the policy debate in-country, makes more likely the national ownership of initiatives and helps to reduce the gap between policy arenas that benefit from greater ownership and those that remain externally-driven.

1.5 ORGANISATION OF THE REPORT

- The remainder of the report consists of three sections. Section 2 outlines the results of the parts of the exercise concerned with describing the past record in the country of drawing links between the goals of macro, structural and sectoral policy and poverty reduction. The reasons for providing this contextual analysis are explained in the section. It has both process and conceptual dimensions.
- Section 3 reports on the specific exercise. It explains why STRATEX was selected for analysis, how the consultants proceeded and what was concluded
from the analysis. This section includes the specific policy issues and recommendations arising from the findings.

- Section 4 concludes with final reflections on two topics: what was learned from the experience of undertaking the PSIA, and what is suggested regarding the next steps in Uganda.
2 Poverty and policy-making in Uganda

2.1 PUTTING THE UGANDA EXERCISE IN CONTEXT

17. The terms of reference for the DFID-supported demonstrations call for the specific exercise to be placed in the context of the past record of the linkage of macroeconomic and structural policies to poverty-reduction goals in the country. The Uganda exercise is required additionally to contribute improved understanding of the process through which poverty information is or is not incorporated into decision making about macro and structural policies.

18. This context-setting part of the study has a double purpose. First, it is meant to make clear the degree to which the issues thrown up by the impact analysis are new; that is, how far it has been usual for policy design previously to incorporate, or policy dialogue to address, similar considerations. This is essential to assessing what exactly has been demonstrated by the demonstration exercise. Second, it is intended to lead to recommendations on how linkages between poverty analysis and policy might be strengthened in the future.

19. This calls for a carefully balanced treatment. On the one hand, there is a need to give credit where credit is due, which in the Ugandan case means recognising the important gains that have been made in recent years in placing poverty reduction close to the centre of public policy, and in generating and using poverty information. On the other hand, we are required to identify any significant shortcomings in the conceptual approaches and institutional processes that govern macro-poverty linkages in the country. That means ensuring that recognition of strengths does not over-qualify the diagnosis of problems and vice versa.

20. This is what we attempt in this section. The section draws on evidence gathered over a number of years from a variety of stakeholders, and official and unofficial documents, to form a view on these two topics. While the evidence-base is broad in this sense (not limited to the PSIA missions), these are matters of judgement rather than mere fact. The consultants take responsibility for the final assessments made.

Disentangling the elements

21. In actual country contexts, the question of the assumptions made and approaches taken in approaching the relationship between poverty and macro/structural/sectoral policies is bound up with questions about institutional frameworks and processes. The concepts and assumptions that matter are not those made abstract thought processes or in a purely academic environment, but those that are made in actual decision-making arenas. It therefore makes sense to explore a little the process through which macroeconomic and structural policies have been made in the country, before examining the conceptual or theoretical content of the decisions taken.8

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8 That is, Output 4 of the Uganda PSIA terms of reference needs to precede consideration of Output 1.
2.2 INSTITUTIONS AND PROCESSES

Compared with many countries in its region, Uganda has made considerable progress in implementing a poverty-oriented and evidence-based approach to national policy making. As explained in detail in Appendix 1, key steps that have gained wide recognition include:

- the open and relatively inclusive processes leading to the formulation, revision and review of the PEAP, Uganda’s PRSP;
- the effective linkage of the PEAP to resource allocation through the budget and MTEF processes;
- the efficiency and influence of the related monitoring arrangements.

22. Considerable progress has been made towards perfecting these systems. Nevertheless, these are all promising processes of change rather than completed achievements. Some important issues remain unresolved, regarding a) the force, clarity and consistency with which poverty-reduction goals drive the policy process including implementation; and b) the degree to which they are widely shared by civil and political society in the country.

Particular challenges still outstanding include:

- refining the mechanisms through which line ministries, departments and districts are engaged in thinking and action in relation to PEAP goals;
- ensuring that policy initiatives in the PEAP framework benefit from political commitment that is both as strong and as broadly-based as possible; and
- securing the closest possible alignment between the PEAP, PRSC, PRGF and donor support, so that optimal national ownership and commitment are obtained.

23. Again, the details are relegated to Appendix 1. We focus here on the above three points, briefly explaining their relevance to the PSIA exercise.

24. First, the Ugandan policy process for guiding public action on poverty reduction is in a moment of transition. It is completing a phase in which compliance with PEAP priorities was mainly secured—crudely but effectively—by quite specific earmarking of funds and heavily prioritised disbursements by the Ministry of Finance. During that phase, there was relatively little active engagement in defining priorities by either line ministries or districts. In the phase that is now beginning, sectoral, multi-sectoral and local strategic planning processes are assuming greater importance, and the criteria being employed in the budget and MTEF processes for assessing funding submissions are becoming more sophisticated.

25. In the former phase, the process tended to favour directly poverty-reducing public expenditures, especially in social services and social infrastructure, to the detriment of support to major economic sectors and investments that might have been justified as indirectly poverty-reducing. No less importantly, earmarking made it difficult for the big cross-cutting issues, such as gender or the environment, to get the attention they deserve. However, the context for addressing such neglected questions is becoming much better.

26. Second, the openness that characterised the PEAP process from the beginning remains a matter of great credit to GoU and the leadership of MFPED in particular. However, the commitment to building a broad national consensus on poverty reduction
needs constant renewal. That means major initiatives within the PEAP framework ought to be favoured by both a strong political thrust from the highest levels of government, and the kind of broad support that comes from inclusive policy dialogue. There is concern that some recent initiatives, including the one selected for attention in the PSIA exercise, could have benefited (and could still benefit) from a more inclusive type of policy formulation process.

27. The third challenge is that of getting the PEAP, the MTEF, the PRSC and the PRGF, as well as bilateral donor funding instruments, more closely aligned. This is desirable in order that action for poverty reduction in Uganda gets the benefit of both the maximum achievable national ownership and sufficiently specific tracking of implementation. One of the things that it likely to favour this is more frequent, more open and more rigorous discussion of policy options in the country, and the development of Ugandan capacity, inside and outside government, to contribute to such debates.

28. Senior officials of MFPED recognise these issues facing the institutions and processes that shape anti-poverty policy in Uganda. Indeed, it is partly for this reason that they are interested in the PSIA initiative. They are also aware of ways in which limitations in the policy process have constrained the approaches and concept that have tended to govern thinking about poverty reduction until now.

2.3 CONCEPTS AND APPROACHES

29. Until about 1996, Ugandan policy was characterised by three notable features:

- a strong commitment, implemented with technical skill, to macroeconomic stability, as the precondition for national recovery and poverty reduction;
- a concern that poverty might in fact still be increasing despite some successes in stabilising and reviving the economy as well as improving security in most of the country;
- a general dearth of policy thinking about the likely transmission mechanisms from growth to improved incomes for poor households, and from the latter to human-development variables, such as better nutrition, education or social well being.

30. This was the context that produced the PEAP, as well as a major investment in household surveys and participatory poverty assessments. In due course, these activities produced more sophisticated planning concepts in general currency, as well as more solid evidence on both what was being achieved and what still remained to be tackled.

31. The agreed text of the first, 1997, PEAP contained several breakthroughs in policy thinking about poverty. It was multidimensional in its approach to conceptualising poverty, recognising both improved incomes and quality of life, measured by key health, education and other social infrastructure indicators, as important objectives of a poverty eradication strategy. It also adopted a broad vision of the preconditions of effective poverty reduction, including among these not only growth and structural transformation but also better governance and improved security.

32. The second PEAP (2001–03, MFPED, 2001a) made use of the much-improved data resulting from the analysis of household expenditure, public-expenditure tracking and service delivery surveys, and the first participatory poverty assessment (PPA) (MFPED/UPPAP, 2000). It also reflected progress in developing sector programmes in
roads, education and health, and in the formulation of a multi-sectoral Plan for the Modernisation of Agriculture (PMA). And it considered a somewhat more inclusive range of policy areas as indirectly important to poverty eradication.

33. In technical terms, the PEAP is still better at setting an overall framework and identifying indicators of progress than at setting realistic targets, based on costed plans. However, this is not surprising given the relative recentness of some of the improvements in sector- and multi-sector planning. In aggregate, it reflects a deeper hole in policy thinking, what has been described as the problem of the missing middle.

34. In the circumstances, the PEAP's Annex 1 matrices do a commendable job of suggesting what inputs; what output/access issues and other proximate determinants; and what outcomes, need to be watched in relation to each of the strategy's Pillars (major goals). However, the degree to which this reflects actual sector thinking about the transmission mechanisms from inputs to outcomes, what the major snags are, and how these are to be overcome, is very variable.

35. Thinking about linkages and transmission mechanisms across the Pillars—e.g. from the pattern of growth to improved incomes for the poor, or from raising incomes to improving child survival—is there. It is found especially in the excellent Chapter 2, which draws on the improved data to review dimensions and causes of poverty in Uganda. However, once again, the carry through to practical thinking is variable, even within the PEAP text. There are also reasons to doubt whether the most advanced thinking reflected in the document is widely shared in policy circles in the country.

36. We suggest that, with the possible exception of the PEAP itself:

- The reasons why macro-stability is generally good for both growth and poverty reduction are not very widely appreciated. There remains a task of education and persuasion on this topic for the MFPED and the Bank of Uganda in relation to parliament, the media and NGOs.
- The same applies with even greater force to the growth-inducing effects of key measures of economic liberalisation such as coffee marketing. The reasons why coffee market liberalisation was more effective in Uganda than in neighbouring countries such as Tanzania, and why coffee liberalisation has tended to be more beneficial than equivalent processes in cotton, are not well or widely understood.
- The evidence suggesting widely spread, although not universal, reductions in household consumption poverty during the 1990s is palpable and no longer much disputed (Appleton, 2001). However, the reasons why economic stabilisation and recovery was not, despite initial fears in governing circles, accompanied by increasing income poverty have not been entirely grasped. The importance of the structure of the growth that occurred may not be fully appreciated even now. The fact that significant numbers of poor people are relatively directly involved in the coffee economy and that coffee production is fairly widely spread is generally appreciated. But this is not necessarily reflected in more general thinking about whether or not poor people are involved in or could get access to relevant markets.
- There is in the PEAP process a growing recognition that both direct and indirect routes to poverty reduction are potentially useful. On the other hand, as with thinking about these issues more broadly, the criteria for identifying initiatives or investments that are likely to have powerful indirect effects on poverty reduction
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(by contributing to the enabling environment for growth that is structurally pro-poor, or by underpinning pro-poor public expenditures on the revenue side), do not exist. Distinguishing indirect measures from irrelevant ones is not easy in theory and we are not in a position to do it in practice most of the time.

- Thus, for example, thinking about trade policy options tends to be governed principally by revenue considerations, and not about trade-poverty linkages (DFID, 2002). Trade-growth-environment issues are not much discussed either.

- A widespread assumption about poor households is that they are cooperative, income-sharing units. This leads to a somewhat mechanical and mistaken view of transmission mechanisms of two types: from changed incentives in the market to producer responses, and from enhanced producer incomes to general improvements in consumption and other dimensions of well being. These two aspects of macro-micro linkage emerge as crucial in the research on Uganda, including that consulted for the PSIA exercise. We suspect they are highly under-rated in policy circles.

- This reflects and contributes to an under-appreciation of the importance of gender and age as determinants of what actually happens in processes that are potentially beneficial to poor people generally. There is little understanding that non-cooperative behaviour at the micro level stemming from prevailing gender relations is a critical supply constraint in many sectors and areas. There is also insufficient recognition of the evidence that discrimination on gender and age grounds is a critical obstacle to improvements in income flows to poor households being transformed into welfare improvements for children and balanced investments in human capital.

- The increasing concentration of poverty in the North has been noted in two bi-annual Poverty Status Reports (MFPED, 1999, 2001b) and has been the subject of a special study by the Ministry (MFPED, 2002a). This provides a sophisticated poverty analysis but stops short of a thorough treatment of the political issues behind the war in the North. Special poverty groups have not been investigated in detail until recently, but this is a focus of the second PPA, which will be reporting shortly, as well as of research into sources of chronic poverty at the Economic Policy Research Centre (EPRC).

37. All of these issues have been raised and documented as a result of Uganda’s relatively healthy and well-established data-production effort. However, not all of the relevant analysis has been done and consumed within the country, and it remains a hard struggle to get it taken with sufficient seriousness. The incentives arising from the policy processes discussed earlier are critical to both the weaknesses and chances of improvement.

2.4 HOW CAN PSIA HELP?

38. Much of this is directly relevant to and is illustrated by the specific focus selected for the PSIA exercise. As explained in the next section, the consultants used several criteria in assessing the suitability of different ways of focusing the PSIA. However, the focus eventually agreed with stakeholders—STRATEX—provided:

- a good illustration of the importance of considering macro-micro linkages and transmission mechanisms in policy making for poverty reduction;
- a practical way of contributing to the policy-process changes currently under way in Uganda;
2.5 WHY STRATEGIC EXPORTS?

39. In considering the focus for a substantive PSIA exercise in Uganda, the consultants aimed to identify and propose to stakeholders a piece of work that would:

- serve the purpose of demonstrating the potential and possible pitfalls of ex ante PSIA;
- engage with important process issues, as well as technical problems of data and analysis;
- be capable of being completed with relatively modest time inputs, largely relying on existing data;
- build upon, and contribute to, current research and policy processes in the country, avoiding duplication; and
- contribute to the important capacity-building dimensions of the PSIA exercise.

The STRATEX framework

40. The GoU’s STRATEX selects coffee, tea, livestock, fish, cotton, horticulture and Irish potatoes as strategic for export policy in view of the country’s production potential and world market prospects. According to the policy paper that launched the initiative (GoU, 2001), the government aims to achieve export goals by:

- stimulating indigenous investments in strategic areas, particularly for value addition;
- removing specific bottlenecks that impede the private sector’s ability to take advantage of trade opportunities;
- undertaking a number of actions, including joint government–private sector investment, enhanced access to medium- and long-term financing, accelerated production of planting materials, accelerated skills development in selected areas, amendment of relevant laws and regulations, and institutional reform to strengthen service delivery.

41. In practice, the policy relies quite heavily on stimulating new production by means of additional government action and the provision of improved inputs to producers on favourable terms. This feature of the policy has made it controversial, particularly with donor agencies that see it as conflicting with agreed principles on public–private partnership in export development.

Adding value to existing policy debate

42. The decision to focus the PSIA exercise on STRATEX was based on the following considerations:

- STRATEX addresses issues of considerable importance to the future of Uganda;
- it is to a significant extent a policy that is still in formation. Substantial public funds have been committed to it, but important choices concerning instruments, sequencing, implementation and monitoring remain to be made—hence, it is an
appropriate focus for ex ante assessment in spite of being already policy in a strict sense;

- the policy is controversial. Although there is wide agreement that Uganda needs to secure its export earnings, there are divergent views even among those already involved in the policy debate about what to prioritise and how to pursue it;
- some valuable groundwork has been done. A donor-commissioned study on ‘The Performance and Growth Prospects for Strategic Exports in Uganda’; EU et al., 2002) had already subjected the policy options to some consideration in detail, although not with an explicit and certainly not with a primary focus on poverty and social impacts;
- poverty impacts, and social issues in implementation, did not figure as prominently in the government’s assessment of the initiative as might have been expected, given the PEAP, the Plan for the Modernisation of Agriculture (PMA) and the availability of relevant data and studies;
- there are adequate grounds for being concerned about poverty and social impacts, in terms of both the ability of the chosen policy measures to generate, directly or indirectly, income gains for poor people; and of the likelihood of any income benefits being converted into improvements in welfare.

43. Additionally, in terms of our assessment of Uganda policy-process issues (in Section 2):

- STRATEX is an important case in point of a multi-sectoral initiative benefiting from strong but not very broadly-based political support. A presidential initiative, it was motivated in part by the President’s concern about over-dependence on aid-funded foreign-exchange inflows and the need for Uganda to generate larger export earnings. The initial formulation process was led by presidential advisers and MFPED officials, without detailed consultations with interested donors, line ministries or the authorities set up to oversee the PMA.
- Given the centrality of exports to growth and poverty reduction efforts in the country, it is also an important focus for any effort to strengthen links between the review and revision processes of the PEAP on the one hand, and the PRSC and other externally-financed programmes on the other.

**Narrowing the focus**

44. To keep of scope of the work manageable, it was decided focus on two particular STRATEX sectors—coffee and fish. Both of these sectors are very important in terms of the likely scale of any positive or negative impacts. They also have a corresponding advantage, from the point of view of the study: that a relatively wide range of evidence may be capable of being brought into the analysis, including the household survey and the PPA. More minor and more obviously non-traditional exports would have been harder to analyse from this point of view. Both coffee and fish were covered by the donor-commissioned consultancy reports (COMPETE, 2002; COMPETE and EU, 2002).

**2.6 THE APPROACH ADOPTED**

45. There are two important elements in the conceptual framework adopted for the PSIA exercise:

- a multi-dimensional approach to conceptualising poverty impacts;
**Conceptual framework 1: a multi-dimensional approach to poverty**

46. The report follows the PEAP in using a *multi-dimensional* concept of well-being and poverty. That is, when considering poverty impacts the focus is not just on the aggregate income of households that fall below the poverty line, although evidence of that sort is analysed for limited purposes. There is also concern about how such income is shared within the household, and the consequences for what are recognised as robust indicators of general well-being among household members, such as the infant and maternal mortality rates and the nutritional status of children. In the light of international and Ugandan research, it is not assumed that the different poverty measures invariably move together, or even in the same direction.

