

Aid for Trade and Economic Development

A Case Study of Zambia



Simon N'gona • Cornelius Dube

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Acronyms

AAA	Accra Agenda for Action
AfD	African Development Bank
AfT	Aid for Trade
AFD	Agence Française de Développement
AGOA	African Growth & Opportunity Act
BETAMPOR	Better Exploration of Trade as a Means for Poverty Reduction
CBO	Community Based Organisation
CCPC	Competition and Consumer Protection Commission, Zambia
CGD	Centre for Global Dialogue
CIF	Cost, Insurance and Freight
COMESA	Common Market for Eastern and Southern Africa
CRS	Creditor Reporting System
CSO	Civil Society Organisation
CSPR	Civil Society for Poverty Reduction
CSTNZ	Civil Society Trade Network of Zambia
CTPD	Centre for Trade Policy and Development
CUTS	Consumer Unity & Trust Society
DAC	Development Assistance Committee
DBSA	Development Bank of Southern Africa
DFID	Department for International Development (UK)
DRC	Democratic Republic of Congo
DTIS	Diagnostic Trade Integrated Study

EAC	East African Community
EBA	Everything But Arms
EDF	European Development Fund
EIF	Enhanced Integrated Framework
EPA	Economic Partnership Agreement
EU	European Union
FBO	Faith Based Organisation
FNDP	Fifth National Development Plan (Zambia)
Fob	Free on Board
FTA	Free Trade Agreement
GDP	Gross Domestic Product
HIP	Harmonisation in Practice
HIPC	Highly Indebted Poor Country
IDLO	International Development Law Organisation
IEPA	Interim Economic Partnership Agreement
IF	Integrated Framework
IMF	International Monetary Fund
IP	Intellectual Property
IRCC	Inter-Regional Coordinating Committee
ITC	International Trade Centre
JCTR	Jesuit Centre for Theological Reflection
JITAP	Joint Integrated Technical Assistance Programme
LDC	Least Developed Country
MACO	Ministry of Agriculture and Cooperatives
MCTI	Ministry of Commerce, Trade & Industry
MDR	Multilateral Debt Relief
MFEZ	Multi-Facility Economic Zone
MFNP	Ministry of Finance and National Planning

M&E	Monitoring and Evaluation
NIU	National Implementation Unit
NSC	North South Corridor
NTEs	Non-Traditional Exports
NWGT	National Working Group on Trade
ODA	Official Development Assistance
ODCMT	Organisation Development Community Management Trust
OECD	Organisation for Economic Cooperation Development
OSBP	One Stop Border Post
PACRO	Patents and Companies Registration Office
PD	Paris Declaration
PIM	Project Implementation Memorandum
PIU	Project Implementation Unit
PPP	Public Private Partnership
PRS	Poverty Reduction Strategy
PSD	Private Sector Development
PSDRP	Private Sector Development Reform Programme
SA	South Africa
SADC	Southern African Development Community
SAGs	Sectoral Advisory Groups
SME	Small and Medium Enterprise
SNDP	Sixth National Development Plan
SPIG	Strategy and Practice in Investment and Growth
SPS	Sanitary and Phyto-Sanitary
STDF	Standards and Trade Development Facility
STR	Simplified Trade Regime
TA	Technical Assistance
TAC 1	Tier 1 Appraisal Committee

TAC 2	Tier 2 Appraisal Committee
TEWG	Trade Expansion Working Group
TPAZ	Textile Producers Association of Zambia
TRALAC	Trade Law Centre for Southern Africa
TRIPs	Trade Related Aspects of Intellectual Property Rights
TRTA	Trade Related Technical Assistance
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNOPS	United Nations Office for Project Services
WTO	World Trade Organisation
ZACCI	Zambia Association of Chambers of Commerce and Industry
ZAM	Zambia Association of Manufacturers
ZBC	Zambia Business Council
ZBF	Zambia Business Forum
ZCSMBA	Zambia Chambers for Small and Medium Business Associations
ZCTU	Zambia Congress of Trade Unions
ZDA	Zambia Development Agency
ZEGA	Zambia Export Growers Association
ZIBAC	Zambia International Business Advisory Council
ZIPAR	Zambia Institute for Policy Analysis and Research
ZNFU	Zambia National Farmers Union
ZPSDA	Zambia Private Sector Development Association
ZRA	Zambia Revenue Authority

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Foreword

The WTO's Hong Kong Ministerial meeting of 2005 marked the beginning of Aid for Trade (AfT) as a means to better coordinate development assistance and improves its linkages to enhancing recipient countries' ability to export and participate in the global trading system. In the same vein, the Enhanced Integrated Framework (EIF) programme was instituted in order to help least developed countries (LDCs), such as Zambia to tackle supply-side constraints to trade and integrated into the multilateral trading system.

The Government of the Republic of Zambia has continued to be a strong supporter of the EIF programme since its inception under Tier 1 National Implementation Unit (NIU) Sustenance & Capacity Enhancement Project recognising its potential as a tool to boost trade capacity and ultimately increase economic growth. The government has also placed the institutional framework, NIU for the implementation of the EIF programme under the auspices of the Ministry of Commerce, Trade & Industry (MCTI).

The EIF in Zambia has thus far made several strides in taking forward its agenda. The Diagnostic Trade Integrated Study (DTIS) for Zambia, which identifies country's trade priorities and challenges, seeks to address these constraints and places deliverables in an Action Matrix as conducted in 2005. The DTIS will be reviewed in the near future to capture new emerging priority areas and improve coordination during implementation. Amongst other things, the NIU is in the process of preparing Tier 2 project proposals to submit for funding to the EIF Board in order to kick-start the second phase of the EIF programme in Zambia that aim at showing tangible results on the ground. The government,

through the EIF programme, stresses on the need to identify small pro-poor projects that have immediate and significant impact on the livelihood of both the rural and urban that demonstrates resilience to engage into production and trade.

Government, however, recognises the challenges it faces in undertaking the EIF process on its own. Therefore, there is an increasing need to partner with stakeholders, such as civil society to push forward specifically the EIF within the context of AfT agenda in general. Undoubtedly, civil society organisations (CSOs), such as Consumer Unity & Trust Society (CUTS) should be commended for its active contribution to the EIF process in Zambia through its participation in trade policy discussions, trade sensitisation efforts and research publications such as this one.

It is the expectation of the NIU that this research will be a useful addition to the existing literature on AfT in Zambia.

Mathias M. Mwela

EIF National Focal Point and Director of Foreign Trade
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Preface

Country ownership, through inclusiveness in the design and implementation is one of the major objectives of the Enhanced Integrated Framework (EIF) process in Zambia. Ownership can only be ascertained or assured if there is equal participation from the evolution to the management and implementation stages of any trade or economic policy measure or initiative by all relevant stakeholders, more importantly, the end beneficiaries.

CUTS International Lusaka with the support of the Embassy of Finland implemented a project entitled, ‘Better Exploration of Trade as a Means for Poverty Reduction’ (referred to as the BETAMPOR project) with the aim of building capacity of state and non-state actors (especially at the grassroots) in order to strengthen and enhance their participation in the EIF process, thus helping promote ownership of the process. This two year project was conceived after CUTS piloted a project (in the year 2009), whose outcome revealed a number of missing links in Zambia’s realisation of the envisaged outcomes under its Aid for Trade (Aft) agenda, of which the EIF was a component.

The BETAMPOR project sought to complement the activities being undertaken by the Government of Zambia under the EIF process, especially by raising awareness and building capacity of grassroots constituents across the country on benefits of the EIF programme, and to connect them to the programme.

The Government of Zambia, specifically the Ministry of Commerce, Trade and Industry (MCTI) has acknowledged the work that CUTS has done in Zambia towards raising awareness across the ultimate (potential) beneficiaries of the EIF programme across communities in Zambia. As a result, the National Implementation Unit (NIU) of the EIF programme in Zambia has

worked closely with CUTS in some of its provincial activities. Currently, NIU and CUTS are discussing modalities to do some further work together in a few provinces. On account of having developed understanding of challenges that exist for grassroots communities to engage with trade and economic reform programmes in the country, CUTS has been included as a member of the high-level Sector Advisory Group (SAG), under the MCTI. CUTS work on EIF in Zambia has also been recognised by the EIF Secretariat (based in Geneva) and other inter-governmental organisations including WTO and the OECD (refer *Aid for Trade and LDCs: Starting to Show results, 2011*).

The BETAMPOR project has been conducted in two phases. The publication of this research study marks the culmination of the first phase of this project. Following are the key messages which emerged out through interactions at the grassroots and with different stakeholders:

- There is need to strengthen the involvement of non-state actors in the process of formulation and implementation of trade policy, in general, and AfT initiatives, in particular;
- The small and marginalised group of stakeholders (especially small producers) facing challenges to get better market access and marginalised consumers facing livelihood challenges, should be the focus of AfT initiatives;
- There is need to increase support to civil society organisations (CSOs) working on trade and regulatory issues to generate new knowledge and expertise for bridging macro-micro gaps in mainstreaming trade into national development strategies;
- The Diagnostic Trade Integrated Study (DTIS) and accompanying Action Matrix should be reviewed and areas identified for facilitating inclusive growth;
- Zambia being a land-locked country (or land linked), there is a need for research showing the imperative of regional AfT initiatives to enhance regional trade in Southern Africa, particularly in commodities which ensure satisfaction of basic needs;

- Trade-related infrastructure development should be given priority while implementing EIF projects. There should be a functional and an effective system of infrastructure regulation to help generate local economic development.

The research has benefited from an intense interaction with various stakeholders – through interviews with key institutions, both state and none-state actors in Lusaka and in some provinces across Zambia. For the EIF programme to be effectively implemented and for it to generate the much needed outcomes, it has to be thoroughly domesticated – not only through the creation of institutional arrangements but also by ensuring that actual beneficiaries are part of the process. Domestication through the promotion of country ownership and inclusiveness in the design and implementation of EIF-related activities is one of the core principles of the EIF.

Before CUTS' interventions, discussions and debates on the implementation of the EIF in Zambia were mostly confined within the MCTI and National Steering Committee of the EIF. The BETAMPOR project has helped facilitate involvement of diverse stakeholders on trade policy reforms issues including voices from the provinces in Zambia. Through various interventions, CUTS realises that despite having diverse and sometimes conflicting interests, different stakeholder groups should be brought together through institutional arrangements to enable convergence of ideas and better alignment of expectations. The outcomes from these meetings have been key and essential to this research.

The research reveals that the Government of the Republic of Zambia has continued to reiterate its support of Aid for Trade (Aft) initiatives such as the EIF. This is reflected in the establishment of the EIF NIU (housed in the MCTI), the upcoming DTIS review and existing efforts to impinge discussions related to trade in policy documents.

The research further recognises that the EIF can be a springboard for promoting the role of trade in Zambia's national development and can further help it to address supply-side

constraints and other trade-related infrastructure challenges. Zambia needs a programme such as the EIF to diversify and strengthen its economy, enhance trade and address poverty related challenges. The EIF programme emphasises on the need to identify small-scale, pro-poor projects that have immediate and significant impact on the livelihood of marginalised but economically viable communities in rural as well as urban areas.

Other key findings of this research indicate that Zambia receives a considerable volume of AfT. In 2009, US\$129mn was received as trade-related aid, but there seems to be a lack of effective monitoring of some of these projects as well as inability of the Government of Zambia to effectively communicate the utility of AfT projects to the public at large. CUTS is working with the NIU (MCTI) to develop information, communication and education (IEC) materials and distribute them to the intended beneficiaries of AfT projects.

CUTS has, therefore, contributed to furthering the AfT and EIF agenda in Zambia through research, advocacy and networking activities to further this process.

It is my expectation that the findings of this research will contribute to the continuous provision of up to date information on the status of AfT (particularly EIF) in Zambia and its relation to economic advancement.

I would like to express my sincere gratitude to all those associated with the BETAMPOR project and conducting this case study. Special mention goes to the development partner for the project, the Finnish Embassy in Zambia. We also thank all those individuals and institutions who availed valuable information to the research team. I am also thankful to my colleagues at CUTS International's centres in Jaipur (India) and Geneva (Switzerland), who have helped colleagues in our office in Lusaka for the effective implementation of this project.

Jaipur
July 2012

Pradeep S Mehta
Secretary General, CUTS International

1

Introduction

While at the international level the relationship between trade and development is understood, this is less the case at country level – both among local donor representation offices and local stakeholders. There has been a mismatch between the provision of aid and efforts to use that aid to boost the ability of developing countries to trade. This has manifested itself in the failure of a number of developing countries to compete in international marketplaces, despite decades of aid and donor support. The 2005 Highly Indebted Poor Country (HIPC) debt relief session epitomised the extent to which developing countries faced structural difficulties in sustaining desired levels of consumption, despite decades of aid.

In the same year, the concept of Aid for Trade (AfT) was launched in a bid to improve the linkage between the provision of aid and developing countries' ability to export, in line with global processes to liberalise trade. Although there is no standard definition of AfT at the international and country level, the definition used in this report is largely consistent with that of the WTO and the Government of Zambia.

AfT is an initiative which encourages developing countries to identify trade objectives in their development plans and call upon development partners (donors) to respond by making resources available for the objectives to be met, as a lever for economic growth and poverty alleviation (OECD, 2011). This implies that development partners will provide aid that would be designed to

improve the capacity for developing countries to expand their trade and benefit from the market access opportunities being leveraged under the international trading system.

In improving the capacity of the developing countries to strengthen their capacity to trade, AfT also becomes important as it contributes to inclusive economic growth. AfT supports trade policy and integration that can broaden government revenue, especially since trade taxes constitute about one-quarter to one-third of total tax revenue in low and middle income developing countries (Higgins and Prowse, 2010).

AfT can release trade assistance to countries to ensure that an optimal tax regime, where tax revenues are sufficiently broadened and made more robust, prevails. AfT also helps build the export potential of developing countries to enable them to reap benefits of global trade through engagement with domestic and international markets.

