Assessing the Extent of Trade Policy Mainstreaming in the Development Agenda

A Case of Zambia
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### Abbreviations

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>AfT</td>
<td>Aid for Trade</td>
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<tr>
<td>AGOA</td>
<td>African Growth and Opportunity Act</td>
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<td>COMESA</td>
<td>Common Market for Eastern and Southern Africa</td>
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<td>CTPD</td>
<td>Centre for Trade Policy and Development</td>
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<td>DDCC</td>
<td>District Development Coordinating Committee</td>
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<td>DTIS</td>
<td>Diagnostic Trade Integrated Study</td>
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<td>EIF</td>
<td>Enhanced Integrated Framework</td>
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<td>EPAs</td>
<td>Economic Partnership Agreements</td>
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<td>FNDP</td>
<td>Fifth National Development Plan</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>ICT</td>
<td>Information and Communication Technology</td>
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<td>IDE</td>
<td>Institute of Developing Economies</td>
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<td>IF</td>
<td>Integrated Framework</td>
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<tr>
<td>IZA</td>
<td>Institute for the Study of Labour</td>
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<td>LDCs</td>
<td>Least Developed Countries</td>
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<td>LPI</td>
<td>Logistics Performance Index</td>
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<tr>
<td>MA-TTRI</td>
<td>Market Access-Tariff Trade Restrictive Index</td>
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<tr>
<td>MCTI</td>
<td>Ministry of Commerce Trade &amp; Industry</td>
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<tr>
<td>MDG</td>
<td>Millennium Development Goal</td>
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<td>MFN</td>
<td>Most Favoured Nation</td>
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<tr>
<td>MoF</td>
<td>Ministry of Finance</td>
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<td>MoFNP</td>
<td>Ministry of Finance and National Planning</td>
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<td>MTEF</td>
<td>Medium Term Expenditure Framework</td>
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<td>NES</td>
<td>National Export Strategy</td>
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<tr>
<td>Abbreviation</td>
<td>Full Form</td>
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<tr>
<td>NIU</td>
<td>National Implementation Unit</td>
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<td>NSC</td>
<td>National Steering Committee</td>
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<td>PAC</td>
<td>Public Accounts Committee</td>
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<td>PF</td>
<td>Patriotic Front</td>
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<td>PRSP</td>
<td>Poverty Reduction Strategy Paper</td>
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<td>PSDA</td>
<td>Private Sector Development Association</td>
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<td>SADC</td>
<td>Southern African Development Community</td>
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<td>SAP</td>
<td>Structural Adjustment Programme</td>
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<td>SMEs</td>
<td>Small and Medium Enterprises</td>
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<td>SNDP</td>
<td>Sixth National Development Plan</td>
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<td>SSA</td>
<td>Sub-Saharan Africa</td>
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<td>TAs</td>
<td>Trade Agreements</td>
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<td>TIPEC ZAS</td>
<td>Trade and Investment Project for Enhanced Competitiveness of Zambia’s Apiculture Subsector</td>
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<td>TPAZ</td>
<td>Textile Producers Association of Zambia</td>
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<td>TRSMs</td>
<td>Trade Related Support Measures</td>
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<td>TTRI</td>
<td>Tariff Trade Restrictive Index</td>
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<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>ZABS</td>
<td>Zambia Bureau of Standards</td>
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<td>ZACCI</td>
<td>Zambia Association of Chambers of Commerce and Industry</td>
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<tr>
<td>ZAM</td>
<td>Zambian Association of Manufacturers</td>
</tr>
<tr>
<td>ZBF</td>
<td>Zambia Business Forum</td>
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<td>ZCSMB</td>
<td>Zambia Chamber for Small and Medium Bureau</td>
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<td>ZEGA</td>
<td>Zambia Export Growers Association</td>
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<td>ZIPAR</td>
<td>Zambia Institute of Policy Analysis and Research</td>
</tr>
<tr>
<td>ZNEMC</td>
<td>Zambia National Economic Management Cycle</td>
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<td>ZNFU</td>
<td>Zambia National Farmers Union</td>
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<tr>
<td>ZWMA</td>
<td>Zambia Weights and Measures Agency</td>
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</table>
Acknowledgements

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Foreword

When I was asked to write the Foreword for this report, I unreservedly accepted because the topic is relevant and could be a remedy to addressing economic challenges. It is clear from the report that trade mainstreaming should involve a wide array of activities ranging from how trade policy and identification of priority areas evolves, to how these identified priorities are mainstreamed at every development planning process.

I would like to add that this process will require effective and inclusive participation of different stakeholders at different levels, so as to democratise trade governance. In view of this, it is important to stress the importance of inclusivity at planning (agenda setting) level designing, adoption and implementation – of any policy or strategy.

The study also observes that Zambia’s trade performance has been relatively unsatisfactory in comparison with other countries. Among the major identified challenges which, if addressed, could better (positively) improve Zambia’s trade capacity hinges economic infrastructure (both soft and hard). These are all developmental challenges which require attention and recognition.

This brings me to the need for deliberate and strategic inclusion of trade in development planning and implementation. This is crucial for economic prosperity. Ensuring that there is consistent effort in mainstreaming trade into these development strategies can build the right platform
to further development objectives of Zambia. It is important at this point to understand that this process of mainstreaming should involve a three-tier process. Firstly, how trade policy (and identification of trade-related priority areas) was done. Secondly, how the development planning process was done and how the development plan was conceived. Thirdly, what were the opportunities of mainstreaming trade.

I am very confident that this report will provide better policy options for Zambia in moving forward.

Love Mtesa
Former Zambian Ambassador to Switzerland and the WTO
Executive Summary

The potential for trade to positively contribute to national development has long been identified in the development discourse in countries across the globe. The challenge for many least developed countries (LDCs) has been to actualise this potential through identification of trade priority needs, formulation of clear trade and industrial strategies and incorporation of trade related issues in national development planning. This study focuses on the latter – mainstreaming of trade in Zambia’s development planning.

This study is motivated by the fact that presently, even though Government has identified trade as an important driver for development under the Enhanced Integrated Framework (EIF) implementation in Zambia, there is currently no existing literature on the extent to which trade mainstreaming has occurred in Zambia. The current review of Zambia’s Diagnostic Trade Integrated Study (DTIS) which identifies trade priority sectors makes this study all the more relevant as it attempts to reveal the state of play of trade mainstreaming in national development planning.

For Zambia, the Sixth National Development Plan (SNDP), which is a five year national plan outlining Zambia’s growth sectors and strategies for economic and social development lies at the centre of understanding the level of progress of mainstreaming trade in national development planning. On the other hand, this undertaking is timely. The SNDP is currently undergoing an evolution as its focus is changing to
reflect the policy and programmes of the new government. Since the Patriotic Front (PF) came into power in September 2011, there has been a process of incorporating the priorities of the new government through new programmes and policies into the SNDP as elaborated in the PF party manifesto.

Thus to further unpack the dynamics of Zambia’s trade regime and its role in development, the political economy of national development plan formulation and to identify the specific issues that need to be addressed in order to enhance trade mainstreaming process, this study attempts to explore the extent of trade mainstreaming in Zambia’s SNDP.

Methodology

This data collection for this research study encompassed a literature review and field work consultations. The analysis under this research necessitated in-depth knowledge of the current SNDP. It also aimed to place this development plan in its context within Zambia’s vision 2030. Reviewing the SNDP in its level of trade mainstreaming in a holistic manner benefited from seeing what steps it has incorporated in this regard from the Fifth National Development Plan (FNDP) as well. The research team conducted a meticulous examination using qualitative analysis of material on the subject under study. Hence, the literature review drew from material in the public domain including the SNDP, FNDP, Zambia Vision 2030, the PF Manifesto, and other material while basing its approach and definition to trade mainstreaming on the UNDP Human Development Report – A Guide on Trade Mainstreaming produced in 2011.

The research required substantive consultations with experts and technocrats in the field of economic planning. Therefore, it included interviews and consultative meetings with individuals from relevant government ministries and wings including District Development Coordination
Committee (DDCC) members in districts in Copperbelt and Central provinces, civil society and private sector.

Findings
First and foremost, it must be noted that Zambia has not set any parameters defining the extent to which trade can or should be mainstreamed in its national development plans, which makes such a research difficult. However, the study attempts as much as possible to unpack Zambia’s efforts in this direction.

Therefore, before looking at the SNDP and the extent to which trade mainstreaming has ensued in the document, the study made an assessment of previous mainstreaming efforts in – the FNDP. The study reveals trade was mainstreamed in the FNDP in recognition of the importance that trade plays in achieving higher levels of economic growth and development and that trade was incorporated as a standalone chapter among various economic sectors including agriculture, mining, communications and metrology, infrastructure, tourism and manufacturing.

The FNDP continuously referred to trade and exports, well beyond the chapter on commerce and trade and placed emphasis on the need for Zambia to utilise its trade policy to promote economic growth and diversification, and to address its poverty reduction goals. The plan views Zambia’s domestic market as too small to sustain higher private sector growth and points to using trade policies to utilise external market opportunities and diversification.

The FNDP also recognises regional markets as a platform for providing additional export markets and views the proximity of regional markets as attractive export destinations for products from SMEs and small scale farmers in order aid poverty reduction efforts.
Specific programmes on commerce and trade were highlighted in the FNDP including promotion of Standards, Quality Assurance, Metrology and Accreditation; to stimulate the growth of domestic trading sector and increase trade in services; and Trade Promotion (Multilateral, Bilateral and Regional). The FNDP, however, remains unclear as to whether this level of trade prevalence in national planning was satisfactory or not.

An important note is that the FNDP was mired with deficient budgetary allocations as most funding was channelled towards projects outside the FNDP. This questions the leadership and commitment to those who were given the responsibility to preside over the FNDP affairs.

The SNDP, on the other hand, has made recognition of trade as an important tool for development. Trade under the SNDP has been placed under five identified growth sectors. Growth sectors have been poised to assist in advancing Zambia’s growth trajectory and these include tourism.

There are three main objectives governing the trade chapter, each of which is broken into strategies and programmes, namely to:

- increase the volume of exports in regional and international markets;
- stimulate the growth of domestic trading sector and increase trade in services; and
- secure and facilitate improved market access for locally produced goods and services.

The SNDP shows government’s intention to continue pursuing a path to promote economic diversification, generate export led growth and liberalise trade at regional and international levels while expanding the scope for multilateral, regional and bilateral trade arrangements. Thus, focus will be placed on the value addition of locally produced goods for
increased domestic and foreign market earnings, development of both hard and soft infrastructure such as roads, e-commerce and border facilities, including raising the quality of human capital, research and development capability as well as management systems.

Further it identifies products of high export potential though it remains unclear whether the findings of the DTIS provided any basis of choosing these products as there is no mention of it in the SNDP. More importantly, Zambia has struggled to produce a National Export Strategy (NES) and this entails a variance between the intention to market the earmarked products and the ground realities where strategy is gravely needed.
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1
Introduction

Background

The SNDP is a strategic development document aimed at contributing to the actualisation of Zambia’s first ever written long term development plan – the Vision 2030 – which aims to place the sub-Saharan nation as a prosperous middle income country by that year. The SNDP, which builds up from the FNDP, spans over a period of five years from 2011-2015. The objectives of the SNDP are to accelerate: infrastructure development; economic growth and diversification; rural investment and poverty reduction and enhance human development with the theme “Sustained economic growth and poverty reduction”. The SNDP focuses on agriculture, livestock and fisheries, mining, tourism, manufacturing as well as commerce and trade as the main drivers for sustainable and inclusive growth.

As one of the key drivers of the economy, trade provides a sustainable avenue for the effective achievement of the SNDP objectives. The potential for trade to play a key role in achieving economic growth and directly impacting the lives of the poor is immense. Trade influences poverty reduction by providing incomes for those engaged in it. Trade is also heavily linked to infrastructure development considering that trade cannot be enhanced without the necessary road networks, storage
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facilities, border infrastructure and telecommunication services. In addition, sustained economic growth and diversification are attainable through actualising the potential of trade.