<table>
<thead>
<tr>
<th>BOX 2.1 MEASURING POVERTY MULTI-DIMENSIONALLY</th>
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<tbody>
<tr>
<td><strong>Poverty as lack of economic capabilities:</strong></td>
</tr>
<tr>
<td>- household consumption, poverty line</td>
</tr>
<tr>
<td>- access to assets (men, women)</td>
</tr>
<tr>
<td>- time inputs and consumption shares by sex</td>
</tr>
<tr>
<td><strong>Poverty as lack of human capabilities:</strong></td>
</tr>
<tr>
<td>- stunting and wasting indexes</td>
</tr>
<tr>
<td>- infant, child and maternal mortality</td>
</tr>
<tr>
<td>- HIV prevalence</td>
</tr>
<tr>
<td>- literacy rates, gender balances in education</td>
</tr>
<tr>
<td><strong>Poverty as lack of social and political capabilities</strong></td>
</tr>
<tr>
<td>- evidence of social marginality from discussion of welfare rankings in PPAs</td>
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<tr>
<td>- PPA evidence on absence of formal organisation</td>
</tr>
<tr>
<td>- PPA evidence of violence, intimidation and corruption</td>
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</tbody>
</table>

**Source:** based loosely on DAC (2001: 51)

48. Obviously, we are interested in *transmission mechanisms*. A central concern has to be how changes at the macro or sectoral levels are transmitted through the intermediate (meso) to the micro level of the household or firm. In some respects, it will be necessary to include some consideration of ways micro- or meso-level responses react back on the higher-level changes.

49. Second, the focus cannot be exclusively on direct impacts, but needs to encompass as far as possible *indirect and/or second-round effects*. In principle, this should encompass both effects that are likely to occur more or less automatically (e.g. arising from forward or backward linkages), and those that might be engineered by likely or possible complementary measures (e.g. redistributive taxation).

50. Third, if the policy being considered has implications for production, there will be a reason to consider *both distributional impacts and effects on the incentives* of different economic agents. This is particularly likely to be the case of an export-promotion
initiative, because the actual distributional issues cannot be known until the effect on incentives has been established.

51. Drawing these concerns together, Figure 3.1 summarises the range of issues likely to arise in a PSIA of any export-promotion initiative. The figure is intended to be generic, but it includes examples that are relevant to the Uganda coffee and fish sectors.

52. In the vertical dimension, the figure aims to capture macro-meso-micro linkages, as well as direct and indirect transmission mechanisms. The horizontal dimension distinguishes the distributional and incentive questions that arise at each level.

53. The initial research for the PSIA study indicated that current policy debate was paying much more attention to some of these types of impact issue than to others. Types A1 and A2 had been the focus of considerable discussion. On the other hand, some types of issue (B1, B2, A3 and B3) had been treated only tangentially, while others, notably all those arising at the micro and sub-micro levels (A4 and B4), had hardly been considered at all. A useful task for the exercise was, therefore, to try to correct this bias, thereby providing a more complete treatment of both the incentive and the distributional issues arising from STRATEX. This is broadly what we have done.
### FIGURE 2.1 EXPORT PROMOTION: A TYPOLOGY OF IMPACT ISSUES

<table>
<thead>
<tr>
<th>Levels</th>
<th>Type of impact issue</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>A) Incentive issues</td>
</tr>
<tr>
<td></td>
<td>B) Distributional issues</td>
</tr>
<tr>
<td></td>
<td>1) The opportunities, constraints and risks to producers and exporters arising from international market conditions: does the policy help to convey these to producers and traders?</td>
</tr>
<tr>
<td></td>
<td>Example: coffee producers and traders become focused on quality-enhancement.</td>
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<td></td>
<td>2) Interventions to correct for market failures (e.g. to ensure the environmental sustainability of production): does the policy provide them?</td>
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<tr>
<td></td>
<td>Example: rules on net sizes are enforced, preventing over-fishing.</td>
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<td></td>
<td>3) Supply chains: are they sufficiently competitive to transmit incentives to producers?</td>
</tr>
<tr>
<td></td>
<td>Example: share of world price reaching farm gate is high by international standards, making export crop growing relatively attractive.</td>
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<td>4) Intra-household production decision units: is their structure likely to encourage a vigorous supply response?</td>
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<tr>
<td></td>
<td>Example: in practice, spouses share land rights, income from cash crops and responsibility for children; so, they respond jointly to price signals.</td>
</tr>
<tr>
<td></td>
<td>2) Non-market instruments to redistribute benefits (e.g. taxes): are they needed, and if so, are they being created?</td>
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<tr>
<td></td>
<td>Example: tax system captures a share of profits from enclave type of export enterprise, and this finances pro-poor public spending.</td>
</tr>
<tr>
<td></td>
<td>3) Supply chains: are they sufficiently competitive to permit an equitable distribution of incomes between levels?</td>
</tr>
<tr>
<td></td>
<td>Example: all steps in supply chain for exportable fish are free of monopoly and collusion.</td>
</tr>
<tr>
<td></td>
<td>4) Intra-household distribution of consumption: will increased cash inflows reduce poverty in all dimensions?</td>
</tr>
<tr>
<td></td>
<td>Example: in practice, spouses share land rights, income from cash crops and responsibility for children; so, cash is used to buy food and protect children’s health.</td>
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</table>
The STRATEX debate so far: important clarifications

54. The general objectives of STRATEX are not in dispute—strategic policy vision for Uganda’s exports is required. However, some big questions have been raised about the operationalisation of the policy, taking into account actual conditions within national and international markets. Expert opinion on the selected sectors is concerned both about intra-sectoral priorities and about the specific promotional instruments being used or proposed.

55. Running through the donor consultancy reports, including the synthesis document, are three principal exigencies:

- the need to pay close attention to declining and emerging opportunities in international markets for commodities that Uganda does or could produce cost-competitively;
- the desirability of restricting the role of the government and public sector agencies to removing disincentives to private investment in export production, handling and marketing—the state’s role being that of enabling efficient market responses and addressing market failures, particularly those that reduce opportunities for the participation of poor people;
- the need to take fully into account the environmental constraints on sustainable levels of production, especially in the case of export-oriented fishing.

56. In the cases of the coffee sector, the first issue revolves around the degree of priority and urgency to be given to the government’s commitment to diversify Uganda’s coffee exports, and the improvement of quality as against increasing volume of production. We fully share this concern. Our own analysis of international coffee market issues (Appendix 2) and other recent research (e.g. Ponte, 2002) agrees with the more pessimistic assessments of the prospects for improvements in prices for even good-quality robusta, given the trend towards oversupply.

57. Of course, drawing policy implications from export pessimism needs to be done with some care. Correcting the oversupply situation in the world market would call for coordinated action by the largest producers, of which Uganda is not one. Therefore, Ugandan policy should not aim to reduce output, but on the contrary to defend market share against further erosion while expecting earnings to remain low or decline further.9

58. That means reducing costs by improving yields, tackling coffee-wilt disease and moving into greater value addition wherever possible. At the same time, vigorous action is needed to enable Ugandan producers to begin to take a share in the much more favourable arabica and specialist niche markets, including those for high quality arabica varieties denominated by place of origin, certified organic coffee, etc. Within the latter perspective, we think the option of participating on a larger scale in Fair Trade schemes should be actively explored (Appendix 3).

59. The concern about methods of promotion and public/private partnership is also one that we share, as far as it goes. There is considerable legitimate concern that, whatever the letter of the policy paper says on the subject, STRATEX in practice consists very largely of funding from the budget large-scale free distribution of inputs, with minimal

9 It would be a tragedy if Uganda were to follow the well-documented path of Tanzania in the late 1970s, missing out on a major coffee-export bonanza as a result of many years of declining production volumes caused by, or justified in terms of, the prevailing export pessimism.
monitoring. We agree with the consensus among sector specialists that this is likely to be a highly inefficient use of public funds. This is both because of the possibilities of leakages of various sorts, and because adoption, resulting in sustained production or yield improvements, is likely to be patchy at best, even without taking into consideration the micro-dynamics considered in the next section.

60. In coffee, since free seedlings are unlikely to be refused even by farmers who have no intention of caring for them, simple waste on a large scale is possible. In the fish sector, the seeding of lakes with fish fry—to the extent that this is actually implemented with the earmarked funds—may and may not be technically successful. As emphasised in the COMPETE reports, the heavy involvement of the state in these activities may have, in addition, the effect of squeezing out private-sector actors (firms and producer associations) that might undertake it more effectively. Worst of all, if there is not close monitoring of these issues, a mistaken policy could continue for some time. Under current arrangements, we have been led to believe, no monitoring exists for either programme implementation, or uptake and outcomes.

What the current debate leaves out
61. The above points are important. We do not wish to undermine them, and in fact have provided some additional reasons for taking them seriously. However, we consider these issues only briefly, for two reasons. First, they have been treated quite effectively in the consultancy reports that are available, we do not disagree with their main thrust and we cannot add significant value to the debate at this level. Second, we consider that this critique of STRATEX also has some quite serious limitations.

62. In other words, if the government’s proposals were to be modified in a way that fully conceded the criticisms summarised above, there would still be doubts about their likely effectiveness. The main reason is that neither the government’s policy paper nor the previous commentaries on it address the micro-level incentive issues upon which supply response depends. It is on this point that the PSIA exercise has most to add to the policy debate.

63. As suggested by Figure 3.1, the transmission mechanisms from export-promoting efforts, of whatever sort, to poverty-reducing outcomes include four critical steps:

- either a production structure that ensures substantial direct or indirect income effects for poor households; or mechanisms that capture gains accruing to firms or better-off-households and redistribute them;
- a degree of competitiveness and efficiency in marketing chains that permits a sufficiently large share of any income gains to accrue to poor households;
- an adequate supply response at the micro (firm, household) level, which depends on the incentives and constraints facing different categories of direct producer—large and small, obviously, but also men and women, adults and children, smallholders and wage labourers;
- intra-household relationships and distribution mechanisms that provide for enhanced incomes to contribute, along with own-produced food and other efforts, to general improvements in well being for all categories of household member.

64. Only the second of these concerns figures importantly in the analysis currently available to policy-makers concerned with STRATEX. This is discussed in the next sub-
section. Yet our survey and synthesis of relevant studies suggests that each of the other sets of issues is also of critical importance, to be neglected at our peril. These are therefore the main focus of the PSIA exercise for Uganda, as set out in the following sections.

Evidence on supply chains and distribution
65. A substantial study commissioned by the PMA Secretariat has investigated the marketing, processing and transaction costs in the supply chains of a number of major products in Uganda (NRI/IITA, 2002). The draft report goes into some detail for the two commodities that particularly interest us, coffee and fish, as well as discussing cross-cutting issues such as local taxation. On coffee, several questions are raised about current policy for the sector, some agreeing and some diverging from the recommendations of the COMPETE study. However, this is in the context of a general finding that coffee supply chains are highly competitive and efficient, and marketing margins reasonable.

66. For high-value fish exports, too, supply chains are reckoned to be reasonably competitive, with margins that are not excessive. But there is one notable exception. It is though probable that the freezer boat operators on Lake Victoria who buy directly from small boats on the lake are in a particularly strong bargaining position (because of the perishability of the product) and do use this to enhance their margins. This suggests that a poverty-oriented implementation of STRATEX in the fish sector would need to incorporate an appropriate type of stimulus to group formation among fishermen, to enable collective bargaining, the only way to improve their bargaining position.

67. Finding approaches to the formation of producer groups that can be expected to work better than the cooperatives of the past is, of course, a central policy orientation of the PMA, as well as a theme of the NRI/IITA report. Thus, the supply-chain evidence, as well as the analysis below, suggests that there would be good sense in bringing STRATEX into closer association with the PMA and its implementation.

Methods and sources
68. With the intention of keeping the work within feasible limits, the PSIA team aimed to concentrate on a few applicable and appropriate analytical methods. These were to include short-cut types of both quantitative and qualitative analysis that would illustrate how much can be said on the basis of existing and easily collected data about possible social and poverty impacts of policy measures.

69. At the quantitative end of the spectrum of methods, it was anticipated that this would involve exploring alternative policy scenarios using simple computerised models. The more qualitative approaches were expected to include a conceptual mapping of the range of direct and indirect impacts that need to be considered, together with a thorough investigation of the relevance of existing case-study evidence. As explained below, however, the results from these two angles of approach proved quite uneven.

70. The full range of types of evidence that was explored is as follows:

- household survey data for households that grow some coffee or do some fishing by district and characteristics of household heads;
- site reports for fishing villages included in Uganda’s second PPA;
• sociological case studies assessing responses to previous non-traditional export efforts at community, household and intra-household levels;
• research studies using special surveys and qualitative enquiries on sources of rural livelihood, causes of chronic poverty, etc.;
• commissioned consultancies on related subjects, including (in addition to the STRATEX reports mentioned above) studies of competition and costs in marketing chains for different products, of the poverty focus of PMA implementation, etc.;
• routine data from government agencies;
• key informant interviews;
• evidence from general literature on comparable experience in other countries.

2.7 POTENTIAL DISTRIBUTIONAL IMPACT: WHAT THE HOUSEHOLD SURVEY TELLS US

71. Household expenditure surveys have proven their worth as instruments for generating country poverty profiles and monitoring trends in (the private consumption dimension of) poverty over time. The Uganda series of such surveys has a particularly good reputation for reliability and consistency and has served, together with the useful counterpoint provided by the Demographic and Health Survey (DHS) series and the PPA, to provide a firm basis for the country’s approach to poverty-reduction policy. The PSIA exercise was, among other things, an opportunity to test the value of surveys of this type for the particular purposes of ex ante assessment of the likely impacts of an initiative such as STRATEX.

72. There were two principal questions: 1) whether the numbers of observations would be sufficient to generate any worthwhile findings about either households growing coffee, or households gaining some of their income from fishing or the fish-processing industry; and 2) how far, in either case, analysis of the data would support consideration of alternative policy scenarios or different projections of world-market trends.

What the household survey does not tell us, 1: the numbers for coffee and fish

73. The coffee and fish sectors were selected for the exercise partly with a view to probing the opportunities for exploiting the survey data. Coffee growing, in particular, is very widespread in Uganda and the number of usable observations was expected to be high.

74. This turned out to be the case. As a result, some rough and ready statements about the potential impact of any successes in intensifying or extending coffee production can be made from the data, and it is even possible to say a little at this level about the two principal policy options—which, it is argued, have distinctly different prospects from the perspective of Uganda’s place in the world market—that of expanding robusta output and prioritising arabica growing.

75. In the case of fish, the utility of the survey data turned out to be close to zero. Analysis of the responses to the socio-economic module of the survey (sample size approximately 10,000 households) generated just 57 households reporting fishing as a main or secondary activity. These were distributed across the regions in the expected way (Central = 22, East = 11, West = 11, North = 12). Fishing households, defined in this way, were found principally in the districts of Mukono, Mpigi, Arua, Kabarole, Kalangala,
Kampala and Lira. In principle, results for these districts might have been used as proxies for fishing activities in and around the larger and smaller lakes of Uganda. However, apart from questions about the representativeness of the sub-sample, the numbers were considered too small if further analysis was to generate significant results.

76. Unfortunately, no other survey could be identified that has better coverage of fishing households. For example, the LADDER project led by University of East Anglia and EPRC has a survey database of less than 200 households, of which only a small fraction is engaged in fishing. Therefore, conclusions about likely impacts of STRATEX among fisher people have to be based largely on case-study evidence, such as that also provided by LADDER and by the second PPA, which was designed to include a range of fishing communities among its study sites.

What the household survey does not tell us, 2: expenditure versus income

77. On the second issue—that of modelling scenarios—we began with an ambitious perspective, hoping to combine crop or income data with price and output projections to generate estimates of the range of possible income effects for households. This expectation was disappointed. The experience has some value in contributing to our conclusions on what PSIAs can and cannot be expected to do, given data constraints. However, substantive results cannot be reported, for the following reasons.

78. Surveys designed for poverty measurement, including those for Uganda, concentrate on measuring household expenditure and other components of private consumption, and not household income, for the good reason that reported incomes tend to be unreliable. Aggregate income estimates can be arrived at indirectly, as has been done for the panel households in the 1992 and 1999/2000 surveys. On this basis, Deininger and Okidi (2002) have been able to reach striking conclusions about—inter alia—the importance of regional farm-gate coffee prices as a determinant of income and welfare improvements for the panel as a whole. However, because the questionnaire concentrates on expenditure the data do not include the detailed breakdown of total income by source that would be necessary to take that analysis further.

79. Incomes from different sources could only have been estimated in a rough way by combining analysis of the survey’s crop module and the aggregate consumption/income results. However, the crop data were reckoned to be insufficiently complete and reliable for this purpose. Therefore, it was not even possible to estimate the degree to which households reporting themselves as coffee growers are reliant on coffee incomes.

80. Any projections for coffee-growing households in particular would need therefore to make the heroic assumption that such households were wholly reliant on coffee earnings. Such a restricted exercise was not considered worthwhile.

81. The upshot is that the household survey has been used for the kind of purpose for which it is designed, that of generating estimates of poverty-incidence for particular categories of household by district. The numbers are not sufficient for some districts, and for coffee growers in the North, to permit serious analysis. However, for much of the country, they serve reasonably well. For limited illustrative purposes, it is also possible to use districts as proxies for robusta versus arabica specialisation, given what is known

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10 Of the total, 34 were urban residents and 22 rural; 45 male-headed and 12 female-headed. The Community Questionnaire was not found to be helpful in identifying fishing areas.
from other sources about the main centres of production. The results of this simple exercise are consistent with the conclusions reached by Deininger and Okidi (2002) on the basis of their panel survey regressions.

82. Distributional implications of coffee-income growth

83. We use the expression potential impact to refer to the impact that would be expected if the policies under consideration were successful in raising incomes. It is obvious, but needs underlining, that this is an extremely limited form of impact analysis. It assumes the thing which is at the centre of the debate—whether the proposed policies are capable of raising incomes under current circumstances, and indeed whether they would be the best choice of instruments under any circumstances.

84. Why then proceed with this sort of analysis? We have two reasons. One is to probe just a little further what can be extracted from the survey data in respect of poverty and the growing of coffee, and different coffee varieties. The other is to settle an issue of some substance: whether the opportunities for using coffee output growth to reduce poverty in Uganda have yet been exhausted, or whether they are close to exhaustion, as a consequence of the substantial coffee-led poverty reduction that has been achieved over the last decade.

85. We know from the analysis of the last two surveys that the incidence and depth of poverty are much lower than in the past in Uganda’s main coffee-growing districts. Poverty and extreme poverty are increasingly concentrated in the Northern region, where coffee has limited possibilities and cotton is the principal high-potential export crop. This raises the following question. Other things being equal, is there a justification, from a poverty-reduction perspective, for continuing to give some degree of priority to promoting coffee production and improving coffee earnings?