AfT also involves support for trade development, which focuses on issues that have a direct bearing on economic development, such as investment promotion, institutional support for trade in services, business support services, public-private sector networking and e-commerce. Support for trade-related infrastructure, such as building roads, ports and telecommunications networks to connect domestic markets to the global economy also contributes directly to economic development.

AfT is an integral part of regular Official Development Assistance (ODA) programmes as donors have been providing substantial amounts of AfT related programmes for many years. During the Uruguay Round of trade negotiations, trade related assistance was mainly aimed at technical support to help developing countries negotiate and implement trade agreements without building supply-side capacities, such as private sector development and trade-related infrastructure (WTO and OECD, 2010). AfT has been evolved to be a holistic approach, which draws various themes together into a single framework.

Under the AfT initiative, a special initiative to further leverage mainstreaming of trade in development strategies using special

tools called Diagnostic Trade Integrated Study (DTIS) and Action Matrices which prioritises the identified constraints according to their priority, viz the Enhanced Integrated Framework (EIF) was initiated.¹ The EIF was initially launched as the Integrated Framework (IF) in 1997 before being revamped as EIF following a decision at the World Trade Organisation Ministerial Conference held in Hong Kong in 2005.

EIF aims at identifying the main constraints faced by least developed countries (LDCs) in leveraging their development through trade. EIF thus seeks to deliver trade-related technical assistance (RTA) to participating LDCs, to address the identified priority RTA needs in the country's DTIS and Action Matrix which are mainstreamed in the National Development Strategy of the country.

The amount of assistance that Zambia has received as AfT (including EIF) was greatly influenced by the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action (AAA). The Paris Declaration on Aid Effectiveness was agreed to in March 2005. It outline a set of global commitments by development partners to scale up assistance to boost trade in the beneficiary countries.

A follow up meeting to the Paris Declaration resulted in the 2008 AAA, which was designed to strengthen and deepen implementation of the Paris Declaration. Subsequent discussions resulted in the 4th High Level Forum on Aid Effectiveness held from November 29-December 01, 2011 in Busan, South Korea. This forum reaffirmed the commitment to scale up development co-operation for aid effectiveness.

Trade continues to play an important role in Zambia's economic development. Countries like Zambia have moved from import substitution to export promotion, to emphasis on more open internal and external markets. Since the structural adjustment oriented reforms of 1991, Zambia has remained one of the most open trade regimes in Africa. These reforms also resulted in a reform vehicle – the Private Sector Development Reform Programme (PSDRP), set up by government in partnership with

cooperating partners, with a mandate of further laying a foundation for faster and sustained private-sector led economic growth by improving the business and investment climate.

However, the initial effects of the introduced reforms in early '90s came with both negative and positive effects. Between 1992 and 2000, the economy performed poorly with the country's GDP hitting -2 percent. But the situation started to improve from the early 21st century with a real GDP per capita average annual growth rate of 2.8 percent from 2000 till 2005 followed by a stable growth rate of about 4.1 percent GDP per capita average annual growth experienced between 2006 and 2010 (CUTS, 2010).

Thus, the Zambian economy has generally been registering a positive trend over the recent years. Statistics by Global Finance on the Zambian economy, for example, show that the country has been registering significant real GDP growth rates since 2008; in 2008 real GDP grew by 5.7 percent, in 2009 by 6.4 percent and in 2010 the country registered a real GDP growth rate of 7.6 percent.²

The role trade can play in Zambia's development is gradually being doted in a number of policy pronouncements, statements and actual policies. Zambia's vision 2030, the first ever written long-term plan, anchors the overall policy framework of Zambia and provides the long-term vision that sets economic and social targets to be achieved by 2030. Making Zambia a strong and dynamic middle income industrial nation that provides opportunities for improving the well-being of all.

The Sixth National Development Plan (SNDP), the current mid-term operational strategy of the vision 2030, highlights government's desire to 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.

Ensuring and guaranteeing tangible results from the acquired greater market access will be dependent on the level of investment

and trading capacity of the market players necessitated by an enabling trade policy environment. On the other hand, for a trade policy to effectively deliver, it has to be well thought out with the aspirations of the different beneficiaries incorporated.

It is within this context that CUTS International Lusaka initiated this study. It aims at undertaking a critical survey of the current state of the implementation of the AfT (including EIF) agenda in Zambia in the context of the country's development. This is done by identifying gaps (from the point of view of mainstreaming trade into the national development strategy in Zambia) in Zambia's AfT agenda and how this could be addressed, taking into account the socio-economic realities of the country.

The study also looks into the implementation of the AfT agenda in Zambia in the context of the Paris Declaration and AAA on aid effectiveness and ties in the subsequent Busan outcome which appreciates and proposes a paradigm shift in focus from 'aid effectiveness to development effectiveness'.

The paper describes the scope of the research as well as the methodology employed and gives an overview of Zambia's trade and economic outlook explaining some of the potential priority sectors and initiatives. It provides an overview of the Paris Declaration on aid effectiveness, Accra Agenda for Action as well as the Busan outcome, to give the context under which assistance for AfT programmes would be shaped. While giving an overview of the EIF, it explains the steps that Zambia has taken to embrace EIF and AfT in general.

It also takes a look at the ODA and AfT trends, with specific focus on the sectors that have been receiving such assistance over the years. The paper then gives an analysis, focusing on the challenges and benefits that Zambia has witnessed since embracing AfT.

2

Scope and Methodology

The study benefited a lot from material gathered through a desk review of the relevant literature from various publications on Trade, EIF and AfT on Zambia as well as in other countries. In 2010, CUTS International Lusaka initiated a project, ‘Better Exploration of Trade as a Means for Poverty Reduction’ (BETAMPOR), which takes an inclusive approach to AfT and EIF implementation in Zambia. The project has a capacity building and consultative component involving a series of meetings with various stakeholders in select provinces of Zambia.

This report has benefited a lot from the discussions and submissions made by these stakeholders. The study has also benefited from the findings of a previous project on EIF implemented by CUTS International Lusaka, which concluded in 2009, and made use of the submissions by stakeholders during workshops. Thus, the methodology involved an integration of findings from desk research and views from stakeholders involved in trade issues.

Zambia’s Economic Policy and Trade Regime

Zambia’s Policy Making Process

Zambia’s national policy making is generally a preserve of the executive wing of the government through Cabinet decisions or pronouncements by the President. The Minister of Trade advises

the President on trade policy issues. Consultations on issues related to trade are undertaken through the institutional mechanisms established for the purpose. Policymakers and stakeholders also interact through other means, e.g., policy workshops, sensitisation campaigns, roundtable meetings and other informal contacts.

The larger group of all relevant stakeholders could be divided into four categories and these include the ministry responsible for trade policy making (MCTI); other relevant government ministries and agencies; private sector and civil society. Private sector and CSOs participate in the process through the National Working Group on Trade (chaired by private sector) and Sector Advisory Working Groups (chaired by the Permanent Secretary-Ministry of Trade).

As trade is cross-cutting, other government ministries and agencies need to play their roles in interaction with the MCTI.

Regular interaction, including with non-state actors, will lead to a coordinated approach on all trade related issues, facilitate the development of a coherent policy framework, and improve the sense of ownership and hence, better implementation of related programmes. Such a process in itself will enable Zambia identify ways and means of navigating through a viable and steady path towards competitive export led growth for the realisation of the goal of poverty eradication.

Alas, though structures and the interdependence of various policies are well understood, there are examples of uncoordinated action across relevant government agencies. This mainly ensues because of turf issues between ministries. Critics say 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 competition in meeting tasks is very important in the overall performance of government as a whole, what is being misapprehended and overridden by the ancient theory is that ministries often depend on one another for effective delivery of results. Further, the prevailing structures where non-state actors

convey their views is not self guaranteeing that the input provided by the non-state actors will be taken on board. This is mainly because the relationship between state and non-state actors is not legally binding.

It is therefore important to note that since trade can be an effective means to achieve an end, i.e. development, the formulation and implementation of a country's trade policy should not just be the prerogative of a country's trade ministry, but other ministries and government agencies have an equally important role to play. This is often forgotten and ignored. This inclusive process is not just about ensuring a better policy ownership among the state actors and non-state actors but also to enhance implementation coherence among different arms of a government.

Inclusive process of policy-making and implementation is at a very nascent stage in Zambia and the existing practice of policy formulation and implementation in a narrow sense is to be broadened through greater participation between and among the state and non-state actors.

Therefore, a fragile trade policy making process entails a weak policy. Zambia's trade policy should ultimately ensure that trade benefits are derived from the market access opportunities currently on offer, a situation which can only be guaranteed if there is inclusive and effective participation in the evolution and implementations of trade policies.

Inclusive participation in the design and implementation has also to some extent been undermined by limited capacity of non-state actors to tackle trade issues. This is besides the major economic infrastructural challenges which should make goods move. AfT becomes an essential opportunity for Zambia to tackle the broad and cross cutting challenges. AfT should help to build the institutional capacity that Zambia's government, civil society and private sector require to play their development role and boost Zambia's ability to export.

Zambia is a host to a number of CSOs which are active on trade issues. These are community based organisations and apex

bodies, to which some of the community based organisations are affiliated to. Most of these participate in the processes on formulation, implementation and negotiations on trade issues mainly through sector advisory groups (SAGs) and different working groups in the MCTI.³

They also use the platform of round table meetings with relevant ministries to lobby the government and run media campaigns on selected issues to educate and influence the public opinion. Among the notable active CSOs are the following; Civil Society for Poverty Reduction (CSPR), Jesuit Centre for Theological Reflection (JCTR), CUTS International and Centre for Trade Policy and Development (formerly Civil Society Trade Network of Zambia).

The following organisations are a list of CSOs working on trade and trade related issues;

- Centre for Trade Policy and Development-(CTPD), formally Civil Society Trade Network of Zambia (CSTNZ);
- Civil Society for Poverty Reduction (CSPR)
- Consumer Unity & Trust Society (CUTS) International Lusaka
- Organisation Development Community Management Trust (ODCMT)
- Trade Law Centre for Southern Africa (TRALAC)
- Women Entrepreneurs Development Association of Zambia
- Zambia National Women's Lobby
- Jesuit Centre for Theological Reflection (JCTR)
- Caritas Zambia
- Oxfam
- Christian Aid
- Action Aid
- Trade Justice Movement
- University of Zambia
- Copperbelt University
- Zambia Congress of Trade Unions

These organisations participate in trade policy issues based on their individual focus. Some of them work directly on trade policy issues and others work on cross cutting issues which hinge on trade. The institutional arrangements for Zambia's private sector development framework include the Zambia Business Council, a main platform where public-private dialogue ensues. This Council is chaired by the President of the Republic of Zambia and economic ministries are represented by cabinet ministers. Other essential economic players such as CSOs are not represented on this council. CSOs are only represented at Sector Advisory Group level which is three to four steps lower in the institutional structure.

According to sources in the Ministry of Trade, private sector representatives sometimes do not represent their stakeholders adequately owing to their specific interests. Information made available indicates that most representatives of these associations are also in business and see government as a market opportunity or would, to some extent, want favours from government to enhance their businesses.

Government, therefore, needs to strengthen relationship with CSOs by incorporating them to participate in major committees which discuss and endorse policies and other related issues. This will allow government to tap into new policy relevant ideas, information and resources when making decisions.

Observers say CSOs' participation in trade policy related issues has declined in 2011 with only CUTS and CTPD maintaining the momentum. Ministry of Trade officials point at these two organisations as active players in some of the working groups. The mobilisation of other CSOs, both local and international, to participate and come up with a common position, during the AGOA forum by CUTS, CTPD and Community National Resources Forum was rated as a milestone.

CSOs' lack of capacity is also reflected by their absence and lack of active participation during consultative meetings called by various sub-committees and working groups established by the MCTI under the NWGT. Streamlining of these sub-committees and working groups into fewer sector-specific organs of the

NWGT will also help the CSOs to take better advantage of the opportunities they offer. CSOs too should consider improving their coordination to better utilise their limited resources. Aft becomes crucial in addressing some of the mentioned participation challenges.

Participation of the private sector and businesses in trade policy issues generally takes place through their umbrella organisations. Private sector umbrella organisations and individual businesses may be more active on one particular issue than the whole spectrum of trade policy based on their specific interests and concerns. However, neither the umbrella associations nor the individual businesses are in a position to represent the interests of those employed in the informal sector. Main private sector umbrella organisations involved in the trade policy making process include:

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

The established institutions or channels where these and other private sector organisations and businesses interact with government include the National Working Group on Trade. Other consultations and dialogue where policy discussions and legislation processes, especially on reforms, take place between private sector and government include Zambia International Business Advisory Council (ZIBAC),⁴ Zambian Business Council (ZBC),⁵ Private Sector Steering Committee, Sector Advisory Groups and platforms at district and provincial levels.

One key challenge of private sector participation is that umbrella organisations and individual businesses are more active on one particular issue than the whole spectrum of trade policy based on their specific interests and concerns. Neither the umbrella associations nor the individual businesses are in a position to represent the interests of those employed in the informal sector.

Sadly, records show that participation has been inconsistent in protracted international trade negotiations or policy formulation processes as they do not always have the required human and financial resources. Moreover, it may be difficult to collect and collate the inputs and positions of all their members and ensure a regular two-way feedback between their secretariats and members.

It is also true that the private sector is not one monolithic body with a common agenda. Their interests are different depending on, among others: the size, the nature of economic activity and the benefits they can get under the existing policy framework. The large umbrella organisations cannot reconcile all differences among various parts of their constituents. Even the business units that are part of the same sector may have different interests.

For example, Zambia Sugar plays a key role in Sugar Protocol negotiations with the EU. But the MCTI also consults with Kaley Smallholder Scheme on issues that may have impact on sugarcane growers, e.g., related to their social welfare.

