

## Making Aid for Trade Work in Zambia

*There is a large and growing body of evidence that suggest positive links between openness to trade and economic performance, which (depending on the pace and pattern of growth) is important for achieving sustained poverty reduction. This can be seen in the developing countries that have succeeded in benefitting from the expansion of global markets such as the Asian tigers. Steady reduction in trade barriers, particularly in manufactured goods, has enabled these countries to rapidly integrate into world markets through an export-led industrialisation process, and thereby benefit from the prosperity generated by globalisation.*

Opening up trade regimes and enhancing market access is often not sufficient to enable countries like Zambia and other least developing countries (LDCs) to participate and reap all the potential benefits of trade liberalisation. The country needs assistance in building its trade-related capacity. Aid for Trade (AfT) thus becomes important; it provides a coherent framework for supporting this broad range of objectives. AfT increases capacity of developing countries to trade competitively through a number of ways.



First, AfT can increase efficiency and effectiveness of trade policy and regulations by supporting the underlying capacity to implement the regulations as well as supporting the creation of a conducive environment for their implementation.

Second, AfT can help improve the economic infrastructure through providing funding for direct infrastructure support, which paves the way for structural transformation and export diversification.

Third, by providing support to respond to trade related structural bottlenecks, AfT can also help in increasing productivity, as the efficiency of the factors of production get enhanced.

All these examples can be used to demonstrate the effectiveness of AfT in improving developing countries' trade systems. The Trade Investment

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Facility in Lesotho (the One Stop Shop) for example saw export applications processed in fifteen minutes rather than seven days while exporters were filling in only two page forms instead of 23 (Anderson, Kym & L A Winters, 2008). Improved customs performance in Rwanda saw reduced transit times and improved revenue collection, with the Revenue Authority nearly tripling tax revenue over five years, despite falling tax rates (Anderson, Kym & L A Winters, 2008) and this could be the situation at Chirundu One Stop Border Post.

More importantly, especially for an LDC like Zambia which is still struggling for solutions to end the high levels of poverty, AfT can be used as an instrument to engage in strategies that would benefit the poor. AfT positively influences trade and can help fight poverty through its impact on households through three channels; the distribution channel, the enterprise channel and the government channel (Higgins and Prowse, 2010).

The distribution channel primarily relates to prices of goods and services; the exposure to international markets through more trade opportunities is bound to induce downward pressure on domestic and international goods, which benefits households. Although this might also result in exposure to international price

fluctuation which might negatively affect households, increased vulnerability to price fluctuations may also force poor farmers to embrace diversification, even to suboptimal crops to reduce risk (Higgins and Prowse, 2010).

The enterprise channel basically focuses on the effect on households through profits, wages and employment. Increased trade may result in cheaper importation of inputs, which would increase profitability, thereby calling for increased production. The increase in production would also call for increase in demand for labour which also drives up wages and benefiting the poor.

Through the government channel, AfT increases the capacity of government to earn more revenue through taxes and transfers, which increases its capacity to fund more social and economic programmes which benefit the poor. Thus, AfT can also form a critical component of Zambia's poverty reduction agenda.

However 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. The micro level refers to the community, 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 often not consulted. This prevents benefits enjoyed at macro level to trickle down to the players at other levels.

Thus, there is need for a sound policy framework which is well articulated in an inclusive manner. The resource challenges/gaps in implementing trade reforms owing to weak institutional arrangements undermines inclusive participation as reflected by the weak participation from the non state actors.

AfT should thus be leveraged to build a stronger CSO and private sector which should improve the consultative processes in trade reforms. The donor community must invest resources and commitment in building a robust CSO-private sector alliance by working with the already existing, committed and credible organisations.

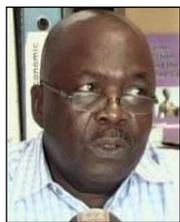
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## Land-locked or Land-linked?