86. The survey analysis suggests a firm yes to the last question, so long as a few simplifying assumptions, of a not-too-unrealistic sort, are able to be made. It confirms that improving earnings of current and potential direct producers would have widely spread effects on the poverty headcount, in parts of all four regions, including parts of the North. This conclusion primarily relates to the most widespread form of robusta coffee growing, but there also seem to be grounds for thinking that the option of giving relative priority to expanding and niche-marketing of arabica varieties would also be likely, if successfully pursued, to have strongly poverty-reducing impacts in several of the potential areas.

87. This is based on two rough-and-ready assumptions. The first is that poor households recorded as growing some coffee in 1999/2000 (the year of the survey) would be capable of benefiting from some further coffee-income growth. The second is that poor non-coffee-growers in coffee-growing districts would participate to some degree in any such growth, either directly by beginning growing or indirectly as a result of spillover effects. Both assumptions are highly plausible in our view. The results of this analysis are presented and discussed in Appendix 4.

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11 The total sample size does not permit analysis below the district level, so that the option of using the altitude of different locations within districts as a proxy for potential robusta or arabica growing areas was rejected.
Direct and indirect effects
88. For coffee, the conclusion seems to follow that, under the right conditions, expanding exports could continue to have useful poverty-reducing effects. These effects would be reliable in the sense that they would not depend on elaborate redistributive mechanisms but would take the form of direct improvements in household incomes from crop production or the local spill-over effects from enhanced crop incomes. While indirect routes to poverty reduction, including those involving taxation and pro-poor public spending, are not at all to be discounted, it is definitely a virtue of the structure of coffee production in Uganda that a high proportion of poverty-reducing effects of growth are able to take a direct form.

89. In this sense, there are good grounds from a poverty-reduction perspective for the government’s decision to give a central place to the coffee sector within the STRATEX initiative. Although the policy paper does not make this explicit, we understand that poverty-impact considerations went into the discussion about which export lines to include. That being the case, the judgements made appear to have been sound in respect of coffee. More impressionistically, we can say also that the decision to include fish was also valid. The donor-funded consultancy reports on these sectors could easily have conceded more generously than they did the government’s sound starting point and good intentions in this respect.

Caveat
90. We should conclude with a final caveat about the use of household expenditure surveys for this type of purpose. As is generally understood, these surveys measure what is most easily and reliably measured using a household questionnaire, namely aggregate household private consumption. The approach to constructing a poverty line adopts a similarly restricted approach to the dimensions of poverty and well being. In order to consider potential poverty impacts in a more realistic fashion, one would need to tackle several difficult issues, including a) the intra-household distribution of consumption, b) the quality of any free or subsidised services used by household members, c) the degree to which their basic human capabilities have been enhanced, and d) the consequences for social belonging and empowerment.

91. In short, for practical reasons—in order to take advantage of the best source of statistically representative data—we have adopted what has to be considered a highly simplified concept of poverty impact. This needs to be regarded as an additional sense in which the type of impact analysis explored in this sub-section is very limited.

2.8 WHAT IS MISSING FROM THE CURRENT DEBATE: THE RELEVANCE OF GENDER

Overview
92. Our main contention in this section is that both the government’s STRATEX policy paper and the donor reports for coffee and fish seriously underestimate the micro-level supply-response factors likely to influence success in promoting and rebuilding export capacities in Uganda. Both make the implicit assumption that supply response can be more or less taken for granted, so long as the right general incentives can be put in place at the sector level, the debate being restricted to what the key incentives are.

93. With respect to agricultural sectors such as coffee, this ignores now abundant evidence for smallholder production in Africa that supply response to improved market
incentives is far from automatic. It fails to recognise that among the principal
determinants of response are the way incentives are mediated, at the household and
community levels, by negotiated relationships of cooperation and conflict between men
and women. Unless policy can begin to address these kinds of problems, there will be a
supply response but it will be well below potential.\footnote{This is not meant to imply that all significant constraints on market-oriented economic activity at the
local level are gender related. Others are suggested by Ellis and Bahiigwa (2001) and the
preliminary PPA2 results (MFPED/UPPAP, 2002). See also NRI/IITA (2002: 16).}

94. The criticism has to be formulated somewhat differently in the case of fish, where
the degree of women’s involvement in production (as opposed to processing) is not
comparable with that in agriculture. Nonetheless, we find important micro-level supply
constraints that call for greater attention in relation to export-oriented fishing too.

95. As well as the supply-response concern, we address another serious worry. That is
that women’s limited access to income from high-value commodities will prevent
improvements in household income feeding through into welfare improvements for
families. This draws on the growing evidence that reduction in income-poverty does not
lead to commensurate improvements in other poverty dimensions, and alarming case-
study evidence on the social side-effects of income growth from export fishing, under
current gender relations.

96. It may be argued that a short policy document such as the STRATEX paper cannot
cover everything. It could also be objected that in attempting to raise the quality of the
policy discussion, the consultants hired by the donors needed to concentrate on the big
sectoral issues. However, our assessment of existing knowledge of the micro context of
rural production in Uganda and comparable countries does not allow us to treat the issue
of the transmission of incentives at the micro level as a minor issue. If we are only half
right in our reading of this evidence, this is one of the big sectoral issues. The fact that it
has been mistakenly neglected in the STRATEX debate so far is a serious matter, and a
reason for doubting whether any of the current policy proposals are sufficiently complete
to work effectively.

The STRATEX framework: a closer look

97. As explained above, GoU’s STRATEX policy paper selects coffee, tea, livestock,
fish, cotton, horticulture and Irish potatoes as strategic for export policy. According to the
paper, the government aims to achieve export goals by:

- stimulating \textit{indigenous investments} in strategic areas, particularly for value
  addition;
- removing \textit{specific bottlenecks} that impede the private sector’s ability to take
  advantage of trade opportunities;
- undertaking a number of actions, including joint government-private sector
  investment, enhanced access to medium- and long-term financing, accelerated
  production of planting materials, accelerated skills development in selected
  areas, amendment of relevant laws and regulations, and institutional reform to
  strengthen service delivery (GoU, 2001).

98. The italicised phrases indicate aspects of the current policy proposals that may be
described as ‘gender bearing’. We suggest that they beg questions that can only be
answered properly in terms of serious analysis of social and economic issues at the
micro level, most of them involving relations between men’s and women’s domestic economies.

**The STRATEX policy studies in a gender perspective, 1: coffee**

99. For coffee, the study commissioned to examine the current environment of the sector and make recommendations for increased competitiveness (COMPETE, 2002) made several recommendations, some of which are gender-bearing in the same sense—also indicated with italics:

- create an on-going pipeline of new genetic material for the coffee sector. The research mandate includes developing recommendations as to how coffee production affects biodiversity, greenhouse gases, wildlife habitat and help identify ways to harmonise the needs of the farmers and needs of the environment while improving cup quality;
- plant new Arabica trees/expand areas planted to coffee in geographies that can produce high value coffee; [high priority]
- develop farmer associations in both Arabica and Robusta districts. The focus of these associations will include value addition training in production, processing, biodiversity, business skills, understanding markets; [high priority]
- in concert with UCDA, create a specialised coffee extension service that will focus on training coffee farmers and SME’s in production, processing and markets;
- replant old and wilt affected Robusta coffee trees;
- assist entrepreneurs, firms and associations in identifying and exploiting business opportunities in value-added coffee processing using increased access to capital and technical assistance; [high priority]
- increase the availability of short-term credit;
- improve and maintain rural roads to (reduce transactional costs).

100. As noted by the COMPETE project (2002), the fishing community comprises a heterogeneous group of investors, businessmen, professionals and opportunists, mainly driven by the high international demand for Nile perch. The fisheries are still artisan in nature, combining traditional and modern technology. Though it is considered an important sector for employment and food security, fisher people, especially those catching mukene, are among the poorest in the country. Sustainability is among the key issues associated with promoting exploitation and exports alike. Some of the priority government interventions include (with gender-bearing items italicised again):

- sensitising fishing communities of the need to comply to regulations through co-management initiatives;
- working towards the development of a total package of services for the fisheries sector, focusing on investment, the regulatory environment, information, training and finance;
- undertaking training of operatives and those further back in the supply pipeline.

101. The assumptions explicitly made in the documents are mostly about the environment, market and management issues. The coffee sector study also mentions as one of its assumptions ‘farmers’ willingness to participate’ when discussing planting materials. There is no equivalent assumption about incentives facing local people in the
fish sector. An implicit assumption seems to be made that all participants will benefit, without articulating how this will happen.

Common assumptions

102. The italicised phrases above indicate areas that, we suggest, have important social and gender implications. In almost no cases have these been followed up until now.

103. Although they are significantly different from each other both the GoU (2001) and COMPETE (2002) papers have in common that they take what has been termed a gender-neutral approach. That is, they do not articulate the important micro-social dimensions of increasing export competitiveness. The proposals and workplans for both sectors work with economic aggregates that assume an unproblematic response from meso-level institutions and micro-level enterprises, including households. The trouble with this is that, at these levels, the relevant economic actors are not unitary organisations. They are individual men and women, and sometimes gender-based groups, who may and may not cooperate economically and coordinate their decisions.

104. From a vast general literature, we know that the respective relationships of men and women to productive activities and the cash economy in rural Africa are systematically different. Macro and sectoral thinking that concerns itself only with large monetary and institutional aggregates obscures the 'time and effort economy' which governs micro-level decision making by women and thus also the supply response of 'households' (in quotation marks because, in the real world, households as such are seldom economic actors).

105. We concentrate here on the micro-level issues arising at the household or community levels. There are also some concerns about meso-level and national institutions and their roles, but we reserve discussion of these to section 3.5

A new policy paradigm

106. A growing consensus suggests that there is need for a new policy paradigm that more closely integrates the economic and the social, especially gender-related, dimensions of development.

107. In the 1980s and 1990s, research into the social costs of structural adjustment in Africa and East Asia led to a reappraisal of a great deal of 'gender neutral', that is effectively gender-blind, policy thinking since Elson's classic article on the subject (1990). The original, 1990, version of the World Bank’s poverty agenda came under considerable criticism of this sort (Bridge, 1995). The promotion of labour-intensive employment ignored that fact that women already have too much work, tend to shoulder any additional burdens arising in adjustment processes and seldom receive commensurate benefits (Joekes, 1996). Public expenditure reviews were also criticised for assuming that if spending is redirected towards basic services for the poor, women and men will benefit equally. Towards the end of the 1990s, a World Bank paper on good practice in social policy (1998) summed up an emerging new consensus emphasising the need for close links between macroeconomic policies and social issues, including gender.

108. It is important for PSIA today that this new thinking is not just about how women tend to bear the costs of successful adjustment. It is also about the way existing gender relations can actually block successful adjustment, making economic growth slower than it would otherwise be, especially in the agricultural sector. Today, it is generally recognised that persistent inequality between women and men in developing countries
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constrains productivity-improvement and ultimately slows rate of economic growth (World Bank, 1995). Box 3.2 sets out some illustrative numbers based on World Bank work on Africa.

109. In summary, gender-based constraints contribute to poor agricultural production, as well as disappointing human development, performance. Numerous studies suggest this is the case in most of Africa, including in Uganda (Blackden and Morris-Hughes, 1993; BRIDGE, 1998; Elson and Cagatary, 2000; Evers and Walters, 2000; Kasente et al., 2000; UWONET, 1995; Palmer, 1992, 1993).

Supply-response studies
110. The evidence to support these claims includes both economic modelling exercises and sociological case studies. We begin with the first type.

111. Using the example of Tanzania, Warner and Campbell (2000) developed a model to illustrate how household-based constraints may have macroeconomic consequences and compromise reform strategies. The model reaches two conclusions. First, increased prices for traditional cash crops benefit men relatively more than women. Second, rational behaviour by women may weaken the expected supply response. By modelling the household as a productive unit that involves gender-differentiated objective functions, Warner and Campbell demonstrate why women might refuse to increase their labour in cash-crop production, and hence why there is a lower than expected output response following agricultural policy reforms.

112. Another study done in Tanzania (Palmer, 1995) established that an asymmetric and rigid division of labour between the sexes leads to allocative inefficiency, so that actual farm output from a given quantity of household labour is less than the possible output from this labour. Rigidities and inequality in the gender division of labour reduce output and exports below their potential. Similar modelling work was done in connection with the World Bank’s poverty assessment for Zambia in the mid-1990s (World Bank, 1994).

113. Sociological studies in Uganda have also shown that if poor women and men lack sufficient labour, or if they do not expect to benefit from the efforts they make, they are unwilling to diversify into new ventures. Income from cash crops is typically controlled by

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**BOX 2.2 GENDER AND GROWTH IN AFRICA: THE MISSED POTENTIAL**

_Burkina Faso:_ Shifting existing resources between men’s and women’s plots within the same household could increase output by 10-20%.

_Kenya:_ Giving women farmers the same level of agricultural inputs and education as men could increase yields obtained by women by more than 20%.

_Tanzania:_ Reducing time burdens of women could increase householder cash incomes for smallholder coffee and banana growers by 10%, labor productivity by 15% and capital productivity by 44%.

_Zambia:_ If women enjoyed the same overall degree of capital investment in agricultural outputs, including land, as their male counterparts, output could increase by up to 15%.

_Macro-economy:_ Gender inequality in education and employment is estimated to have reduced sub-Saharan Africa’s per capita growth by 0.8% per year.

men, while women’s labour time is highly constrained. Under these conditions, women may withhold their labour or sabotage cash crops in several subtle ways because they know they will not benefit from the income earned (Kasente et al., 2000; Muhereza, 2001).

114. While they are not specifically concerned with either the coffee or the fish sectors, these studies and other evidence taken together raise large questions about the viability of what is currently proposed in connection with STRATEX. A detailed argument relating to the coffee-sector initiatives is set out in Appendix 5. The second part of the same appendix cites evidence from a variety of sources suggesting significant micro-level supply constraints and other issues in fishing. However, the supply issues are not primarily concerned with gender inequalities. The gender issues in fishing relate to the other major argument of this section, the relationship between income-improvement and non-income dimensions of well being.

Raising income without improving human capabilities?

115. Our second concern is another that the current policy discussion around STRATEX is not taken seriously—the possibility that export promotion might be effective in reducing poverty in one easily-measured dimension, that of aggregate household income expenditure, but not in other equally or more important ways. That is, it might (in spite of the production constraints emphasised until now) result in improvements in incomes controlled by men. But because of men’s expenditure priorities, this might not significantly enhance welfare for other household members, especially women and children. If, despite the likely resistance, women’s labour is drawn out of food production and preferred cash-earning activities into export-oriented production, this might be achieved at the expense of worse child nutrition, infant mortality, etc.

116. Evidence from a variety of sources on the gender impacts of increasing market-and export-oriented activity gives considerable grounds for this sort of concern (Sørensen, 1996; Kasente et al., 2000; Keller, 2002). It was identified as a key issue in the first PPA, particularly in districts with famous records of income enhancement from commercial production such as Bushenyi (MFPED/UPPAP, 2000). The recent analysis by MFPED (Muhakanizi, 2001; MFPED, 2002b) on the findings of the 1995 and 2000 DHS reinforces the concern.

117. The crude statistics indicate that, during a period of remarkable reduction in income poverty and apparent social improvement, infant mortality increased from 81 to 88 per 1000 live births, while under-five mortality increased from 147 to 152. Closer analysis shows that the deterioration for infant mortality is not statistically significant, but the lack of any significant improvement is hardly less striking. Investigation of the determinants of the non-improvement has led to the identification of a limited number of risk factors among the proximate causes of infant mortality. Not all of these can be associated with the prevailing degree of gender inequality but many can.

118. Direct measures of female disempowerment were introduced for the first time in the 2000 DHS. By one of the two measures (based on women’s reported share in household decision making) infant mortality was twice as high for ‘disempowered’ than for relatively empowered women. Unfortunately, this aspect of women’s status was not included in the ranking of risk factors (MFPED, 2002b).

119. Thus from what we already know about Uganda, improved poverty headcounts based on household expenditure might not translate into broad reductions in ‘capability-
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Poverty’, as defined in Box 3.1. Income improvement might even have the effect of making performance worse in some of these respects. Some of the reports of recent trends in fishing communities are consistent with this last, highly negative scenario.

120. As reported in Appendix 5, the growth of export-oriented fishing and factory-based processing on Lake Victoria has very likely had the net effect of reducing women’s employment in fish processing and marketing. Improved cash incomes have accrued to fishermen. However, in many households this is fuelling greater recreational expenditure by men, with reported increases in alcoholism and prostitution, rather than income sharing that might moderate the negative impacts on women and children.

121. It would be a mistake to conflate these issues with the supply-response problems discussed above. In fact, keeping them distinct is important in a PSIA context because different policy makers will be convinced to different degrees of the relevance to them of the two kinds of micro-level impact issue. On the other hand, the policy avenues that need to be explored are not necessarily different. Since both the micro-incentive issues and the intra-household distributional issues centre on the monopolisation of major income streams by men, many of the measures needed to improve incentives will also improve distribution.

2.9 POLICY ISSUES AND RECOMMENDATIONS

122. These findings confirm that an orientation towards growth based on the promotion of strategic exports needs to be supported by policy measures of an appropriate sort at several different levels:

- it is important to have the right approach at the macro and sectoral policy levels – one that addresses both the distributional implications of the structure of production, and getting the incentives right for producers and other private-sector economic agents;
- but transmission mechanisms from the macro, though the meso to the micro level may also need some adjustment if new export-oriented growth is to be vigorous, equitable and sustained;
- most important—and most likely not to be recognised—the conditions prevailing at the micro and sub-micro (intra-household) levels are very important. They will affect both the strength of the supply response to any improvements in demand, and the extent to which any resulting income growth reduces poverty in an effective way.

Relation to the recommendations of other studies

123. In discussing policy implications, the report concentrates on the main thing the PSIA has added to the STRATEX debate, namely an enhanced awareness of meso-micro linkages and issues. It suggests that, if it is to be successful, the STRATEX initiative needs to be coordinated more closely with other GoU policy frameworks that are relevant to the issues arising around these linkages.