The above are major challenges and clearly there are no easy solutions. What is clear, though, is that the onus is more on the private sector to organise itself better and invest in its capacity building on trade policy issues. AfT can come in and assist in addressing such challenges. It is essential for AfT to support the strengthening of private sector participation, a remedy that is required to enhance Zambia's competitiveness, by investing in local human capacity.

Donor coordination is particularly important to avoid overlaps in supporting projects and programmes which might result in over-concentration of resources to one particular area constraining other

sectors or programmes. The Harmonisation in Practice (HIP) Action Framework Zambia signed by the donor community was a step forward to showing commitment towards this goal. This and the like policy frameworks in Zambia seem to offer a favourable setting within which to assess the donor's capabilities to coordinate its AfT agenda.

During the EIF implementation between 2006 and 2009, capacity inadequacies were experienced from the donors' side propelled by constant staff changes which resulted in Zambia having four different donor facilitators for the IF in two years. This had a negative effect on the implementation of the EIF.

However, stability has been shown with the coming in of the Finnish Embassy as a donor facilitator. The Embassy has contributed to the success scored by working towards bringing other donors on board and coordinating their support. It has also provided technical and financial support to the EIF by partially funding the setting up and the running of the National Implementation Unit and supporting many IF/EIF related interventions. In line with the AAA and Busan outcome which emphasises on engagement of CSOs in the delivery process of Aid actives, the Finnish Embassy has made efforts to achieving this through supporting organisations such as CUTS, which kept the EIF process moving even in the challenging days of the NIU.

Aside from playing the role of the donor facilitator, the Embassy of Finland has been one of the three donors that have been committed to the broader PSDRP, and has been contributing resources to the PSDRP Basket Fund that has further supported implementation of IF/EIF related activities. Alas, there is still some challenge in coordination, as some donors within the European Zone and further west are said to prefer solo projects support.

With this background, it would be important to understand the nature and trends of ODA that Zambia has been receiving over the years in line with international developments during the EIF and AfT broadly.

Economic Performance

Zambia is a least developed country (LDC), ranked 150 out of 169 countries in the United Nations Development Programme (UNDP) 2010 Human Development Report. With an estimated population of 13 million according to the 2010 economic census, Zambia covers an area of about 752,614 km². Three quarters of the population lives in rural areas and is dependent on agriculture. Almost 75 percent of Zambians live on less than a dollar a day.

Zambia's trade regime, rated under the International Monetary Fund's Restrictiveness Scale, is said to be among the most open economies in Africa. Zambia has since 1992 remained one of the most open trade regimes in Africa owing to the economic reforms that ensued in 1991 and she is tagged with a rating of 2 on the said restrictiveness scale ranging from zero to 10, with 10 being the most restrictive (MCTI 2005).

The major reform areas included abolishing of export licences, export bans and taxes, moving its trade to a market-determined exchange rate and introducing a package of incentives to investors. These reforms have also resulted in a reform vehicle – the Private Sector Development Reform Programme (PSDRP), set up by government in partnership with cooperating partners, with a mandate of further laying a foundation for faster, sustained, and private-sector led economic growth by improving the business and investment climate.

Unfortunately, the initial effects of the introduced reforms in early'90s came with both negative and positive effects. Between 1992 and 2000, the economy performed poorly with the country's GDP hitting -2 percent. The poor performance is consistent with the performance registered in many sub-Saharan African countries which adopted the World Bank and IMF inspired Structural Adjustment. The economies were ill prepared for free market reforms, especially after years of protectionism. The other reason for poor economic performance lies in the collapse of the international copper price, since the country strongly depends on the production and export of this single commodity.

In 2000, copper accounted for nearly 68 percent of Zambia's total exports, contributed about eight percent to its GDP and represented an important source of budgetary revenue. The value of Zambian non-traditional exports increased from US\$90mn in 1990 to US\$360mn in 2002, representing an increase in their share of export earnings from eight percent in 1990 to 39 percent in 2002. However, the contraction in output of previously protected industries has not been offset by a sufficiently vigorous development of its export industries.

Real GDP per capita grew at an average of 2.8 percent from 2000 till 2005. This was mainly on the backdrop of new economic reforms, characterised by modest intervention into the economy by the government. This trend continued and Zambia regained and has sustained an impressive record of macroeconomic stability, achieved single-digit inflation consistently and had growth rates over five percent for the past five years – from 2010 backwards.

ODA increased from US\$754mn in 2002 to US\$918mn in 2009, and the Highly Indebted Poor Country (HIPC) and Multilateral Debt Relief (MDR) initiatives reduced Zambia's debt-servicing obligations. External public debt dropped from US\$6bn in 1999 to US\$934mn in 2006, but subsequently increased to US\$1.5bn in 2009. In 2010, Zambia was considered the sixth best country in Africa for doing business. Significant foreign direct investments had flowed in. From 1995 to 2005, the country received an annual average of US\$211mn. From 2006 to 2009, the figure rose to US\$960mn annually.

In order for Zambia to enjoy the benefits accruing from the market access opportunities regionally and internationally, it needs to undertake measures to enhance the competitiveness of its private sector. A vibrant and sustained domestic competitive environment is a pre-requisite for innovation, entrepreneurship, quality assurance and value addition. In most instances, an enabling domestic environment stimulates the private sector and positions countries to effectively tap international markets.

AfT becomes crucial in facilitating this enabling environment owing to the resource constraints faced by LDCs like Zambia. Efforts to expand the domestic revenue base through effective taxation policy and its full administration are critical for Zambia, as ODA has shown greater volatility and may even decline in coming years. Suffice to note this volatility, cooperating partners must ensure that they meet the agreed ODA target of 0.7 percent of their gross domestic product (GDP) to support the achievement of the MDGs by 2015.

Zambia's Trade Regime

Alongside reforms, the country has engaged in regional and multilateral trade and negotiations to promote private sector exports. The country has committed itself to further liberalisation under the regional programmes in which it is participating. For instance, Zambia had traded on a quota and duty-free basis with 14 other members of the COMESA free trade area (Mudenda, D 2006). The country is also a committed member of COMESA and hosts its secretariat besides being a forerunner in advocating for full implementation of the COMESA Customs Union. The country is also a member of the SADC FTA. Further, between 2000 and 2005, the country acquired new preferential market access provisions under the US' AGOA and the EU's EBA initiative.

Zambia entered the 21st century with a poor export regime which has gradually improved. Over the years exports have strengthened to record consistent monthly trade surpluses as of 2011 (Table 1).

As of 2003, the major export destination for Zambia's exports was dominated by the UK, South Africa and Tanzania. During this period, overall export, rated on a regional basis, was dominated by SADC countries at 41 percent. The second major regional destination of the country's exports was the EU at 35 percent. SADC on the other hand was the main source of imports and stood at 63 percent of the country's total imports. Most of the

Table 1: Total Exports (fob) and Imports (cif), January to September 2011 (K' Millions)					
Months	Imports (cif)	Domestic Exports(fob)	Re-Exports (fob)	Total Exports (fob)	Trade Balance
January	2,091,025	135,310	3,440,002	3,575,312	1,484,287
February	2,372,536	78,112	2,937,929	3,016,042	643,506
March	2,809,345	260,268	3,413,243	3,673,511	864,166
Quarter 1	7,272,906	473,691	9,791,175	10,264,866	2,991,959
April	2,438,607	281,589	3,265,417	3,547,006	1,108,399
May	2,615,136	155,462	3,255,052	3,410,514	795,378
June	2,950,067	176,142	3,352,505	3,528,647	578,581
Quarter 2	8,003,810	613,193	9,872,974	10,486,167	2,482,357
July	3,146,772	110,013	3,477,465	3,587,479	440,707
August	3,308,102	107,363	4,084,940	4,192,303	884,201
September	3,346,328	1,006,805	3,262,845	4,269,650	923,322
Quarter 3	9,801,202	343,547	10,825,250	12,049,432	2,248,229
Total:	25,077,919	1,430,432	30,489,399	32,800,465	7,722,546

Source: CSO, International Trade Statistics, 2011

imports from SADC come from three countries of which SA is the largest, representing 48 percent of total imports.

By 2011, Switzerland had turned into a major export destination accounting for 23.1 percent of total exports and included cathodes and sections of cathodes of refined copper. China has also gained prominence and recently, many Zambian products have been destined for the Asian giant which was the second major destination of Zambia's exports accounting for 12.9 percent in September, 2011. The major export product to China has been copper blisters accounting for 67.1 percent.

Meanwhile South Africa has continued to dominate Zambia's imports and was pegged at 37.7 percent of total imports (Table 2)

Zambia's major import products by category as of 2011 were intermediate goods, accounting for 39.0 percent. Capital goods category was second with 25.3 percent, followed by raw materials with 20.9 percent and consumer goods at 14.8 percent (Table 3).

Table 2: Top 5 Sources of Imports and Destinations for Exports					
2003					
Imports			Exports		
Country	US\$'000	% Share	Country	US\$'000	% Share
South Africa	748,872	48.4	United Kingdom	252,503	26.7
Zimbabwe	198,389	12.8	South Africa	204,642	21.6
United Kingdom	92,224	6.0	Tanzania	131,334	13.9
UAE	67,152	4.3	Switzerland	76,914	8.1
China	42,540	2.7	DR Congo	36,688	3.9
September 2011					
Imports			Exports		
Country	Value (K'Million)	% Share	Country	Value (K'Million)	% Share
South Africa	1 247 784	37.7	Switzerland	988 369	23.1
DR Congo	521 155	15.8	China	552 078	12.9
China	307 968	9.3	South Africa	375 467	8.8
India	116 181	3.5	DR Congo	359 568	8.4
UAE	82 671	2.5	United Kingdom	314 632	7.4

Source: CSO, International Trade Statistics, 2011.

Though there has been a positive trend in Zambia's exports in the region and internationally, the country is still ill-equipped to take full advantage of existing market access opportunities. Zambia faces a number of supply-side constraints that are impeding sustainable growth of the export sector. The major binding constraints are in trade capacity, economic infrastructure and institutions needed to meet standards in export markets, or simply knowledge about market opportunities and how to access them, productive capacity in the export sectors and issues related to Trade-related Adjustment Assistance.

Table 3: Zambia's Major Import Sources by Products, September 2011 (K' Millions)				
Description	September 2011		August 2011 (R)	
	Value	% Share	Value	% Share
Consumer Goods	496,315	14.8	481,755	14.6
Raw Materials	699,234	20.9	737,053	22.4
Intermediate Goods	1,303,900	39.0	1,082,322	32.7
Capital Goods	846,879	25.3	1,006,973	30.4
Total: 100.0	3,346,328	100.0	3,308, 102	100.0

Source: CSO, International Trade Statistics, 2011

Mainstreaming Trade and Enhancing Trade Capacity

The country has embraced the concept of mainstreaming trade in its national development programmes and processes. Mainstreaming has been defined as involving the process and methods identifying priority areas for trade and integrating them into the overall development plan of a country. Mainstreaming trade policies in national development plans is also looked at to involve a systematic promotion of mutually reinforcing policy actions across government departments and agencies and creating synergies in support of agreed development goals.

The Sixth National Development Plan does recognise trade as one of the growth sectors. It focuses on trade and exports within the various economic sectors which included agriculture, mining, communication and meteorology, infrastructure, tourism and manufacturing.

Regrettably, trade does not appear to be mainstreamed in a substantive manner. There is a lack of clear coherence of how trade objectives can be realised through specific activities across the strategy. It appears that trade has not been mainstreamed at the programme level and that no link has been made between the AfT agenda and the development agenda. Further, there is no indication that trade is starting to be mainstreamed in line

ministries such as the Ministry of Education, Science and Technology; Ministry of Lands; Ministry of Justice; Ministry of Sports and Youth Development and the Ministry of Local Government and Housing.

In others, such as the Ministry of Transport and Infrastructure etc, trade is currently only partially mainstreamed. More often than not this is because many of these ministries/agencies do not have a full understanding of the importance of trade in economic development and of the contribution that they could make to development through enabling trade.

Many of these ministries – as well as non-state actors are not aware of the existence of AfT, let alone how it is defined or the contribution that it could make to their objectives. Therefore, for AfT to have an impact in achieving trade community goals relative to Zambia, AfT needs to take the government's different sector priorities as a starting point and then make the case that private sector development and trade contribute to meeting these objectives. A limited ability of AfT to achieve this could be said to have led to a lack of ownership of AfT in Zambia.

In addition, ministries behave territorially and defensively in competing for resources. Different ministry priorities make it difficult for the government to fully own AfT. For example, one key agency/ministry in AfT is the Ministry for Transport and Communications. In these ministries, trade is not explicitly mainstreamed in the air and rail sectors (which is even near being uprooted). By contrast the road transport sector serves as an example of where trade has been mainstreamed. The main road transport corridors, such as the north south, are being developed with the trade objective in mind.

The road usage benefits of trade are built into project documents. The energy sector is also increasingly being driven by trade priorities. Since the private sector identified this area as being their largest constraint to doing business, the government, through support from cooperating partners, is working towards expanding production, distribution and transmission of electricity.

Another important ministry within the AfT agenda is the Ministry of Agriculture. This ministry is in charge of food security issues and trade. Most agriculture projects did not mainstream trade. Major focus in the past has been given more to food security than trade, which means people will mainly produce for their consumption and sell the remainder. However, the trend seems to have changed with a few having realised the benefits of producing at a higher scale-for trade.

Major bottlenecks facing Zambia's Trade Expansion

Zambia's increased participation and integration in the world economy hinges on increased market access opportunities and the competitiveness of the domestic economy. Behind the border policies are very important in Zambia's efforts to expand export production, as policies and coordination issues on these can reduce costs for exports and promote the overall competitiveness of the domestic economy (Ndulo M, 2006). Behind the border policies generally fall into four categories.