According to a study by The Institute for the Study of Labour (IZA, 2010), countries actively engaged in international trade tend to be more productive than countries that only produce for the domestic market. The study reveals that within the period between 1988 and 2008, China’s trade volumes have grown tremendously with an annual expansion rate of 18.1 percent. During this time, China has experienced a colossal inflow of currency and increases in employment levels while some of its industries with comparative advantages increased in specialisation. In addition, China’s involvement in international trade has contributed to advancements in productivity of domestic industries and technology. Within the six-year period, i.e. from 2002-2007, China’s mean value of gross domestic product (GDP) doubled with an annual growth rate of 15 percent.\(^1\)

China’s economic development and trade performance have been heavily linked with infrastructure development. In a study by the Institute of Developing Economies (IDE, 2010), China’s sustained high economic growth and increased competitiveness have been underpinned by a massive development of physical infrastructure. Coinciding with China’s sustained trade volume expansion from the 1980’s to 2008, the country has also experienced a transformation in poverty ratios. The percentage of its population living on less than US$1 per day has reduced from 60 percent in 1980 to eight percent in 2009.\(^2\)

increased exports, primarily of coffee, by 15 percent per year, thereby lifting of agricultural contribution to GDP by 4.6 percent. Meanwhile, Vietnam recorded a reduction in rural poverty from 66 percent in 1993 to 45 percent in 1998.³

As highlighted in Figure 1, overall poverty was halved in Vietnam in a period of only six years from 1998-2004 dwarfing the United Nations Millennium Development Goal (MDG) 1: Eradicate Extreme Poverty and Hunger, Target 1A of halving extreme poverty over a much longer period from 1990-2015.

**Figure 1: Poverty Reduction in Vietnam during 1993-2004**

*Source: Vietnamese Academy of Social Sciences, Vietnam Poverty Update Report 2006*
Similarly, CUTS International Trade-Development-Poverty Linkages Report of 2008 points China and Vietnam as countries that displayed strong ownership of their trade policy reforms which resulted in outstanding performances in expanding economic activities.

These cases show that a permeating focus on trade in development plans can ultimately assist developing nations achieve objectives of their national development plans (NDPs). In the case of Zambia, trade focus can drive towards attainment of the SNDP and move a step closer to the actualisation of the Vision 2030. In this context, ensuring that aspects of trade are adequately provided for in NDPs should be a primary focus of the government and other stakeholders.

Therefore, this study is motivated by the fact that presently, even though the government has identified trade as an important driver under the Enhanced Integrated Framework (EIF) implementation in Zambia, there is currently no existing literature on the extent to which trade mainstreaming has occurred in Zambia.

Further, Zambia’s DTIS, which is the basis for identification of trade priority sectors/areas and mainstreaming of the identified areas in NDPs, is coincidentally under review. This research becomes all the more relevant to Zambia as it will assess how this document feeds into the SNDP. This study, will therefore, act as a catalyst to unpack and reveal the state of play of trade mainstreaming to provide different stakeholders an evidence-based position on the issue.

On the other hand, this undertaking is timely. The SNDP is currently undergoing an evaluation as its focus is changing to reflect the policy and programmes of the new government. Since the PF came into power in September 2011, there has been a process of incorporating the priorities of the new government through new programmes and policies into the SNDP as elaborated in the PF party manifesto. Thus, this
research will also investigate the political economy of the NDP formulation. The study also attempts to suggest additional avenues to enhance trade mainstreaming into the SNDP. The findings of this research will give Zambia a clear basis of specific issues that need to be addressed to enhance/improve the mainstreaming processes.

Concepts of Trade Mainstreaming

It must, however, be noted that there is no universal definition of the concept of trade mainstreaming due to the broad nature of trade-related issues and different avenues through which mainstreaming trade can be pursued; no single definition has been agreed upon for the trade mainstreaming. According to UNECA (2004) in an Issue Paper on Trade Mainstreaming stated, “mainstreaming trade policies in national development strategies involves the systematic promotion of mutually reinforcing policy actions across government departments and agencies with a view to creating synergies in support of agreed development plans.”

On the other hand, UNDP (2011) states that mainstreaming trade can be defined as the process of integrating trade into national and sectoral development planning, policymaking, implementation and review in a coherent and strategic manner. This means taking trade-related issues into account while planning and executing broader development objectives. It further implies using trade proactively to attain specific national development goals, including poverty reduction.

This study will entail that trade mainstreaming is looked at in three levels namely: policy, institutional and international cooperation levels.
2
Methodology

Literature Review

The analysis under this research necessitated in-depth knowledge of the current SNDP. It also aims to place NDP in its context within Zambia’s Vision 2030. Reviewing the SNDP in its level of trade mainstreaming in a holistic manner benefited from seeing what steps it has incorporated in this regard from the FNDP as well. The research team conducted a meticulous examination using qualitative analysis of material on the subject under study. Hence, the literature review drew from the following material in public domain.

- SNDP
- Vision 2030
- FNDP and how it has been improved upon
- PF Manifesto
- Any other literature on the NDP formulation process
- Experiences from others countries that might be relevant for Zambia

Consultative Meetings

The research required substantive consultations with experts and technocrats in the field of economic planning. Therefore, it included interviews and consultative meetings
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with individuals from relevant government ministries and wings, civil society and private sector. The research team consultative list included the following categories:

- **Senior Officials in Key Institutions**: The institutions targeted included the MCTI and the MoF.

- **Private Sector Meetings**: As the ultimate drivers of trade and the economy as a whole, the perspective of the private sector was essential to this research. Trends in this sector create trade patterns of the country and having its input as achieved through individual meetings with selected private sector associations including private sector development association and Zambia Chamber of Small and Medium Business Associations.

- **District Development Coordinating Committee Meeting**: In order to assess the level of engagement of the DDCC meeting in the trade priority identification and the general effectiveness of their input into the SNDP, the research team conducted interviews with representatives of four DDCCs in the Copperbelt and Central provinces to collect data about the functioning of DDCCs in the trade mainstreaming process, their unique challenges and how the effectiveness of their participation may be improved upon.

- **Public Symposium**: CUTS, in conjunction with Centre for Trade Policy and Development (CTPD), organised a public symposium where most of the stakeholders were invited. The aim of the symposium was to discuss trade mainstreaming in Zambia. The MCTI, MoF, Finnish Embassy and Civil Society, Academia, Private Sector and other stakeholders participated in the symposium. This
provided an opportunity to collate different views on the trade policy making process, the SNDP formulation, linkages between these ministries, level of trade mainstreaming and broader discussions on Zambia’s trade agenda. The conclusions from these discussions also provided input for the research report.
3 Zambia’s Economic Outlook

Economic Performance

From 2006-2012, Zambia has recorded strong economic growth with real GDP at its lowest in 2008 at 5.7 percent and reaching a peak of 7.6 percent in 2010. The average rate over this period 2006 to 2011 was 6.4 percent.

Figure 2: Zambia’s GDP Growth (2006-2012)

During the five year period from 2006-2011, there was a structural shift in the composition of the GDP. The construction sector recorded a surge contributing up to 21.8 percent of the GDP as of 2011. Agriculture and Mining both showed minor reductions in contributions to GDP while Manufacturing reduced from 10.4 to 8.1 percent of GDP in 2006 and 2011 respectively. There has been a consistent reduction in wholesale and retail trade from 16.9 percent in 2006 to 13.7 percent of GDP in 2011.

It must be stated that such an increase in economic growth, driven by the construction sector is not necessarily an indication of strong and resilient economic development unless it is directed towards supporting productive infrastructure especially given that there has been a reduction in the proportion of manufacturing and agriculture to GDP. However, with overall production going up but local retail trade reducing in proportion to GDP, this could imply that there has been an increase in the proportion of productive economic activity and trade across borders. Even though this point towards an increase in trade performance, similar country comparisons reveal a lag in the trade growth pattern for Zambia considering available resource endowments and opportunities which is further discussed. Table 1 highlights the dynamics in proportion to GDP from 2006 to 2011.

The Zambian government in its Annual Progress Report for the SNDP for 2012 states that macroeconomic performance for 2012 was largely favourable with real GDP growth estimated at 7.3 percent – higher than the SNDP target of 6 percent. The main drivers of growth were agriculture, construction, wholesale and retail trade, manufacturing, transport and ICT. Significant progress in structural reforms was also recorded in 2012 in the areas of public finance management, private sector development, public service reforms, decentralisation, labour reforms and financial sector
development. Overall macroeconomic and growth performance was consistent with SNDP targets in 2012. On aggregate, 56 percent of annual Key Performance Indicators in this thematic area were met. This performance need to be consistent and sustained for a longer period of time to positively impact the high poverty levels.8

Table 1: Percentage Share of GDP by Kind of Economic Activity, 2006-2011

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<tr>
<th>Kind of Economic Activity</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>Period Average</th>
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<tr>
<td>Primary Sector</td>
<td>24.4</td>
<td>24.2</td>
<td>23.5</td>
<td>23.4</td>
<td>23.8</td>
<td>23.5</td>
<td>23.8</td>
</tr>
<tr>
<td>Agriculture, Forestry and Fishing</td>
<td>20.2</td>
<td>19.8</td>
<td>19.8</td>
<td>20.8</td>
<td>20.1</td>
<td>19.4</td>
<td>20.0</td>
</tr>
<tr>
<td>Mining and Quarrying</td>
<td>4.2</td>
<td>4.4</td>
<td>3.6</td>
<td>2.6</td>
<td>3.7</td>
<td>3.1</td>
<td>3.8</td>
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<tr>
<td>Secondary Sector</td>
<td>25.6</td>
<td>27.1</td>
<td>28.2</td>
<td>30.4</td>
<td>31.8</td>
<td>33.0</td>
<td>29.4</td>
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<td>Manufacturing</td>
<td>10.4</td>
<td>9.7</td>
<td>9.4</td>
<td>9.3</td>
<td>8.7</td>
<td>8.1</td>
<td>9.3</td>
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<td>Electricity, Gas and Water</td>
<td>3.0</td>
<td>2.9</td>
<td>2.8</td>
<td>2.8</td>
<td>2.8</td>
<td>3.1</td>
<td>2.9</td>
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<td>Construction</td>
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<td>14.5</td>
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<td>18.3</td>
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<td>21.8</td>
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<td>Tertiary Sector</td>
<td>47.4</td>
<td>46.3</td>
<td>46.3</td>
<td>45.9</td>
<td>45.5</td>
<td>43.8</td>
<td>45.9</td>
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<td>Wholesale and Retail trade</td>
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<td>16.0</td>
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<td>14.4</td>
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<td>Restaurants, Bars and Hotels</td>
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<td>7.9</td>
<td>8.0</td>
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<td>8.7</td>
<td>8.1</td>
<td>8.3</td>
</tr>
<tr>
<td>Real Estate and Business Services</td>
<td>6.0</td>
<td>5.8</td>
<td>5.7</td>
<td>5.7</td>
<td>5.5</td>
<td>5.6</td>
<td>5.7</td>
</tr>
<tr>
<td>Community, Social and Personal Services</td>
<td>9.0</td>
<td>9.4</td>
<td>10.0</td>
<td>10.3</td>
<td>10.5</td>
<td>10.4</td>
<td>9.9</td>
</tr>
<tr>
<td>Less: FISIM</td>
<td>(4.8)</td>
<td>(4.5)</td>
<td>(4.6)</td>
<td>(4.5)</td>
<td>(5.0)</td>
<td>(4.7)</td>
<td>(4.7)</td>
</tr>
<tr>
<td>Total Gross Value Added</td>
<td>92.6</td>
<td>93.1</td>
<td>93.4</td>
<td>95.2</td>
<td>96.1</td>
<td>95.6</td>
<td>94.3</td>
</tr>
<tr>
<td>Taxes less subsidies on products</td>
<td>7.4</td>
<td>6.9</td>
<td>6.6</td>
<td>4.8</td>
<td>3.9</td>
<td>4.4</td>
<td>5.7</td>
</tr>
<tr>
<td>Total GDP at Market Prices</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: CSO December 2011 Monthly Report

Contd...
The country’s macroeconomic stability is characterised by low fiscal deficits, single digit inflation, and a relatively stable exchange rate. In 2012, average annual inflation continued in single digits at 6.6 percent. This represented a 2.1 percentage point reduction from the 2011 level of 8.7 percent. The out-turn was within the SNDP target of 7.0 percent. Growth in exports has been robust, with gross international reserves rising to US$2.2bn at end-December, 2011. In addition, there has been an overall improvement in the investment climate and business environment, which is reflected in higher foreign direct investment (FDI) and economic growth. These and other macroeconomic fundamentals have set the stage for greater growth and development in Zambia. The challenge however, remains that this growth is not as inclusive as it should be.