124. This does not imply that the arguments about STRATEX that are focused primarily at the macro/sectoral level, such as the COMPETE studies, are mistaken or unimportant. It only means that they are in some important respects incomplete. That is, there is undoubtedly a case for looking more carefully at how the instruments being used to promote coffee and fish are likely to affect the future pattern of supply in relation to world
demand; how the role of the private sector is being affected; and the environmental and phyto-sanitary issues that are likely to affect sustainability, as detailed in those reports. The same goes for the recommendations of the other recent studies in favour of actions to correct specific imbalances in some supply chains to avoid the more inequitable outcome scenarios.

125. At this level, we would only add a few words on the importance of monitoring. Whatever approach is taken to the promotion of strategic exports, one thing is certain: that it is highly desirable to put in place at an early stage monitoring arrangements that provide feedback on the results being attained, and any corrective actions that need to be taken. Monitoring should begin with immediate and practical questions (how many coffee seedlings distributed, where and to whom; effects on fish stocks of lake seeding initiatives, etc.). This could be expected to provide the basis for testing more complex questions in due course. However, unless information on such basic matters becomes available at an early stage, the more complex questions are never likely to be answered.

**Linking the macro and the micro: a major challenge**

126. In short, the existing STRATEX policy debate has generated policy recommendations that have been clearly stated and deserve to be taken seriously. There is, however, nothing currently on the table for policy discussion that reflects the principal theme of this report. How, then, should the STRATEX initiative be adjusted in the light of the evidence on the way gender inequalities affect supply incentives and the distribution of consumption?

127. This is not an easy question, because it involves matters that are well outside the normal scope of macro/sectoral policy discussion. It implies widening the range of issues considered relevant to the achievement of PEAP Pillars 1 and 3, taking more seriously a topic relegated to the discussion of cross-cutting principles in the current edition of the PEAP, namely gender.

128. In terms of policy-making method, the analysis suggests a need to take more seriously the way actors at the micro level, under typical constraints, are likely to respond to sectoral policy initiatives. Discussions about economic growth need to become less exclusively macro or sectoral. The assumption that producing households can be treated as an undifferentiated 'black box' needs to be challenged more often in such contexts. Policies should become less 'gender blind', which means not just acknowledging in principle that there are gender inequalities, but actually taking these into account in designing policies.

129. A serious effort to address gender-related and other micro-level supply-response factors, based on what is in aggregate quite compelling case-study evidence, is long overdue, in our view. But, given that the STRATEX initiative itself lacks instruments for working on these issues, how should this be done?

130. Not, we would suggest, by creating new systems, and still less by embarking on new project-type initiatives. Rather than supporting potentially wasteful parallel initiatives, the framework provided by the PMA should be harnessed to provide the missing elements in STRATEX. In particular, the demand-driven extension approach of the National Agricultural Advisory Services (NAADS) component of the PMA should be made to serve as a point of entry for policy thinking and action more attuned to micro-level constraints and the role of gender in them.
131. There is no need to start from scratch on these issues. GoU has in place a policy framework that is, in principle, a suitable enabling instrument—that is, the PMA. An enabling instrument is not, obviously, the same as a policy solution. However, sensible local initiatives and projects addressing the problems we have been discussing frequently fail to have a national impact because there is no framework for generalising from this experience. A half-decent framework is therefore well worth having. It is certainly not sensible to suggest a different framework when the one in place has life in it. The essential policy problem to be addressed, therefore, is that STRATEX was initiated outside and not within the framework of the PMA.

Reconnecting STRATEX and the PMA

132. The PMA certainly has life in it; indeed, its limitations are almost entirely to do with its newness, and the difficulty naturally encountered at the beginning in turning good principles into operational procedures that work.

133. The PMA principles are of the right type, in that they emphasise, among other things,

- the overriding importance of the poverty-reduction objective;
- promotion of private-sector initiative;
- by a combination of top-down and bottom-up planning, so that location-specific constraints are able to be addressed in a multi-sectoral way;
- taking a market-oriented, income-enhancing approach to food security;
- shaped in ways that are gender-focused and gender-responsive (MAAIF/MFPED, 2000: 32).

134. Among the principal components of the PMA, the NAADS programme is outstanding in its commitment to a demand-driven, responsive but poverty-targeted extension approach. This is probably where the main effort should concentrated in addressing the micro-level deficits of STRATEX.

135. Project-level anecdotal evidence known to the PSIA team suggests that if and when facilitators of agricultural innovation take a responsive and gender sensitive approach, cooperative solutions to the gender 'games' that normally inhibit the shift to high-value cash crops can be achieved. The problem has not been that such things cannot ever be attained, but that—under the conditions that have prevailed in Uganda—they are likely to remain one-off local successes. 'Scaling up' even spectacularly successful local solutions poses insuperable problems, unless there is a framework to enable this.

136. Neither the PMA, nor NAADS in particular, are yet at the stage of providing such a framework. For the moment, NAADS is still facing major (though not unexpected) difficulties in operationalising its orientation towards the rural poor, so that being responsive does not imply responding only to the most informed and articulate rural people (JRB Consulting, 2002; Kidd et al., 2001). A gender analysis of the PMA is offered in the first part of Appendix 6. This suggests that gender sensitivity, too, is at the moment at the level of principles. There is a tendency to expect the impetus for strengthening the practice of PMA components in this regard to come from elsewhere (e.g. the MGLSD).

137. It is most likely, therefore, that NAADS practice is some way away from being able to give substance to the PMA principle of gender sensitivity. Nonetheless, some local
experiences in the sensitisation phase of the pilot roll-out stage of NAADS were observed by members of the PSIA team. Those suggested that, while not easy to achieve, getting women farmers involved and attending specifically to their concerns is not impossible under typical conditions.

**Specific steps**

138. *The principal recommendation* that follows from this is clear: that the approaches and working methods of STRATEX and the PMA should be fully harmonised, recognising the common objectives and complementarities between these two government policy frameworks.

139. The PMA could with no difficulty recognise the STRATEX initiative as a major contribution to the fifth of its seven Priority Areas for Action, namely Agro-processing and marketing (MAAIF/MFPED, 2000: Sec. 7.2). Ideally, consideration should be given to eliminating the parallelism and potential for duplication of effort that arises from the location of formal authority for STRATEX outside the PMA. For political and other reasons, this may not be a practical proposition. However, this should not prevent the taking of practical steps to draw the two policies closer together.

140. With or without any formal change in its relationship to STRATEX, the PMA Secretariat and NAADS should be encouraged to consider whether the current roll-out arrangements give sufficient importance to creating the conditions for STRATEX to be successful in:

- stimulating a supply of the right quantity and quality of exportable commodities, given the expected micro-level constraints, and
- ensuring that increased income from export production results in widely shared improvements in welfare within poor households.

141.

142. *We recommend* that these concerns are taken up by the PMA. But what exactly would be involved, and what additional steps would be necessary to carry this forward?

**The agenda for PMA/NAADS implementation**

143. For the PMA and NAADS, it would imply that the formation of farmer groups and delivery of advisory services starts from the assumptions that:

- inequalities in access to resources and claims on income between men and women are significant;
- this will normally lead to divergences of interest within households over the relative priority of different crops and activities and the allocation of land, labour and other inputs among them;
- men and women will therefore need, and may demand, different sorts of advisory services;
- this will frequently produce non-cooperative and sub-optimal (allocatively inefficient and impoverishing) solutions, and a restricted response to export-promotion effects;
- yet cooperative solutions are possible, and should be a central focus of work wherever any potential is detected.
144. If we are right in the argument above, improving the way men and women coordinate their productive efforts and share decisions about the resulting income flows is a vital task. In fact, it is no less important in operationalising the poverty orientation of NAADS than the issue targeting poorer farming households, which has been the main concern recently.

145. More specifically, the PSIA analysis suggests active consideration of:

- the priority being given to targeting women farmers, and to addressing conflicts arising from unequal claims on assets and incomes among men and women, in the operationalisation of the PMA;
- the importance of creating models of gender-sensitive facilitation of commercially oriented farming innovations, and disseminating these widely;
- whether, in the implementation of the Land Act, more could be done to improve women’s *de facto* access to land resources and the associated income flows (pending formal legal changes), thereby reducing the likelihood of perverse responses to opportunities for agricultural commercialisation;
- discussing with the relevant authorities within the Ministry Agriculture, Animal Industries and Fisheries methods of addressing analogous problems with similar methods in fishing communities; and
- the priority being given in the budget to adult literacy programmes targeted to women. (These have the potential to widen women’s awareness of rights and receptiveness to agricultural services. They can also contribute to children’s health and other dimensions of human development in well-known ways.)

**Increasing resources and capacities for gender mainstreaming**

146. It needs to be recognised that giving NAADS and other PMA components a strong gender focus in the above sort of way is not going to be easy or costless. It is likely that the implementing agencies will require substantially greater inputs of training and advice to enable them to carry this orientation through into operations. This poses the question of where this is likely to come from.

147. As argued in detail in the second part of Appendix 6, the PSIA on STRATEX has helped to highlight a wider question concerning the responsibility for implementing the 1997 National Gender Policy (NGP) and the role of gender issues in the next phase of PEAP implementation. This concerns the role and the resourcing of the MGLSD.

148. The NGP calls for gender sensitivity to be mainstreamed across government programmes and provides a mandate for this to the MGLSD. However, influenced by the progress of the MTEF and other institutional changes reviewed in Section 3, programmes increasingly take the form of sectoral, multi-sectoral and district-level strategic plans – or sector-wide approaches, funded through the budget. These shifts are in many ways favourable to gender mainstreaming, as they allow major issues of principle to be hammered out with a large set of implementing agencies. However, the scale of the resources required is substantially greater than the MGLSD can currently provide, with the result that discussions about the lack of a gender perspective in plans lead easily into mutual recriminations.

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13 It is beyond the scope of the PSIA to consider the likelihood or desirability of amendments of the Land Act or general implementation issues, but Ovonji-Odida et al. (2000) discuss the spousal co-ownership proposal at length.
149. This is an issue for STRATEX and the PMA among several other multi-sector initiatives.

150. We recommend: early attention to the adequacy of the resources of the MGLSD for gender mainstreaming in key components of the PEAP.
3 Lessons and next steps

151. The PSIA exercise in Uganda has suggested some lessons of a generic sort; that is which may be applicable to PSIA generally. Others are mainly relevant to defining the next steps in Uganda with regard to incorporating PSIA in national policy-making routines, and thereby strengthening the general relationship between poverty information and policy. We deal with these in turn.

3.1 WHAT WORKED AND WHAT DIDN’T: SOME GENERIC LESSONS

152. The generic lessons are concerned respectively with the usefulness of survey analysis, the value of local case studies and the likely overall sufficiency of the evidence for PSIA purposes.

Surveys
153. The exercise has helped to confirm one thing that probably should have been expected and certainly seems obvious in retrospect. This is that household surveys of the kind that have been given priority in the last couple of decades for poverty-measurement purposes are not an ideal instrument when it comes to kinds of question PSIAs need to pose.

154. Surveys of this sort (household expenditure surveys) have proven extremely useful for describing a country’s basic poverty profile and providing evidence on trends. This is particularly so in countries like Uganda, where there is a good series of comparable surveys and a panel element, meaning that members of some household have been interviewed repeatedly over certain periods. However, the features that have helped to make these surveys both cost-effective and reasonably reliable for these purposes also give them limitations from other points of view.

155. First, their sample sizes will be too small for many purposes, including any forms of analysis that involve disaggregation to the district or lower levels. As we have seen, this turns out to be partially the case even for the relatively large sub-category of households producing some coffee in Uganda. That removes the possibility of several possible ways of probing quantitatively the possible geographical spread of effects that are of interest in a PSIA exercise.

156. Second, in many PSIAs we shall want to know about the composition of household incomes, because this will be what determines how price shifts and other policy-instigated changes impact upon households. However, for several reasons including reliability, the poverty measurement surveys do not collect data on income but use the proxy of consumption, derived from questions about private consumption expenditure and estimates of consumption of households’ own production. Data on the composition of income are typically not collected.

157. An implication is that, if PSIAs are to become routine, there may be a case for specially-designed surveys, or other data-collection instruments that are capable of addressing their particular concerns. It should not be assumed that the improvements in data availability that are likely to be generated by the recent wave of PRSP drafting and monitoring activity will necessarily solve this particular problem.
Case studies
158. On the other hand, it may be that it is a mistake to base any large expectations on survey analysis. The Uganda exercise suggests that there is untapped potential in micro-level literature, and country-specific case studies of change at the local and intra-household levels, and that it may be possible to derive quite important insights, with implications for policy, from this type of existing evidence. As in the Uganda case, both relevant general literature of this sort and a body of work generated within the country will often be available. This will normally include sociological studies of a more or less thorough sort, done as master's of doctoral theses, or as commissioned research. Increasingly, it will also be reasonable to expect some sort of participatory poverty assessment programme, rooted institutionally in the country.

159. Where there is plenty material of this sort, it might be imagined that it would already have achieved some impact on policy thinking. However, the linkages of academically oriented research, and even PPAs, to policy circles have often been surprisingly weak. The repositories of this kind of analytical understanding (often, university-based researchers or their students, in departments other than Economics) are typically disconnected from officials concerned with macro, structural and sectoral policy-making (who relate to macro or sectoral economists, to the extent they are attuned at all to academic research in the country). Therefore, there is considerable value-added to be had from pointing to connections and relevancies that may not have been sufficiently appreciated.

Overall sufficiency of data
160. Overall, we think the Uganda exercise has shown that it is possible, with existing knowledge, to add important missing ingredients to a policy debate of a not untypical kind. No doubt, this could have been done better and more quickly, but the point stands that lack of evidence was not a significant constraint overall. No doubt, the recommendations included in the report can be made more precise, and certainly more detailed. Nevertheless, if adopted along with other relevant advice, these recommendations could help the government to avoid committing public spending to activities with zero or negative returns, while encouraging complementary measures that would make similar initiatives more likely to succeed in the future. The reasons why this is the case do not seem to be particular to Uganda.

3.2 PSIA AND POLICY MAKING IN UGANDA

161. It remains to be seen whether PSIA, as exemplified in the demonstration exercise, can make a significant difference to the quality of policy-making for poverty reduction in Uganda. At the time of completing this report, it is clear that such exercises can generate relevant insights and recommendations. But it is not quite so obvious that it is possible to embed these effectively in the national policy system, so that recommendations feed naturally into the relevant review processes and are able to be adopted in a timely way. The reasons why that is the case do not seem to be particular to Uganda.

Institutional context
162. The reasons do not include lack of an appropriate institutional framework. As we argued in Section 2, Uganda's MFPED has some track record in evidence-based policy making. Thinking among policy makers about the links from macro and sectoral policy to poverty reduction, and the relevance of social issues to economic ones, typically has some limitations. Thinking around the PEAP Pillars needs to take some 'cross cutting'
matters more seriously. Some of these conceptual deficits are connected to challenges facing the evolving arrangements for implementing PEAP goals through the MTEF. There is still a need to strengthen sectoral strategic plans and develop more sophisticated arrangements for ensuring that these are consistent with the PEAP.

163. Last but not least, there is a need to ensure constant renewal of the open policy dialogue that characterised the PEAP formulation and revision processes. This is particularly in the case of initiatives (such as STRATEX) that are perceived as being rather narrowly 'owned' by MFPED and the president. However, all of these potential obstacles are being tackled, with significant improvements year by year. As mentioned in Section 2, MFPED interest in PSIA arises partly from a concern to widen ownership of significant initiatives such as STRATEX across government and political and civil society. The institutional preconditions for regularising and embedding PSIA are therefore highly favourable.

Capacity
164. Another possible constraint is technical capacity. But the degree to which this is a serious problem depends closely on the level of methodological sophistication that is required in practice. In the case of the demonstration exercise, no particularly demanding techniques were used, and the technically most challenging part of the work was also that which proved least useful for substantive learning and policy analysis. To do more work of this sort would place considerable but not impossible demands on Uganda's admittedly limited capacity for multi-disciplinary social science.

165. The difficulties actually faced in the Uganda demonstration in delivering on the terms of reference and doing so on schedule were substantial. However, they were not related to capacity constraints in the technical sense, and to some extent arose from the mechanisms used to overcome expected capacity constraints.

Other issues
166. The PSIA team encountered several significant difficulties, resulting much slower progress in analysis and reporting that was initially expected. We suggest that three kinds of factor contributed to this, some of them unavoidable consequences of inexperience and others flowing from the particular approach that was selected. Consideration should be given to whether and how each might be avoided in future designs for PSIA exercises in Uganda. The factors are:

- the experimental nature of the exercise, which meant among other things that time was wasted going up what turned out to be blind alleys (e.g. quantitative modeling of scenarios with household data), preventing more relevant pieces of analysis meeting critical deadlines;
- the difficulty of managing an international team of analysts with different and sometimes conflicting, as well as very packed, time schedules;
- complex terms of reference, requiring outputs of several different kinds, some of them addressed to more than one type of audience.

167. A possible conclusion is that the demonstration exercise was attempting to do too many different things at the same time. For Ugandan policy purposes, a simpler study design might have produced a more timely, accessible and coherent input. Translating the results of the exercise into terms that would be readily understood by an international audience interested in how to deliver on the commitment to generalise the adoption of
PSIA might have been done separately. Either task might have been completed by a smaller multi-disciplinary team, easing the management challenges. While avoidance of errors cannot be guaranteed, it might be that future exercises could also be guided by terms of reference reflecting previous international learning.
Annexes
Annex 1 Incorporating poverty information in decision making: progress and challenges ahead

PROGRESS IN BRINGING POVERTY ANALYSIS INTO POLICY

Key steps for which Uganda has rightly gained recognition include:

- the open and relatively inclusive processes leading to the formulation, revision and review of the PEAP, Uganda’s PRSP;
- the effective linkage of the PEAP to resource allocation through the budget and MTEF processes;
- the efficiency and influence of the related monitoring arrangements.

The PEAP formulation and revision processes
As has been thoroughly documented (Goetz and Jenkins, 1999; Foster and Mujimbi, 2002; CDF Evaluation, 2002) the PEAP was the earliest example of a comprehensive national policy document on poverty enjoying substantial national ownership, including political commitment at the highest level and some degree of involvement of civil society organisations. The fact that these qualities of the process have been retained throughout at least one three-year revision cycle is also significant.