The first category concerns policies that will improve customs administration which remove inefficiencies in the clearing of the exportation and importation of goods. The second set of behind the border policies have to do with the organisation and quality of the key infrastructure services in the domestic services sector. The third are quality and safety standards, while the fourth have to do with a set of policies that improve the business environment, as growth in the economy and export production will depend on the private sector operating in an environment that encourages investment, risk taking and innovation (Ndulo M 2006).

These challenges have been articulated well in the EIF DTIS for Zambia. According to the DTIS (2005), the following are the *key supply-side challenges* for Zambia:

(a) Weak customs administration procedures

The ability of companies to effectively respond to global demand pattern changes is curtailed by the customs procedures

in Zambia. Challenges with respect to long clearance times, inadequate information sharing between border control agencies and unnecessarily complicated procedures, resulting in excessive checking, physical inspection and redundant control procedures have often been cited as areas warranting urgent attention if trade capacity is to be enhanced.

(b) Weak transport infrastructure

The poor state of roads in Zambia is also a hindrance towards effective trade capacity. The participation of smallholder farmers, especially in the production of high value cash crops such as baby vegetables and flowers is constrained by lack of access to good roads throughout Zambia.

In addition, the pitiable state of road infrastructure, characterised by many potholes, results in limited traffic flow which also results in high cost of transport, which has been cited as the major impediment to sustained high growth. The needy state of roads also results in horticulture transportation for exports being largely by air, which is costly. Some of the roads, especially dusty roads, are vulnerable to the weather conditions and frequently become impassable during part of the rainy season, thus holding back further development of commercial agriculture.

The need to improve the transport infrastructure becomes even more pronounced due to the fact that Zambia is strategically located, such that with improved transport links, the country can easily serve as a regional distribution centre. Zambia is surrounded by eight countries, namely: Tanzania, D R Congo, Angola, Namibia, Botswana, Zimbabwe, Mozambique and Malawi, and players from most of these countries use Zambia's transport networks in conducting trade. The railway network links Zambia with Zimbabwe, Tanzania and D R Congo. The road network links Zambia with Botswana, Namibia, Mozambique and Malawi.

In addition, large volumes of trade between countries, for example South Africa and Zimbabwe on one hand, and DRC on the other, has to be done through Zambia, while trade between

Malawi and Namibia is also mostly done through Zambian transport networks. Currently, efforts are being made to construct a road to Angola. However, the link to Beira in northern Mozambique is still not being adequately used because of the poor quality of the access roads in Mozambique and inefficient operations in the Port of Beira.

(c) Constraints to production

One of the most significant constraints to business expansion in Zambia is the cost of finance as well as the access to finance. The cost of finance is reflected in the high interest rates on loans, as well as high demands for collateral which small firms find difficult to produce. For example, according to the DTIS, the required amount for collateral for all firms averaged three times the loan value. Heavy government borrowing, which crowds out private sector borrowings, has been identified as the main driver behind the high cost of capital.

In addition to cost of finance, the taxation system is also considered not conducive for production. Zambia has always been known to maintain marginal tax rate which is five points higher than that of its neighbours (DTIS, 2005). The high frequency of changes in tax policy makes it difficult to plan ahead. The firms' working relationship with the Zambia Revenue Authority is also not good as firms perceive the tax authority's behaviour as arbitrary and punitive.

Other key enabling infrastructure is also in poor state, with high unreliability and limited in terms of availability. This is true for key services such as electricity, where power outages contribute to loss in production; telecommunications which are not always dependable and water, where many industrial districts lack reliable water supplies. This negatively affects firm productivity.

The regulatory system is also weak, due to shortages of financial and human resources, which makes the proper implementation of regulatory laws and regulations difficult. Given that such

regulatory authorities are important for business to flourish, such as approving new businesses, dealing with various issues that threaten business viability for instance disputes, anticompetitive practices and compliance with standards etc, there is need to ensure that the issue is quickly resolved.

In addition, the following *challenges* also inhibit trade expansion:

(a) **Donor coordination:** Although Zambia receives a lot of trade related support from development partners, the support does not come in a coordinated manner. As a result, there are a lot of overlaps and parallel programmes which do not achieve optimal results. While funding for some identified gaps would remain a challenge, it would turn out that the available resources would have been enough to meet them had the development partners coordinated their activities and released resources from some over-trodden areas. This was particularly recommended on the basis of avoiding overlaps in supporting projects and programmes. A recommendation for integrating all donor assistance for trade into one wider framework for Zambia was signed by the donor community, though a lot still needs to be done in terms of implementation.

(b) **Coordination within government:** Inter-agency coordination within government was observed to be weak, which undermines the efficiency of trade enhancing initiatives. For example, there is lack of coordination of export promotion and private sector development programmes despite their overlaps and strong complementarities.

In particular, responsibility for dealing with the private sector and trade issues should be given to the same implementing agencies to ensure consistency. Incorporating trade issues explicitly and fully into the developed inter-

agency implementation mechanism was recommended as the perfect option.

(c) **Lack of political commitment:** Although AfT and trade promotion was embraced in Zambia's development policies, there is still an observed laxity when it comes to the political commitment to implement the policies in full. This also undermines trade promotion initiatives. For example, there is a need to mainstream trade in all the national development strategies.

In addition, although public-private partnerships were proposed from the context of them being an effective way of guaranteeing an enabling environment, these are yet to take effect. This was identified and recommended as a possible big leverage to achieving export-oriented growth led by the private sector.

(d) **Lack of effective public-private partnerships (PPPs):** Among the key challenges towards trade are infrastructural bottlenecks, especially the poor road and railway networks and poor infrastructure for utility services such as electricity and water, which negatively affect the capacity of companies to produce.

Unfortunately, the Zambian government lacks the capacity to fund infrastructure projects due to limited fiscal space, which gave rise to calls for the private sector to chip in with some funding in the form of PPPs. Although the idea was generally accepted by the government and made a key function of the Zambia Development Agency, the enabling environment, in the form of the enabling policy and institutional framework for PPPs, is yet to be put in place to attract the private sector. This challenge inhibits trade expansion.

3

Overview of the EIF

The EIF was launched as the Integrated Framework (IF) by the main multilateral agencies working on trade-related technical assistance (the IMF, ITC, UNCTAD, UNDP, World Bank and WTO) in 1997. In Zambia the programme was launched in 2004, with the DTIS and Action Matrix being approved in July 2005. The rationale for the IF was to correct the limitations that had been observed in the Poverty Reduction Strategy (PRS) of the 1990s. The PRS focused on social development issues such as health, education and other basic needs, but paid limited attention to needs related to productive capacity building and trade development. Thus the objectives of the IF programme were:

- a) to better coordinate and pool resources by agencies;
- b) to make trade issues a national development priority;
- c) to 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.

The IF was later revamped in 2007 into EIF, to provide better coordinated and more effective trade-related technical assistance to assist LDCs to integrate into the multilateral trading system in order to reduce poverty, as well as benefit from increased market access.

The EIF Implementation Process

Zambia has made progress in implementing the EIF process. The country joined the initial IF in 2004 and it took seven years to join owing to in-effective publicity of the IF at country level by the core implementing agencies. According to sources that worked in the ministry during the time the IF was being launched in 1997, trade and trade-related technical assistance issues were still externalised. For IF to be effective, alignment, sustainability, local ownership and absorptive capacity should have been in place.

In addition, discussion surrounding these issues stemmed years after the IF was launched. Besides being a late comer, Zambia has made progress in domesticating both the IF and EIF. As per requirement, the National Implementation Unit (NIU) has been established in the Zambian Ministry of Commerce, Trade and Industry which is the Focal Point of the EIF through the Office of the Director Foreign Trade. The Zambian DTIS was conducted in 2004 and validated in 2005 and its Action Matrix was subsequently finalised and is under implementation.

However, although the EIF DTIS and Action Matrix have been prepared for Zambia, there is a significant gap between its content and the priority needs of many stakeholders, especially marginalized groups in rural provinces who are facing several developmental challenges.

Trade can be made an effective means to address some of those challenges. Marginalised groups at the grassroots (such as small-scale farmers, households headed by women, informal traders including cross-border traders, small and medium enterprises) have mostly been left out in the discussions and debates on the process, content and implementation of the EIF in Zambia. The excluded groups include those that have a huge bearing in the shaping up of trade in any country (CUTS, 2010).

Since the implementation of the EIF is still fraught with implementation challenges, official development assistance (ODA) that is given as Aft is bound to have some limitations as far as attainment of intended objectives by Zambia is concerned. Zambia

has been at the forefront of AfT discussions and represented the LDCs in the AfT Task Force created pursuant to the Hong Kong Ministerial Declaration. The country also joined more than fifty countries and twenty-two development partners that endorsed the Paris Declaration on Aid Effectiveness in Paris, France in 2005 (Ministry of Finance and National Planning, 2011). What is critical is to understand the extent to which the country has been benefiting from these processes.

The EIF implementation process is structured to pass through four stages; a) awareness building stage, which focuses on the role and importance of trade development in socioeconomic development; (b) preparatory stage, which involves preparation of DTIS in order to identify constraints to traders, sectors of greatest export potential and an action matrix for better integration into the global trading system; (c) integration phase, which involves the integration of the Action Matrix into the national development strategy; and (d) follow-up activities, which would involve the implementation of the prioritised Action Matrix in partnership with development.

An EIF Trust Fund was established, funded on a multi-donor basis and managed by the United Nations Office for Project Services (UNOPS). The funds are provided under two funding schemes; Tier 1 and Tier 2. Tier 1 country activities intended to be used for DTIS updating and strengthening of EIF in the country. A Tier 1 Appraisal Committee (TAC 1) was set up for the appraisal of Tier 1 fund and disbursement mechanisms. Zambia's Tier I project was approved on February 08, 2010. The Budget approved was US\$899,400 to be disbursed over a period of three years.

The Tier 1 project was aimed at enhancing the capacity of the Ministry of Trade to effectively and efficiently manage the EIF process, a goal with modest outcomes owing to internal politics in the ministry, mainly on who should run the NIU. The other aim of the project was to sustain the NIU and enhance its capacity to effectively perform its role as secretariat for the Trade Expansion Working Group (TEWG). Challenges were observed mainly on

the mobilisation part as the NIU failed to bring members of the TWEG to engage on a regular basis in 2010. This deficiency was mainly necessitated by the observed internal politics in the ministry. At one point, the only existing national focal point (team leader) after the departure of the trade expert was made to move from the NIU secretariat to work in the Foreign Trade department. This meant that for some time, the NIU office and secretariat was not operational.

An alternative office which could have taken up this responsibility fully – the Director for Foreign Trade Department office, was also tempered with, with the then director being moved to another ministry. After such developments, critics say the EIF was better off being an independent institution- not attached to any ministry and this would have reduced the unrealistic political interference in the management and personnel of the EIF structures. These challenges could have also been the reasons behind the failure by the NIU and the TEWG to drive the process forward (as expected) by effectively utilising and exhausting the approved budget under Tier I.

At the time of this research, the NIU had only utilised less than US\$300,000 – a situation which the trust fund manager United Nations Office for Project Services (UNOPS) said as unfortunate. Tier I project for Zambia ends in 2013 and the project has not delivered according to expectations, said an UNOPS official. “Zambia is facing a number of developmental and poverty challenges and the EIF Tier I project should have set the tone in addressing these challenges. Anyway, we all know what has necessitated this development and it is our hope that the new team in the NIU will expedite the process.”

With this situation at hand, of exigency therefore is for the TWEG and NIU to come with a holistic and result oriented crash programme which will not only exhaust the remaining funds but deliver as planned. One major challenge which could enable the NIU to meet this task is capacity issues as the three personnel now occupying the NIU are required to perform other duties (administrative etc).

However, this possible challenge could perhaps be addressed through engaging CSOs and one method of achieving this could be to utilise those sitting on the TEWG to deliver such tasks. The other complimenting possible reason is for the TEWG and NIU to lobby for the extension for the Tier I project to be extended from March 2013 to December 2013 as this will give ample time to implement the activities. This should further be complemented with giving the TWEG a clear oversight on the NIU staff as suggested in the coming paragraph.

Observers feel that the TEWG should be given the due mandate in overseeing human resource related issues, especially vetting employment processes and appointing NIU staff. This was mooted in view of the political interference in appointments, which bring about uncertainty in the running of the unit. The last aim of the project was facilitating and enhancing the operations of the TWEG and improving the coordination and trade expansion activities. Regrettably, it could be said that Zambia could have done more on this aim if some of these deficiencies had never ensued.

Tier 2 has US\$3mn per year per country and funds are disbursed on demand depending on written proposals. The proposals are appraised by Tier 2 Appraisal Committee (TAC 2), with financing of activities being based on priorities set in the Action Matrix. At the time of this research Zambia was finalising a honey proposal, already in readiness for submission under Tier II window.

Other proposals covering the wood and dairy sectors were also underway. These developments come at the backdrop when other countries such as Lesotho, Liberia and Mali⁶ have benefited from Tier II funds. The failure of Zambia to submit Tier related proposals has spurred attention from the EIF Executive Secretariat which made frequent visits to Zambia to provide moral and technical support to the unit. The reasons motivating this deficiency in the Ministry of Trade were “internal political human resource” related tensions.

The NIU had a human resource deficiency for a period of almost a year. During this period, the Unit was run by one staff and,

according to sources, it was very difficult for this person to deliver owing to multifaceted roles which had to be played. This person has since moved on. The ministry has, on the other hand, improved the situation by employing three new officers (a Team Leader and two National Trade Experts).

The overall observation made (and according sources in the ministry) is that the ministry was suffering from inherent personal human resource wrangles. Team work is undermined owing to unnecessary inherent personal and intellectual challenges and this has damaged output.

Impact of the EIF Implementation in Zambia

Structures Established for EIF

As part of the run-up to the Diagnostic Trade Integrated Study (DTIS), a team of experts visited Zambia to build up support for the trade and development agenda through stakeholder outreach, advocacy and awareness-raising and to commence the process of setting up IF national structures. The purpose of the consultations was to identify constraints to competitiveness, supply chain weaknesses and sectors of greatest export potential and other trade opportunities for Zambia.