The Development Challenge

Despite Zambia’s relatively good macroeconomic performance recorded during the last five year period, the good performance registered has not been inclusive and adequately translated into poverty reduction, one of the overarching goals to which the country’s macroeconomic policy should be anchored.

Overall poverty remains high. According to the Zambia Human Development Report 2011, poverty reached its peak in 1993 at 84 percent and has been on the decline since then.9 The Human Development Report 2013 reveals that currently, 64.2 percent of the Zambian population is living in multidimensional poverty and 68.5 percent are living on less than US$1.25 per day.10

The distribution of income as calculated using the Gini coefficient11 shows the level of inequality in income distribution in an economy. The UNDP Human Development Report 2013 indicates that Zambia’s Gini coefficient has risen
to 54.6 as compared to scores of 50.7 in 2004. This reveals a worsening prevalence of income inequality even as economic growth continues to occur. The report also reveals that there is a 36.7 percent loss in the Human Development Index after adjustment for inequality.

According to the Africa Progress Report for 2013, during the period between 2002 and 2006 in Zambia, the richest 10 percent of the population saw its share of consumption increase from 33 percent to 43 percent, while the consumption share of the poorest 10 percent fell from 2.6 percent to 1.4 percent.

The continued high poverty levels and poor performance on other Human Development indicators despite good macroeconomic performance suggests the need for concerted government policy interventions to address macroeconomic and other policy constraints. This is the only way of ensuring that the recorded macroeconomic successes translate into tangible improvements for the ordinary Zambian citizen.

According to some local stakeholders including private sector and the civil society, areas for improvement include: significantly increasing gainful employment of Zambians, expedition of the creation of industrial clusters, creation of an enabling business environment to facilitate and promote small and medium enterprise (SME) growth, reducing the cost at which local business access financing; and further reducing the cost of doing business in Zambia. In addition, there have also been calls for the government to place urgency on the preparation of a NES.

**Trade Performance**

Zambia as a uniquely endowed SSA country possesses immense economic potential to participate in trade at a much higher level than it is currently doing. With plentiful water
sources and rainfall for agriculture, vast mineral resources and abundance of labour, the nation has always had the opportunity to address the prevailing poverty through production of competitive goods and services for trade in the region and elsewhere around the globe. This potential has remained largely untapped.

Zambia experienced rapid growth of both imports and exports over the early 2000s. Total export earnings grew by 16.6 percent per annum from 2000 to 2005 compared to the annual 24.3 percent growth rate in total import expenditure. The increase in the import bill was primarily due to high investment activities in the country’s new and existing mines, which were accompanied by an increased importation of capital equipment and a rise in the price of oil on the world market. Increased domestic demand for imports was also reinforced by the strengthening of the Kwacha against the world’s major currencies.¹⁴

| Table 2: Overview of Trade flows from 2000-2005 (US$mn) |
|-----------------------------------|----------|----------|----------|----------|----------|----------|
|                                   | 2000     | 2001     | 2002     | 2003     | 2004     | 2005     |
| Total Exports                     | 853      | 980      | 894      | 981      | 1,717    | 1,840    | 16.6     |
| Total Imports                     | 864      | 1,080    | 1,095    | 1,572    | 2,337    | 2,565    | 24.3     |
| Exports to SADC                   | 248      | 286      | 316      | 431      | 840      | 731      | 24.1     |
| Imports from SADC                 | 594      | 731      | 726      | 1,041    | 1,305    | 1,467    | 19.8     |
| Trade balance with SADC           | -346     | -444     | -410     | -610     | -466     | -736     | -        |
| Exports to South Africa           | 167      | 217      | 198      | 211      | 427      | 342      | 15.5     |
| Imports from South Africa         | 481      | 603      | 597      | 766      | 1,082    | 1,220    | 20.5     |
| Trade Balance with South Africa   | -314     | -386     | -399     | -555     | -655     | -878     | -        |
| Total Trade Balance               | -31      | -100     | -201     | -591     | -619     | -726     | -        |

Source: Zambia Trade Performance Review, 2007
Subsequent to the mid 2000’s Zambia’s trade performance has continued to grow but remains quite unsatisfactory considering the growth trajectory exhibited by some other African countries particularly countries, such as Uganda and Tanzania in export growth as illustrated in Table 3. Zambia in 2011 recorded export earnings of US$8.5bn as compared to US$7.2bn in 2010 and US$4.2bn in 2009. As much as this may entail some progress, the bulk of these exports were still in the form of raw copper revealing the continuing lack of sufficient product diversification and value addition in a manner that will reduce dependence on raw extractive produce. Of these exports for 2011, over US$6.6bn is attributed to copper alone with all other products sharing the remaining 20 percent of exports.

According to the World Trade Organisation trade profile database, the trade performance shows that Zambia lags behind some African countries including Uganda, Tanzania and Lesotho in export growth from 2005 to 2011.

<table>
<thead>
<tr>
<th>Tables 3: Trade Performance in Selected African Countries</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trade Per capita (US$ 2009-2011)</strong></td>
</tr>
<tr>
<td>--------------------------------------</td>
</tr>
<tr>
<td>Export of goods and services (volume, 2005 =100)</td>
</tr>
<tr>
<td>Import of goods and services (volume, 2005 =100)</td>
</tr>
</tbody>
</table>

Figure 3: US-Zambia Trade 2010 - 2012 (US$mn)

Source: AGOA.info URL: http://www.agoa.info/?view=country_info&country=zm#
This underperformance is understated considering the available trade opportunities such as the African Growth and Opportunity Act (AGOA). AGOA is a bilateral non-reciprocal trade agreement between the United States of America and selected African countries which allows duty free, quota free export of certain products to the US market. However, recent statistics reveal Zambia’s lack of effective utilisation of the AGOA initiative stemming primarily from an overdependence of copper exports, lack of value addition, limited forward and backward linkages between sectors and inadequate addressal of trade capacity challenges.

Zambia has undoubtedly made some strides towards improving its trade performance over the decades. However, in order to take full advantage of existing opportunities, Zambia must have clearly identified its trade needs and constraints while highlighting possible solutions and developing a roadmap towards their implementation.
4
The Role of Trade in Development

Linkages between Trade, Development and Poverty Reduction

Trade is a useful tool for spurring economic growth and poverty reduction. Historically, no country has achieved sustained prosperity and economic growth while closing itself off from international trade and foreign investment. Trade allows local productive sectors to access larger markets while giving consumers a wider choice of goods and services at more competitive prices. According to a research paper on capital flows, trade openness and economic growth dynamics in Nigeria by SF Muibi in 2012, “a well-defined and synthetic combination of the capital flow variables and trade openness yields positive and statistically significant effects on economic growth in Nigeria.”

Trade also provides inputs to local manufacturing which are not available within the borders of that country. In addition, trade provides incomes for a wide section of a country’s population, thereby contributing in a direct way to human development and improving standards of living.

Besides all this, it can also be recognised that focusing on requirements for a nation to fully participate in export-led
growth through trade can also inadvertently lead to improving infrastructure, reductions in cost of doing business and better access to credit, enhancement in local product quality, among others, which contribute to development and lead to better livelihoods for a country’s citizens. These positive outcomes are achievable with a progressive but cautious trade strategy weighing the need to identify the trade-offs in implementing trade reforms.

However, the link between trade, development and poverty reduction is still under academic scrutiny. Theoretically, the connections are clear between trade expansion and its impacts on economic growth and income distribution. Gathering concrete empirical evidence has been more of a challenge due to the complex nature, interrelationships and dynamics of these concepts.

Trade liberalisation provides positive and negative effects to the same population meaning that the net effect is sometimes difficult to determine. Earlier studies by CUTS (2008) on these linkages in Zambia reveal that the closure of businesses in some sectors of the economy took place after trade liberalisation. The textiles industry was particularly affected by the liberalisation of Zambia’s economy. Many textiles, unable to handle the competition from cheap imported clothes – especially second-hand – went out of operation causing a decline in purchasing power resulting in job losses. These closures also entailed that the government would receive less tax revenue from this sector; thereby reducing its ability to provide much-needed social services to the poor.

On the other hand, the poor now had a new source of affordable clothing through second-hand goods imported into the country. In addition, second-hand clothing turned into a business opportunity in its own right and employment was created through retail trade in second-hand apparel.
According to the CUTS study, “the fact that reform in trade policies can produce both winners and losers and that the poor are more vulnerable to the adverse impact of trade reform suggest that trade policy can lead to poverty reduction only if it is treated as an integral part of poverty reduction strategies. That this has not been always the case is shown by the mixed results of trade reform witnessed in several countries of SSA including Zambia.”

This highlights the importance of deliberate and strategic inclusion of trade in development planning and implementation. Ensuring that there is consistent effort in mainstreaming trade into these development strategies can build the right platform to further development objectives of Zambia. Trade mainstreaming in isolation, can however, not deliver development goals. According to the UNDP Trade and Human Development Report (2011) there must be a combination of complementary policies in place in order to achieve development in a meaningful way.

Some of these pro-poor growth policies, including agricultural development, services sector growth, manufacturing and infrastructure development, sustainable investment, generally strong and stable macroeconomic and adequate social safety nets should be in combination with trade mainstreaming to achieve desired outcomes of growth and poverty reduction.

According to a UNDP (2007) case study on Zambia’s economic growth policies, “If trade liberalisation is not complemented with other active measures, especially poverty-focused interventions such as the building of rural infrastructure, financing of agricultural development and the provision of adequate credit to small and medium enterprises, then trade liberalisation can exacerbate inequality and bypass the poor, especially the rural poor.”
Despite the fact that trade must work hand in hand with other policy initiatives in order to achieve desired results it remains a vital avenue in which developmental objectives can be achieved through an inclusive approach.

Aid for Trade and the EIF

Over the years, African countries like Zambia have had severe challenges in breaking through and increasing their share of global trade. Many LDCs have had minimal participation in world trade and whatever little trade has been engaged has not brought satisfactory results.

Aid for trade (AfT) flows into Zambia has remained consistently below aid for trade commitments with average annual commitments between 2006 and 2008 at US$245.3m and average actual disbursements at US$162.1m for the same period. Between 2010 and 2011 Zambia recorded an increase in aid for trade commitments from US$182.9m to US$456.7m while recording a more modest increase in disbursements from US$125.0m to US$178.5m.

| Table 4: Recent Aid for Trade Commitments and Disbursements to Zambia |
|--------------------------|----------|----------|----------|
|                          | 2006-08 Average | 2009     | 2010     | 2011     |
| US$mn                    |           |          |          |          |
| Commitments              | 245.3     | 317.5    | 182.9    | 456.7    |
| Disbursements            | 162.1     | 139.9    | 125.0    | 178.5    |

Source: OECD/WTO (2013), Aid for Trade at a Glance 2013
Over the years there has been need for a mechanism to better coordinate AfT resources even as Zambia has undoubtedly made strides towards improving its trade performance over the decades. However, in order to take advantage of existing opportunities, Zambia must have clearly identified its trade needs and constraints while highlighting possible solutions and developing a roadmap towards their implementation.

This approach was first used by Zambia through the EIF which is an AfT programme aimed at assisting LDCs better participate in the international trading system. The EIF was instituted following the Ministerial Conference of the WTO in Singapore in 1996 as the Integrated Framework (IF) in 1997.20

The objectives of the IF programme were to:

a) better coordinate and pool resources by agencies;
b) make trade issues a national development priority;
c) support LDCs to better identify their trade development priorities; and
d) build trade capacity.

The objectives were to be achieved through a series of steps which included building awareness about trade; identifying needs and responses; integrating identified trade priorities into national development strategies and implementing the plans.21

The programme was revamped in 2001 and subsequently reviewed in 2005. In line with the Brussels Plan of Action for the LDCs, significant work was undertaken to create a more result-focused, accountable and responsive EIF programme functioning in line with the principles of the Paris Declaration on Aid Effectiveness. The programme focuses on country ownership, greater coordination and commitments from all EIF partners, stronger national and global governance
structures and additional financial resources to match LDCs’ demands.

Zambia has made strides in the implementation of the EIF process since it officially joined the IF in 2004. Even though it took seven years to join due to the trade and trade-related assistance issues being placed outside the implementing agencies and poor publicity of the programme, much work has been done. A major challenge of the process has been to increase country ownership of the process and thus one significant component of the initial stages is to establish in-country institutional arrangements and to promote awareness of the process.