It may be argued that the quality of the process is more important than the content of the PEAP. Nevertheless, it is positive that the document adopts a logical-framework type of approach, attempting to identify the intermediate measures needed to achieve the final outcome goals and not merely reasserting conventional truths about poverty. For the purposes of thinking about PSIAs, it is also noteworthy that Pillar 1 of the PEAP is about macroeconomic stability, meaning that it is taken as a point of departure that macro-stabilisation is in principle pro-poor, contrary to the widespread assumption in many countries that poverty reduction and stabilisation are in tension, at least in the short and medium terms.

Issues that would benefit from further investigation include:

- how exactly poverty reduction and macro-stability came to be regarded as compatible and mutually reinforcing in Uganda in the 1990s (not only who influenced whom, and the relationship between the ESAFs and SALs of the time to the PEAP; but also whether there were timing or sequencing, or economic structure, factors that made stabilisation more benign from a growth and poverty-reduction perspective than seems to have been the case in other countries);
- what role non-governmental stakeholders actually played in setting the PEAP agenda, and what contribution they might make in future if capacity constraints were relaxed.

Linkage to the budget and MTEF processes
International experience confirms the obvious truth that policy documents of the PEAP type are only worth more than the paper they are written on when they begin to alter the
behaviour of the Ministry of Finance, the central bank, the judicial and security systems, line ministries and other implementing agencies. Budget and public expenditure management systems seem critical to achieving behaviour change in the real world. Uganda has taken several important steps towards using the budget process to leverage compliance with the PEAP. They include:

- the special protection for expenditures included in a ring-fenced area of the national budget (the Poverty Action Fund, PAF);
- increased allocations to the PAF from both donor and national sources;
- a system for scrutinising sectoral and multi-sectoral Budget Framework Papers for PEAP compliance within the MTEF process;
- use of MTEF ceilings to impose a harder budget constraint on sectors, so that priorities are not distorted or undermined by offers of project lending or grants.

These arrangements are reasonably well understood and do not require further investigation. However, they pose major challenges, to which the PSIA exercise needs to be responsive, as discussed under the first and second bullets below.

The efficiency and influence of monitoring arrangements

The next best thing to *ex ante* impact assessment is regular and effective monitoring which permits rapid learning and adjustment of policies during implementation. Uganda has pioneered several such learning mechanisms, including analysis of an excellent series of household surveys; use of public expenditure-tracking surveys to correct resource leakages in key sectors; and PPAs (Mackinnon and Reinikka, 2002). The location of a well-staffed Poverty Monitoring and Analysis Unit close to the purse strings in the Finance Ministry has helped to ensure that information about snags in policy implementation has fed back quickly into policy thinking and been acted upon.

Limitations in the PEAP monitoring arrangements to which the system has been seeking to respond include:

- lack of full integration between the poverty monitoring, PEAP implementation-monitoring and public-expenditure monitoring functions;
- remaining weaknesses in the structure of the PEAP which, in spite of being set up formally in logical-framework terms, actually is rather weak in specifying intermediate outcome objectives which have the full commitment of the implementing agencies. (This is relevant to monitoring, in that it creates uncertainty about what the priority monitoring tasks are.)

ISSUES AND CHALLENGES AHEAD

Key challenges that lie ahead, which the PSIA exercise should help to address, are as follows.

- refining the mechanisms through which line ministries, departments and districts are engaged in thinking and action in relation to PEAP goals;
- ensuring that policy initiatives in the PEAP framework benefit from political commitment that is both as strong and as broadly-based as possible;
• securing the closest possible alignment between the PEAP, the PRSC, PRGF and donor support, so that optimal national ownership and commitment are obtained.

Mechanisms for engaging sectoral ministries, departments and agencies
Uganda’s PAF has been credited with being an effective method of protecting priority public expenditures in a world where such protection have proven very difficult to achieve. Its effectiveness arises in part from the relative simplicity of the criterion on which relevance to poverty reduction is established. This was originally set as providing an accessible service directly to the poorest 20% (Foster and Mujimbi, 2002, Box 4).

The PAF criteria have now been made somewhat more inclusive. In order to qualify for PAF protection, programmes must now a) be part of the PEAP; and b) be directly poverty reducing either by directly increasing the incomes of the poor (PEAP Pillar 3) or by directly improving the quality of their lives (Pillar 4) (Lars Möller, pers. comm.). This nonetheless remains quite a restrictive approach to assessing relevance to poverty reduction. Its tendency to under-value public expenditures that could be more powerfully conducive to improvements for the poor by indirect means (and indeed uses of funds to facilitate private investment with poverty-reducing effects, such as reducing public borrowing) is a subject of growing debate.

Crude judgements about which expenditures do, and which do not, deserve PAF protection are one factor currently undermining efforts to get real buy-in to the PEAP from line ministries. Inclusion in or exclusion from the PAF is not the only decision that is made about sectoral budget bids (see next paragraph). Yet, under conditions of cash-limited disbursement, decisions on this point make a very substantial difference to ministries’ expectations of funding. In these circumstances, it is not surprising if some ministries feel the scales are tilted decisively against them. That might have been justified so long as most sectoral policies were weak, but that is beginning to change, with increasing numbers of sectoral strategic plans setting out priorities in terms of PEAP objectives.

Another limitation concerns the process for review of sectoral Budget Framework Papers. This is the main mechanism, apart from the PAF, linking the PEAP and the budget/MTEF, ensuring that the former drives the latter. This is undertaken, on the basis of written guidelines, by a multi-sectoral Poverty Eradication Working Group (PEWG). However, the PEWG is generally recognised to be still somewhat lacking in teeth, partly on account of where it is located within the structure of the MFPED—that is, within the Economic Affairs and not the Budget directorate.

Cross-cutting policy concerns (AIDS, gender, the environment) which are recognised as being crucial within the PEAP, pose a particular challenge so long as criteria are crude and instruments for enforcing cross-sectoral cooperation are weak. All of these issues need to be taken forward jointly—a more sophisticated set of criteria of relevance to poverty reduction and a better means of engaging line ministries (and increasingly, district governments) in dialogue about their policies and spending proposals.

Securing strong and broadly-based political commitment
An important strength of the Ugandan policy process, from the point of view of linkages between poverty-reduction concerns and macro- and structural policy decisions, is that there is a direct and decisive linkage between a President’s office that is politically concerned about poverty (that is, independently of donor interest in the subject), and a Finance Ministry that is authoritative and efficient. This linkage helps to ensure that policies are accompanied by the necessary carrots and sticks to get them taken seriously by implementing agencies, contrary to the situation in many comparable countries.
Together with the evidence on poverty outcomes in the 1990s, this is one of the things that has helped to earn Uganda the reputation it has of being a star performer in terms of poverty-reduction effort.

There are some disadvantages, however. Line ministries and districts are not always the active stakeholders in the PEAP process that might be expected, because they have not been consulted about important policy initiatives that affect them. Too often, they feel they have been bypassed or marginalised as a result of decision processes driven by the President–MFPED ‘axis’, with greater or lesser involvement of donors. This may well have resulted in a MFPED–line ministry relationship that relies a little too much on sticks and not enough on carrots for the long-run health of the policy process.

Similar, and in the long term even more serious, doubts surround the effects on the system of cabinet government and on the level of commitment to the PEAP and related policies (e.g. the PMA) of Ugandan political society as a whole. Although a reasonable level of buy-in to government poverty-reduction objectives has been attained from a number of NGO networks, it is not clear that senior Ugandan politicians and their constituencies have been brought on board to the same extent. This applies particularly to those political tendencies that have not been heavily represented in recent parliaments for one reason or another; but also current opposition MPs; and, possibly, even to members of the cabinet, given the relatively narrow circle of policy makers that is sometimes involved in critical decisions.

In an important sense, it does not matter where policy initiatives come from. What matters is whether there is adequate, and adequately shared, consideration of their possible impacts, direct and indirect, before they are adopted, while there is still time to influence their shape and mode of implementation. PSIA was originally conceived in response to the concern that reform policies conceived in Washington were not being sufficiently analysed \textit{ex ante}, with the participation of stakeholders in the affected country. However, it may have equal value when a policy is initiated within a relatively narrow in-country policy arena and is in danger of being implemented without wider consideration. The hope is that one of the things demonstrated by the present exercise is the feasibility of doing \textit{ex ante} policy analysis in a way that broadens involvement in policy debate, so that a fuller national commitment to the resulting policies is attained.

\textbf{Alignment between the PEAP, the PRSC, PRGF and donor support}

There do not appear to have been, in recent years, large discrepancies between the GoU and the BWIs over macro and structural policies. At least since the creation of the current MFPED in 1996, the policy dialogue between GoU and the BWIs has taken place to a considerable degree on the basis of shared frameworks, including critically the importance of macro-stabilisation and the desirability of reorienting public expenditure towards basic social services.

These assumptions were initially shared only by a restricted group of stakeholders in Uganda, mainly within MFPED. They became more widely shared across government and within political and civil society when the first and second PEAP processes placed them in open discussion. In recent years, also, the BWIs have made firmer commitments to working for broad national ownership of poverty-reduction efforts, with new lending instruments, the PRSC and PRGF, being explicitly conceived as ways of delivering support to national poverty-reduction strategy processes.

This ought to mean that the alignment of BWI agreements, as well as bilateral donor support, behind the PEAP is no longer a problem. However, in reality this remains a substantial challenge. A radical take on the matter is the one sometimes expressed by NGO representatives, that there remain substantial inconsistencies between the goals of
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the PEAP and those of the BWIs. According to this view, the new loan agreements are still seeking 'structural adjustment' whereas the PEAP, or at any rate the NGOs' endorsement of the PEAP, implied no such thing (Nyamugasira and Rowden, 2002).

This analysis appears to make several unwarranted assumptions. But we limit ourselves to saying that it focuses a little too much on alleged policy disagreements and insufficiently on process matters. What deserves more attention is the degree to which the processes for agreeing and reviewing BWI-supported programmes remain distinct and separate from those of the national PRS, the PEAP.

Uganda government policy is distinguished by being unusually alert to the issue of national ownership. Thus, Uganda’s PRSP is presented as a summary of the PEAP, not the other way round. And the PRSP annual review required for BWI purposes is being subordinated as far as possible to the existing PEAP- and budget-related annual and bi-annual productions, Background to the Budget and Poverty Status Report. However, for the time being it is not possible to disguise the fact that the PRSC has its own policy matrix and follow-up arrangements, and that these are additional to those proposed by the government for the PEAP.

This may well have some justification. In part, it may reflect a lack of confidence at the Bank that the policy thinking and monitoring arrangements of the PEAP are sufficiently specific. It is as well to recognise the real constraints that will continue limit convergence between the loan instruments and the PEAP. Optimal rather than maximum country ownership is the objective. However, the current arrangements do have the strong disadvantage that the commitments in the PRSC policy matrix may not enjoy full government commitment, because they are not seen (as the contents of the PEAP are) as policies that government has decided upon by its own volition or in response to demands from national stakeholders. It also may mean that non-orthodox policy ideas that may be generated in the PEAP-related processes in the country do not automatically get inputted into the PRSC review, and vice versa.

Neither of these problems is resolved simply by declaring the principle that the agreements are 'in the framework of' the PEAP. Efforts to bring BWI and donor review processes and those of the PEAP closer together will thus continue to be required for some time yet.

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Annex 2  The world coffee market: key issues

THE WORLD COFFEE MARKET: GENERAL FEATURES AND OVERALL STRUCTURE

Arabica and robusta are the most important species of coffee, with arabica being grown throughout Latin America, in Central and East Africa, in India and to some extent in Indonesia, while robusta is grown in West and Central Africa, throughout South-East Asia, and to some extent in Brazil.

Numerous factors affect the performance of the coffee sector. They include factors related to the coffee production environment such as input distribution, credit and crop finance, infrastructure and the provision of research and extension, factors associated with the coffee marketing environment (e.g. the extent of competition, export taxes and other taxation, market information, risk management, price stabilisation, crop finance, market monitoring and regulation), factors related to the institutional framework, such as the role of the government, regulatory authorities and industry associations, and finally macroeconomic considerations e.g. how the overall macroeconomic environment affects the coffee sector. Last but not least, unexpected weather conditions were central factors behind sharp fluctuations in production (and prices) in the past as well as recently (see for instance the 1994 frost in Brazil and the numerous side effects which followed).

Coffee production reached almost 100 million (60kg) bags in the 1997/98 crop year (October-September), an upward trend since 1992/93 as Table A2.1 suggests. The supply of coffee is heavily dominated by Brazil, the largest producing country, accounting for 24% in 1997/98 and 33% more recently (see United States Department of Agriculture (USDA) estimates, 2000/01) and Colombia with about 12% in the same year, followed by Indonesia with 7.3%. However, in recent years the above picture has changed substantially. Vietnam is now becoming one of the main producing countries in the market with a market share of about 7% in 1997/98 crop year and 13.3% for the year 2000/01 (see recent USDA estimates). In view of these recent developments, Vietnam is now the second-largest coffee producer in the world. A large portion of Vietnam's coffee production is of the robusta variety, although recently Vietnam has tried to increase arabica production in order to obtain the higher prices from its coffee exports.

More recent estimates from USDA seem to suggest that world coffee production is now about 115 million bags with the world consumption level being at about 107 million bags and growing at 1.6% per year (USDA 2000/01 estimates). Taking also into account the current level of coffee stocks in consuming countries (20 million bags), the obvious result is an over supply of coffee at the level of 28 million bags. Recent figures for the 2001/02 coffee year released by the International Coffee Organisation (ICO) in London seem to confirm the above continued imbalance in supply and demand. According to the ICO figures, coffee production reached 109.1 million bags in 2001/02 with coffee consumption of 105.3 million bags. Although the coffee industry had seen an increase in popularity of coffee as a drink, generating retail sales of around US$65 billion in 2000/01, compared to around US$30 billion in the early 1990s, producers had seen their share of these sales more than halve in the same period from US$12 billion to around US$5.5 billion today (ICO, 2002).

On the consumption front, world consumption (including domestic consumption, i.e. consumption from producing countries) exceeded 100 million bags in recent years following an upward trend since the 1994/95 crop year. The United States, the largest consuming...
country in the world, accounted for more than 20% in recent years, followed by Brazil, the
largest coffee consumer from producing countries, with a 11% market share in the late
1990s. Germany with about 10% and Japan with an almost 6% market share are the other
dominant players in the coffee consumption scene.

While the wide geographic spread of coffee production tends to result in intense
competition among producers, large multinational corporations have built up considerable
market power on the demand side. They have also come to dominate sales of roast and
soluble coffee, marketed under apparently competing trade names virtually in all
developed countries. Note that the asymmetry in market structure on the supply and
demand sides of the world coffee market allows the multinationals to use their oligopsony
power to capture a disproportionate share of the benefits of world trade and distribution
of unprocessed coffee. Furthermore, market dominance in sales of roast and soluble
coffee also acts as an effective barrier to the development or expansion of production
and exports of processed forms by developing coffee-producing countries, which
generally remain heavily dependent on the vagaries of the world market for unprocessed
coffee.

Indeed, recent years have witnessed a growing concentration amongst trade houses,
roasters and the distribution networks for coffee as consumers have become more price
conscious and the markets have become more competitive and volatile. This increasing
industry concentration can be easily documented by the fact that while in 1989 the
largest four traders (excluding companies buying directly for the roasters) accounted for
31% of the world coffee trade, in 1994 the same companies accounted for more than
40% of the global trade and the upward trend has continued in recent years.

Furthermore, the degree of industry concentration varies between markets and markets,
where soluble coffee is the preferred beverage tending to be more concentrated than
those where roast and ground coffee is more dominant. In terms of geographical regions,
the US coffee market is more concentrated than that of Europe and Japan, with just three
roasters to control almost the 75% of consumption. Obviously, industry concentration has
important implications for coffee growers:

- growing concentration may result in a reduction in competition and lower prices
  being paid to coffee producers;
- smaller producing countries could be marginalised as traders seek to deal with
  origins that can guarantee coffee throughout the year;
- finally, a number of traders have established subsidiaries at origin to compete
  with local exporters; while this may raise producer prices, in some producing
  countries (usually small producers—Uganda is a good example), it makes difficult
  for local exporters to compete.

PRICE-RELATED ISSUES

On the price front, the world market for unprocessed coffee has been traditionally subject
to substantial short-term price fluctuations for a number of reasons:

- as with other tropical beverage crops, demand and supply are characterised by
  low price elasticities so that relative variation in price is substantially greater than
  in physical supply;
- the susceptibility of coffee to damage by frost is another factor affecting the world
  coffee market. Occasional seasonal frosts in some of the main coffee growing
areas of Brazil resulted in fears that the coming harvest is likely to be short, a sentiment which induced sharp rises in coffee prices in the main trading centres in advance of the harvest for that year. Serious frost damage, as in 1975 and more recently in June 1994, can result into significant shortfalls in world coffee production, which may take several years to rectify;

- finally, there is a biennial cycle in yield from coffee trees and bushes, which may or may not coincide with the fluctuation in supply resulting from the gestation period of new plantings, therefore adding to uncertainties in the market and large price fluctuations.

During the 1970s and the first half of the 1980s, the amplitude of short term price instability was almost double that for primary commodities, excluding fuels, taken as a whole, and far exceeded that for the great majority of other traded commodities. The annual average deterioration in real coffee prices exceeded 20% a year from 1986 to 1991, the level in 1991 being only one third of the corresponding 1980 level. The adverse movements in coffee prices in the 1980s, from the viewpoint of producing countries, were associated with large losses in terms of foreign exchange earnings. The foreign exchange loss due to a change in the terms of trade averaged each year and over the decade up to 1990, over 30% of the 1980 level of coffee exports. For the later years of the 1980s, the losses were very much greater, with annual average losses exceeding 75% of the 1980 export value in 1989-90. It is notable that since 1950, coffee prices have fallen in real terms (i.e. inflation adjusted) by about 2% per annum. This suggests that costs in US dollar terms have to fall by 2% per annum to maintain real incomes.