– Ambassador Love Mtesa



Zambia's landlockedness should be considered as an opportunity. The current development literature on Zambia looked at this issue more as a factor hindering its economic growth. A change in the existing development paradigm is required. If one looks at Zambia's domestic market, it is too small to support sustained high growth, which is necessary to make a marked reduction in poverty. Therefore, exports have become an important subject for generating revenue and future (high) growth in Zambia, and should be promoted.

It is important to note that active participation in international trade should enable Zambia to take advantage of opportunities in foreign markets. However, in order to take advantage of this opportunity, Zambia needs to produce and export more value-added products and this requires private sector development. Zambia needs a vibrant and sustained domestic competitive environment, which is a prerequisite for innovation, entrepreneurship, quality assurance and value addition.

While Zambia is a small economy, it should not be looked at as being isolated. Zambia's land-lockedness should be considered as an opportunity that can effectively utilise its land-linking role to facilitate cross-border trade in ESA region. It is a huge opportunity for private sector development in Zambia and associated positives such as increasing producer welfare, consumer welfare and government revenue. However, in order to realise this, it is an imperative to improve infrastructure and supporting policies.

Two other important conditions are important to be noted. Firstly, there should be a better and bigger domestic market for products. This condition can be addressed by looking at the market in the region. Secondly, there should be political commitment for an enabling and stable policy environment so that there is less uncertainty regarding future returns from investment.

Without an enabling and stable policy environment, Zambia and/or other countries will continue to export primary commodities outside the region. A pre-condition for an enabling and stable policy environment is that there should be a functional regulatory system in place in the infrastructure sector to minimise policy uncertainty and strengthen private sector capacity. This is lacking in Zambia, and needs to be boosted for ensuring a better future for the average Zambian.

– Board Chairman, CUTS International Lusaka and former Ambassador of Zambia to Switzerland and the WTO.

## Civil Society's Perspective on Trade and EIF

– Phanael Mweene



Most developing countries strive to achieve viable and sustainable economic growth to address problems of poverty, unemployment and underdevelopment. They recognise the positive role that trade can play in this endeavour, hence are increasingly mainstreaming trade into their overall development policy and strategies. As a result, trade policy has become an important instrument in the development policy framework for these countries.

A recently developed manual by the United Nations Development Programme on *AfT and Human Development* observes that mainstreaming trade into development policies can help harness the benefits of trade, mitigate its possible negative impacts and improve the rate of development.

However, what will guarantee accrual of benefits from a development policy, which integrates trade promotion are twofold – firstly, inclusive implementation and secondly, a bottom-up approach in identification of trade-related priority areas. The EIF endeavours to address the latter through tools like Diagnostic Trade Integrated Studies (DTIS) and the prescribed action matrices.

The current DTIS (2006) for Zambia, for instance, is said not to have been subjective and also not inclusive. Through CUTS' interventions, it has come to the fore that there is a significant gap between contents in the DTIS and the priority needs of many stakeholders, especially marginalised groups in rural provinces who are facing various developmental challenges.

Civil society is a critical part of a well-functioning democracy from a trade policy and promotion perspective, especially in case of a country like Zambia. This is not only because they advocate for the formulation and implementation of enabling policies/legislations and review of associated practices, but also due to the fact that CSOs in the country work very closely with ultimate beneficiaries of trade promotion. CSOs in Zambia are starting to realise this role they can play in the EIF process, and have begun to be more actively involved. CSOs that have come forward would need to embark on awareness raising activities and make the EIF process inclusive as it should be.

– Programme Officer, CUTS International Lusaka

# Making AfT and EIF Processes Inclusive in Zambia: Experiences of CUTS

## Introduction

Country ownership, through inclusiveness in the design and implementation of the EIF related activities, is one of the major objectives of the EIF process in Zambia. Ownership can only be ascertained or guaranteed if there is equal participation from evolution level to management and implementation of any trade policy instrument or initiative by all relevant stakeholders, more importantly, the end beneficiaries.

However, the discussions and debates on the implementation of the EIF process in Zambia were originally mostly confined within the Ministry of Commerce, Trade and Industry (MCTI) and the Trade Expansion Working Group (TEWG), not until CUTS interventions. CUTS has managed to take the discussions beyond the capital (Lusaka) to other parts of Zambia.