Institutional arrangements have been put in place with the National Implementation Unit (NIU) housed at the MCTI and the National Steering Committee (NSC) to whom the NIU report.

Zambia, has in 2013, had its first ever Tier II project approved. This pioneer EIF project called the Trade and Investment Project for Enhanced Competitiveness of Zambia’s Apiculture Subsector (TIPEC ZAS) with others in the pipeline being developed on the Dairy Sector, Eco Tourism and Aquaculture. The NSC is set on ushering more proposals before the end of 2013.

**DTIS Review**

The DTIS is the main tool of the EIF programme for LDCs to identify their trade-related needs/solutions. The DTIS also provides for an Action Matrix to track the implementation of necessary interventions. The DTIS for Zambia was first conducted in 2005 under the supervision of the World Bank and captured numerous trade constraints and many of the sectors that required attention. However, stakeholders widely agreed that the study had several gaps in the process of
formulation of documents. The DTIS ignores some of the critical and potential areas of diversification. These include livestock, honey and services. Rice, cassava and groundnuts have a huge potential in the regional markets. In addition, the IPR, ICT and gender mainstreaming need to be acknowledged and included.

Despite the huge potential for diversifying trade, the DTIS, under the IF, has not been able to fulfill its objectives, due to a number of constraints which, among others, include: lack of capacity to implement and coordinate trade policies, limited mainstreaming of trade and poverty in the NDP, lack of national ownership and high level political backing, limited funding, lack of a national export strategy, fragmented donor effort and inadequate funding. In addition, the country does not have adequate data for improved trade policy analysis and implementation for strategic policy formulation. The supply-side constraints remain entrenched in the economy.22

In light of the ownership deficiencies apparent in the formulation of Zambia’s DTIS as well as the fact that trade is a dynamic phenomenon and since the DTIS of 2005 new issues and priority areas may have emerged, the DTIS is currently under review. The World Bank has continued its involvement in Zambia’s DTIS and is leading the review of this document.

The World Bank in September, 2012 held the inception meeting for the DTIS review in which they brought together various stakeholders to endorse the methodology of the review and the sections that ought to be covered in the document including the case studies that will be undertaken. The World Bank has since gone forward with the review which is set to be completed during 2013.

It is commendable that the DTIS review team has acknowledged the shortcoming of the DTIS of 2005 which were identified by various stakeholders and adding to the scope of the review. The review will thereby include a more
comprehensive analysis of services, and include other sectors, such as livestock and cross cutting issues on trade facilitation.

Recognising the challenges the World Bank and the MCTI will face in carrying out inclusive consultations, it however, expected that the DTIS review team to use a sector based criteria that will ensure adequate representation to enhance the ownership and inclusivity of the process.

The continued emphasis on the need for inclusivity in the study is also a two-edged sword in that civil society, the private sector, government ministries besides the MCTI must all take an interest and participate meaningfully in this process. Already participation from the private sector is rather weak judging from the attendance levels at the inception meeting possibly stemming from the intense business schedules that characterise the sector.

However, all stakeholders must take an active interest in this review as it may set the tone for the next few years in determining government sector development focus and resource allocations if used as a yardstick in government planning and also in terms of funding through the EIF.
5
Trade Policy Regime in Zambia

In understanding the trade policy and practice regime for Zambia, it will be important to bring into perspective both the historical and contemporary aspects. Table 5 summarises the developments which have characterised Zambia’s trade policy agenda.

Table 5 illustrates that, since independence between 1964 to mid-1970s, state control characterised the Zambian economy. Copper mining was the main export, amounting to 90 percent of export earnings. With the 1968 Mulungushi economic reforms, the government acquired 51 percent ownership of private retail transportation and manufacturing firms. This nationalisation allowed the state to control 80 percent of the economy through parastatals. The parastatals covered all spheres of economic activity, for example, mining, energy, tourism, finance, agriculture, trade, manufacturing and construction. Import substitution strategy was the rationale behind these policies. (CUTS GRC 2010).

The oil shocks of 1970s and the considerable drop in the price of cooper took a heavy toll on Zambia and its economic conditions declined steadily during this period. Zambia agreed to its first Structural Adjustment Programme (SAP) in 1985,
### Table 5: Evolution of Zambian Trade Regime

<table>
<thead>
<tr>
<th>Period</th>
<th>Key Events</th>
</tr>
</thead>
</table>
                  • Matero Economic Reforms, 1969 – Partial nationalisation of copper industry  
                  • Import substitution strategy – Pervasive government  
                  • Regulation, 80 percent of economy controlled by government through parastatals |
| Mid 1970s-1980s | • Oil shocks contribute to economic decline  
                  • First SAP adopted in 1985, then abandoned in 1987 for failure to ameliorate economic crisis |
| 1990s         | • Rapid liberalisation, deregulation, parastatals privatised |
| 1994          | • A comprehensive trade policy developed: goal is to create competitive and productive economy driven by the private sector |
| 2005          | • DTIS and Action Matrix adopted in Zambia as the basis of choosing trade related priority areas for mainstreaming purposes |
| 2006          | • Vision 2030 adopted – long-term development plan, provides framework for current development goals and efforts including in the area of trade |
| 2006-2010     | • FNDP adopted as a mid-short term measure to implement the Vision 2030. The FNDP acknowledges the role of trade |

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Assessing the Extent of Trade Policy Mainstreaming in the Development Agenda

which was put into place partly under donor pressure. By 1987, this programme had to be abandoned due to its failure to ameliorate the economic crisis as that the country faced, well as the stiff domestic opposition to the implementation of some of the more difficult measures enforced under the SAP.

The year 1991 marked the beginning of another fundamental change in the economic management of the country. Zambia embraced the concept of liberalisation, including an opening of trade, decentralisation, and deregulation of the economy. A second SAP was undertaken, moving the economy away from import substitution and towards an export-oriented, market economy under the guidance of the World Bank and the International Monetary Fund (IMF). The decade of the 1990s showed an almost blind optimism regarding the success of liberal economic policies. Economic activities were speedily liberalised and parastatals privatised with little consultation and were not accompanied by appropriate knowledge, institutions, facilities and regulatory environment that go with liberalisation and privatisation.

Concerned government officials did not have the skills, knowledge and experience to manage and regulate economic activities in such a highly liberalised economic environment. Partly due to the reasons mentioned above, liberal economic

| 2011-2015 | • The SNDP recognises the trade and has placed trade to be among the growth sectors. (This document is currently under review and the importance and recognition of trade in the draft reviewed document has been abridged) |

Source: CUTS GRC, 2010 and authors’ additions
policies did not spur immediate economic recovery. Knowledge, experience and skills were built over a period of time and policies were adjusted accordingly while maintaining the liberal orientation.

It is important to note that SAP implemented under this period stressed on the importance of trade through private sector in an uncoordinated way. The SAP gave birth to the Zambia’s first ever Trade Policy in 1994. The policy has been based on principles of free trade and also attempts to take into account the larger developmental and poverty reduction objectives.

Vision 2030, adopted in 2006 provides the overall developmental framework for all policies including the trade policy. The first ever strategy developed to operationalise the Vision 2030 was the FNDP and subsequently the successor – the SNDP. Both these documents acknowledge the importance of trade. The trade policy, on the other hand, aims at creating a competitive and productive economy driven by private sector initiatives, which would improve living standards for Zambians.

To achieve this goal, (CUTS GRC 2010) the primary objectives of Zambia’s trade policy are as follows:

- maintain an open economy with a liberalised import and export regime that supports industrial development;
- encourage the production of exportable products and continue the process of diversifying the export base;
- support and encourage exports of value added goods;
- seek new markets and strengthen Zambia’s trading ties with regional and other international markets;
- ensure efficient customs administration and fair trade practices; and
- reduce poverty through sustainable economic growth.
In view of this context and policy path undertaken by Zambia MFN Tariff Trade Restrictive Index (TTRI) shows that Zambia is more open to trade than an average SSA country (11.3 percent) or low-income country (11.6 percent). Based on the TTRI, it ranks of 88th out of 125 countries (where 1st is least restrictive). The agricultural sector is given a higher level of tariff protection (15.9 percent) compared to the non-agricultural sector (8.6 percent). Zambia’s ad valorem tariffs comprise three non-zero bands (5, 15, and 25 percent) with the fishing industry and light manufacturing industries, such as wood products, manufactured foods, beverages, tobacco, textiles, and leather facing the highest tariff rates. Zambia’s average most favoured nation (MFN) applied tariff has been mostly steady over the past decade and was 13.8 percent in 2008.

The maximum MFN applied tariff has increased in recent years to 72.8 percent. The trade policy space, as measured by the wedge between bound and applied tariffs (the overhang), is 90.6 percent (Zambia Trade Brief 2010). This situation could have changed as Zambia has continued to pursue a trade liberalisation agenda under the regional market access opportunities. Zambia is a member of Common Market for Eastern and Southern Africa (COMESA) and Southern African Development Community (SADC) regional economic blocks.

Zambia’s exports face a favourable trading environment, especially when compared to the average SSA or low-income country, according to the World Bank Trade Brief. Zambia’s Market Access TTRI (MA-TTRI) including preferences was 1.4 percent in 2010, below the SSA country group average of 3.9 percent and the low-income country group average of 5.6 percent. This situation remains the same even presently. MA-TTRI, World Bank calculates the equivalent uniform tariff of trading partners that would keep their level of imports constant. It is weighted by import values and import demand
Assessing the Extent of Trade Policy Mainstreaming in the Development Agenda

elasticity’s of trading partners. Therefore, weighted average rest of the world tariff (including preferences) faced by Zambia’s exports is 3.3 percent, with the rates for agricultural goods and non-agricultural goods at 10.9 percent and 2.2 percent, respectively.

It is clear with these preferences and opportunities that Zambia needs to address trade-related challenges and expand trade through benefiting from the market access opportunities. Zambia ranked 90th in the Ease of Doing Business Index in 2012, which compare business environment of 183 countries. The Logistics Performance Index (LPI), a measure of the extent of trade facilitation, rates Zambia at 2.37 on a scale of 1 to 5, compared to 2.35 for the SSA region and 2.29 for countries in the low-income group. It ranks 100th (out of 150) in the world and 15th (out of 39) in the SSA region (with South Africa leading the regional group). Among the LPI subcategories, its best performance is in lowering domestic logistics costs while its weakest performance is in the quality of transport and IT infrastructure for logistics.

Therefore, in addressing trade-related developmental challenges one contemporary remedy in doing so is to incorporate trade in the development equation. In view of this, it will be therefore important to understand the extent to which trade has been mainstreamed in the current development framework specifically the SNDP.
Exploring the Extent to which Trade has been Mainstreamed

From the onset, it is important to note that Zambia has not set any parameters which define the extent to which trade can be mainstreamed in its NDPs a situation which makes such a research difficult. In view of this, this session will attempt, as much as possible, to unpack Zambia’s efforts in this quest.

Therefore, before looking at the SNDP and the extent to which trade mainstreaming has ensued in the document, it will be critical to make an assessment of the previous mainstreaming efforts specifically on the predecessor – the FNDP. The 2009 report on Trade Policy Review submitted to the WTO by the MCTI indicated that trade was mainstreamed in the FNDP and this was in recognition of the importance that trade plays in achieving higher levels of economic growth and development. The submission further indicated that trade was incorporated as a standalone chapter into the FNDP and within various economic sectors (agriculture, mining, communication and meteorology, infrastructure, tourism, manufacturing), the strategy continuously referred to trade
and exports, well beyond the chapter on commerce and trade where key objectives for the trade agenda were spelled out.

The FNDP recognised that trade is an important tool for economic growth which, in turn, is a pre-requisite for long-term poverty-reduction. It places emphasis on the need for Zambia to utilise its trade policy to promote economic growth and diversification, and to address its poverty reduction goals. Further, the strategy views that Zambia’s domestic market was too small to have sustained higher private sector growth thus indicating that Zambia would endeavour to use its trade policies to take advantage of external market opportunities and promote the diversification of the economy.

Further, active participation in multilateral trade is viewed as a window for Zambia to tap into and take advantage of opportunities in foreign markets, while improving domestic competitiveness. The FNDP, on the other hand, also recognise regional markets as a platform which provides additional outlets for Zambian goods. In particular, the strategy views geographic proximity of regional markets as attractive export destinations for products from small and medium enterprises, as well as from smallholder farmers. In view of this, the strategy places emphasis on increased agricultural output from smallholder farmers, which is directed at regional markets e.g. COMESA and SADC, as an aid towards poverty-reduction efforts.