The boost of prices since the 1993/94 crop year from the depressed levels of the 1989/90-1992/93 period (see ICO composite indicator price, column 15, Table A2.1) and mainly since 1994 reflects a combination of events associated mainly with the producing countries: reduced production in many countries, the implementation of the coffee retention scheme (see below) as well as bad weather conditions in Brazil in June 19994 (the Brazilian frost). These events created a deficit situation in the demand-supply side of the market which in turn exerted a positive influence on the international price. Quite recently though, prices have started to fall again dramatically as a result of the oversupply in the world coffee market (see above). Coffee prices are now at their lowest levels for 30 years, with the ICO composite indicator price standing at 47.24 US cents/lb in May 2002 compared with 180.44 US cents/lb in May 1997 (ICO, 2002).

**Can the International Coffee Agreements stabilise the market?**

The large fluctuations in coffee prices, a central feature of most primary commodity markets, provided the rationale in the post-war period for the adoption of an effective international stabilising mechanism. The outcome was a series of International Commodity Agreements (ICAs) for the world coffee market in the postwar period.\(^\text{14}\) The ICAs failed to stabilise the world coffee market, however. This failure reflects mainly a fundamental difference of view between producing and consuming member countries concerning the essential functions of an international commodity agreement. More precisely, the main coffee consuming countries argue strongly for a reduction in the agreed price range to be defended in the light of the changes in the market situation, whereas producing countries wish to restrict supply further in order to safeguard the minimum price of the agreed range.\(^\text{15}\)

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\(^{14}\) A detailed discussion of the ICAs and their role in the world coffee market can be found in Gilbert (1987), Maizels (1992) and Maizels, Bacon and Mavrotas (1997). Akiyama and Varangis (1989) and Lord (1991) also discuss the issue though with a focus on particular agreements.

\(^{15}\) A new International Coffee Agreement came into force in October 2001 replacing the 1994 ICA.
The Supply Management Scheme of October 1993 and the Association of Coffee Producing Countries (ACPC)

The failure of the 1983 ICA to stabilise the coffee market and the sharp deterioration of export earnings for producing countries since 1986 resulted in the adoption of supply management policies on behalf of coffee producers in the beginning of the 1990s. A coffee retention scheme was implemented in October 1993 by the Association of Coffee Producing Countries (ACPC) with 29 member countries, in an effort to raise the depressed levels of coffee prices and export earnings in recent years. The Association requires its member countries to withhold up to 20% of their exportable production.

The scheme was based on target price ranges of the 20-day moving average of the ICO composite prices for ‘Other Milds and Robustas’ and ‘Robustas’. Concerning Arabica coffee, when the indicator price is below 75 cents per pound, a 20% retention of exports is required, 10% when the price is between 75 to 80 cents and no retention when the price is between 80 to 85 cents. In case prices are above 85 cents per pound, there would be a controlled release of stocks. Turning to Robusta coffee, the scheme requires a 20% retention in case the price is below 60 cents per pound, 10% retention when the price is between 60 to 65 cents and no retention when the price is between 65 to 70 cents. Finally, in case prices exceed 70 cents, there would be a controlled release of stocks.16 17

Concerning the long term success and sustainability of the scheme, it should become clear that even successful in raising prices during the period 1994-97, the scheme cannot by itself solve the problem of chronic coffee oversupply in the world market. Recent developments regarding coffee prices seem to confirm the above. Indeed, by supporting prices at levels higher than would otherwise be achieved, supply management could encourage, rather than discourage, a further expansion in production. Progress towards the achievement of a better long-term balance between world supply and demand depends heavily on substantial diversification away from coffee-growing in the main producing countries, a process which will, of course, require considerable financial support from both internal and external sources. What seems to be essential is an agreed financial linkage between the proposed retention scheme and the diversification programmes of coffee producers, for example, the transfer of the increase in coffee export earnings that will result from the scheme to a common diversification fund.

REFORMS RELATED TO LIBERALISATION POLICIES AND COFFEE PRODUCER PRICES: THE NEXUS

An important issue that should be discussed briefly is the impact of liberalisation policies adopted in some coffee producers (most of them in the Africa region) on producer prices.

16 A monitoring system for the satisfactory operation of the scheme has also been adopted. Documents on controls relating to the retention scheme include:
- weekly information concerning the volume of sales, giving quantities and shipment dates;
- a list of approved warehouses;
- reports on the volume of coffee retained during the month and a copy of the deposit certificates, within 15 days of the end of each month;
- copies of inspection reports within 15 days of the inspection date;
- reports on the volume of exports to all destinations due each month, within 15 days of the end of the month.

17 It is notable that ACPC’s functions have been limited by a series of factors: (i) the shipping targets are voluntary and no penalties are imposed on countries who over ship; (ii) a number of key producers such as Guatemala, Vietnam, Mexico and India have remained outside of the agreement; this implies that while member countries have held coffee, these countries have continued to ship coffee in increasingly large volumes in recent years; (iii) in countries adopted liberalisation programmes in the coffee sector, there are no formal mechanisms open to them to restrict shipments.
The discussion is also relevant to the coffee situation in Uganda in view of the liberalisation of the coffee sector in 1992.

Producer prices are determined by, and fluctuate daily with, changes to the New York futures price (for arabica coffee) and London futures price (for robusta coffee). The producer price is determined by the futures price plus or minus an origin price differential minus international and domestic marketing costs and taxation. The above clearly suggests that factors affecting domestic marketing costs (such as the level of competition) and export taxes as well as international aspects of the coffee market have an important impact on prices paid to coffee growers.

It can be argued that the increased competition through liberalisation has led to a reduction in taxation and marketing costs and to a higher proportion of the export price being received by growers. In addition, producers now receive prompt payment for their crop and in cash, whereas in many producing countries before liberalisation, farmers had to wait many weeks, if not years in certain cases, to receive full payment. Following liberalisation, producer prices are much more flexible to respond to international price movements. This suggests that producers can benefit in times of rising prices but face a reduction in their income as international prices fall.

However, the distinction between small and large producers is of paramount importance in this case: in the case of small coffee producers, falling international prices can be particularly hazardous as exporters may decide not to export and concentrate on the marketing of other crops. A good example of the above situation is the Ghanaian cocoa sector in 1996 when exporters, in the light of falling prices, resorted to purchasing cocoa for sale on the domestic market, and they did not consider trading cocoa.

**Mechanisms to manage price risk**

In general, exporters and local traders in the coffee market face three types of risk:

- **price risk**: that the price of coffee may fall between the time of buying it and selling it;
- **performance risk**: that a supplier will renege on a contract, that he will deliver late, or that he will deliver sub-standard quality, or a combination of the last two;
- **differential risk**: that the price difference between the futures market and the specific coffee being sold by the exporter changes between the time of buying the coffee and selling it.

On the producers’ side, three are the dominant risks:

- **disease risk**, i.e. crops may fail because of blight, fungi, insect attack, tree die back etc.;
- **quality risk**, i.e. the value of the crop falls due to reduced quality; and most importantly,
- **weather risk**, i.e. crops may fail because of frost, drought etc.

Regarding the management of price risk, exporters who are either subsidiaries of international coffee traders or clearly linked to them use the New York or London futures markets to hedge their risk. However, small local exporters do not hedge their price risk in the above futures markets. In some cases they use back-to-back trading methods whereby coffee would be sold as it was purchased from growers, or simply speculated on international price movements. In other cases, the regulatory system prevents exporters and other marketing participants from covering their risk. Overall, management-of-risk mechanisms vary from country to country and there is no uniform policy towards this.
THE WORLD COFFEE MARKET: FUTURE PROSPECTS

Reflecting some important developments in the market in recent years (the rather successful implementation of the coffee retention scheme as well as bad weather conditions in some important producing countries in 1994), prices rose sharply during the period 1994-97. However, the above upward trend in prices has been reversed recently (mainly the result of an expansion in production), and declining prices dominate the world coffee market with serious implications for the export earnings of the coffee producers, particularly those unable to affect the world price (e.g. Uganda). This downward trend in coffee prices is very likely to continue in view of recent forecasts of an ICO–FAO study (1999).

More precisely world coffee production is estimated to grow by 2.7% annually from 1993-95 (base period level) to 2005, i.e. a slightly higher growth rate than that between the mid-1980s and mid-1990s. World output is expected to reach 7.31 million tonnes (equivalent to 122 million bags) by the year 2005 and the world’s largest coffee producing region is likely to continue to be Latin America and the Caribbean. On the consumption front, world coffee consumption is projected to increase by 1.75 annually to reach 74 million tonnes (112 million bags) by the year 2005 (again, as in the case of the production projections, 1993-95 is the base period of the model). This growth rate is much lower than the 2.3% per annum growth rate achieved during the previous decade. This decline can be partly explained in terms of the saturation of consumption in some traditional markets North America and Western Europe. Regarding developing countries, the projected growth rate of coffee consumption is 2.5% during the projection period (1995-2005); this is equivalent to a 30% increase of their world share in coffee consumption in 2005.

On the basis of the ICO–FAO model, by the year 2005, world coffee exports are projected to reach 5.7 million tonnes (95 million bags) while imports are estimated to be 5.15 million tonnes, equivalent to 86 million bags). The dominant region in exports will continue to be Latin America and the Caribbean accounting for 66% of global exports in 2005. On the import side, import demand by North America is projected to grow only moderately whereas imports into Europe are projected to rise by 1.3% annually to reach 45.6 million bags (2.74 million tonnes) by the year 2005.

The above projections seem to suggest that at constant prices there would be significant oversupply of coffee at the world market by the year 2005. Obviously, this will constitute a clear departure from the picture that emerged during the 1994–97 period. This projection is consistent with projections made recently by other bodies. In the light of a recent study undertaken by the World Bank and LMC, the world coffee market is expected to enter a period of structural surpluses as production responds to the higher prices of the last few years. It is notable that this greater availability suggests lower prices but at the same time it means that the roasters will have greater choice in the origins it selects for components of blends (World Bank-LMC, 1999).

However, the above scenario is relatively less gloomy as compared to the one developed by the Economist Intelligence Unit (EIU) in their 1999 report on the world coffee market. EIU’s report clearly states that there is a real threat that coffee prices early in the next century could be approaching the 20-year lows recorded during the early 1990s, and most importantly, could be heading for their cheapest in real terms since the 1920s (EIU, 1999).

Needless to say, the above projections are subject to weather conditions and the biennial nature of the coffee crops. Furthermore, it is widely known that these estimates should be considered with caution given that they are model driven, i.e. the model structure (and,
thus, model solution and estimates) dominates the projections made. Nevertheless, the above projected trend may well indicate that oversupply of coffee will depress prices and lower prices could increase consumption. It is also important to note that the reaction to falling prices in the future may be greater than in the past when governments intervened heavily to control chronic oversupply in the form of reserve stocks. At the same time, producers and consumers are expected to respond to the emerging oversupply by trying to adjust output and consumption levels (for instance through the ACPC cartel in the former case—see previous discussion). At the end, the above situation may result in cycles of shorter duration than the ones which have characterised the coffee market so far. And this short of sharp fluctuations will cause further uncertainty to small coffee producers by discouraging long term initiatives in their coffee sector.

In view of the overall gloomy picture for the world coffee market, the ICO has recently highlighted the social as well as political implications of the current crisis for coffee producing countries in Africa, Asia and Latin America, with an estimate 25 million families in those countries entirely dependent on coffee for their livelihoods. It is notable that in Mexico and Central America, an estimated 500,000 coffee farmers have lost their jobs as a result of the falling prices, and many farmers have either turned to illicit crops or abandoned their farms, creating migration pressures (ICO, 2002).

The ICO has also emphasised the need to develop a comprehensive approach in the world coffee market to improve the world supply and demand balance. A number of key priority areas have been suggested which include a Coffee Quality Improvement Programme (to be implemented in October 2002), a Diversification Programme (i.e. efforts to undertake specific projects to generate complementary earnings for growers, such as by the introduction of new crops, without eliminating coffee growing itself), a Promotion Programme (trying to increase coffee consumption in new markets such as China and Russia, with new emphasis on the producing countries themselves) and a Sustainability Programme (i.e. preserving the environment in which coffee is harvested in order to guarantee the sustainability of the industry from an economic and social as well as environmental viewpoint (ICO, Press Release, May 2002).
## TABLE A 2.1 WORLD COFFEE STATISTICS: COFFEE YEARS 1965/66 TO 1997/98 (000 BAGS)

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<th>Total production</th>
<th>Total exports</th>
<th>Exports for export (B)(12)</th>
<th>Gross availability</th>
<th>ICO composite</th>
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Notes: Figures for 1997/98 may include estimates for some countries; years in the Table represent coffee years (October-September).

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Annex 3  Note on Fair Trade

INTRODUCTION
One of the policy scenarios that can be discussed within the context of the Ugandan PSIA, as far as the coffee sector is concerned, is related to efforts towards the penetration of niche markets for speciality and organic coffee along with participation to the Fair Trade movement. This policy option (at least as far as niche markets for speciality and organic coffee are concerned) is in line with government’s initiative in the coffee sector (see Government document on Strategic Exports) although it is given importance compared to the policy scenario related to the expansion of coffee production (already discussed and analysed). On the other hand, this policy option in the coffee sector is one of the key recommendations of the COMPETE project (see Summary Report and the coffee report of the COMPETE project).

The main advantage of this policy option is that demand for these types of products is expected to be very high in the future. On the other hand, the implementation of this strategy in the coffee sector will not have very wide effects on poverty reduction since it will mostly affect the incomes of those few involved in the new production activities. At the same time, the overall impact of this policy option will depend crucially on the effects of other policy scenarios proposed by the GoU, in particular the one related to the expansion of coffee production (robusta trees) since both policies can be implemented simultaneously.

Although the coffee report of the COMPETE project draws attention to the particular avenue represented by the Fair Trade movement, neither it nor the government paper discusses the case of Fair Trade in detail. This is unfortunately because it has great potential for reducing poverty in the case of small coffee farmers in Uganda, particularly in periods of falling prices. This note discusses the case of Fair Trade with particular emphasis on the coffee sector and the criteria that have to be met so that small coffee producers in Uganda can gain from such an attractive policy option in terms of poverty reduction (i.e. improving the incomes, and the expenditure, of small farmers by guaranteeing higher prices for their product).

THE FAIR TRADE INITIATIVE
The roots of the Fair Trade initiative go back to the 1960s with the establishment of alternative trade organisations (ATOs) such as Oxfam Trading and Third World shops. The first fair trade mark was established for coffee by the Max Havelaar Foundation in Holland in 1989 which currently licences some of 2.5% of Dutch coffee sales through private roasters and supermarket chains. It was developed as a response to the impact of the collapse of world coffee prices on small coffee farmers following the failure of the International Coffee Agreements (ICAs)—see my note on the World Coffee Market for further details regarding ICAs. TransFair International, another fair trade label organisation was founded in 1992 with members in Germany, Austria, Luxemburg, Italy, Japan, Canada and the United States. In April 1997, the TransFair, Max Havelaar and other national fair trade label initiatives came together to form FLO, Fairtrade Labelling Organisations International, which from January 1998 has established an office in Bonn, Germany to co-ordinate product register work, monitoring and promotion of fair trade labels. In the UK, Cafedirect, which was launched in 1991, is one of the fastest growing coffees in the country with 55% sales growth in 1998 (Connection to the Americas, vol.15, No.8, 1998). It is notable that the fair trade movement gained momentum in the
late 1980s and the 1990s when world coffee prices collapsed with dramatic consequences for coffee farmers, particularly small coffee growers.

Market research in the area of Fair Trade seems to suggest that 30% of consumers are willing to pay extra to ensure justice for producers, but only 5% will actually do so, paying 20–25% above standard retail prices (Fair TradeMark, Canada, October 1998). It is notable, however, that before buying, these consumers want the following conditions met:

- no compromise on product quality;
- easy availability (no extra trips to special stores);
- independent guarantee that fair trade conditions are really being met and are not just marketing hype.

This 5% of consumers however is a large enough market share to convince producers and retailers to pay a licence fee to cover the costs of independent monitoring of fair trade conditions.

**BOX A 3.1 HOW THE FAIR TRADE PRINCIPLE WORKS IN PRACTICE: THE CASE OF COFFEE**

The underlying assumption is that coffee roasters know best how to make a quality blend. On the other hand, wholesalers and supermarkets are the most indicated organisations to take care of the distribution, and coffee importers can continue in their traditional role. All of them will act on the basis of commercially reasonable—not excessive—margins. Along these lines, all interested parties will be working towards a common objective i.e. to sell the largest volume of coffee possible of small farmers at a fair price: fair for the producers and fair for the consumers. The best way to be able to realise all this was through the creation of a Label, leaving all the logistical and financial problems related to the commercialisation, processing, distribution and sales to the direct responsibility of the importers, roasters and distributors involved in the Fair Trade market. A Label which can be found on every pack of coffee sold as Fair Trade coffee, guaranteeing the consumers that the price they is a fairer price, which at the same time gets where it should get: directly to the producers.

**Source:** Fair Trade website.

In view of the current situation and the overall bleak prospects for the recovery of coffee prices, consideration of the fair trade option in the case of Uganda seems to be a rather attractive policy choice for the coffee sector (along with the other policy scenarios that have been proposed by the Government of Uganda) with significant potential for poverty reduction in the case of small and vulnerable coffee farmers.

**COULD IT BE APPLIED IN UGANDA?**

The key issue however is to establish the mechanisms through which this strategic option can be implemented in the case of Uganda. This involves, *inter alia*, deep understanding of the criteria that need to be met by the coffee producers wishing to participate in Fair Trade. The organisations of small coffee producers that participate in the Fair Trade movement usually meet the following criteria:
the majority of the members of the organisation are small scale producers of coffee. By small producers are understood those which are not structurally dependent on hired labour, managing their farm mainly with their own and their family's labour force;

the organisation is independent and democratically controlled by its members. This means that the members of the organisation participate in the decision-making process which determines the general strategy of their organisation, including decisions related to the destiny of the additional resources which result from operations in the framework of this agreement;

administrative transparency and effective control by the members and its Board over the management is secured, minimising the risk of fraud and offering members the necessary instruments to be able to act adequately in case of fraud;

doing the philosophy motivating the organisation is based on the concept and practice of solidarity;
	no form of political, racial, religious or sexual discrimination is practised;

doing the organisation is statutorily open to new members;

finally, the organisation is politically independent and there are sufficient guarantees that the organisation will not become the instrument of any political party of interest.