At the time this work was being undertaken, extensive work had already been done with regard to ascertaining sectors of export potential under the Joint Integrated Technical Assistance Programme (JITAP). JITAP is generally considered to have been very significant in building a multi-stakeholder consultative mechanism, and influencing the formulation of trade programmes among stakeholders.

However, among the identified challenges, most of which are still relevant, is generally lack of knowledge about the impact that multilateral trading systems can have on the Zambian economy. The programme revealed the need for systematic sensitisation of private and public sector representatives and also proved critical as the inter-institutional committee established under the JITAP

is helping Zambia to stimulate national awareness of multilateral trading system issues and preparedness for negotiations. Further work had also been done by consultants in the preparation of the Private Sector Development Reform Programme (PSDRP) project document.

Therefore, the consultants did not re-invent the wheel but adopted the good work done under these supporting frameworks, and supplemented and complemented whatever new information they had gathered and integrated the information in the DTIS (MCTI and Finnish Embassy 2011).

Although the team held several consultative meetings, a sizeable group of stakeholders was not involved in the consultative process. These included key stakeholders such as Parliamentarians, who would later be critical to the success of the programme. This later turned out to have adverse effects on the buy-in and ownership of the process among some stakeholders. Although part of the output for this process was to have all structures in place for the implementation of the EIF, the structures were not exhaustively established at that time.

The DTIS was validated in 2005 and during the validation process, it was evident that some stakeholders were not on board as they expressed dissatisfaction with the process and claimed they had not been consulted. This, coupled with the fact that some relevant senior government officials occupying key decision making positions were not closely engaged in the process, led to the delay in official endorsement of the document by the Government of the Republic of Zambia. Although the validation was done in July 2005, formal government endorsement was only done in June 2006 (MCTI and Finnish Embassy 2011).

Therefore, from the methodology adopted by the consultants to develop Zambia's DTIS, it is evident that the marginalised groups⁷ at the grassroots could have been left out in the discussions and debates on the process, content and implementation of the EIF in Zambia. The excluded groups could be those that have a huge bearing in the shaping up of trade in any country and these

could include small-scale farmers and other Small and Medium Enterprises (SMEs).

First, trade starts on a small scale, and most big organisations had been operating on a small scale before grabbing expansion opportunities. It is thus important that the voice of small-scale farmers (given that agriculture is the backbone of trade) and small and medium scale enterprises be captured in the EIF implementation process.

Therefore, in developing such a document, which should reflect the true existing potential trade sector priorities, efforts should heavily rely on facts on the ground than entirely depending on the already existing literature, in which, when collating it, there could have been limitations.

In this view, it is quite apparent that there is a risk that a non-inclusive EIF Action Matrix adopted with the mentioned omissions of marginalised stakeholders is not addressed.

Second, for more meaningful impact on the grassroots, the whole process should be gender conscious; acknowledging the extent to which trade on a small scale is skewed in favour of women, given that they dominate informal and cross-border trading and many households in rural areas are headed by women while their counterparts are in towns. These non-state actors (through their organisations and otherwise) are best suited to articulate their needs and priorities, provided they are aware of the issues, challenges and opportunities.

However, in line with the EIF governance structure, Zambia has put in place structures to manage the EIF process. These include the following:

Private Sector Development Reform Programme Steering Committee

This comprises of government agencies and private sector associations. The Committee oversees the private sector development reform programme, provides policy direction and reviews progress.

Private Sector Development Reform Programme Management Unit

This was set up to be responsible for day-to-day management of private sector development reform programme activities and working groups.

Trade Expansion Working Group (TEWG)

The Trade Expansion Working Group is responsible for implementing all trade expansion activities, providing EIF direction and overall monitoring of the EIF process and activities. Membership of the TEWG includes:

- Ministry of Commerce, Trade and Industry (MCTI);
- Ministry of Agriculture and Cooperatives (MACO);;
- Zambia Development Agency (ZDA);
- Zambia National Farmers Union (ZNFU);
- Zambia Export Growers Association (ZEGA);
- Zambia Association of Manufacturers (ZAM);
- Ministry of Finance and National Planning (MoFNP);
- Zambia Association of Chambers of Commerce and Industry (ZACCI);
- Zambia Business Forum (ZBF);
- Centre for Trade Policy and Development formerly Civil Society Trade Network of Zambia (CSTNZ);
- CUTS International Lusaka
- Zambia Revenue Authority (ZRA), and
- Finnish Embassy (Donor Facilitator).

Focal Point

MCTI is the focal point and acts as the secretariat. It houses the National Implementation Unit (NIU) which comprises a Team Leader and two National Trade Experts.

For transparency purposes, there is an outlined process involved in order to access the EIF funds. In Zambia, the procedure for accessing EIF funds undergoes three distinct phases as follows:

(a) Formulation of Proposals

The EIF, besides building in-country partnership, outreach and advocacy and mainstreaming trade in national development plans, works to support catalyst projects to overcome supply side constraints to trade and helps develop a sustainable basis for export growth. In-country proposals, based on priority areas identified in the DTIS and Action Matrices, and with a clear result framework, are prepared by the NIU on behalf of the beneficiaries.

The NIU has to work in close consultation with TEWG and the donor facilitator in identifying areas for proposals and setting guidelines. The NIU also receives proposals from different beneficiary stakeholders which are vetted and improved upon if need arises.

(b) Appraisal and Approval of Proposals

Once prepared, the proposals are appraised and approved by TAC 2 in accordance with set guidelines. The proposals are appraised in terms of the content of the projects, their relevance, their priority within the action matrix and their costing and implementation arrangements.

(c) Execution Modalities

In Zambia, the responsibility and accountability for the management of the project lies with the NIU and its Focal Point. Under this modality, project funds are transferred to the NIU, which implies that an auditable account is established within the NIU.

Policy Impact

One of the pillars of effective Aft is for a country to have in place an Aft Policy. Zambia institutionalised this requirement by enacting the Aid Policy and Strategy in 2007. Besides adhering to the demands under the Aft framework, the policy is also a product of an attempt by government to respond to challenges in resource management, mobilisation and planning. In Zambia, it has been

established that although significant amounts of external resources in form of ODA have been received, the intended impacts have been marginal.

The objective of this policy and strategy was therefore to ensure that the country has a clear, systematic and well co-ordinated approach to monitor and evaluate assistance from cooperating partners. The other focus of the policy and strategy is to address and monitor resources being routed through sector programmes and directly to projects, noting that this has encouraged the proliferation of off-the-budget resources that are rarely streamlined into national planning and resource accountability systems across different layers of government.

The EIF financial issues are handled by the PSDRP's finance Department as the EIF programme is part of the PSDRP's trade expansion component. All financial resources of the PSDRP are monitored by the Ministry of Finance. Further, and as proposed in the strategy to have all aid programmes and finances routed in the system notified to the Ministry of Finance and National Planning, this was the case on the EIF programme.

The Ministry of Finance and the Ministry of Commerce, Trade and Industry signed the Memorandum of Understanding on behalf of the Zambian government with the EIF Executive Secretariat and this makes the Ministry of Finance to own the process. However, some officials from the Ministry of Trade, and civil society interacted with, expressed ignorance of the policy.

Socio-economic Impact

Effective implementation of the EIF programme for Zambia provides an opportunity for the country to accelerate the process of diversifying of its economy from predominantly exports of copper and other mining products to non-traditional value-added exports.

Therefore currently the NIU, in collaboration with other stakeholders, has the following major activities under implementation. A project proposal entitled 'Apiculture Sector

Productive Capacity and Competitiveness Enhancement Project' is being developed. The main objective of the project is to contribute to the development of a competitive Apiculture sector and ensure that the sector significantly contributes to the gross domestic product (GDP), employment creation, and poverty reduction in Zambia. The project budget line is US\$2.4mn and is expected to target major and minor honey production areas with comparative advantage, namely Mufumbwe, Kabompo, Mwinilunga, Zambezi, Kapiri Mposhi, Mpika, Mpongwe, Kaoma and Lukulu districts.

The project will seek to address some of the major challenges faced in the sector such as lack of inputs, storage facilities, processing, packaging, skills upgrading, financing and market penetration strategies. Further, the project will also seek to address issues related to the honey sector, such as bee diseases and natural resource management (forest conservation and afforestation) and pollination services in the project sites. It is envisaged, that once this project is funded and commissioned, it will address poverty issues in the identified areas and help uplift the welfare of producers.

Other key developments are enumerated below:

- Undertaking a review (2012) of the DTIS to feed into Mid-Term Review of the SNDP slated for 2013; this will provide Zambia with the opportunity to ensure that the current trade sector priorities are identified and incorporated in the DITS.
- Zambia has been selected as a pilot for the Trade Mainstreaming Module in 2012 (pilot module with support from UNDP and EIF Board). Trade Mainstreaming is essential in advancing the country's trade agenda. This opportunity, therefore, will provide Zambia to appreciate the benefits of inclusive trade policy making and mainstreaming of trade in the national development plans. The need for the inclusiveness of trade governance processes for sustainable development can be argued on several grounds. First, it supports the process of democratisation

and improves accountability of governments to their citizens. Inclusiveness also contributes to the ‘legitimisation’ and public acceptance of the outcomes of trade policy. And, if this module is effectively implemented, Zambia stands to benefit.

- Introduction of a “Trade Policy and Development” course at the University of Zambia in 2012. This is aimed at ensuring that trade is promoted and supported from an academic point of view. This will make certain that its relevance in economic development and poverty alleviation is well understood by both future and old development actors.
- Support the Ministry of Commerce, Trade and Industry to develop a Database for Trade Statistics – both domestic and exports;
- Develop an EIF NIU “Database Tracking Aid for Trade” flows to Zambia;
- Identifying areas for possible interventions in the dairy sub-sector and reviewing the recent approved Livestock Development and Animal Health Project by the World Bank. A project proposal is expected to be conceptualised.

All these developments are at process level and impact will only be seen if these are implemented. For example, there are two project proposals (dairy sector and apiculture) in the pipeline which can have a huge role in addressing poverty issues. Both apiculture and dairy sectors are dominated by the poor and having projects that will boost productivity of these sectors would have a huge impact on poverty in different earmarked communities. Unrelenting efforts are needed to ensure that these project proposals are finalised and submitted to the EIF Executive Secretariat or any other donor for funding. The NIU should concentrate on delivering on Tier II related projects if the EIF in Zambia is to have an impact.

4

Trends and Drivers of Aid for Trade in Zambia

Scope and Nature of Trade-Related ODA Zambia Receives under AfT

There are about 28 development partners that are currently providing ODA to Zambia (Ministry of Finance and National Planning, 2011). This also includes AfT related support. Other development partners channel aid through non-governmental organisations (NGOs), although this information is not well documented; hence the total official ODA statistics at all times

Table 4: ODA to Zambia (2006 and 2009)	
Countries	Percent ODA
EU	14.3
US	10.7
UK	9.0
United Nations	8.9
World Bank	8.7
Netherlands	7.6
Norway	5.6
Denmark	5.2
AfDB	4.4
Germany	4.3
Japan	4.3
Others	17.0

Source: (Ministry of Finance and National Planning, 2011).

could always be an understatement of the total flows to Zambia. Another problem with establishing the precise amounts of AfT flows and the funding sources is that there is some overlapping of figures when commitments are made and other figures are documented by region, rather than by each recipient country.

Assistance that was being given as a form of AfT can be understood from this general ODA flow pattern. AfT assistance refers to aid which is devoted to improving the capacity of Zambia to improve its trade with the rest of the world. This support comes in various forms, depending on its intended purpose. It is thus important to have an understanding on the breakdown of this form of support for Zambia.

Distribution of Trade Related AfT in Zambia

In order to assess the extent to which the ODA flows into the country have been consistent with AfT objectives, it would be interesting to see how the ODA that was devoted to AfT was distributed across various sectors. In 2009, a total of about US\$128.8mn was received as AfT, which was actually a decrease of about 25 percent from the 2008 value of AfT. However, since 2006, the total amount of AfT received in Zambia was always less than what development partners had committed (Table 5), which points out the need to exercise some caution in planning based on commitments.

**Table 5: AfT disbursements, commitments and percentage of funds disbursed, Zambia, 2002-09
(Figures in USD thousands)**

Year	Total AfT disbursements	Total AfT Commitments	Percentage disbursed
2006	168364	292673	57.53
2007	108006	187455	57.62
2008	171449	217859	78.70
2009	128788	289141	44.54

Source: OECD, 2011

It can be established that generally development partners were unable to disburse in line with their commitments. Although they were generally able to disburse more than 50 percent of what they had committed over the larger part of the period under review, in 2009 only about 45 percent of the committed AfT was disbursed. This demonstrates that the commitment of development partners to give assistance in line with their pledges cannot be vouched for.

However, it should be pointed out that it is not always meaningful to compare commitments and disbursements for a given year, as disbursements refer to already ongoing programmes committed in previous years. This makes for better analysis that focus should be placed on actual disbursements rather than commitments. Even with this consideration, commitments from 2007 to 2009 have registered steady increases from US\$187,455,000 to US\$217,859,000 and finally US\$289,141,000; while actual disbursements have been inconsistent, fluctuating from US\$168,364,000 to US\$108,006,000 to US\$171,449,000 to US\$128,788,000 from 2006-2009.

Although tracking AfT by donor agency has been challenging, some data has been secured particularly on AfT from Finland. The Ministry of Foreign Affairs of Finland established, within their Development Policy Programme, an Aid for Trade Plan of Action (2008–2011). In 2008, in support of this effort, IDLO, in collaboration with the Ministry, developed a series of initiatives targeted to enhance the capacity of selected institutions towards enabling economic development in the respective African countries. (Finnish AfT Evaluation Report 2011)

The IDLO - Supporting Finland's Aid for Trade Action Plan programme, comprised four components to be carried out mainly in Zambia and Ethiopia. These components include:

- Intellectual Property (IP): to be carried out in Zambia, with a budget of •174,000;
- Investment: to be carried out in Zambia, with a budget of •375,000;

- Economic Partnership Agreement (EPA): to be carried out mainly in Zambia and Ethiopia, with a budget of •291,000; and
- Agriculture: to be carried out in Ethiopia with a budget of •178,000.