Among the specific programmes which were highlighted included the following:

a) **Promotion of Standards, Quality Assurance, Metrology and Accreditation**: Under this programme, it envisaged that infrastructure capacity at the Zambian Bureau of Standards (ZABS) and Zambia Weights and Measures Agency (ZWMA) will be strengthened. Secondly, it also planned
that standards, testing and certification infrastructure should be decentralised.

ZABS has received new infrastructure and since started the process of decentralising with new offices now at Nakonde.

b) To stimulate the growth of domestic trading sector and increase trade in services: This was planned with the view to formalise and monitor domestic trade activities and stimulate a vibrant domestic trading sector.

Over 5000 business firms still remain in the informal sector despite the costs associated to starting a business have been reduced courtesy of the Private Sector Reform Programmes.

c) Trade Promotion (Multilateral, Bilateral and Regional): This was planned with the view of securing improved market access for Zambian goods and services. In achieving this, it was envisaged that capacity building in trade-related issues for the private sector, build effective negotiation capacity for multilateral, regional and bilateral trade agreements.

Zambia has remained active in negotiating market access opportunities. Zambia has committed to regional trade agreements under SADC and COMESA. The country also participated under reciprocal and non-reciprocal market access offers such as the AGOA.

What has remained a challenge is utilisation of these market access opportunities due a number of constraints (productive and supply side) Zambian private sector face.
Though trade could have been incorporated in the document what is unclear is whether this was satisfactorily done or not. In understanding this, one major factor ought to be considered, i.e. the extent to which Zambia’s trade performance improved during this FNDP period.

As discussed earlier, Zambia trade has been positive and mainly driven by the extractive sector. The major export products during the period under review continued to be copper and copper related products. In nominal terms, the performance of other sectors such as manufacturing has been fluctuating. The diversification agenda to move away from dependence on copper remained was unsuccessful during this period as copper dominated.

Further, the most important to note is that the FNDP was mired with deficient budgetary allocations as most funding was channeled towards projects outside the FNDP. This questions the leadership and commitment to those who were given the responsibility to preside over the FNDP affairs.

The SNDP, on the other hand, has made recognition of trade as an important tool for development. Trade, under the SNDP, has been placed under growth sectors. There are three main objectives governing the trade chapter and these are highlighted in Table 6.
### Table 6: Objectives Governing the Trade Chapter

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<thead>
<tr>
<th>Objective</th>
<th>Strategies</th>
<th>Programmes</th>
</tr>
</thead>
<tbody>
<tr>
<td>To increase the volume of exports in regional and international markets</td>
<td>a) Promote trade of NTEs;</td>
<td>Export Promotion, Trade Expansion and Diversification</td>
</tr>
<tr>
<td></td>
<td>b) Promote exports of the targeted growth areas in manufacturing and services sector;</td>
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<td></td>
<td>c) Provide effective financial assistance to enhance exports through the empowerment of fund and other interventions;</td>
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<td></td>
<td>d) Facilitate the implementation of the EIF Phase II;</td>
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<td></td>
<td>e) Facilitate the Implementation of the NES;</td>
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<td></td>
<td>f) Facilitate the establishment of Multi-Facility Economic Zones (MFEZ) at border posts;</td>
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<td></td>
<td>g) Strengthen the National Quality Infrastructure and technical regulation system;</td>
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<tr>
<td></td>
<td>h) Establish One-Stop Border Post at major border towns; and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>i) Strengthen and expand institutional support for the exporting community.</td>
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<tr>
<td>To stimulate the growth of domestic trading sector and increase trade in services</td>
<td>a) Promote the consumption of quality locally produced goods and services;</td>
<td>Domestic Trade and Competition</td>
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<td></td>
<td>b) Promote formalisation of the domestic trading sector;</td>
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<td></td>
<td>c) Implement the business licensing reforms;</td>
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<tr>
<th>Objective</th>
<th>Strategies</th>
<th>Programmes</th>
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<tbody>
<tr>
<td>To secure and facilitate improved market access for locally produced goods and services</td>
<td></td>
<td></td>
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<tr>
<td>d) Implement measures to strengthen and enhance Competition and Consumer Protection;</td>
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<td>e) Develop and implement measures on trade remedies;</td>
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<tr>
<td>f) Strengthen monitoring and evaluation mechanism for domestic trade;</td>
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<td></td>
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<tr>
<td>g) Develop and implement services trade strategies; and</td>
<td></td>
<td></td>
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<tr>
<td>h) Establish one-stop shop for business licensing and registration in each province.</td>
<td></td>
<td>Market Access for Zambian products and services</td>
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<tr>
<td></td>
<td>a) Identify and promote the development of new products for export markets;</td>
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<td></td>
<td>b) Facilitate investment in trade related infrastructure;</td>
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<td></td>
<td>c) Facilitate capacity building programmes for private sector on trade related matters; and</td>
<td></td>
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<td></td>
<td>d) Strengthen compliance to international standards and promote adaptation of international best practices in product/service quality and standardisation.</td>
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</table>
It is clear under the SNDP that the government will continue implementing reforms aimed at liberalising trade, promoting economic diversification and generate export-led growth. The government will also continue to pursue a liberal trade policy at both regional and international levels. The SNDP also indicates that government will expand the scope and coverage of its multilateral, regional and bilateral arrangements such as free trade agreements (FTAs), and Economic Partnership Agreements (EPAs) to ensure greater access to markets, trade and investment opportunities.

Focus will, therefore, be given to the value addition of locally produced goods for increased domestic and foreign market earnings, development of both hard and soft infrastructure such as roads, e-commerce and border facilities, including raising the quality of human capital, research and development capability as well as management systems.

Further, the plan has targeted the following products – Processed Foods, Textile and Garments, Engineering Products, Gemstones, Leather and its Products, Wood and its products, agriculture products such as coffee, tobacco and cotton, as those of high export potential. It is, however, unclear if the basis of choosing these products was based on the findings of the DTIS as there is no mention to it. More importantly, Zambia has struggled to produce a NES and this entails a variance between the intention to market the earmarked products and the grown realities were strategy is gravely needed to achieve that.
The focus of trade policy places emphasis on both imports and exports though the latter has received more attention. Such as balance in required so as to ensure and guarantee that the domestic industry (especially key infant industries) is not suffocated by imports; the consumer welfare is exposed to standard and quality products. It is clear that Zambia has put in place regulations on standards and quality, weights and measures, competition and consumer protection. All these measures aim to compliment Zambia’s trade policy and ensure that the consumer welfare is protected while private sector is enhanced. Understanding the extent to which these regulations have been effective is beyond the scope of this research but the development is worth noting.

Secondly, there is a general misconception that commerce and trade is a sector. Trade should be treated as a cross-cutting issue and embraced in different sectors. For example, in the SNDP, commerce and trade have been placed to be in the same category with agriculture, tourism, manufacturing etc. What is being misconstrued is that commerce and trade is a vehicle in which these sectors (agriculture, tourism and manufacturing) thrive and a distinction thereof ought to be clearly stated. A trade chapter has been provided for in the SNDP just like the in the FNDP. Whereas this chapter spells
out a number of trade related interventions broadly, this has not been done to specify the trade related interventions which will be required on the growth sectors which have been identified.

Thirdly, Zambia has mainstreaming Trade Related Support Measures (TRSMs) in the SNDP. However, what is not clear is whether these support measures will be implemented consistent with the development vision, and consistently elaborated in other national policy frameworks, as this was seen to be a challenge under the FNDP.

Fourthly, the current SNDP is currently under review. From the indications, commerce and trade has been given dismal attention – a situation which has been received with mixed attention among different stakeholders including the Ministry of Trade. The current draft revised SNDP shows that the major economic focus of the SNDP is as follows;

a) ICT;
b) Science, Technology and Innovation;
c) Agriculture, Livestock and Fisheries;
d) Energy; and
e) Transport.

At the time of this research, MCTI and other organisations, such as the Zambia Association of Manufactures and CUTS were pursuing the issue of trade being given prominence in the revised SNDP. During the stakeholder consultation meeting of the revised SNDP held in August 2013, it was clear from the Ministry of Trade’s submission that their inputs were not reflected in the document and the level of receptability from the MoF to consider the issues raised by the counterpart ministry was minimal. The revised plan places much emphasis on building social and economic infrastructure which is important for trade but lacks speaking to the core traditional and contemporarily trade policy issues e.g. market access, non-
tariff barriers and trade facilitation infrastructure issues. This now brings us to the issue of the political economy surrounding trade and development policy making and implementation processes—based on the United Nations Development Programme (UNDP) module on trade mainstreaming. The UNDP report points to three main yardsticks which define trade mainstreaming and these include: 1) policy; 2) institutional; and 3) international cooperation. An attempt to bring into perspective of the state of play is provided in the Table 7.

<table>
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<tr>
<th>UNDP Proposals</th>
<th>State of Play</th>
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<tr>
<td><strong>Policy</strong>&lt;br&gt;At the policy level, mainstreaming involves setting a vision and strategic goals and defining action plans. It also involves enhancing understanding and awareness of how trade can contribute to the broader good and ensuring that trade is taken into account in setting national priorities. As trade is a cross-cutting issue, integrating it into the policy cycle requires interaction with nearly every government entity at national and sub-national levels—a complex.</td>
<td>The FNDP and SNDP do provide the mid-term strategic visions and goals to be pursued to in order to achieve a long-term Vision 2030. Further, are examples of uncoordinated action across relevant government ministries and this has also affected deliver of planned actives. This mainly ensues because of turf issues between ministries. Ng’ona, Simon and Cornelius Dube, (2012, Aid for Trade and Economic Development: A Case Study of Zambia, Cuts International) reveal that the problem is the inherent ancient thinking that ministries should compete in delivering on responsibilities and should not divulge information to one another anyhow. Whereas</td>
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Assessing the Extent of Trade Policy Mainstreaming in the Development Agenda

At the institutional level, the active leadership of the main department or entity responsible for trade is vital in mainstreaming trade. Closely related to this is the dynamic engagement by the lead trade entity of the main stakeholders as required – government departments and local authorities, private sector, women, civil society, academia, trade unions, youth, vulnerable groups, etc. Management capacity is also needed in the lead trade agency to conduct the necessary analyses, facilitate coordination, implementation and review. The strength of the institutional set-up is particularly important for ensuring that the vision competition in meeting tasks is very important in the overall performance of government as a whole, what is being misapprehended and overridden by this ancient theory is that ministries often depend on one another for effective delivery of results.

| Institutional | There are Public Private Dialogue structures which have been established to promote an inclusive trade policy discourse. At the Ministry of Trade, one platform where such discussions occur is the Trade and Industry Sector Advisory Group (SAG). What has been agreed under this SAG is regular interaction, including with non-state actors, so as to lead towards a coordinated approach on all trade related issues, facilitate the development of a coherent policy framework. Alas, due to lack of effective leadership, this SAG has been dormant and eroding the sense of ownership and hence affecting better implementation of related programmes. If this continues, such a process in itself will erode Zambia from identifying ways and means of navigating through an inclusive and viable and steady path towards competitive export |

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and priorities defined at the policy level are effectively resourced, implemented and monitored.

International Cooperation
At the international cooperation level, the international community can play an important role in mainstreaming trade. It must systematically integrate trade into its country and sector analyses and strategies, assistance programmes and activities. Donors, governments, the private sector and civil society must all work together to ensure that trade-related aid focuses on priorities that will deliver the strong impact on development. To this extent, mainstreaming trade is a joint responsibility of both developing countries and development partners.

Trade-related technical assistance (TRTA) directed towards trade facilitation has witnessed a general downward trend from US$664,000 in 2006 to US$26,000 in 2009. Likewise, areas of trade negotiations and education have also seen reductions in TRTA.

On the other hand, donor support towards trade-related initiatives by CSOs has been dwindling since the global economic downturn. This may also be a contributing factor to the low number of non-state actors participating in trade related policy issues.

led growth for the realisation of the goal of poverty eradication.

Also the level of civil society participation in trade policy issues has been low with only a few CSOs active in Zambia’s trade policy discourse.
Assessing the Extent of Trade Policy Mainstreaming in the Development Agenda

According to the UNDP Guide on trade mainstreaming, best practices such as sound analysis of trade opportunities, strategic interventions, inclusive stakeholder engagement and coordinated action are integral to mainstreaming trade into development planning, policies and activities. Based on the UNDP format outlined in Table 7 (on page 41), trade mainstreaming can be analysed in the distinct levels, namely, policy, institutional and international cooperation levels.