In addition to the above, the organisation shares with the FLO-International (see above) the following principles and general objectives:

integral economic development, concentrating on improvement of production techniques and diversification of the production, in order to diminish dependency on one single product as a cash crop;

integral organisational development, improving the managerial and administrative capacity of the actual and future leadership of the organisation and ensuring full participation of the members in the definition of strategies and the use of extra income resulting from fair trade;

integral social development, for instance through health care and educational programmes, improvement of housing and water supply, thus creating better living conditions for the members and their families and the communities they live in;

sustainable development strategies, applying production techniques which respect the specific ecosystems and contribute to the conversation and sustainable use of natural resources, in order to avoid as much as possible the use of chemical inputs;

integral human participation, offering especially women the opportunity to play a more active role in the development process and in the decision making process and management of the organisation;

improvement of the quality of the product as a strategic requirement for the small producers to defend themselves on both the Fair Trade market and the regular market;
finally, it is necessary that the quality of the coffee offered for exportation complies with the minimum quality standards as required by the different markets, and the organisation must count with the management capacity to effectively export the coffee and act as a reliable commercial partner.

(Source: Fair Trade coffee criteria, Fair Trade website).

Regarding coffee roasters, the following conditions have to be met for participation in the Fair Trade Market:

- all green coffee processed to be sold with a Fair Trade Label must be purchased directly from organisations of small coffee producers inscribed in the FLO-International Coffee Producers’ Register;
- the purchasing price must have been fixed in accordance with the conditions established for this effect by FLO-International, of which the following are the most important:
  - for Robustas, the London ‘LCE’ market will be the basis for calculation. The price will be established in US$ per metric tonne, plus or minus the prevailing differential for the relevant quality, basis F.O.B. origin, net shipped weight;
  - for Arabicas the New York ‘C’ market will be the basis of calculation. The price will be established in US$-cents per pound, plus or minus the prevailing differential for the relevant quality, basis F.O.B. origin, net shipped weight;
  - over the established prices, there will be a fixed premium of 5 cents per pound;
  - for certified organic or biological coffee with officially recognised certification, that will be sold as such, an additional premium of 15 cents per pound green coffee will be due, on top of the FLO-International price;
  - the roaster/buyer is obliged to facilitate the coffee producers access to credit facilities at the beginning of the harvest season, up to 60% of the value of the contracted coffee at Fair Trade conditions, at regular international interest rates. The credit will be cancelled upon shipment of the coffee;
  - producers and roasters/buyers depend on reliability and continuity. For that reason, relations between both should be based on long term contracts (1-10 years);
  - the coffee roasters have to accept and facilitate external control on the compliance with these conditions.

(Source: Fair Trade coffee criteria, Fair Trade website).

The crucial question is whether the above criteria, particularly the ones related to coffee producers (see above) are likely to be met in the case of the small coffee farmers in Uganda.
Annex 4  Poverty and coffee growing: 1999/2000 household survey results

This appendix draws on the household survey of 1999/2000 to analyse the incidence of poverty among coffee and non-coffee cropping households using the household consumption estimates and poverty line of Appleton (2001).

The Uganda National Household Survey (UNHS) 1999/2000 covered a total of 10,700 households in all the districts of the country excluding Kitgum, Gulu, Kasese and Bundibugyo. The four districts were excluded primarily because of the insecurity that prevailed in them. Out of the 10,700 households, 10,668 were included in the poverty data set of Appleton (2001). The crop questionnaire from which the coffee data are generated covered 8,110 households. Of these, 7,838 households are also contained in the Appleton data set.18

Of the households whose poverty status can be estimated, 2,358 (30%) are reported as coffee farmers and 5,480 (70%) as non-coffee farmers (calculated from Table A4.1). The sample households are distributed fairly evenly across Uganda’s regions, bearing in mind the limited coverage in the North, with 25% in Central, 28% in Eastern, 16% in Northern and 31% in Western. On the other hand, as would be expected, Central Region has 51% of the coffee-farming households, the East 21%, the North less than one%, and the West 27% (calculated from Table A4.3).

<table>
<thead>
<tr>
<th></th>
<th>Households in poverty</th>
<th>Households in sample</th>
<th>Poverty incidence (%)</th>
<th>Standard error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coffee farmers</td>
<td>556</td>
<td>2,358</td>
<td>27</td>
<td>0.01</td>
</tr>
<tr>
<td>Non-coffee farmers</td>
<td>1,944</td>
<td>5,480</td>
<td>42</td>
<td>0.01</td>
</tr>
<tr>
<td>Total in sample</td>
<td>2,500</td>
<td>7,838</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Own computations using UBOS datasets and Appleton (2001)

According to the poverty estimates (using conventional poverty headcount based on mean consumption expenditure per adult equivalent), 42 percent of people in non-coffee households are poor, whereas only 27 percent in the coffee households are poor (Table A4.1). There are female-headed households in both the coffee and the non-coffee categories, although rather more in the latter. Poverty incidence is somewhat higher in the female-headed households (Table A4.2).

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18 We understand that the discrepancies arise from data cleaning.
TABLE A4.2  ESTIMATED POVERTY INCIDENCE BY GENDER OF HOUSEHOLD HEAD, COFFEE AND NON-COFFEE FARMERS

<table>
<thead>
<tr>
<th></th>
<th>Male head</th>
<th></th>
<th>Female head</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Poverty incidence (%)</td>
<td>Number of observations (HH in poverty)</td>
<td>Standard error</td>
<td>Poverty incidence (%)</td>
</tr>
<tr>
<td>Coffee farmers</td>
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<td>0.01</td>
<td>29</td>
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<td>41</td>
<td>1,446</td>
<td>0.01</td>
<td>46</td>
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</table>

Source: Own computations using UBOS datasets and Appleton (2001)

These figures are consistent with the general view that coffee growing has been good for poverty reduction in Uganda, and that even after the beginning of the collapse in international coffee prices in 1997, people in households growing coffee are substantially less likely to fall below the poverty line than those in other crop households. Although the poverty incidence among coffee growers is lower in Central than in Eastern or Western Regions, the crop effect seems much greater than the regional one in these cases (Table A4.3). At the same time, poverty has not been eradicated among coffee growers, and the aggregate estimates certainly confirm the idea that there is still scope for improvements in coffee incomes to reduce poverty through direct effects on coffee-growing households.

Table A4.3 shows how far it is possible to go in assessing this proposition by producing poverty-line estimates for regions and districts. It is immediately apparent that the numbers of sample households in some of the rows are not large enough to generate meaningful poverty estimates. We should probably discount altogether the poverty incidence estimates for coffee growers in the North, and those for districts such as Kampala, Kalangala, Nakasongola, Masindi and Kisoro. The Kampala and Kalangala figures may need to be ignored in connection with the non-coffee estimates too, the low numbers of observations reflecting what might be expected of the capital city and a group of islands respectively.

With those caveats in mind, the district estimates tell us three further things. First, the poverty incidence is quite high among coffee growing households in some districts. After discarding the doubtful estimates, we still get poverty headcounts as high as 42% in Mubende, in Central Region; 30% or more in Iganga, Kamuli and Mbale (Eastern) and Kabarole and Rukungiri (Western); and 55% in Kibaale (Western).
### TABLE A 4.3 POVERTY INCIDENCE AMONG COFFEE AND NON-COFFEE FARMERS, BY REGION AND DISTRICT

<table>
<thead>
<tr>
<th>Region/district</th>
<th>Poor Estimated proportion (%)</th>
<th>Number of observations (households)</th>
<th>Non-poor Estimated proportion (%)</th>
<th>Number of observations (households)</th>
<th>Standard error</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Central</strong></td>
<td></td>
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</tr>
<tr>
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<td>0</td>
<td>100</td>
<td>12</td>
<td>0.00</td>
</tr>
<tr>
<td>Kampala</td>
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<td>0</td>
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<td>0.00</td>
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<tr>
<td>Kiboga</td>
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<td>74</td>
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</tr>
<tr>
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<td>81</td>
<td>211</td>
<td>0.03</td>
</tr>
<tr>
<td>Masaka</td>
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<td>43</td>
<td>76</td>
<td>160</td>
<td>0.04</td>
</tr>
<tr>
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<td>21</td>
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<td>79</td>
<td>180</td>
<td>0.03</td>
</tr>
<tr>
<td>Mubende</td>
<td>42</td>
<td>71</td>
<td>58</td>
<td>106</td>
<td>0.04</td>
</tr>
<tr>
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<td>29</td>
<td>49</td>
<td>71</td>
<td>151</td>
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</tr>
<tr>
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</tr>
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<td>66</td>
<td>113</td>
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<td>71</td>
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**Totals in sample** 556 1,802
### Non-coffee farmers

<table>
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<tr>
<th>Region/district</th>
<th>Poor Estimated proportion (%)</th>
<th>Number of observations (households)</th>
<th>Non-poor Estimated proportion (%)</th>
<th>Number of observations (households)</th>
<th>Standard error</th>
</tr>
</thead>
<tbody>
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<td><strong>Central</strong></td>
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<td>133</td>
<td>0.04</td>
</tr>
<tr>
<td>Arua</td>
<td>56</td>
<td>147</td>
<td>44</td>
<td>135</td>
<td>0.06</td>
</tr>
<tr>
<td>Kotido</td>
<td>90</td>
<td>63</td>
<td>9</td>
<td>29</td>
<td>0.05</td>
</tr>
<tr>
<td>Lira</td>
<td>62</td>
<td>178</td>
<td>38</td>
<td>136</td>
<td>0.04</td>
</tr>
<tr>
<td>Moroto</td>
<td>89</td>
<td>58</td>
<td>11</td>
<td>15</td>
<td>0.05</td>
</tr>
<tr>
<td>Moyo</td>
<td>53</td>
<td>23</td>
<td>47</td>
<td>31</td>
<td>0.10</td>
</tr>
<tr>
<td>Nebbi</td>
<td>58</td>
<td>49</td>
<td>42</td>
<td>47</td>
<td>0.08</td>
</tr>
<tr>
<td><strong>Western</strong></td>
<td><strong>29</strong></td>
<td><strong>473</strong></td>
<td><strong>71</strong></td>
<td><strong>1,340</strong></td>
<td><strong>0.01</strong></td>
</tr>
<tr>
<td>Bushenyi</td>
<td>25</td>
<td>42</td>
<td>75</td>
<td>145</td>
<td>0.04</td>
</tr>
<tr>
<td>Hoima</td>
<td>42</td>
<td>44</td>
<td>58</td>
<td>87</td>
<td>0.05</td>
</tr>
<tr>
<td>Kabale</td>
<td>35</td>
<td>85</td>
<td>65</td>
<td>207</td>
<td>0.03</td>
</tr>
<tr>
<td>Kabarole</td>
<td>33</td>
<td>94</td>
<td>67</td>
<td>222</td>
<td>0.03</td>
</tr>
<tr>
<td>Kibaale</td>
<td>33</td>
<td>23</td>
<td>67</td>
<td>61</td>
<td>0.07</td>
</tr>
<tr>
<td>Kisoro</td>
<td>35</td>
<td>41</td>
<td>65</td>
<td>114</td>
<td>0.04</td>
</tr>
<tr>
<td>Masindi</td>
<td>43</td>
<td>49</td>
<td>57</td>
<td>74</td>
<td>0.06</td>
</tr>
<tr>
<td>Mbarara</td>
<td>18</td>
<td>51</td>
<td>82</td>
<td>260</td>
<td>0.03</td>
</tr>
<tr>
<td>Ntungamo</td>
<td>14</td>
<td>13</td>
<td>86</td>
<td>70</td>
<td>0.05</td>
</tr>
<tr>
<td>Rukungiri</td>
<td>27</td>
<td>31</td>
<td>73</td>
<td>100</td>
<td>0.04</td>
</tr>
</tbody>
</table>

**Totals in sample**  
1,944 3,536
Second, in many districts where coffee is able to be grown with some degree of success, the poverty headcount is still over 40%. They include Bugiri, Iganga and Kamuli in the East, and Hoima and Masindi in the West. Thus, there is a potential to reduce poverty, directly by bringing more households into coffee production, if it can be made profitable, or indirectly as a result of local spillover effects from improved earnings in coffee households.

Third, and perhaps most significantly for this analysis, poverty incidence remains high among coffee growers and others in some of the districts where there is potential for growth in *arabica* production, such as Mbale in the East (poverty headcount among coffee growers 34%), and Nebbi and Arua in the North (headcounts among non-growers 58 and 56%). Although Kasese was excluded from the survey because of the then prevailing insecurity in the far west, it may well be another case in point. The survey data obviously do not tell us anything about the local geography of *arabica* production and poverty, but they are consistent with the belief that encouraging *arabica* growing has significant poverty-reduction potential in some districts.

REFERENCES

Annex 5  Gender relations and STRATEX

THE NATIONAL CONTEXT
Women are estimated to contribute 70–80% of agricultural labour in Uganda. They are responsible for about 80% of food crop and more than 50% of cash crop production (Sengoba, 1996; Tumusiime, 1996). There is a gendered division of labour in the household, with women typically being almost solely responsible for cooking, cleaning and taking care of children as well as other members of the household. In productive work, women and men have traditionally distinct roles, particularly in agricultural production and marketing. Men are considered responsible for doing the majority of land clearing and women for most of the weeding and post-harvest processing (Kasente et al., 2000). Women are also often responsible for providing food for the household all year round. Men are primarily responsible for marketing agricultural products, even those primarily grown by women (Salim et al., 1993).

These are broad generalisations. The extent to which traditional gender divisions of labour are adhered to varies by region, social-economic status, and rural and urban categories. In households headed by women and in some polygamous households, women perform tasks normally done by men.

In all regions, however, men have a clear advantage over women in access to and control over resources. Cultural practices relating to land dictate that while women can access land through their relations with a father, husband or brother, in most communities women cannot own land. The new constitution has tried to address legal constraints to women’s land ownership but women are not always aware of their rights and those who are aware of them find it hard to claim them, especially those in rural communities.

To illustrate how unequal the division of labour can be between the sexes, an example is presented in Table A5.1. This gender roles analysis of a Ugandan rural household in Mukono District, Kisoga community, was done by Deborah Kasente in 1994 with a group of post-graduate students. The household grew coffee as its main cash crop and comprised a husband, wife, two daughters (13 and 2 years) and one son (11 years). Two children were at school at the time and their activities were not recorded.
### TABLE A 5.1 ACTIVITY CHART, KISOGA, MUKONORT, KISOGA, MUKONO

<table>
<thead>
<tr>
<th>Time</th>
<th>Wife</th>
<th>Husband</th>
</tr>
</thead>
<tbody>
<tr>
<td>5.30</td>
<td>Wakes up, breast feeds baby</td>
<td></td>
</tr>
<tr>
<td>6.00</td>
<td>Lets out chickens</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tethers goats outside</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Fetches water</td>
<td></td>
</tr>
<tr>
<td>7.00</td>
<td>Walks to the farm</td>
<td>Wakes up</td>
</tr>
<tr>
<td>7.30</td>
<td>Digging</td>
<td>Joins wife at the farm</td>
</tr>
<tr>
<td>8.30</td>
<td>Still digging</td>
<td>Checks on coffee shamba</td>
</tr>
<tr>
<td>9.00</td>
<td>Breast feeds baby and continues digging</td>
<td></td>
</tr>
<tr>
<td>9.30</td>
<td>Digging</td>
<td>Takes produce to the market for sale</td>
</tr>
<tr>
<td>11.30</td>
<td>Breast feeds baby, followed by gathering firewood</td>
<td>Charts with friends and plays 'Omweso'</td>
</tr>
<tr>
<td>12.00</td>
<td>Digs up cassava and collects greens for days meal, returns home</td>
<td></td>
</tr>
<tr>
<td>1.00</td>
<td>Prepares a meal, washes dishes, sun-dries produce, breast-feeds baby</td>
<td>Checks on gardens and goats and returns home</td>
</tr>
<tr>
<td>3.00</td>
<td>Serves meal to husband, feeds baby</td>
<td>Has a meal</td>
</tr>
<tr>
<td>3.30</td>
<td>Has a meal</td>
<td>rests</td>
</tr>
<tr>
<td>4.00</td>
<td>Transfers goats to another field and goes to fetch water</td>
<td>Goes out</td>
</tr>
<tr>
<td>5.00</td>
<td>Collects firewood</td>
<td></td>
</tr>
<tr>
<td>5.30</td>
<td>Prepares food, attends to sick child from school, breast feeds baby</td>
<td></td>
</tr>
<tr>
<td>7.00</td>
<td>Weaves a mat</td>
<td></td>
</tr>
<tr>
<td>7.30</td>
<td>Serves food for herself and children, feeds baby</td>
<td>Bathes baby, makes beds, tells stories, puts children to bed</td>
</tr>
<tr>
<td>8.00</td>
<td>Tidies house, warms up water, waits for husband</td>
<td></td>
</tr>
<tr>
<td>9.00</td>
<td>Opens for husband, serves him a meal, answers questions, prepares him water to bathe</td>
<td></td>
</tr>
<tr>
<td>11.00</td>
<td>Breast feeds, checks on sick child, goes to bed</td>
<td>Returns home, eats, bathes</td>
</tr>
<tr>
<td></td>
<td>Breast feeds baby, attends to sick child, goes back to bed.</td>
<td></td>
</tr>
<tr>
<td>12.00</td>
<td></td>
<td>Goes to bed</td>
</tr>
<tr>
<td>2.30</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### GENDER ISSUES IN THE COFFEE SECTOR

**Arabica coffee**

One of the STRATEX policy options is to plant new coffee trees in geographies that can produce high quality *arabica* coffee. This opportunity is only available for highland areas, which tend to have a scarcity of arable land, but the utilisation of suitable land is reckoned to be well below potential.

The positive aspect of this option is that it offers an opportunity to the population, including the poor, to have a new source of income. Cash in rural areas is scarce, and...
any opportunity to realise additional income will be welcomed in many households. Men who have some land and who do not have alternative source of income are likely to be initially very responsive. Already in places where arabica is being grown as a new crop, demand for seedlings is very high.