The Tripartite COMESA, EAC and SADC North South corridor programme has been a major contributor to Aft flows to Zambia. The country has benefited by nature of its positioning in South-central Africa making it an integral part of the intra-African trade network in the region.

The NSC programme comprises inter-related projects that address: road infrastructure; road transport facilitation; management of railway systems and rail infrastructure; physical and procedural improvements at border crossings; port infrastructure; management of air transport; and energy interconnectors.

Detailed information on actual disbursements against the amounts pledged is not readily available to the Tripartite but the following information regarding projects on the North-South Corridor, is known:

- **DBSA:** Has provided a grant of US\$1mn to the Tripartite Trust Account in five annual tranches of US\$200,000. It has made loans to the Kasumbalesa Border Post concessionaire of US\$20mn; US\$206mn to the Government of Zimbabwe to upgrade sections of the NSC road they are responsible for; and to sponsors of power projects.
- **DFID (UK):** Has disbursed a grant of GBP67mn to the Tripartite Trust Account; grants for construction and modifications of buildings and improved communications at Chirundu Border Post and funds to prepare projects to a Project Implementation Memorandum (PIM) stage. This is in addition to the technical assistance support provided through TradeMark Southern Africa to the administration, monitoring and planning aspects of the North-South Corridor.

- **World Bank:** Has financed a number of road section rehabilitations in Zambia and are planning to support NSC.
- **African Development Bank:** Has continued to finance the preparation of the bridge design and related infrastructure designs at the Kazungula Border Post and are financing road rehabilitation of some sectors on the Nacala corridor that are also part of the North-South Corridor Aid for Trade Programme.
- **European Union:** Has, through the IRCC EDF Contribution Agreement provided •10mn in project preparation funds for the Serenje-Nakonde road in Zambia and the Zambia-Tanzania-Kenya interconnector (to finance the PIU and transaction adviser); •50mn in grants to support infrastructure improvements; and are financing road rehabilitation of some sectors on the Nacala corridor that are also part of the North-South Corridor Aid for Trade Programme.

The costs of rehabilitating and then maintaining the entire NSC road network, including the South African NSC road network, to a good standard was calculated at approximately US\$9bn (of which US\$5.9bn is for capital investment and US\$3.1bn is for recurrent costs) with an internal rate of return of 3.1.

The Serenje-Nakonde road of 613km has finance of US\$5mn for design from a Contribution Agreement under the EDF10. Total construction costs are expected to be approximately US\$600mn, for which finance is required.

The Kitwe-Chingola road (50km) is being considered as a Public Private Partnership (PPP). The Government of Zambia is yet to identify the most appropriate form of PPP arrangement.

Two of the three links of the Lusaka-Chirundu road (from Lusaka, 65.6km) will be financed by the World Bank. Designs have been completed and tenders issued (in May 2011) for construction. The reconstruction of the last link (from Lusaka) of the Lusaka-Chirundu road of 25km (together with the

rehabilitation and upgrade of the Kafue weighbridge) is in the process of being financed through the Tripartite Trust Account and will shortly be tendered for construction. Together with the completion of the road link down the escarpment (which was completed by a Chinese contractor in 2009) when construction of these additional three links are completed, the entire Lusaka – Chirundu road section will have been upgraded (Infrastructure components of the North-South Corridor Report).

Although the general pattern of AfT shows absence of total commitment, it is interesting to see how this level of commitment would be reflected across sectors that the development partners would have committed the funds. The AfT that Zambia has been receiving can be classified into three major components; support towards trade policy and trade related adjustments; support towards economic infrastructure; and support intended to build productive capacity.

Table 6 detailing the AfT flows to Zambia from 2002 to 2009 by category is given below.

Trade Policy and Direct Trade Related Support

Given that the main objective of AfT is to improve international trade, assistance that is rendered to enhance the country's capacity to develop and manage trade policy would be expected to go a long way in meeting this objective. A look at the amount of such assistance shows that there is an observed upward trend from 2006 to 2009, with 2009 registering an increase of more than 339 percent in comparison to the 2008 value (Figure 1). This sudden increase in 2008 could be an indication of the effectiveness of the AAA of 2008, which saw development partners appreciating the need for more assistance and honouring the promises made during the AAA.

While there was a noticeable increase in disbursements towards trade policy and its administrative management, a widening gap in disparities between commitments by development partners and

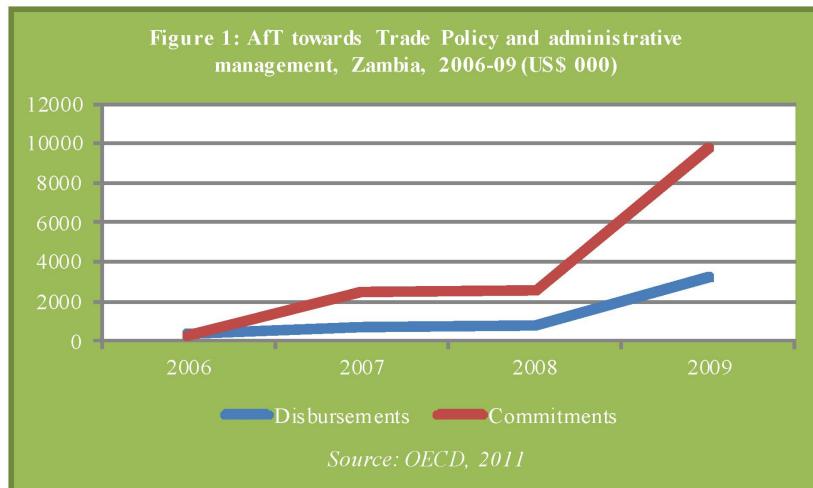
Table 6: Aid for Trade flows for Zambia: CRS proxies

		ODA US\$ Thousands								
Commitments	Disbursements\$	2002-5	2006	2007	2008	2009	2006	2007	2008	2009
TRADE POLICY AND REGULATIONS and TRADE RELATED ADJUSTMENTS										
Trade Policy and Administrative management	122	302	2477	2578	9782	368	709	733	3221	
Trade Facilitation	47	664	265	11	78	664	265	11	26	
Regional Trade Agreements (RTAs)	99	1419	1623	186	-	1419	1623	186	107	
Multilateral Trade Negotiations	-	-	34	27	12	-	34	27	39	
TRADE RELATED ADJUSTMENT										
Trade education/training	165	-	84	48	36	-	84	48	42	
Sub Total	433	2385	4483	2850	9908	2451	2 715	1005	3435	
ECONOMIC INFRASTRUCTURE										
Transport and Storage	70 509	74 369	142 790	120 292	104 481	89 084	28 231	75 210	34 596	
Communication	1 824	655	772	3 899	729	659	787	1 230	1 170	
Energy Supply and Generation	6 068	436	1 094	43 926	60 558	8 361	1 932	1 484	8 094	
Sub Total	78 401	75 460	144 656	168 117	165 768	98 104	30 950	77 924	43 860	
BUILDING PRODUCTIVE CAPACITY										
Business and other services	12 713	7 230	10 973	1 231	27 013	4 918	6 519	6 292	7 523	
Banking and Financial services	8 681	15 524	2 332	5 566	7 083	2 073	2 714	2 920	6 818	

Contd...

Agriculture	48 166	64 856	22 422	34 166	69 544	44 882	45 728	52 440	43 488
Forestry	405	157	118	153	2 522	231	507	187	507
Fishing	217	337	201	13	13	181	240	17	13
Industry	12 726	114 069	1 480	4 628	5 523	6 572	8 355	17 590	13 572
Mineral resources and Mining	58 043	12 591	632	994	1 682	8 873	10 094	12 932	9 485
Tourism	112	61	159	143	84	78	183	143	83
Sub Total	141 063	214 825	38 317	46 894	113 464	67 808	74 340	92 521	81 489
FOCUS ON TRADE DEVELOPMENT									
Principal Objective		2 790	687		13 067		6 209	7 873	2 682
Significant Objective			8 607	989		21 277		0	1 267
Sub Total		11 397	1 676	34 344			6 209	9 140	16 150
OTHER TRADE RELATED NEEDS									
The data covered under this category are not separately identifiable as AFT within the CRS									
TOTAL AID FOR TRADE	219 897	292 670	198 853	219 537	323 484	168 363	114 214	180 590	144 934
TOTAL SECTOR ALLOCABLE ODA	766 389	992 438	791 379	1177 609	830 565	682 923	734 786	866 794	732 149

Source: OECD - DAC Aid activity database (CRS)

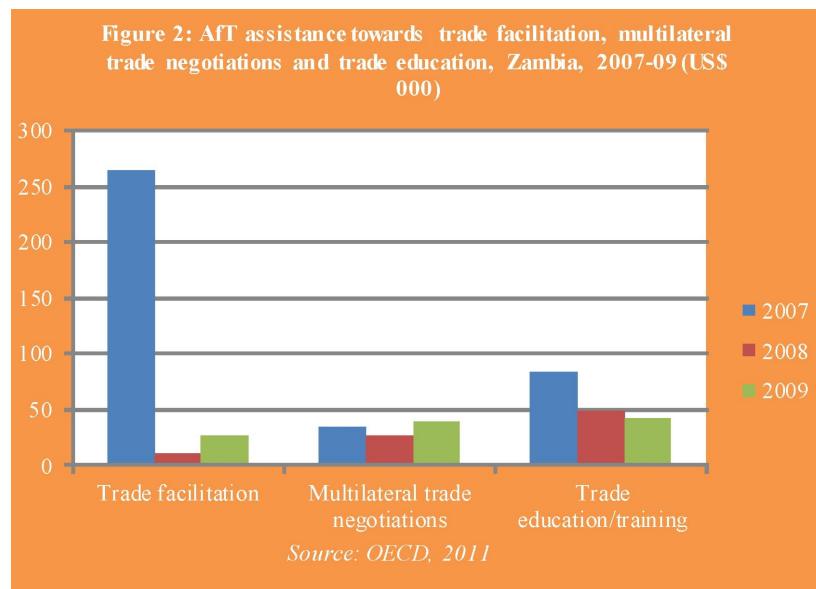


the amounts they end up disbursing is also apparent (Figure 3). While in 2006 disbursements were actually more than commitments, the gap became wider from 2007 to 2009. In 2009, only about 32 percent of the committed funds were disbursed, which was actually an increase in comparison to 2007 and 2008, where only 28 percent were disbursed. This shows a very low level of fulfilling commitments towards trade policy and direct trade related support in Zambia.

Another form of assistance that has a direct bearing on trade is trade facilitation. This would refer to assistance towards activities, practices, and formalities involved in collecting, presenting, communicating and processing data required for the movement of goods in international trade.

However, in Zambia this form of assistance has witnessed a general downward trend since 2006; about US\$664,000 was received in 2006 while the amount was only US\$26000 in 2009. 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 (Figure 2). 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.



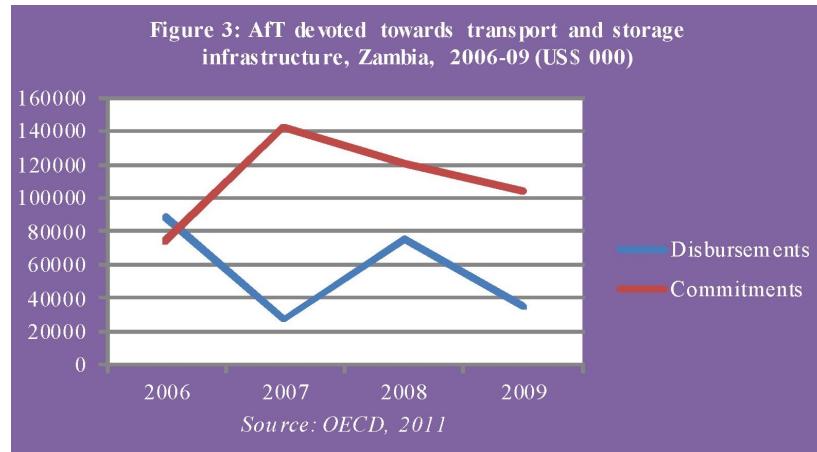
Support Towards Economic Infrastructure

While direct support towards trade would achieve positive results, AfT also has to be conscious of the fact that infrastructural bottlenecks would result in serious challenges in international trade. It is in this regard that some portion of AfT came in the form of support towards the rehabilitation and improvement in infrastructure.

As expected, the majority of this support was for infrastructure related to transport and storage, which have a huge bearing on international trade. Although constituting the bulk of support towards economic infrastructure under AfT, this also reflects a downward pattern since 2006 (Figure 3).

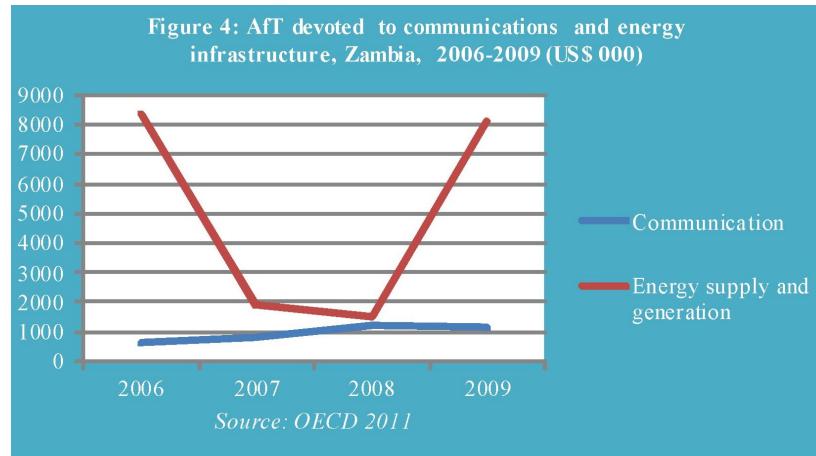
While the amount disbursed was actually more than what had been committed in 2006, for the rest of the focus period they were far below commitments (Figure 3). This could reflect waning

interest by the development partners towards transport and storage infrastructure despite the role that such infrastructure plays in bolstering trade.