## Project

CUTS International Lusaka, with support from the Embassy of Finland, is implementing a project entitled, 'Better Exploration of Trade as a means of Poverty Reduction' (BETAMPOR, <http://www.cuts-international.org/ARC/Lusaka/BETAMPOR/index.htm>) with the aim of building the capacity of state and non-state actors (especially at the grassroots) in order to strengthen and influence participation in the EIF process, thus helping promote ownership of the process. Earlier, CUTS undertook a pilot project on EIF for Poverty Reduction ([www.cuts-international.org/ARC/Lusaka/](http://www.cuts-international.org/ARC/Lusaka/)



EIF), again with support from the Finnish Embassy in Lusaka (Zambia).

Under both the pilot and the BETAMPOR project, sensitisation workshops were organised in five different provinces which provided stakeholders with an opportunity to highlight the issues of concern and debate on them. These events have enabled the National Focal Point in particular, and the National Implementation Unit (NIU) in general to interact with the grassroots more effectively regarding the EIF processes in Zambia.

CUTS has been holding side meetings with selected/identified groups with

the view of building their capacity so that they can fully engage in the EIF process, including formulating and writing fundable project proposals to enable them access available (Tier-II) financial support.

Roundtable meetings were also organised to bring together Focal Point, EIF and Geneva-based stakeholders, such as the EIF Executive Director, in order to exchange views and receive feedback on the operational modalities for the EIF process.

In addition to these activities, CUTS also responded to the request to review the DTIS. This DTIS review has provided additional information



on these and many other trade related areas that needed prioritisation in the DTIS.

While conducting sensitisation and awareness workshops in the regions, CUTS team received feedback that rice has a good production and export potential in Zambia, provided it is adequately supported by trade policy and capacity building. CUTS then undertook a rice supply-chain analysis and made the findings available to the Ministry of Commerce and NIU to conceptualise a proposal to access Tier II funding.

CUTS has gone an extra mile to formulate a proposal (Rice) based on the Tier II guidelines, which will be shared with the NIU for further input or adoption. In line with this, CUTS is also conceptualising a proposal on fisheries as one of the deliverables under the BETAMPOR project also to be shared with the NIU.

Another component missing in the existing policy framework was the

absence of the gender analysis of trade policy in the context of the EIF and AfT. Gender equity is a critical desired component of trade mainstreaming in Zambia and needs to be highlighted if the EIF is to satisfy the Paris Principles on Aid Effectiveness.

Further, for more meaningful impact on the grassroots, the whole process should be imbued with gender equity, acknowledging the extent to which women work in, and can influence, small-scale trading opportunities. Women dominate informal and cross-border trading in Zambia. Many households in rural areas are headed by women, while their spouses work in towns. These non-state actors, directly or through their organisations, are best suited to articulate their needs and priorities, provided they are aware of the opportunities.

Emerging information from the recently held African Growth and Opportunity Act (AGOA) Forum and AWEF Forum is that women

are growth accelerators and invest in social sectors like education, health, etc. Therefore, to steer gender-related discussion on the EIF process, a meeting on gender elements in trade was organised and brought forth key recommendations on the element of ownership.

### Conclusion

The need and importance of having all stakeholders involved in the implementation of the EIF continue to be a pressing issue. While, CUTS has set the ball rolling with limited resources, there is still a need to continue with the awareness and engagement of all stakeholders in the whole EIF and AfT agenda in Zambia in order to reap the benefits. CUTS has been able to take the process to areas the NIU would not reach, to far distant areas for policy makers. However, much more remains to be done. CUTS want to see small-scale producers/enterprises rise through the ladder and collectively raise Zambia's share in global trade.

## Simplified Grassroots Communication

Discussing trade issues at the grassroots is not as easy as one would think. This is because of the many technical jargons that come with it. Ordinary men and women who can, collectively, be the major pushers of better positive trade outcomes are the people that should shape trade policies and be active players when identifying potential trade priorities. On the other hand, certain issues (words) surrounding trade (multilateralism etc.) are just in their own worlds and cannot be translated easily.