Policy Level

Most nations, which attempts at trade mainstreaming in Zambia have faced several challenges are not new to discussions on trade policy and development. Major gaps in the trade policy making process still exist. This is illustrated by the limited engagement of stakeholders by government at the grassroots which was indicated by the district level interviewees and the weak participation of non-state actors in policy making.

Besides this, political influence in the development planning process is also a significant challenge. Zambia is currently undergoing a process of updating its DTIS to identify the nation’s trade priorities under the lead of the World Bank who incidentally undertook the preparation of Zambia’s initial DTIS document in 2005. The premise of updating the DTIS is for it to inform policy decisions and steer the trade components of the development agenda after having identified trade priorities. The assumption of this exercise was to be able to input the findings into the SNDP. Incidentally, it has become clear that the SNDP which is due to end in 2015 will not undergo a review but instead the SNDP is being aligned to the ruling PF party manifesto. The poses a clear danger of politicising the development process by turning a long-term
national development plans in line with a plan of a political club without sufficient consultation and public buy-in.

Lack of budgetary alignment of the SNDP is another problematic area. There is no clear mention of the SNDP in the 2013 budget however; this budget explicitly mentions the PF manifesto as part of its inspiration. The SNDP average annual expenditure is ZMW 26.4 billion while the budget for 2012 was ZMW27 billion and the 2013 budget is ZMW32.2 billion. The previous FNDP also revealed disparities with budget allocations during its five year period which has been cited as one of the reasons for its poor results.23

In addition, Zambia is still struggling to establish its NES which may be modified into a trade and industrial strategy. This process has been stalling over the past decade or so and highlights some of the strategic lapses in the government’s approach to trade.

Resource leakages through corruption are another problem hindering the proper implementation of the SNDP. The office of the Auditor General reports yearly the misappropriation of public funds without action from government wings. The office of the Attorney General needs to be given more punitive powers to act on the findings of its reports.

In conclusion, it can be stated that the SNDP and other long-term planning documents guide the planning and management of economic policy in the country. This notwithstanding, the budget and Medium Term Expenditure Framework (MTEF) preparation process, which is informed by the long-term plan, offers opportunities to make policy interventions on an annual basis and ahead of the more extensive revisions that are conducted during the development of the national development plan document.

The preparation of the Green Paper and the annual budget is an extensive exercise involving stakeholder consultations (including with line ministries) through policy meetings held
to determine priorities and direction based on programme implementation, and budget hearings conducted by the MoF after which the national budget is consolidated. Understanding the economic management cycle of the government would be the first important step to ensuring that proposed trade policy interventions are considered during the budget and MTEF preparation process.

**Institutional Level**

Institutional deficiencies have riddled the effective mainstreaming of trade into the SNDP. First and foremost, discussions with members of the DDCCs from several districts reveal that there is no feedback from the PDCCs on what has been incorporated into the Provincial Development Plan from the districts. These discussions also reveal that there is no interest in even following up on these plans at the provincial level indicating that these plans may only be produced as a routine exercise rather than to achieve the main purpose of effective engagement in the national planning process.

There is no legal structure surrounding the DDCC, PDCC and NDCC system. Therefore, there is no guaranteed participation from the members of these structures. This was highlighted by some members of the DDCCs who indicated that the committees occasionally faced challenges of participation of its members.

Besides this, there are no linkages between the MCTI and the DDCC structures even though MCTI is the custodian of the trade policy making process and the DDCCs are the starting point of the NDP process. The involvement of MCTI remains at ministerial level through the SAGs which is illustrated in the Zambia Economic Management Cycle. This missing linkage demonstrates both a gap in trade mainstreaming efforts
as well as an untapped opportunity for the MCTI to capture trade priorities from the grassroots level.

Worse still, there is no indication that the apex development coordinating committee, the NDCC has ever sat in the past. This clearly shows a serious problem in the current system which is actually a structure which has been carried forward from the colonial era. This also brings to question why these structures have not been adapted to suit the current environment and promote an effective inclusive approach to trade mainstreaming in the national development plans.

**International Cooperation Level**

According to the UNDP Trade and Human Development Report, trade mainstreaming at the international cooperation level entails integrating trade into a country’s national and sector analyses and strategies assistance programmes and activities. This means that all relevant stakeholders including the donor community, government, the private sector and civil society must work together to ensure that trade-related aid focuses on priorities that will deliver the strongest impacts for development. A sure method of achieving this is using the DTIS as the main tool for aligning trade priorities with development assistance.

Even though the DTIS is under review and due to be completed during 2013, some of the more eminent trade challenges can already be identified. In September 2012, CUTS International Lusaka held a Public Symposium on trade mainstreaming in order to increase public awareness and promote debate on the concept of trade mainstreaming in the Zambian context. During this event, Ville Luukkanen, Counsellor, Private Sector Development at the Embassy of Finland who was at the time the Donor Facilitator of the EIF in Zambia, noted some of the major challenges needing
immediate attention for Zambia’s trade agenda to move forward.

By looking at the constraints identified, the extent to which existing TRTA is in line with our trade priorities to achieve the largest impact can be determined. Amongst many problems the private sector is facing to participate effectively in trade, Luukkanen noted the cost of labour particularly for manufacturing, the unreliable supply and high cost of energy, difficult supply of local raw materials which necessitates producers to source inputs from outside the country, poor border management, poor transit management and information technology systems, loss of momentum in regional integration and the proliferation of NTBs. Linking these critical areas of focus to the Aid for Trade (AfT) that Zambia receives, the effectiveness of aligning assistance to high impact trade priorities can be ascertained.

According to recent studies, TRTA directed towards trade facilitation has witnessed a general downward trend from US$664,000 in 2006 to US$26,000 in 2009. Likewise, the areas of trade negotiations and education have also seen reductions in TRTA. “AfT has also been coming in the form of support towards multilateral trade negotiations and trade education. There has not been much support in both areas. Thus, the assistance towards trade facilitation, multilateral trade negotiations and trade education has not been favourable. The minimal support towards trade education could also explain the current low level of awareness and the capacity building gaps that were identified during implementation of various projects.”

Further, AfT disbursements towards energy supply and generation has not been consistent with a slump in disbursements in 2007 and 2008 and a rise in 2009. Figures received by Zambia for energy were US$8.36mn, US$1.93mn, US$1.48mn and US$8.09 from 2006-2009 respectively. This
late increase in disbursements may be attributed to impacts of the Paris Declaration and the Accra Agenda for Action which saw increases in commitments for support after these meetings.

Development assistance directed towards transport infrastructure has continued to decline. According to the OECD Aid Activity database, Zambia received US$89mn for transport and storage infrastructure in 2006. This figure reduced to US$28.2mn in 2007. In 2008, however, there was a short lived surge as aid to this vital sector increased to US$75.2mn but again dropped to US$34.6mn in 2009. It is also unfortunate that the European Union who has been a significant contributor of aid directed towards transport infrastructure have withdrawn their support in this sector to focus on other developmental areas citing poor economic management and planning on the side of the Zambian government especially with the dissolution of the Road Development Agency Board.

From this scenario, it is clear that Zambia needs to tighten loopholes in management of public finances and continue to leverage appropriate trade-related assistance through the use of instruments such as the DTIS. For this reason, all relevant stakeholders must participate in the formulation of such policy documents at every given opportunity so as to inform the process and ensure that the DTIS truly reflects the trade priorities of Zambian producers.
Trade Policy Making in Zambia

The Process

The Constitution of the Republic of Zambia under Article 33 places executive powers of government in the Republican President while Article 50 gives Cabinet the prerogative of policy formulation and to advise the President with respect to the policy of government as referred to it by the President.

In general, the process of trade policy formulation can be described as follows:

- The MCTI identifies the need for policy reform and writes to the Policy Analysis and Coordination Division at Cabinet office which is consulted at all stages of the process.
- The Line Ministry then outlines the roadmap for the policy reform and may initiate the process through dialogue and consultations with key stakeholders and preparation of a literature review and zero draft before wider stakeholder consultation.
- When the final draft policy has been prepared it is presented before the Cabinet.
- The policy is then published after approval and enforced on the specified date.
For instances where reforms require legislative changes, the process must pass through Parliament in the following manner:

- The Line Ministry initiated the consultation process
- The Ministry of Justice drafts the required bill
- The bill is then circulated to line ministries for comments
- The revised bill is presented cabinet for approval
- The approved bill is then presented to the Parliament where the bill is subject to a process of debate and three readings in the National Assembly before it is sent by the Clerk of the National Assembly to Government Printers and subsequently to the Republican President for assent
- The bill then becomes an Act of Parliament and usually comes into force once it is published in the Government Gazette unless a specific date has been stated

Similarly, the ratification of international agreements is the preserve of the Executive through Cabinet which may decide to delegate the ratification of any international agreement to a Cabinet Minister where appropriate. The MCTI generally follows this approach to policy formulation and in particular instances will engage external consultants to conduct preliminary studies and analyses though the findings are not always shared with other stakeholders.

The MoF also issues a call for submissions before the preparation of the annual budget. Private sector and civil society make numerous submissions to the MCTI in response to this call and the Ministry will thus examine these submissions and forward them to the MoF. When there is a recurring issue in these submissions, this is an indication of the need for a policy intervention and the MCTI will commence the policy reform process already described.25
Key Government Ministries and Agencies

The MCTI is the principle body responsible for the formulation, monitoring and implementation of policies relating to private sector development and trade. MCTI thus coordinates commercial, trade, and industrial matters and liaises with relevant public and private sector organisations to facilitate the preparation and implementation of governmental policies related to trade and industry. MCTI's mission is “to facilitate and promote the growth, development and competitiveness of commercial, trade and industrial sectors in order to enhance socio-economic development”.

MCTI is also responsible for the following portfolio functions as contained in Government Gazette Note Number 547 of 2004:

- Investment Promotion Policy
- Trade Licensing Policy
- Privatisation Policy
- Commercial, Industrial and Trade Policy
- Companies and Business names
- Foreign Trade Policy and Agreements
- Industrial Research
- Patents, Trade Marks and Designs
- Weights and Measures
- Competition and Fair Trade
- Medium and Small Scale Enterprises Development
- Standardisation, Standards and Quality Assurance

MCTI has five departments headed by directors namely, domestic trade, foreign trade, industry, planning and information and human resources and administration.

Though, MCTI remains the custodian of Zambia’s trade policy, there are several agencies who are essential to the formulation and implementation of the policy. Under the Commerce, Trade and Industrial Act the government has
established several agencies under the MCTI working on specific issues including:

- Zambia Development Agency
- Zambia Bureau of Standards
- Competition and Consumer Protection Commission
- Zambia Weights and Measures Agency
- Patents and Companies Registration Authority
- Citizens Economic Empowerment Commission

Several other line ministries and agencies are involved in the formulation and implementation of trade policy in Zambia. These can be divided into two main groups. The first group includes ministries that are closely involved in the trade due to their respective mandates. These include:

- Ministry of Agriculture
- Ministry of Finance
- Ministry of Justice
- Ministry of Foreign Affairs

The second group of agencies only relates to MCTI on specific trade-related policies or only periodically provides input or feedback to MCTI. These agencies include:

- Central Statistics Office
- Zambia Revenue Authority
- Bank of Zambia

Private Sector

The private sector plays a vital role in the actualisation trade implementation, hence participation of the private sector in trade policy formulation in cardinal. Participation of the private sector in trade policy discourses normally occurs through umbrella private sector associations through public private dialogue structures. Some larger individual industry players
participate in their own standing through these structures as well, however, these individual businesses and the associations mostly focus on particular areas of their interest rather than the trade policy mechanisms as a whole.

Some of these associations include:

- Zambia Association of Chambers of Commerce and Industry (ZACCI)
- Zambia National Farmers Union (ZNFU)
- Zambia Export Growers Association (ZEGA)
- Private Sector Development Association (PSDA)
- Zambian Association of Manufacturers (ZAM)
- Zambia Business Forum (ZBF)
- Textile Producers Association of Zambia (TPAZ)
- Zambia Chamber for Small and Medium Business Associations (ZCSMBA)

Civil Society

Participation of civil society in the consultative processes for trade policy formulation began almost a decade ago. Zambia has had an active civil society engaging government on several policy issues including trade though over recent years the level of active participation in trade policy dialogue has diminished. Only a small number of CSOs continue to work on trade policy issues in Zambia.