Another hurdle towards effective trade in developing countries is energy infrastructure. It is not surprising therefore that a significant amount of Aft support went towards energy supply and generation than communication (Figure 4). Whilst infrastructure towards communication was also supported, the level of support was much lower than that given to energy and transport infrastructure, most probably on the recognition that mobile phone service providers have been able to finance their infrastructure requirements on their own.

There was a sharp decline in support towards energy infrastructure in 2007 from the 2006 level, before rising again substantially in 2009, as compared to 2008. This could probably be demonstrating the impact of the Paris Declaration and the AAA, which saw rapid increases in commitments and support during the periods following the meetings. If this holds, then one would also be expecting a similar rise in 2012 following the implementation of the resolutions of the Busan meeting. Support towards communication infrastructure has been sluggishly improving since 2006.

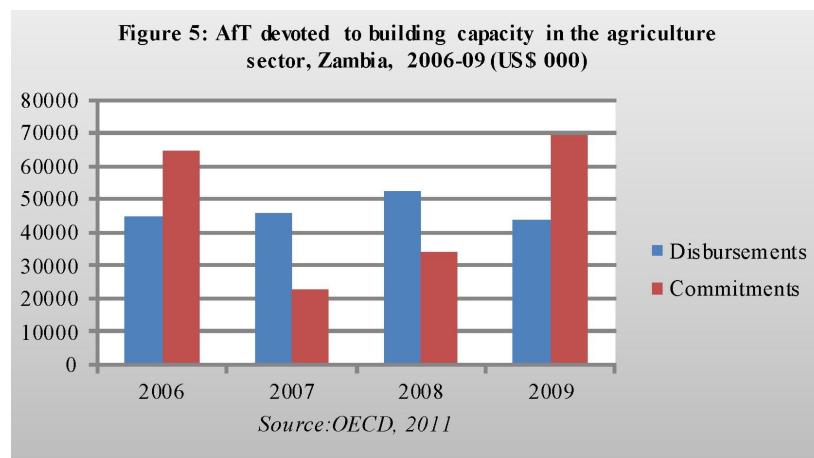


It can be established that for both sectors, support from development partners was able to surpass their commitments for some selected years (Table 6). This is true for 2006 and 2007 in the case of energy while for communications, this is true for all years except 2008. This is something that is not in line with the general pattern where disbursed funds would be lower than what was committed. This could be explained by the fact that new areas for support always emerge, which might not have been known when commitments were being made.

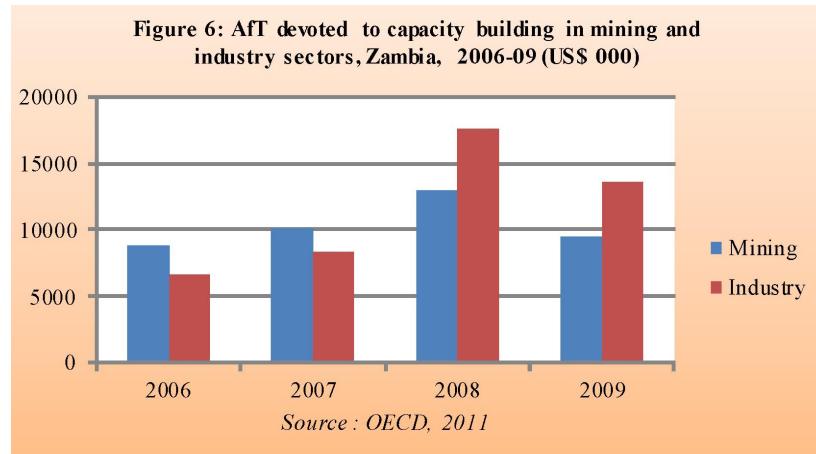
Year	Communications			Energy supply and generation		
	Disbursements	Committed	Percentage disbursed	Disbursements	Committed	Percentage Committed
2006	659	655	100.6	8361	436	1917.7
2007	787	772	101.9	1932	1094	176.6
2008	1230	3899	31.5	1484	43926	3.4
2009	1170	729	160.5	8094	60588	13.4

Support Toward Trade Related Capacity Building

AfT can only be sustainable if the capacity of local institutions and stakeholders is enhanced, enabling them to take over the running of the projects and programmes when development partners pull out after projects end. In addition, capacity building for all key stakeholders inculcates a culture of trade mainstreaming, which makes it easier to get buy-in from stakeholders and make them more responsible in ensuring that the assistance given is more effective as far as meeting its intended purposes is concerned.



A look at the statistics reveals that the bulk of the assistance on capacity building was devoted to the agriculture sector. In 2009 for example, the agriculture sector received over 53 percent of all the support intended for building productive capacity (OECD, 2011). A comparison between disbursements and commitments also reveals that development partners actually disbursed more than what they had committed for 2007 and 2008 (Figure 5). However for 2009, only about 63 percent of the committed funds were disbursed.



In addition to agriculture, significant volumes of Aft went towards building productive capacity in mining and industry (Figure 6). Given the importance of the mining industry in Zambia's international trade, this would be expected, as there is a need to ensure that there is capacity building to ensure that the country enjoys maximum benefits in international trade. In addition, since it is generally business that drives international trade, it is also not surprising to see that a lot of capacity building assistance was channelled towards industry.

While this section has revealed that there was some form of support that the country has been receiving over the years, the important question then becomes whether there have been substantial benefits from the assistance received and the structures put in place have translated into tangible and material benefits that are evident on the ground to enable Zambia to improve its trade?

5

Benefits of Aft to Zambia

Aft initiatives are on-going and some of them have already begun to bear some fruit.

Amongst the Aft initiatives mentioned earlier was the IDLO programme, which was laid out for Zambia as well as Ethiopia, through the Finnish Government. This programme had the goal to promote trade with the creation of an enabling business environment, through:

1. Institutional capacity building support;
2. Support to trade policy; and
3. Improvement of trade legislative and regulatory framework.

The programme, with an overall budget of •1,243,248, was structured to respond to several needs within different sectors in four countries. The programme was intended to target primarily Zambia and to a lesser extent Ethiopia, Mozambique and Namibia were intended to benefit from the EPA component. (Finnish Aft Evaluation Report 2011). The programme had three components, namely, the Intellectual Property, Investment Promotion, and EPA negotiations support.

(a) Intellectual Property

The Intellectual Property component was the most successful of the programme with an amount of •174,000 (12 percent of budget) allocated for it. This component was implemented to

support the Patents and Companies Registration Organisation (PACRO). The need for supporting the IP sector through training of sector officials and support to IP policy and legislative framework was expressed by the Minister of Commerce, Trade and Industry (MCTI).

The following services were rendered under the IP component:

- Needs' assessment and a one-week stakeholder consultation (May 2009);
- Revision of the National IP Policy (June 2009) and contributions to final draft. The policy was adopted by PACRO and published in March 2010.
- Revision and comments to the Trademarks Act of Zambia including a comparative analysis of other laws;
- Training of 90 officials (including two from Ethiopia) on IP issues; and
- Training of nine officials on negotiating the IP chapter of EPA.

(b) Investment Promotion

The Investment Promotion component which was the largest of the AfT Programme, with a budget of •375,000 corresponding to 23 percent of the total budget mainly benefited the Ministry of Commerce, Trade and Industry and Zambia Development Agency (ZDA). Its activities can be considered as highly relevant to improve the investment environment in Zambia, matching national as well as AfT programme goals. Investment promotion is one of the pillars of the Government of Zambia's economic and social policies.

Ultimately, the component delivered the following activities and outputs:

- Three week capacity building course in Rome (SPIG, 25 May to 12 June 2009) for 6 Zambian officials (the training hosted 18 other participants as well from other African Countries);
- Virtual roundtable discussion with Zambian officials on investment policy;

- Two one-week missions in support of ZDA. The investment policy expert provided institutional review and technical assistance (October and November 2009);
- Training on Investment negotiations, a three-day event with 18 participants (Lusaka, 6 to 8 October 2010);
- Training on Carbon Investment, a three-day workshop in Lusaka from 2 to 4 November 2010 with up to 24 participants;
- Short-term technical assistance by the Marketing and Communications expert and contributions to the editing of the Multi-Facility Economic Zones (MFEZ) handbook (November and December 2010); and
- Five-day workshop in Lusaka, which offered training on improving marketing skills and practices within ZDA.

(c) EPAs

EPA negotiation support was the second largest programme component with a budget of •291,580 (23.4 percent of the programme financial resources).

This component supported negotiating capacities of four countries (Zambia, Ethiopia, Mozambique and Namibia) through a better understanding of the Interim EPA text (IEPA) and related chapters (environment, IP, competition and investment) and the main institutional counterpart for the first two countries was the Foreign Trade Department of MCTI in Zambia.

The following services and activities were implemented under the EPA Component:

- Needs' assessment in Ethiopia and Zambia;
- 10-day training workshop in Zambia (14 to 23 November 2009). During the workshop, training activities were entwined with technical assistance services. The training targeted the five EPA chapters with specific modules on environment, investment, interim EPA, IP and competition. Another workshop on negotiating skills was carried out under the investment promotion component.

- Needs' assessment in Namibia and Mozambique; and
- Three-day regional conference in Mozambique (9 to 11 November 2010).

As mentioned earlier it is difficult to ascertain accurate figures that were allocated specifically to Zambia considering the components that include other beneficiary countries under this and other initiatives.

However, the complexity of combined components had an impact on the overall programme effectiveness. In some cases, available resources were spread primarily to address immediate needs and challenges, which diluted potential impact opportunities. However, the IP and Agriculture components, which addressed contained needs, provided adequate scope to achieve a significant impact on the sector. Other components (the Investment and EPA components) were designed to provide support through relevant and useful services but not necessarily addressing long-term changes.

The majority of expected outputs were delivered according to plans and within the agreed time-frame. Delivery was generally good and exceptional in cases of training courses and some segments of the technical assistance. Workshops delivered under the IDLO AfT Programme scored very high in terms of beneficiary satisfaction and enhanced participants' skills and knowledge in areas related to trade, investment, IP and EPA. Still, some outputs lacked ownership, essentially due to internal changes and shifting priorities.

Initially planned outputs that were not delivered include:

- Investment legislation reform – This TA was subsequently replaced by providing technical support towards the development of an investment policy. This change was agreed upon after discussions with stakeholders and considering ongoing national efforts in legislative reform for investments.

- Electronic and networking platforms were only partially achieved. While the platform had been created and populated with relevant materials, the actual networking took place only in some of the platform spaces.
- ZDA communication strategy was not fully addressed due to changes in stakeholders that affected the overall ownership of this output. Instead, a workshop on communication and marketing issues was delivered. IDLO also focused on the improvement of a communication tool as the MFEZ handbook.

The EIF and DTIS

The Zambia DTIS identified key priority areas in trade policy for export diversification as elimination of anti-export bias and making export incentives work for exporters; improving trade facilitation; enhancing the authorities' capacity to formulate, coordinate, and implement trade policy, and to negotiate trade agreements. In addition, the DTIS identified the key requirements for the effective implementation of Zambia's export-oriented trade strategy as high-level political commitment; mainstreaming of trade policy in Zambia's development and poverty reduction strategy; greater coordination within government; effective public-private partnership; enhanced trade capacity; and donor coordination (Zambia Trade Policy Review, 2010). These can be considered significant benefits from the EIF process.

One evident impact of this is that the DTIS has been used as the basis to incorporate a number of export promoting trade policy measures into Zambia's further development plans. The PSDRP has also embraced DTIS findings and incorporated them in its action plans.

Though, a lot more could have been done to ensure that there are more benefits under the EIF and Aft in Zambia. A successful implementation of the Aft agenda rests upon the effective coordination of policies and all actors involved, at the level of implementation. In other words, harmonisation amongst donors

and alignment with partner countries' strategies are central to the effective implementation of AfT agenda. The core objective under EIF is to create country ownership and inculcate a sense of belonging by all stakeholders during the process.

Yet, inclusion of all stakeholders is still lacking, resulting in fewer stakeholders being able to submit proposals to the EIF implementation unit in MCTI. Stakeholders also indicated that the conditions which are set are for accessing funds, such as the Citizen Economic Empowerment Fund, and are not easy as the local people may not access the EIF funds. Stakeholders also felt that access to market information on the EIF process is lacking, as many of them are not aware of where the markets they can access under EIF are. .

In addition, a concern raised by stakeholders is on transportation costs, which are generally too high in Zambia, giving a disadvantage in cost structures in comparison to other countries.

Despite noticeable integration under EIF and AfT, not much progress was scored with regard to actual implementation of priorities, especially from the resource envelop under Window II of the IF. The Finnish Embassy and Government of Zambia do attribute the modest outcome to the fact that structures to handle project preparation and follow up on implementation were not yet in place.

Further decisions as to how the EIF process would be managed alongside the PSDRP had not yet been made in the early stages of the two and hence had negative effect during the entire DTIS implementation. This notwithstanding, Zambia has made good progress in leveraging assistance from bilateral donors and had several donor-supported projects designed to address priorities set out in the DTIS running.

Efforts such as the creation of a One Stop Border Post (OSBP) established at Chirundu to improve trade facilitation and the Simplified Trade Regime (STR) that was launched at the Zambia-Malawi Mwami border post are also noticeable benefits. Despite these positive developments, however, a number of challenges

were experienced during the Fifth National Development Plan period which prevented higher growth.