With such a scenario at hand, one remedy that comes to CUTS is employing drama performances in all its workshops under BETAMPOR project.

The drama performances are mainly aimed at strengthening the deliberations, summarising the day-long presentations and translating the jargons on trade into practice. This combination of entertainment and information dissemination through the play has to some extent managed to ensure better understanding of the EIF process in Zambia.



A performance depicting a courageous woman who can be in the diving seat on trade issues



A play depicting a disagreement on whether EIF funds under tier 2 and are grants or not

## Genesis of the EIF in Zambia

– Kelvin Kamayoyo

Zambia became a beneficiary of the IF) in 2004 and had its DTIS initiated together with its Action Matrix. The DTIS, as validated in 2005, forms a basis for effective and efficient implementation of the EIF by beneficiary LDCs.

Zambia acceded to the EIF in order to respond to findings and recommendations in the DTIS and its Action Matrix, which analyses main constraints to trade expansion taking poverty and human development into account. The EIF, as a subset of AfT, is housed within the WTO, of which Zambia is part. EIF is also an integral part of the normal Official Development Assistance (ODA) programmes.

The EIF became operational in 2009, as a revitalised process from the initial IF which was established in 1996, to respond to the trade development needs of eligible LDCs so that they could become full and

active players and beneficiaries of the multilateral trading system, with a view to stimulating economic development and contributing to poverty reduction. Generally, the contribution to world trade share of LDCs, especially from the African continent, has been insignificant.

The objectives of the EIF are three-fold, namely: mainstreaming trade into national development strategies; coordinating the delivery of trade-related technical assistance; and building capacity to trade, which includes addressing supply-side constraints. Indisputably, all the three objectives are relevant to Zambia's development process, hence a Commerce and Trade Chapter was first included in the country's National Development Plan, e.g., the Fifth National Development Plan (FNDP 2006-2010), and substantial progress has been achieved in establishing and setting up national implementation

arrangements.

The Zambian government, through the Ministry of Commerce, Trade and Industry, has taken remarkable



steps towards championing the importance of trade in fostering economic development in-country and hence the Trade and Industry Chapter has been included again in the current Sixth National Development Plan (SNDP 2011-2015). It is, therefore, without doubt that the EIF programme introduces a simultaneous development approach where Zambia focuses on export-oriented growth and also undertakes a holistic approach to trade development and thereby builds productive capacities to trade to ensure job creation.

– National Trade Expert in the NIU

## Why Does EIF Programme Matter to a Country like Zambia?

– Kelvin Kamayoyo

Unlike other types of Aid, EIF Programme or AfT provided relief from the continent's indebtedness and high servicing costs that would have diverted resources away from development and social projects, while bureaucracy and volatility in aid delivery had often curtailed, or frustrated, development budgets in recipient countries.

The EIF is, therefore, a catalyst for enhancing trade expansion through promotion of trade in national development agenda and further help Zambia to build the supply-side capacity and other trade-related infrastructure that are needed to assist in the implementation process and benefit from WTO Agreements and, more broadly, to expand trade. Zambia needs an EIF programme to diversify her economy and hence it is a

necessary development tool.

Effective implementation of the EIF programme for Zambia provides an opportunity for the country to accelerate the process of diversifying its economy from predominately exports of copper and other mining products to non-traditional export value-added exports. Apparently, prior to implementing the EIF, Zambia conducted a rigorous study to examine ways and means to effectively implement the EIF programme that would help it to effectively use trade to promote economic growth and achieve poverty reduction objectives.

The EIF programme emphasises the need to identify small pro-poor projects that have immediate and significant impact on the livelihood of both the rural and urban marginalised, but economically viable, people in the country.

Further, in urban areas, the scenario could be different, but the end result from trade is still positive, for instance, key vehicles for poverty alleviation through trade involve employment opportunities and higher wages and, in Zambia, such opportunities are in the areas of light manufacturing, which include processed foods and engineering products.