Despite this, CSOs have come to be recognised for their capacity to bring specific expertise, research based advocacy and grassroots perspectives to policy dialogue. This can be attested by the research and advocacy endeavors of CSOs in the recent past including research publications such as “Review of Zambia’s Diagnostic Trade Integrated Study” and “Aid for Trade and Economic Development” by CUTS Lusaka and “For whom the windfalls: Winners and losers in the privatization of Zambia’s copper mines” by Centre for Trade
Policy and Development (CTPD formerly Civil Society Trade Network of Zambia). Due to its proactivity in trade related discussions under the MCTI, CUTS Lusaka is currently the Vice Chair of the National Steering Committee of the EIF in Zambia. This further highlights the confidence that has been placed in civil society to effectively contribute to the trade policy making process.

Consultative Structures

From the change in political systems in Zambia to multi-party democracy in 1991, the government has made some efforts to engage various stakeholders on issues of national development including trade. With the continued acceptance of democratic ideologies, the state created consultative mechanisms in the development of national planning documents and their implementation. Thus, the PRSPs and Vision 2030 are some of documents which accommodated input of some stakeholders.

These consultative mechanisms include the NSC under the EIF at the MCTI, the National Working Group on Trade and the Steering Committee of Secretaries.

The NSC under the EIF programme was set up under the auspices of the MCTI. This Committee brings together government ministries, the private sector and civil society on trade issues to discuss the various issues regarding the EIF programme in-country.

The National Working Group on Trade acts as a forum for bringing state and non-state stakeholders to dialogue on trade-related issues. It is headed by the private sector and the MCTI acts as its Secretariat.

According to an earlier study by CUTS International on the Inclusivity of the Trade Policy Making Process in 2009, it was discovered that there is a steering committee of secretaries
which comprised of all permanent secretaries of line ministries in order to provide an avenue for better coherence in policy implementation. There is, however, very little literature on this committee and its functionality is questionable considering that the problem of coordination within government has continued to dampen efforts towards an effective trade policy.
9
National Development Plan Formulation

This chapter provides a brief summary of Zambia’s planning and budgeting process and suggests ways of ensuring that trade is mainstreamed within this process. The section attempts to provide clarification on some areas of concern, including: how the SNDP was formulated, other dialogue structures that can be utilised to mainstream trade and areas of improvement especially considering the potential for a review of the SNDP.


National development plans were abandoned between 1990 and 2001 as Zambia under multiparty democracy adopted an open private sector-led economy with minimal government control. The second phase of national planning started in 2002 when coordinated national planning re-emerged with the

**Economic Management and the Ministry of Finance**

The MoF’s mission is to effectively and efficiently coordinate national planning and economic management, mobilise and manage public financial and economic resources in a transparent and accountable manner for sustainable national development and the well-being of the people of Zambia.

The existence of the MoF is guided by the Constitution which provides for the:

- preparation and presentation to Parliament of the national budget (estimates of revenue and expenditure); and
- preparation and presentation to Parliament of financial reports.

The MoF is also guided by the statutory functions and composition of government portfolios which outlines among many other functions:

- Developing and managing economic and financial policies;
- Public debt management;
- Mobilising of financial resources (taxes, grants, loans);
- Preparing medium and long-term development plans; and
- Ensuring accountable utilisation of public funds.
Economic Policy Objectives

The country’s vision of becoming a prosperous middle income country by the year 2030, outlined in the Vision 2030 document, sets the tone for all developmental initiatives including economic policy management. The MoF’s economic policy objectives are guided by the long-term vision, operationalised by the five-year national development plans, the Medium Term Expenditure Framework (MTEF), and annuals budgets.

Broad issues of concern include the need to reduce the high levels of poverty; enhance human development; increase employment; promote rural investment; accelerate infrastructure development; and economic growth and diversification. These concerns are addressed by managing various aspects of the economy through the development of appropriate policies and interventions that aim to achieve the desired outcomes and targets set forth in the plans.

Areas of focus include developing appropriate policies to:
- Sustain single-digit inflation;
- Improve domestic revenue mobilisation;
- Maintain a stable and competitive exchange rate;
- Reduce commercial bank lending rates;
- Maintain public debt sustainability; and
- Increase decent and productive employment.

The Zambia National Economic Management Cycle (ZNEMC) is a planning tool to help the government administer economic management processes from planning stages to monitoring and evaluation stages, during the fiscal year. The cycle facilitates a transparent and participatory consultation with wider stakeholders, in order to enhance the attainment of the SNDP goals. The fiscal year begins on January 01 and ends on December 31. The budget, which is the principle tool in executing economic management, is prepared by the
executive, approved by the legislature and monitored by both through consultative processes with non-state actors.

The economic management process has four stages: 1) planning and budget preparation; 2) budget approval; 3) implementation; and 4) reporting, oversight, monitoring and evaluation. It should be noted that in effect, the Budget Cycle actually runs across three fiscal years considering it is prepared and approved in year one, executed the following year and reported on in the third year. This document, however, for in-fiscal-year economic management, reflects these activities within one calendar year, making unitary reference to the overlap in the phases in the three year cycle.

The SAGs, the PDCC and the DDCC function as coordinating and consultative forum at respective sector and local government levels of the National Economic Management Cycle. The SAG is a consultative forum comprising representatives from key stakeholders active in a sector. The SAGs include members from the government, CPs, CSOs, the private sector and others. SAG meetings are held quarterly and function as a platform to consult and coordinate planning, budgeting, implementation, reporting, monitoring and evaluation at sector level. The PDCC and the DDCC are coordinative mechanisms at provincial and district level.

The stakeholders include local governments, CSOs, the private sector and others. The PDCC and DDCC meetings are held quarterly and function as platforms to coordinate planning, budgeting, implementation, reporting, monitoring and evaluation at provincial and district level and link this process to the national planning and budget process through line ministries. The results of discussions at the SAGs and the PDCCs feed into the National SAG Conference and the NDCC at national level held in July and coordinated by the Ministry of Finance and National Planning (MoFNP) and Cabinet Office respectively.
Zambia National Economic Management Cycle

a) Planning and Budget Preparation (from April to September)

The annual work plan and budget preparation is undertaken from April-September. The MoFNP plays a central role in this process. It includes a) determining the budget resource envelop; b) setting the national priorities and sector ceilings; c) conducting the budget consultation; and d) concluding the budget estimates.

In April, first of all, the budget resource envelop for the MTFF/Budget is derived from projected domestic revenues (tax and non-tax), projected external financing (grant and loans) and the others. Secondly, the resource allocation between sectors is determined by the national priorities of the SNDP and the ruling party manifesto. Sector ceilings are established to ensure budget discipline in the medium term. This is done through the finalised submission of the MTEF/Budget Concept Note in May and the MTEF Green Paper to Cabinet in July. Thirdly, once Cabinet approves the MTEF Green Paper, budget consultation is undertaken with stakeholders from July to August by circulating and obtaining responses to the Budget Call Circular to the MPSAs.

In addition, the MTEF Green Paper is submitted to the Committee on Estimates (EC) and the Public Accounts Committee (PAC) of Parliament for consideration in July, and it is also consulted on with non-state actors. The Budget Hearings between the MoFNP and the ministries, provinces, and spending agencies (MPSAs) are then conducted in August to negotiate sector budget allocation. Having exhausted the consultation with the national stakeholders, finally, the Budget Estimates are consolidated and submitted to Cabinet in September. Once considered and approved, Cabinet submits the budget estimates to Parliament in September.
b) **Budget Approval (from September to December)**

There are three Parliament meetings that conduct the business of Parliament. The first meeting is the Budget Session beginning in September, the second is the Legislation Session, beginning in February and the third is the Committees Reports Session beginning in June. It is during the Budget Session that budget estimates are considered and approved by Parliament. Prior to presentation of the Budget, the Minister of Finance holds consultations with the President in the process of finalising the draft Budget Speech in September. These consultations are followed by a Cabinet meeting where the Minister presents the draft Speech to Cabinet. Once Cabinet endorses the Budget Speech, the Budget (Estimates) is presented to Parliament by the MoFNP before October 08. Once Parliament has exhausted discussions on scrutinising the Budget, the Minister seeks the appropriation and approval of the Budget through the Appropriation Bill. The Bill must be passed by the end of December, allowing the MPSAs to start budget execution in the following January.

c) **Implementation (from January to December)**

Budget implementation is carried out by the MPSAs from January-December to deliver public services to the citizens. The implementation aims at contributing to growth and poverty reduction through the provision of quality of service deliveries in health, education, water, road, every, agriculture, security, salaries, pensions etc. The budget approval provides the legal authority for the MoFNP to release funds to the MPSAs which spend funds on the implementation of service delivery. If it is found that the amount of funds is insufficient during the fiscal year, the Supplementary Appropriations Bill is submitted to the Parliament in October or November to seek approval for additional spending. Sources of the supplementary funding arise from variations/suppression of budgeted expenditure or
provision of additional resources provided from outside the Budget.

d) Reporting, Oversight, and Monitoring and Evaluation, (from January to September)

The final phase of the economic management cycle process comprises reporting, oversight, and monitoring and evaluation which ensure accountability on the use of funds as well as the timely publication of results information, to uphold the government’s domestic accountability to citizens/tax payers and promote mutual accountability with cooperating partners. The scope of accountability is not only the provision of spending evidence but also value for money.

In other words, it measures whether funds are properly expended for the planned activities, and to what extent the activities achieve programmed objectives that economically serve the needs of the citizens, with respect to equity, effectiveness and efficiency. Although this process takes place throughout the fiscal year of budget execution, the process of consolidating in-year reporting takes place the following year from January to September.

This phase may be considered under three heads, namely a) producing the Financial Report (reporting), b) generating the Audit Report (oversight), and c) creating economic and social statistics, annual sector review reports and the Annual SNDP Progress Report (M&E).

First of all, the budget performance on actual budget outturn is monitored by the MoFNP at national level and by the Accounting Officer at the spending agency level. The Financial Statements are submitted monthly from the Accounting Officer at the MPSAs to the Accountant General by the middle of the following months, and these financial statements are consolidated in the Financial Report by the Accountant
General. This consolidated Financial Report requires to be submitted to the Auditor General by March.

Once the Financial Report is assessed by the Auditor General, the Audit Statement is sent to the Accountant General to inquire concerning issues raised on some accounts. This review period runs from April-June, and the Accountant General is required to respond to the Audit Statement by June. The responses allow the Auditor General to finalise and submit the Audit Report to the President and Parliament by September, and also enable the Accountant General to amend and submit the Financial Report to Parliament by September. The Public Accounts Committee (PAC) of Parliament examines the Audit Report with the Financial Report, makes recommendations on the accounts and issues raised by the Auditor General and makes a report to the plenary of Parliament for consideration and action to the matters.

For the value for money assessment, the Performance Audit Report on selected project/programme is also produced by the Auditor General. Furthermore, economic and social statistics are generated by the MoFNP and the MPSAs to feed into monitoring and evaluation on the implementation. The Annual SNDP Progress Report provides the progress of the SNDP implementation through measuring the Key Performance Indicators of the SNDP. Annual sector review reports analyse the progress of the implementation of the sector investment plans.

The Economic Report and the Development Cooperation Report also provides trends analysis of macro-economic performance and Official Development Assistance. Several policy reviews then take place whose agenda is informed by various by the generated reports. These reviews include the PRBS (PAF) Review in May, the Annual Sector Reviews in June, the Mutual Accountability Review (starting from 2013) in July, the National SAG/Poverty Conference in July and the NDCC in July.
To ensure effectiveness of the consultative review process, the policy discussion implications that arise consequently are fed back into the planning and budget process, completing the Economic Management Cycle loop.

**Understanding the SNDP Process**

As described earlier, the country’s vision of becoming a prosperous middle income by 2030, guides the planning agenda of the country and is mainly operationalised through five-year NDPs, which are expected to incorporate all sector development strategies and other strategies for addressing broad issues of concern as identified by various stakeholders in the country. The SNDP, being the most recent five-year national planning document was developed using both the bottom-up and top-down approach.