Among the key challenges are high cost of doing business, fluctuations in foreign exchange rate, lack of skilled manpower, limited access to credit due to the high cost of borrowing, poor product quality and inadequate trade facilitation capacity, such as delayed processing at major border posts coupled with poor border infrastructure. Furthermore, the Sixth National Development Plan notes the inadequacy in monitoring and tracking of domestic trade which is hampered by inadequate monitoring mechanisms.

On the other hand, enhancing trade capacity from the context of the DTIS can be seen from the perspective of human capacity. Zambia has benefited through the assistance obtained under the JITAP, aimed at building up national capacity for understanding the Multilateral Trading System. In doing so it is helping partner countries to build human, institutional and entrepreneurial capacities to build their capacities to integrate and benefit into the multilateral trading system.

The JITAP phase II programme ended in 2007, having made a modest contribution to the country's economic and social development (Zambia Trade Policy Review, 2010). The contribution includes nurturing a multilateral trading system knowledge/resource pool, building a multi-stakeholder consultative mechanism and influencing the formulation of trade programmes among stakeholders.

Some trade enhancing assistance was also received by Zambia under WTO funded programmes. This included training and technical assistance focussed on building capacity to implement agreements and increase the negotiating competence of beneficiary countries. Such programmes include the three month trade policy courses held in the region and at the WTO; the three week introduction courses for LDCs; specialised courses on a number of WTO issues; and the regional trade negotiating courses (Zambia Trade Policy Review, 2010).

Zambia has also benefited from some trainee and internship programmes aimed at strengthening understanding on the WTO

and enhancing the participation of respective missions in the daily activities of the WTO. This includes the Netherlands Trainee Programme in 2006 (Zambia Trade Policy Review, 2010).

Other developments based on the DTIS were the creation of a desk for a Trade Expert in ZIPAR under the tag name *Research Fellow* for specifically trade related policy analysis. Zambia has also a geographical advantage as compared to other countries to utilise the COMESA secretariat which has a core group of trade economists and an active programme of analysis and capacity-building.

Further capacity building workshops have been held for a number of private sector and civil society who have in turn shared the acquired knowledge with other partners. Among some of the subjects covered include, Trade Policy and Law, TRIPs, Development Cooperation Issues, WTO and Doha Round and Multilateral Trading System issues, M&E related issues etc.

CSOs have also been on the forefront in training the media on trade, competition issues, WTO issues as well as regional integration issues. Among the trainings held include the following;

- Media Capacity Building Workshop on the AGOA, organised by CUTS, CDG and Caritas Zambia-28 March 2011;
- Capacity Building Workshop WTO issues, organised by CUTS and Caritas Zambia-10 June, 2009;
- Media Capacity Building Workshop on Competition Law, Policies and Economic Development Issues organised by CUTS and Caritas Zambia-16 December, 2010;
- Media Capacity Building Workshop on Trade Policy, Development and Poverty Reduction Issues, organised by CTPD, 23 -25 November. 2010;
- Capacity Building Workshop WTO issues, organised by CUTS and Caritas Zambia-24 November, 2009;
- Capacity Building for the Media on Trade and Development, organised by CUTS and Caritas-7 November, 2008.

Although other identified areas would be addressed in due course through development partners, there are already some identified omissions by the DTIS itself. In its DTIS review, CUTS observed that some current trade sector priorities such as TRIPs and Gender, as well as other major services sectors, like the financial sector and labour, had been left out.

Through the interactions during the implementation of the BETAMPOR project, one observed significant gap in inclusivity is that the priority needs expressed by many stakeholders, especially the marginalised groups in rural provinces, who are facing several developmental challenges, are not captured in the EIF process.

Trade (through, among others, good implementation of EIF-supported projects and other activities under Zambia's Aft agenda) can be made an effective means to address some of those challenges. The excluded groups include those that have a huge stake in leveraging Zambia's diversification process such as small-scale farmers. Of exigency therefore, is the need to capture the voice of small-scale farmers and small and medium scale enterprises in the EIF implementation process.

Although country ownership in the design and implementation of EIF related activities is the core principal of the EIF, 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). The consultations were limited to stakeholders in Lusaka owing to the ministry's presence being only in the capital. As a result, the priority needs expressed by many stakeholders, especially the marginalised groups in rural provinces who are facing several developmental challenges, were not captured in the EIF process.

What worsens matters is that the excluded groups include those that the economy would benefit more from their inclusion, especially small-scale traders and farmers. The voice of small-scale farmers and small and medium scale enterprises still have to

be captured in the EIF implementation process. In addition, gender mainstreaming was lacking, as there was failure to appreciate that women dominate informal and cross-border trading in Zambia.

During the BETAMPOR project, it was also observed that Parliament, which is an essential central link between the executive and the population, was hardly debating issues pertaining to trade and AfT, mostly due to lack of knowledge and exposure on the issue. This is an area yearning for capacity building support, which is where funding under AfT could best be channelled.

Although business is expected to be the key player driving the international trade process, it is also surprising that a large proportion of the business sector is still not actively involved in the EIF process. During a roundtable meeting organised by CUTS with business people on the EIF, participants expressed concerns on the lack of information on the EIF process.

The business society raised a concern that the EIF seemed to focus much on foreign funding at the expense of domestically raised funding, thereby marginalising the business' role in the process. The business community also felt that there was a need to simplify the technical nature and complexity of information, especially the language and terms used in the EIF process, to enable the private sector to understand and comprehend the issues, which they felt was largely civil society organisation oriented.

During a provincial sensitisation workshop in Luapula province, stakeholders also felt that there was still a long way to go as far as incorporation of micro issues at provincial level into the EIF process is concerned. It was pointed out that there is generally low agriculture productivity with farmers being disorganised with limited participation of the private sector to promote exports.

Similar concerns were also raised during a workshop in Chipata under the BETAMPOR project. Many organisations were reported to have visited the district and province to offer assistance in exploiting trade advantages, but these promises had failed to materialise. These demonstrate the absence of the much needed nexus between business and farmers, which would also boost

trade. One would have expected some of the EIF funding to be channelled towards this issue.

Further, efforts towards building a comprehensive trade policy framework under the scope of the FNDP, and PSDRP did not find the broad-based support required for successful implementation and the achievements remain modest and limited to selected areas. If this issue is not addressed, the SNDP and PSDRP could achieve a similar outcome. There still appears to be a somewhat narrow understanding of the importance of trade for development. Zambia's development strategy is still, to a large extent, export oriented and has not translated into a holistic approach to trade development and the building of productive capacities to trade.

6

Conclusion and Recommendations

AfT was mainly designed to ensure that Zambia uses the assistance to develop its policy and institutional framework to enhance trade. The study has demonstrated that although AfT initiatives have brought some benefits to Zambia, there is still more that is required be done. Specifically much more needs to be done through AfT to boost Zambia's enabling environment for private sector development, and hence the country's trade competitiveness.

AfT needs to focus on developing the local capacity that is required to enable businesses to access the skills, finance, information, markets and inputs that they require, and to meet tax and regulatory obligations in a cost-effective manner. Although a number of AfT projects have targeted these areas, few permanent gains have been made because of a persistent failure to ensure true local ownership and to tackle the core factors that are required to build Zambia's absorptive and institutional capacity.

This calls for attitude changes, particularly as far as awareness generation and inclusiveness is concerned, given that there are still more stakeholders who have the potential to meaningfully embrace the opportunities being offered under EIF and AfT in general, but such opportunities are yet to be extended to them. In addition, more meaningful results could have been realised by the country if more attention been paid towards addressing the major

bottlenecks and challenges that hamstring the implementation process of the AfT programmes. This will only be made possible if donors start moving away from rhetoric commitments to actual disbursements.

The other area of focus of AfT should be initiation of a comprehensive approach to building Zambia's 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.

The AfT process is still ongoing, which makes it of paramount importance that the identified gaps, as far as the design and implementation of AfT objectives are concerned, be responded to. Accordingly, the following recommendations would go a long way in ensuring that the broad objectives of AfT are met in Zambia:

- The government should liaise more with development partners to ensure that the amounts disbursed for AfT match the commitments that the development partners have made. Disbursements that are far below commitments negatively affect the budgeting process, as resources would be channelled towards other areas on the understanding that development partners would cover the areas. The government should also try to ensure that development partners develop some faith in the budget process so that they would channel their ODA support through the budget rather than mostly through parallel processes.
- There is also need to lobby for increased support towards trade facilitation, multilateral trade negotiations and trade education, which have not received much support despite the current low level of awareness and the capacity building gaps. This can also be achieved through wider consultation in budget formulation, including consulting development partners to understand their priorities to assess scope for common objectives;

- AfT should also leverage in ensuring that key practical elements of partnership between state and non-state actors, specifically CSO, Community Based Organisations (CBOs), Faith Based Organisations (FBOs) etc are in place for development to be inclusive. AfT should focus mainly on the following areas: 1) Building Trust: the first and most important of all is that partnerships must be based on trust. 2) Focus: it is important for a partnership to have a clear focus.

A partnership must actually deliver clearly defined objectives and outputs if they are to be worthwhile, and a fine line needs to be drawn between the efforts involved in shaping partnerships and then utilising these to produce an output that is worthwhile for marginalised communities. 3) Sustainability: another fundamental element of partnership that is all too often ignored is the need to focus on sustainability from the very beginning of the design of some activities. AfT should therefore be made to focus on these affiliation's dynamics;

- There is need for more effective coordination of policies and all actors involved in AfT. This includes harmonisation amongst donors as well as creating country ownership through inclusion of all stakeholders, since many are being left out in the implementation process. This would go a long way in eliminating most of the identified gaps, which are a result of action and inaction by some stakeholders who are not aware of their roles in the process;
- There is also a need to increase forums for discussions and debates on the implementation of the EIF process in Zambia outside the MCTI and the TEWG. This would allow stakeholders outside Lusaka to also have their priority needs captured for assistance;
- There is need to encourage grassroots community participation by encouraging them to come up with concept ideas on which the NIU should build on. On the other hand,

the NIU should start moving towards advocating for simplification of conditions which are set for accessing funds for people on the grassroots as well as by improving access to market information for the private sector players, specifically SMEs.

The study established that there are not many proposals being submitted despite great need on the ground, due to lack of information by marginalised groups who would have benefited more from the process. There is also need to consider using PSD Funds as a window for funding of Tier I and II related activities for Zambia. This will help in expediting commencement of certain projects in the country. A competitive private sector and a trade balance heavily in favour of Zambia will be a key compliment to Zambia's proposed debasing of the currency in mid 2012;

- There is need to ensure that the current infrastructure bottlenecks that hinder trade are eliminated. The poor state of roads and railway links militate against any improvement in the trade regime, even if the above mentioned recommendations are embraced;
- There is need to encourage conducting of strategic assessment of the environment with respect to the EIF planning and implementation. This needs to involve a range of analytical and participatory approaches that will aim at integrating environmental considerations into the EIF and trade policy plans/programmes and evaluate inter linkages with economic and social considerations. By so doing, this will also help to integrate environmental consideration in the national development plans such as the poverty reduction strategy programmes and the EIF process. This will ultimately contribute to empowerment of the marginalised groups, capacity building, greater cooperation and collaboration between state and non state actors;
- There is need to encourage stakeholders to stop viewing trade as a subset of private sector development. It is essential for donors and international trade organisations to make

the case to government and civil society for setting a favourable enabling environment for private sector development, so that trade can then emerge through a vibrant private sector;

- A nexus at the international and country levels needs to develop between AfT and the development of local human capacity. AfT needs to be linked to education and skills development, at the primary, secondary and tertiary education levels. This will help in having a cadre of future enthusiastic leaders, who will act as champions for their particular cause;
- Adopt a long-term, comprehensive approach to developing human capacity that is required in the public sector, the private sector and in civil society to overcome private sector development and trade constraints at the local level. Adding capacity building components to trade-related projects solely for the purpose of ticking a box will not allow AfT to have a significant impact. Capacity building should be the primary focus of many projects, rather than the current focus on short-term results;
- Significantly increasing the AfT attention given to line ministries and agencies – such as the Office of the President, the Cabinet, Ministry of Education, Ministry of Justice, etc and using the Ministry of Trade as a coordinating and driving mechanism; and
- Making a much greater effort to make the case with local stakeholders and key decision makers – including politicians and local donor representatives – about the benefits of private sector development and trade to their organisation's goals and their livelihoods. This is also important to address the private sector's limited interest in AfT in Zambia's EIF programme.

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Endnotes

1. The difference between Aid for Trade and the EIF is that AfT focuses on both developing and Least Developing Countries (LDCs) while EIF is biased towards LDCs
2. Global Finance at website <http://www.gfmag.com/gdp-data-country-reports/144-zambia-gdp-country-report.html#axzz1qUYN846c>, accessed on March 29, 2012
3. National Working Group on Trade; Trade Expansion Working Group (TEWG); etc
4. ZIBAC is a council set up to provide international business views on policies and practical measures to help strengthen the investment climate and business environment in Zambia. The Council comprises a team of ten high level business leaders from a range of countries and business sectors
5. ZBC is a national public private sector dialogue mechanism for the private sector and government to discuss issues of concern in the business environment as raised by the private sector. The Council is chaired by the President of the Republic of Zambia. Economic ministries are represented by cabinet ministers
6. Successful mainstreaming of the trade agenda through the EIF has enabled Mali to raise funding from the Agence Française de Développement (AFD) (•1.5mn for trade capacity building), from the Standards and Trade Development Facility (STDF) (US\$518,000 for SPS capacity building in the vegetable and fruit sectors), and from UNDP (US\$125,000). The earlier I-EIF programme supported Mali with a set of complementary and self reinforcing projects to develop the country's trade development strategy, enhance credit provision to mango exporters and improve the quality of Malian mangoes. Each project has helped key sub-chains, from mango production to processing, marketing and exports.
7. Marginalised such as small-scale farmers, households headed by women (grandmothers), informal traders including cross-border traders, small and medium enterprises



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