This has been informally observed in Kabale District, where frequent complaints have been raised on the local radio by farmers who have failed to get seedlings. The biggest disincentive would be news of declining coffee prices on the world market. However, most of the rural farmers do not have access to this kind of information and they are likely to grow the new crop with faith that it will fetch them good income when it is ready to be marketed.

Yet, the initiative will have a direct impact on labour demands for both men and women. Because of men's advantage in control over land, they are in a position to make decisions about where to grow it, and they are also assured of access to any resulting income. In principle, men can compel other members of the household to switch their labour commitments to the new crop. However, this may not be so easy in practice. For most women, their workload is already over-stretched and they have limited time to take on new activities. Especially when they may not control the income expected to accrue, new labour commitments arising from the introduction of the crop may be viewed as an absolute disadvantage by women, both adding to their workloads and creating tensions over their role for household food security.

There is some evidence from a case study that was done in two contrasting districts of Masindi and Mukono (Kasente et al., 2000) indicating that poor women and men were unwilling to diversify into non-traditional crops because of lack of sufficient household and hired labour. Women were more disaffected because they were concerned to retain labour for food-crop production to ensure household food security. It is not clear that the case of arabica coffee would be different in kind.

In short, the arabica option has potential to work in the interest of the poor, by offering a new long-term source of income to those who may have had no other options. But this will happen only provided they have land and both the men and the women are prepared to allocate labour to the activity. There is not enough evidence to assess the magnitude, timing or even the significance of the impacts conclusively. However, there is enough evidence to shed doubt on the advisability of a purely supply-driven approach.

Renewal of robusta trees
The second priority recommendation concerns replacing existing disease-damaged robusta trees by the new ones. If it could be achieved, this would improve the quality of coffee and result in higher producer prices. However, there is a problem in getting farmers to cut down their existing adult coffee trees and replace them with new ones, given that they will have to wait for to mature before they can realise income from them.

This problem is compounded by the dramatic downward trend in robusta coffee prices on the world market. In slightly better-off households where there are diversified sources of income, this option offers the hope of mid- to long-term improvements in income from an otherwise declining cash crop. However, in the poorer households where this is the only source of predictable income, cutting and replacing the old coffee trees will not be attractive. Opening new land and expanding plantings of robusta coffee trees, so that when these generate income they can prune the old ones gradually or replace them completely, would be more appropriate to their circumstances. However, that will only apply if they do not suffer from land pressure.
The people who need to be convinced in the first instance are the men, because of their decision-making role. But the evidence is clear that women must be assured of benefit from their labour if a strong supply response is expected. If new land is opened for coffee, this is likely to have a negative impact on women in terms of both increased demands on their labour and reduction of land for food production. Where food can be sold for cash, this may not even be attractive from an income perspective at current prices (cf. GoU, 1992/93). For households whose only income is robusta coffee, the option to replace trees or expand planted area will have a long-term positive impact, even with declining prices. The challenge is to get them (men and women) to buy into the approach.

Niche markets for coffee
The third option is for Uganda to penetrate niche markets for specialty and organic coffee. Participation in the Fair Trade movement might be considered as well. The advantage of this option is the high demand for these type of products. However, pursuing this option is highly intensive in information and organisation. PPA studies have shown that the rural poor tend to be socially excluded and ill-informed. It is most likely to be accessible and advantageous to entrepreneurs who are exposed to a wide range of necessary information and are capable of organising the necessary response. For poor households, this has potential to open new employment opportunities, especially for men, who have more available time than women and who tend anyway to get the better paying employment. The poor are not likely to exploit this option for themselves in the short and medium term.

GENDER ISSUES IN THE FISH SECTOR

Global patterns
The global prevailing patterns of women’s economic contribution to fisheries indicate that while they are involved in a number of activities, they rarely engage in commercial offshore fish capture. They are limited by the length of the period to be spent at sea that would interfere with customary family duties and also by the frequent taboos associated with the presence of women on board boats (FAO, 1990). Available information indicates that the greatest single source of income for women in the fishing industry is marketing. They are also extensively engaged in fish-processing operations.

Small-scale fishing in developing countries produces about half of the world’s fish. In these countries fish is the main source of animal protein in the diets of most poor people. In many societies in developing countries, fish workers are among the poorest people, often belonging to the lowest social class. In such communities women fish workers are even more vulnerable than men. Their traditional roles in all aspects of fish production have been more rapidly eroded as a result of the introduction of capital-intensive technologies and centralised marketing (Oxfam, 1995: 561-98).

However, fishing villages are not homogenous and therefore there may be different experiences in different countries. Even among women and men, interests have been found to vary. In a case study of a fish-smoking project in Guinea (Goetz, 1987) the following was found:

- in what appeared to be a sharply dualistic sexual division of labour in a fishing community, there were interdependent activities between men and women;
- by focusing exclusively on productive work, fish smoking women were treated as if they all had the same interests, yet different women used a variety of survival strategies that gave them different social interests;
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- an assumption that increasing women’s cash revenue will increase their status in the household disregarded the reality that most women’s labour is appropriated through household production but rewards are distributed less on the basis of contributions than on the basis of social evaluations of age, gender or conjugal rank;
- an assumption that freeing of women’s labour through access to technology would serve their interest by reducing their work burden. This was done without ensuring that the women would be in control of the new techniques. The effort ended in reducing women’s burden while diminishing their income since the new technology was appropriated by men;
- development projects assume that women’s time is elastic and fail to accommodate their domestic responsibilities which condition the nature of activities they can engage in outside of the household.

Trends in Uganda

In Uganda, the sector is gaining more importance as a foreign exchange earner as well as a source of livelihood for more than half a million people. The fisheries of Lake Victoria, in particular, have undergone a dramatic transformation during the last 15 years. From being a locally-based industry with little external intervention and a small capital base, the sector has evolved into an industry characterised by a high level of commercialisation at both production and distribution levels (GoU, 1998; LVFO, 2001; MAAIF, 2000; Olinga, 2000).

This change has had an effect on the roles and relationships between women and men at the fishing sites. Fish development, especially due to increased demand of Nile Perch, has resulted in decline in traditional fish processing because fish is marketed fresh (Keller, 2002). A recent gender-based study done on an island of Lake Victoria (Olinga, 2000) observed the following trends:

- before the intensive commercialisation, women dominated the smoking of fish, while the men dominated the fishing. The new market for Nile Perch has led to fishing becoming male dominated. At fishing sites that have been modernised, women have lost all their access to fishing-related earnings, since smoking and local marketing now takes place on a very small scale;
- in the traditional sites women had access to several benefits from fishing activities. Fishermen even provided fish on credit to women with repayment after the smoked fish was sold. This flexible relationship no longer happens at the modern landing sites;
- some women that are able to own their own boats are benefiting from the changes. They employ fish workers of their own. Many other women are moving into non-fishing activities.

There is need for more conclusive information of changing patterns of involvement of women and men in the sector. There are still some fishing communities that have not yet felt the impact of commercialisation of fish. However, to date expansion of this sector seems to have had mostly negative impacts for the majority of women, who have been involved in fish processing for the local market.

It is not clear whether the marginalisation of women from the benefits of export-oriented fishing is likely to involve any production constraints of the kind discussed for coffee cultivation. Constraints are more likely to be of a different sort. The new landing sites have another negative impact, this time on the fishermen, because of the limited
information and skills they have at their disposal. This account draws on conversations between Deborah Kasente and staff of Actionaid Uganda working with the fishing community on the island of Kalangala on Lake Victoria, as well as Olinga’s report and preliminary results from PPA2 (MFPED/UPPAP, 2002).

Many small-scale boat crews do not know the new regulations for marketing fish at the standard set by the external market. They make many losses when their fish is rejected. Also, because of the taxation associated with working with district officials, they are not keen to approach the relevant officers.

There are numerous fees to pay—market dues and payments to the fisheries officer, municipality officer, guards and health inspectors—if a fisherman wants to work in cooperation with district staff. As suggested by the LADDER research and some of the PPA material, the multiplicity of small levies and fees may itself be a serious constraint on production by small-scale operators, and thus a limitation on possible poverty impacts. If so, avoiding them may also not be a profitable option because it incurs other kinds of losses.

Another concern that arises from the PPA and other case-study evidence is inappropriate expenditure by men whose incomes have improved as a result of the increased demand for Nile Perch. There is only one bank in Kalangala District, two hours by boat from many landing sites. As a result, many fishermen keep their money at home and spend it lavishly on social recreation. Women’s and children’s needs are not necessarily being addressed with increased income because of the new lifestyles being adopted by men. Many married women are experiencing a very hard life and increased domestic violence. There are increasing complaints about moral degradation, increased alcohol intake and gambling by men and youths.

The future of fishing communities is worrying, according to Olinga (2000). Community people feel neglected by government because extremely limited infrastructure at landing sites and in fishing communities. Meanwhile, the population at landing sites is growing. One worried mother summarised the feeling of many women: ‘We hope our children can get work elsewhere, so that they will not suffer the way we are suffering’. Olinga concludes that the new developments in marketing fish have dramatically affected the nature of social relations between women and men in the production process. The women are becoming more invisible in the sector than they were before the new developments.

There is limited information about fishing community experiences in the areas around the smaller lakes. A study that examined the living and working conditions of fish labourers of lakes Kyoga and Victoria (Asowa, 1996) established four classes of fisher people: fishing capitalists, middle fishermen (with fishing equipment), poor fishermen (owning simple fishing equipment and canoes), and fisher labourers who work for wages for an employer. The pattern was said to be similar on the two lakes. The study uses a historical perspective and concludes that the most important variables in the sector are: taxation, imported technology, immigrant fisher people, the demand for money to buy capital and state rules and regulations.

**CONCLUSIONS**

In conclusion, this impact assessment as well as other studies that have been done in the country show that gender blind or gender neutral policies and strategies have differential effects on women and men in a way that tends to disadvantage women. This, in turn, has an effect on the effectiveness of planned initiatives. Considered as a whole, the evidence makes it highly likely that labour constraints will limit productivity and supply response in
The Strategic Exports Initiative in Uganda

export-oriented crop production, and that this will blunt the effects of STRATEX in the coffee sector if complementary measures are not adopted.

The coffee and fish sector initiatives still need to incorporate priority interventions that will ensure that women’s lack of control over productive resources and their extensive involvement in reproductive roles do not mean either that their conditions are made worse (probably the case for fish) or that the initiative fails on account of weak supply response. In other words, the target group for these initiatives needs to be disaggregated by sex as well as by other important variables like socio-economic status and rural/urban location. Promotional measures need to be implemented through institutional arrangements that are responsive to the specific constraints, motives and needs of these different actors. Section 3.5 of the main report considers what these might be.

REFERENCES

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Annex 6  Operationalising a gender-sensitive policy: institutional issues

Many of the gender issues discussed in this report are known to the MFPED, and general recommendations were made as early as 1993 to improve women's access to resources in order to increase their productivity. However, a number of institutional and structural factors represent impediments to the realisation of the recommendations made. In this appendix, we discuss some of these, with particular reference to a) the PMA and b) the line ministry that has particular responsibility for gender mainstreaming.

A GENDER ANALYSIS OF THE PMA

It is generally recognised that operationalising a gender-aware agricultural policy in Uganda is still a long way off. For example, a gender bias in agricultural research has been recognised. There is an under-representation of women scientists in the research community, a shortage of female extension workers and failure to exploit women's knowledge and experiences in agricultural technology development. The PMA is expected to address these serious gender issues.

The PMA document (MAAIF/MFPED, 2000) acknowledges that the agriculture sector is the provider of food self-sufficiency and food security as the main source of livelihood for 85% of the country's population. Currently it is difficult to make a clear distinction between PMA and reform of the agricultural sector. Nevertheless, the PMA presents a shift from subsistence to market agriculture. With this shift in focus, there are a number of gender issues that need to be carefully analysed to ensure that the impact of PMA is realised and that poverty reduced.

In the body of the PMA document, it is acknowledged that gender has an influence on division of labour and power relations within households that bring about differences in access and control over productive resources. An intention to promote participation of both women and men at all levels is expressed. For example among the strategies for achieving PMA is to ensure that all intervention programmes are gender focused and gender responsive. It is not made clear what this means in implementation terms. In the document, there is no comprehensive articulation of how gender responsiveness will be done and where the impetus to do it will come from. There seems to be an assumption that the national machinery for gender mainstreaming, the gender ministry, will take lead in doing this. Considering what is said in the next section about the status of the national machinery, this is not a realistic assumption. The task of clearly articulating gender within PMA still remains to be taken from the conceptual to the practical. There are several entry points for implementing gender mainstreaming in the key elements of PMA, which are:

- increased production through area expansion and livestock production;
- increased productivity through uptake of appropriate technologies;
- increasing rural incomes, production and food security; and
- sustainable use and management of natural resources.

Within the four areas above, it is possible to do a systematic analysis of women's and men's roles and responsibilities, the resources they can access and control to play their roles and to identify specific women's and men's practical and strategic needs that should
be addressed in order to realise the objectives of the PMA. This has not been done coherently. However, some of the components of PMA have a more gender aware approach.

For example, during the development of NAADS, an articulate gender analysis of the target group was done and the following gender inequalities were identified as requiring to be addressed in order for the programme to realise its planned impact for PMA:

- women lag behind men in educational levels and income earnings. Women also have limited economic opportunities due to their societal roles and responsibilities, their lower social status, their lack of control over productive assets, low participation in decision making and higher workloads. All these factors combine to make some groups of women more vulnerable to poverty;
- women provide most of the agricultural labour force but they have very limited control over productive resources compared with men. This includes control over land. This renders them generally unable to take key decisions over use of such resources and over many agricultural activities;
- women and men tend to have distinct division of labour within farming systems. They are engaged in the production of different crops and livestock. At the same time men have control over the labour of other household members while women have control over part of their own and their children’s.

It also has to be realised that the market for which women and men are now required to produce has rules and power relations different from those that apply in the household and community. Considering the much less exposure women have beyond the household and the community, it is important to assess in advance where women and men will not be able to perform well in the market and have clear strategies for addressing any disadvantages in the market arena identified for each category. For example, it is known that the market demands skills that most women do not have while men have them e.g. negotiation skills, assertiveness etc.

This analysis leads to recognition that persistent gender disparities hamper agricultural productivity, economic efficiency and growth. The challenge that remains is for PMA to develop distinct gender dimensions in all aspects, build institutional and human capacity and develop coordination mechanisms for implementation.

NATIONAL LEADERSHIP FOR GENDER MAINSTREAMING

The work-plan of the fish sector clearly spells out key actors and partners for each output that include government ministries and organisations as well as districts and the private sector. The coffee sector is less detailed in naming specific organisations. Glaringly missing from both sectors is the National Farmers’ Association, which has a national network of farmers, and the MGLSD.

The country has a National Gender Policy (1997) and a commitment to mainstream gender in all programmes. The gender policy is an integral part of the national development process and is supposed to reinforce the overall development objectives in the country. The MGLSD is mandated to coordinate, monitor and review the formulation of gender responsive policies and their implementation within sectors. However, moving to sector wide approaches (SWAPs) has also shifted lines of accountability at different levels between donors and the government, between the government and the citizens and between donors and the public. The present process now is that the government has define a macroeconomic framework, the PEAP, within which the MTEF determines what
is available for individual sectors. Government then leads a consultative process with stakeholders and investors, including development agencies, to define an overall sector policy, priorities, expenditure programmes, institutional reform, capacity building and accounting arrangements. This shift has led to different requirements for gender expertise as effective practice now demands comprehensive gender analysis and making linkages at micro, meso, macro levels.

The new demands and tensions for the gender ministry and other practitioners that have been working towards engendering national programmes were highlighted in a recent workshop (MGLSD, 2001) that was attended by priority sectors for PEAP and MGLSD. The sectors complained that the gender ministry was not playing their role effectively. Their specific complaints were:

- MGLSD senior staff were not attending meetings at decision making level where budgeting decisions are made. As a result gender concerns do not get prioritised and in the end the sectors get blamed for being gender-blind. It was recommended that the MGLSD should identify entry points for influencing budget allocation processes in sectors through SWAPs early enough in the process;
- MGLSD is over-stretched with too many roles and this has affected programme implementation, leading to inefficiency;
- lack of coordination of gender activities in different sectors results in duplication or conflict. It is unclear who to address, creating confusion at target group level.

The MGLSD’s response highlighted the constraints facing the national machinery for gender mainstreaming. Some of the challenges they face are the following:

- they have small numbers of professional staff, who also require capacity building to assist them in coping with the current demands in order to play their role effectively;
- there is still widespread resistance to gender issues both because of inadequate knowledge of the meaning of gender mainstreaming and traditional perceptions that put men in a privileged position in all decision making;
- there is inadequate resource allocation to gender-related activities. The MGLSD does not have an investment plan of its own and all their priorities get marginalised in other sectors.

An independent impact assessment of one of the MGLSD’s oldest projects (Aklilu and Kasente, 2001) found evidence that the ministry has done widespread gender sensitisation for policy makers and implementers and provided a strong foundation for activities in different sectors. Capacity building in gender analysis has been done for many government employees, particularly those that were based at the MGLSD, many of whom have been promoted to high positions in government and outside government. However, the assessment confirmed that the implementation of the gender policy has been allocated minimal resources as compared to other ministries.

Due to its meagre resources, the ministry is unable to carry out all its programmes. Most of the activities of the ministry have been funded through external support. Interviews with different gender staff shows that despite the achievements that have been realized through external support, the staff have not participated adequately in mainstream budget negotiations and decisions with a result that their expertise in this area needs to be stepped up. More staff capacity in gender budgeting and other related processes, especially within the context of the SWAPs that offer an opportunity for meaningful gender mainstreaming.
For gender-aware initiatives to be designed and implemented and adequately monitored, it requires institutional capacity in the relevant sectors to carry out the task. Currently there is no machinery or structure built into the coffee and fish initiatives to address gender concerns yet the MGLSD is not in position to facilitate the gender mainstreaming that is required. They are already over-stretched with too many demands on their expertise and they also require more support. The two sectors need to think seriously of evolving their own technical support in gender mainstreaming. This support should be clearly thought out as part of the design of the whole initiative in order not to marginalise it as an add-on after-thought.

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