In preparing the SNDP, the MoF played the coordination role, while the line ministries spearheaded sector specific issues. The consultative structure during the formulation of the SNDP included engagements with DDCC, PDCCs, the NDCC, and SAGs. The following are some key roles of various institutions in the formulation of the NDP:

- Ministries, Provinces and Spending Agencies – prepare and implement sector and region specific plans which feed into the national development plan;
- MoF – advises on policy direction, formulates and monitors the implementation of the national development plan; and
- Cabinet Office – provides policy direction and approves the national development plan.

From the national planning document perspective, therefore, trade and trade-related issues including the mainstreaming aspects would have been and should be
introduced through sector specific plan document developed by the line ministry and submitted to the MoF as coordinator. Trade issues would also have been and should be informed by the SAG, NDCC, PDCC, and DDCC in the SNDP development process.

**Other Avenues for Trade Mainstreaming**

While understanding and focusing on the SNDP and focusing on upcoming processes such as the mid-term review is important, it should be understood that such five-year plans once developed, tend to remain relatively static till the next review and update. This notwithstanding, the wider expectation is that the periodic review of the plan should offer an opportunity for refinement, adjustment, and redirection through a lessons learned process.

Exploring other dialogue structures is essential to ensuring that trade is mainstreamed. Of particular focus should be on the rolling budgeting process. National budgeting in Zambia is implemented through a rolling three-year MTEF and the annual budget. The budget states the estimates of revenue and expenditure in the upcoming fiscal year, while the MTEF provides annually updated estimates of revenue and expenditure for the upcoming three years. As the budget is prepared annually, the MTEF is updated, thus the reason it is referred to as a rolling MTEF.

The preparation of the MTEF starts with a concept paper prepared by the MoF, which seeks guidance on general policies and budget principles from Cabinet. After the concept paper is reviewed and approved by Cabinet, the MoF is tasked to develop and expand on the general policies and budget principles outlined in the concept note.

The articulation of the details is contained in a very important document called the Green Paper and includes
detailed macroeconomic framework and fiscal framework. The Green Paper, therefore, proposes many policy prescriptions to address identified challenges within the economy. Statements such as the following are common in the Green Paper:

- “Government recognises the importance of increasing domestic revenues collected from taxes. To address the need to collect more tax revenues, Government in the MTEF period will implement the following measures…”

- “Increasing agricultural trade with regional partners has the potential of reducing poverty in rural farming communities. Government therefore, will endeavour to promote trade by ensuring that trade is mainstreamed in all government programmes…”

- Note that the above are just examples for illustration purposes.

It is important to note that many government pronouncements made during the Minister of Finance’s Budget Speech to the Parliament are derived from policy prescriptions contained in the Green Paper. Therefore, ensuring that proposed trade policy interventions are submitted to the MoF at the right time during the budget and MTEF preparation process would increase the chances of such proposals being adopted.
Conclusions and Recommendations

It is important to note while the country experienced high growth in both GDP and trade, this growth was generating inequality and largely not inclusive or poverty-reducing. This growth has been able to increase the financial capability of the government to spend on the poor. But it has also increased the leakage, wastage, inefficiency, misappropriation and misapplication and theft (as this has been repeatedly reported in the auditor general report).

An attempt to address such economic management deficiencies and employ a proper redirection measure/plan which gives government a clearly defined matrix which spells out the kind of interventions required (to benefit those leaving the poverty datum line and across the value chain) detailed in a sequenced manner is gravely required.

Efforts to do so have been made in the FNDP (whose records have been poor with regards to reducing poverty) and SNDP, currently under implementation. The effectiveness of the SNDP ought to be tested. However, what should be important is to ensure that sustained growth is maintained and the role of trade in this process cannot be over emphasised.

Trade policy, in this time and age, cannot be omitted in the national development equation. Trade policy undeniably can
exert such a powerful influence on growth, development and poverty amelioration. Increased trade enhances export earnings, promotes industrialisation and encourages diversification of the economy. In countries where trade has been treated as a panacea of economic development, traces of improved incomes and poverty reduction can be seen. In China for example, within the period between 1988 and 2008, its trade volumes have grown tremendously with an annual expansion rate of 18.1 percent. During this time, China has experienced a colossal inflow of currency and increases in employment levels while some of its industries with comparative advantages increased in specialisation.

Coinciding with China’s sustained trade volume expansion from the 1980’s to 2008, the country has also experienced a transformation in poverty ratios. The percentage of its population living on less than US$1 per day reduced from 60 percent in 1980 to 8 percent in 2009 (IDE Discussion Paper 2010). In addition, China’s involvement in international trade has contributed to advancements in productivity of domestic industries and technology. Within the six year period from 2002 and 2007, China’s mean value of GDP doubled with an annual growth rate of 15 percent (IZA 2010). In achieving this, China took the path of ensuring that trade was made to be part of the broader development framework.

But if trade policy is to be contractively included within the development framework for a country like Zambia, the development of the trade policy should be done in an inclusive manner to ensure that the aspirations of the broad spectrum of stakeholders are not omitted. It is important to note that any obstacles to broadening the debate on different policy options, influenced by the views of key national stakeholders, must also be removed.

Trade policy should be developed in a transparent and participatory manner, with clearly articulated roles and
responsibilities for ministries, civil society groups, donors, and consumers who views are in most cases omitted. The aims of a more participatory approach include contributing towards attaining ‘ownership’ of the development process and within that, trade policy, and ensuring that the needs and priorities of different groups of especially poor people are adequately represented in trade policy choices. For this to happen, there is need for a coherent inclusive set of activities which would involve all stakeholders in Zambia at macro, meso and micro levels.

At the macro level are institutions operating at the national level, such as central government, parliament, trade unions and umbrella organisations of NGOs; the meso or sub-national level refers to administrative layers that lie between the local and national levels, such as provinces, regions, districts or large municipalities while the micro level refers to the community level, where actors include village councils, community based organisations, primary schools, health clinics, small-scale producers and individual households (van Reesch E, 2007).

Such coherence is yet to happen in Zambia, amid indications that stakeholders at the micro levels are rarely involved in the process as they are not consulted. This prevents benefits enjoyed at macro level to trickle down to the players at other levels.

Inter-ministerial coordination and inclusive action is also one major determinant in having sound trade policy vis-a-vis mainstreaming agenda. Since trade can be an effective means to achieve an end (that is, development), the formulation and implementation of Zambia’s trade policy should not just be the prerogative of the Ministry of Trade but other ministries and government agencies have an equally important role to play. This inclusive process is not just about ensuring a better policy ownership but also to enhance (implementation) coherence among different arms of a government (parliament
included) - a gap which needs to be addressed more immediately.

Therefore with these broad observations and based on opportunities available to the system for mainstreaming trade that have been underutilised or overlooked as well as ways of addressing some of the challenges of the system, the study’s recommendations highlight pressing actions that must be undertaken in order to create better efficiency and impact in the trade mainstreaming process.

Some recommendations were drawn from the analysis of the research findings while others were specific recommendations from private sector interviews on ways to improve trade mainstreaming in Zambia. These recommendations have been categorised into policy, institutional and international cooperation levels of trade mainstreaming.

**Policy Recommendations**

- Trade policy should be developed in a transparent and participatory manner, with clearly articulated roles and responsibilities for national governments, civil society groups and donors. Government must, therefore, endeavour to restructure its public private dialogue structures in order to allow all relevant stakeholders to seize the opportunity to participate and make inputs in charting Zambia’s trade agenda;

- In order to ensure effective implementation of the SNDP and other development planning processes, there must be enhanced linkages between the development plan and the budgeting process. The main point of concern is that the Mid Term Expenditure Framework and the current SNDP are assumed to be linked and that this is where budgets are drawn. However, there is nothing
compelling the government to do so and thus there is little monitoring and evaluation of the SNDP through annual budgets;

- There must be greater stability (depoliticising) of the trade policy mechanisms and government should lean on well researched, consultative processes such as the DTIS to inform the development plan on the trade-related priorities. The DITS has been chosen as the basis of identifying trade related priorities. Therefore, it should also be noted that there shouldn’t be a missing link between the content (the identified priority needs) and the aspirations of the people hence the methodology to be employed during the evolution of any DTIS should be participatory and inclusive;

- There is need to strengthen the policy and legal framework governing inter-ministerial coordination so at to improve on the political economy of how these ministries operate. It has to be made clear that these ministries are not in competition but should harmoniously work together to achieve the broader government’s vision. The role of Ministry of Finance (MoF) in the process will be highly required and for this to happen empowering staff at the Ministry of Finance on the role of trade should be the entry point;

- There is need to raise the importance and relevance of the Ministry of Trade in the government hierarchy and this should be complimented with more resources allocated to the Ministry.
Institutional Recommendations

- There is need to significantly increasing the AfT attention given to line ministries and agencies – such as the Office of the President and Cabinet, Ministry of Education, Ministry of Justice, etc and using the Ministry of Trade as a coordinating and driving mechanism.

- There is need to include trade as a permanent agenda item during development planning discussions at the district, provincial and national level. There is also need to ensure that parameters, preceding any trade mainstreaming process, are set as doing so will help define the scope of trade related development required;

- In achieving the latter, government should seek to undertake *ex-ante* analyses of the effects of different trade policies, drawing on the contributions of different stakeholders. These analyses should disaggregate potential impacts by different vulnerable groups, by rural and urban constituencies, by producers and consumers, by age and gender, and also by different time periods. Direct welfare gains and losses should be considered as they accrue to different groups, as should the impact on different aspects of poverty, especially risk and insecurity.

- The Ministry of Trade needs to enhance its horizontal (at inter ministry level) and vertical (provincial and district level) interface if the importance and relevance of trade policy in development was to be enhanced. This should entail defining coherent and inclusive set of activities (which would involve all stakeholders in Zambia at macro, meso and micro levels).
• There is need to overhaul the development planning architecture i.e. the DDCC, PDCC and the NDCC. The latter has never sat hence declaring its redundancy. The political economy surrounding participation in these (DDCC and PDCC) committees is also questionable as participation of key stakeholders (producers operating at the small scale) those who have a huge potential in shaping Zambia has over the year been undermined. Therefore, there is need to restructure these committees and their composition should be legally mandated so that to bring impetus to the process.

• There is need to establish a trade desk at ministries (tourism just should be established in each ministry) to enhance provide a trade perspective in planning and implementation processes in various ministries.

• Parliament needs to play a central role to trade policy because these decisions are inherently political. Parliamentarians should be at the heart of trade policy and their input must come at every stage. The speaker of the national assembly should take lead in this process.

International Cooperation

• The Zambian government must enhance management of public resources to ensure meticulous monitoring of funding allocations and thereby achieve desired outcomes and instill confidence in development partners for further trade related assistance.

• The DTIS must be adopted as a tool to leverage appropriate development assistance to achieve the largest impacts for trade, development and poverty reduction.
• Realising that Zambia has shown leadership by opening up its market domestically (for more competition) more than other SSA countries, it is also important that the country continues lobbying governments regionally and internationally to concretely commit to playing their part in removing the constraints to improved trade that exist. If this proves difficult, Zambia should reconsider halting liberalising her trade further.

• Cooperating partners should initiate a comprehensive approach to building Zambia’s trade human capacity based on a long-term rather than short term approach. Local stakeholders, including local donor offices, do not give enough attention to the relationship between AfT and education, so that an inadequate effort is made to link primary, secondary and tertiary education to increasing the skills base that government, civil society and the private sector require.
Endnotes

1 IZA, International Trade and Its Effects on Economic Growth in China, 2010
2 IDE, Infrastructure Development and Economic Growth in China (Discussion Paper), 2010
4 CUTS, Trade Development Poverty Linkages 2008
5 DTIS is a government tool used to identify the nation’s trade priority areas, their challenges and possible solutions to address them.
7 UNDP Trade and Human Development (A Practical Guide to Mainstreaming Trade) 2011
10 UNDP, Human Development Report, 2013
11 Gini Coefficient (index) measures the extent to which the distribution of income (or, in some cases, consumption expenditure) among individuals or households within an economy deviates from a perfectly equal distribution. A Coefficient of 0 indicates perfect equality and a coefficient of 100 indicates perfect inequality.
13 Africa Progress Panel, Africa Progress Report, 2013
15 Bank of Zambia, Annual Report, 2011
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17 SF Muibi, Capital flows, trade openness and economic growth dynamics (New Empirical Evidence from Nigerian Economy) 2012
18 Supra Note 4
20 EIF, Compendium of EIF Documents: A user’s guide to the EIF, 2011
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23 CSPR, FNDP Mid Term Review
24 Supra Note 21
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