Furthermore, the EIF programme could be used as an intersection for cooperation between donors and LDCs. Not only does the EIF programme promotes mutual cooperation among the partners but also helps LDCs to seriously define and articulate their development agenda and also help the poor take advantage of new opportunities created, or to protect them against negative effects.

– National Trade Expert in the NIU

## How to Access EIF Funds

– Healey Mweemba

The EIF is a government programme implemented by the Ministry of Commerce, Trade and Industry, through an established NIU. Zambia has made substantial amount of progress in implementing EIF programmes since 2005. The EIF programme at the global level is fully operational with both Tier 1 and Tier 2 windows active and LDCs beneficiaries have been accessing the funds.



constraints and thereby producing tangible results that would translate into poverty alleviation among the target beneficiaries, in this case the poor communities in Zambia.

The funds from the EIF are disbursed to deal with challenges affecting a sector or sub-sector and are not given to selected individuals in the sector. It is for this reason that, before one could start thinking of how to access the

Currently, the EIF Trust Fund has total pledges amounting to US\$232mn supported by 23 donors. Zambia is among the 47 potential EIF LDCs beneficiaries and already 26 countries have accessed the funds to help them on strengthening trade institutions to drive trade and development outcomes under Tier 1 and there are countries, including Zambia, which are also preparing Tier 2 project proposals for submission to the EIF Board for approval.

For Zambia, the EIF process has reached delivery stage, a critical point in time when showing results of project implementation has become paramount. These projects are essentially Tier 2 projects, with particular focus on addressing private sector supply-side

EIF funds, one should undertake to get more information about the EIF process and guidelines. The EIF Guidelines are provided by the EIF Board and layout necessary requirements for accessing EIF Tier 2 project funds. The most essential elements to understand in the guidelines relate to the technical, fiduciary and formatting aspects that will guide the formulation of project proposals to be submitted for funding to the EIF Board.

Note that, it is not the players within the identified priority sector who have to write and submit the Tier 2 project proposal, but it is the responsibility of the EIF NIU in the country that is designated that task. Just imagine the relief awarded to you as the private sector beneficiary.

– Team Leader, NIU

## Message from the Finnish Embassy Zambia

– Sinikka Antila

The title of the CUTS project is appropriate: trade is globally recognised as a crucial medium for poverty reduction, particularly in terms of improved integration of developing countries into international trade regimes and subsequently in terms of a better capacity to benefit from trade.

The AfT initiative, launched at the WTO Ministerial meeting in Hong Kong in 2005, aims at strengthening the capacity of developing countries to participate in and benefit from international trade. Fundamentally, AfT is about improving developing countries' productive capacity and tackling their supply-side constraints by strengthening domestic production and trade in economically and socially sustainable ways.

In fact, Zambia is one of the Finland's main partners in AfT cooperation. So far, Zambia is the long-term partner country where private sector development is a priority sector of Finnish cooperation. The cooperation is aimed at boosting Zambia's economic growth and strengthening her trade and competition capacity at micro and macro-levels.

CUTS will be able to significantly build the capacity of state and non-state actors, particularly marginalised groups in rural provinces, not only to participate in,

but also to benefit from, the EIF process. It is crucial to focus on these marginalised groups – including small-scale farmers, female-headed households and informal traders who are so often left outside of national discussions, yet whose work truly shapes trade in Zambia. Given an informed opportunity, non-state actors at the grassroots level can effectively influence national policy dialogue and debate on the EIF programme and trade, in general.

All of us involved in AfT work must bear in mind that policy discussions and workshops, as important as they are, are not enough. We must try to reach out to assist those women and men who are the backbones of trade everywhere. I wish CUTS all the best in their important work and am looking forward to hearing about the success stories resulting from the support provided to CUTS by the Embassy of Finland in Zambia.

– Extract of Keynote address by the Immediate Past Ambassador of Finland in Zambia, on January 01, 2011 at the Launch of BETAMPOR Project



News

**Mainstream IF**

Dorothy Tembo, the Executive Director of the EIF, pointed out the need to mainstream and build on existing mechanisms, like the Integrated Framework, if Aft was too effective at regional and national levels.

She indicated that Common Market for Eastern and Southern Africa (COMESA) was one of EIF Secretariat’s strategic partners in facilitating complementarities of national programmes with the regional integration programmes and that the programme was currently active in 47 of the LDCs and that 12 of these countries were COMESA Member States.

*(COMESA and Simon Ng’ona, 15.09.11)*

**Lamy Calls for Continuous Trade**

The WTO Director-General, Pascal Lamy, in his annual report to WTO members on developments in the international trading environment told members that “in a context of greater economic

uncertainty and rising global risks, it is more important that the process of global trade opening continues”.

He warned that unilateral action to shield domestic industries will not solve global problems, but might make things worse by triggering a spiral of tit-for-tat reactions in which every country will lose.

*(www.wto.org/laid4trade, 21.11.11)*

**Review of DFQF for LDCs**

The Committee on Trade and Development conducted its 6<sup>th</sup> annual review of duty-free and quota-free (DFQF) market access for LDCs. China said that it currently offers 4,700 tariff lines of DFQF market access for exports from LDCs and that China is currently the largest destination for LDC exports.

China would soon grant zero-tariff treatment to 97 percent of exports from LDCs which have diplomatic ties with China. India said that its DFQF scheme has been operational since 2008 and that it plans to expand the scheme in the

future. The EU and Australia mentioned their current schemes providing full market access for LDCs.

*(www.wto.org/laid4trade; 20.11.11)*

**Regional Perspective on SADC**

Sound infrastructure is a critical determinant of growth in Southern Africa. Over the period 1995-2005, infrastructure improvements have boosted SA’s growth by 1.2 percentage points per capita per year. This positive growth effect has come almost entirely from the growth of mobile telephony; improvements in the road network made small contributions.

Inadequate power infrastructure has eroded growth more in SA than in other parts of the

continent. If Southern Africa’s infrastructure could be improved to the level of the strongest performing country in Africa (Mauritius), regional per capita growth performance would be boosted by some three percentage points.

*(World Bank, 06.12.11)*

Publications

**An Assessment of the  
Zambian Diagnostic Trade  
Integrated Study**

The overall objective of the study is to make an assessment of the DTIS in Zambia under the EIF and its relevance to building trade capacity and eventually lead to poverty reduction. The study observes that the DTIS provides enormous potential for Zambia to diversify its export base and accelerate national development. The assessment has shown that the proportion of non-traditional exports in total exports has reduced over the years, despite increasing in absolute terms.

*www.cuts-international.org/ARC/  
Lusaka/pdf/*

*An\_Assessment\_of\_the\_Zambian\_  
Diagnostic\_Trade\_Integrated\_Study.pdf*

**A Study on the Rice  
Value-chain in Zambia**

This study seeks to present an analysis of the rice-value chain situation in Zambia and how the sector can be promoted further through support from the EIF initiative. Additionally, the intention is for the report to serve as point for public sector, donor, NGO and private sector discussion with particular focus on opportunities in the value chain for securing and improving income among rural populations in the rice growing areas.

*www.cuts-international.org/ARC/  
Lusaka/pdf/*

*A\_Study\_on\_the\_Rice\_Value\_chain\_  
in\_Zambia.pdf*

**Role of Stakeholders  
in the Enforcement of  
Competition and Consumer  
Protection Law**

To redefine and highlight the role of stakeholders in the implementation and enforcement of competition laws, CUTS International Lusaka in partnership with FES, held a stakeholders meeting in Lusaka, Zambia, on March 07, 2011. The booklet is not a conference report but rather takes the deliberations as a starting point for general information on the topic.

*www.cuts-international.org/ARC/Lusaka/  
RSPCZ/Role\_of\_Stakeholders\_in\_Effective\_  
Implementation\_of\_the\_Comp\_and\_  
Consumer\_Protection\_Act\_Zambia.pdf*