

Report on the National Sensitisation Workshop

on

**The Enhanced Integrated Framework for Poverty
Reduction Project**

**January 23, 2009
Cresta Golf Hotel, Lusaka**

**Organised by
Consumer Unity and Trust Society Africa Resource Centre
(CUTS ARC)**

**With
Support from Finnish Embassy**

1. Introduction and Background

1.1. Overview

One of the most significant approaches being utilised to promote social and economic development in the world's poorest countries is poverty reduction through the national development strategy process which emerged in the late 1990s. Such a process attempts to assess the development needs of the country and lay out a strategy for tackling these needs and promoting development.

Since their emergence, these strategies have focused significantly on social development issues, such as health, education and other basic necessities, driven by the need to direct debt relief savings towards development priorities and with support from international donors responding to the Millennium Development Goals (MDG) initiative.

In contrast, there is a consensus that development planning in the poorest countries has till date paid limited attention to the needs relating to productive capacity building and trade development. This is partly due to faith in markets that drove development practitioners away from such issues, and also due to the urgency of providing basic needs in many of these countries.

The poorest countries continue to be marginalised in world markets even after a decade of development planning and market liberalisation. With the realisation that social development needs to be underpinned by sustained economic growth, development practitioners are now becoming increasingly focused on trying to address issues of production and trade in the poorest countries.

However, the way forward is not simple, as it is still unclear as to what kind of productive trade policies are best suited to meet the twin goals of achieving sustainable economic growth and also ensure that the most marginalised and impoverished are also benefited.

One donor-funded initiative that has featured centrally in discussions about supporting Least Developed Countries (LDCs) to better identify their trade development priorities is the Integrated Framework (IF) for Trade Related Technical Assistance (TRTA).

The IF was established by the main multilateral agencies working on TRTA (International Monetary Fund (IMF), International Trade Centre (ITC) UNCTAD, United Nations Development Programme (UNDP), World Bank (WB) and World Trade Organisation (WTO)) in 1997, to provide better coordinated and more effective TRTA to assist LDCs' integration into the global economy.

The IF aims to deliver trade related assistance to participating LDCs by first identifying priority TRTA needs through diagnostic studies called Diagnostic Trade Integration Studies, (DTIS), with needs prioritised in action matrices. The aim is to integrate the priorities identified in the action matrices into the national development strategies such as

Poverty Reduction Strategy Programmes (PRSPs) and National Development Programmes (NDPs) funded by donors through these strategies.

Till date 25 LDCs have completed their DTIS and identified priority actions; and 10 LDCs have started or will soon start their DTIS process.

However, since its establishment the IF has faced significant problems, the ones being prominent are lack of country ownership and limited engagement of in-country stakeholders (especially from civil society) with its related processes.

1.2. OBJECTIVES

The advocacy workshop was organised by Consumer Unity and Trust Society Africa Resource Centre (CUTS ARC) under the project titled, Enhanced Integrated Framework (EIF) for Poverty Reduction which is being supported by the Finnish Embassy. The project aims to promote a pro-poor and inclusive approach to productive capacity building and trade development in Zambia.

The objectives of the workshop are as follows:

- to sensitise participants on the EIF for poverty reduction;
- to create awareness and share views on the EIF process; and
- to create a wider platform for debate over the EIF process

The workshop was attended by participants from various organisations including representatives from the government and Finnish Embassy, private sector, civil society and media. (Refer to Annexure 1).

1.3. Opening Remarks

The workshop was officially opened by Venkatesh Seshamani, Board Member, CUTS ARC. He drew attention of the participants to the agenda and urged them to participate actively and take the workshop as a learning experience and a platform for sharing ideas.. He acknowledged the importance of trade and that it is a means of promoting development in Zambia.

1.4 Keynote Address

The Finnish Embassy Representative, Aino Valtanen delivered the keynote address on behalf of the Finnish Embassy. She thanked CUTS ARC for organising this workshop and that the workshop was of great value to the EIF process in Zambia. As the donor agency, she explained that Finland is deeply involved in the IF that removes the bottlenecks that hinder growth in foreign trade. She also said that through trade capacity building and growth promotion Finland aims to achieve poverty reduction. She said they are engaged in wider Aid for Trade (AfT) agenda through their own projects as well as funding projects through the European Union (EU). She further stressed that Finland's central theme was reducing poverty in Zambia and promote private sector development. Within the Private Sector Development Programme (PSDP), Finland has a special role in

supporting foreign trade and business development services for micro, small and medium sized enterprises (MSMEs).

1.5 Official Remarks

Gideon Lintini, Acting Permanent Secretary (PS), Ministry of Commerce Trade & Industry(MCTI) said the initiative taken by CUTS ARC in organising the workshop was highly commendable. He also thanked the Finnish Embassy for supporting the project and that the relationship established with CUTS ARC is highly appreciated. He said that by effectively engaging various stakeholders, the partnership will contribute in creating awareness and a sense of ownership about the EIF initiative. It will trigger and necessitate the involvement of targeted stakeholders in planning and implementation of concrete projects. He also pointed out that government is aware of the potential that the EIF presents with regard to identifying and addressing constraints to trade development and thus building trade competitiveness in Zambia.

He further highlighted that more partnerships of such kind ought to be fostered and nurtured. He said that the government has provided timely support in dealing with one of the major challenges of developing a sense of ownership among the relevant stakeholders about the EIF initiative. He said ownership, as recognised in the Paris Declaration on Aid Effectiveness, the Accra Agenda for Action (AAA) and many other authority documents, was critical to the substantive and significant success of any programme. He said the government was addressing policy issues and putting together structures to make the EIF work in Zambia. He also took the opportunity to inform all that the government has not only welcomed the concept of trade mainstreaming but has also commenced the process of mainstreaming. This has been done by integrating the EIF into the National Development Planning process and structure. The EIF is a part and parcel of the trade expansion component of the PSDRP which is embedded in the Fifth National Development Plan (FNDP). He concluded by emphasising government's commitment of ensuring that all TRTA and capacity building activities are harnessed in a manner to contribute in the improvement of competition in the Zambian economy.

2. Project Background

Angela Mulenga, CUTS ARC briefly provided an insight on the functioning of CUTS ARC. She explained that CUTS ARC was established in 2000 as a resource centre for CUTS International and is instrumental in increasing Civil Society Organisations' (CSOs) participation. Its core activities are advocacy, research and networking. Further, she explained that CUTS began its journey with focus on consumer protection, and gradually expanded its range of activities to include international trade and development, competition, investment and economic regulation, human development and consumer protection.

She further highlighted that CUTS ARC got views from the grassroots, usually in partnership with other organisations and through research and presented those to the government as part of its lobby and advocacy work. The organisation has been instrumental in the areas of trade and development, investment policy, competition policy, consumer rights and protection, regional integration and sectoral regulation. The

underlining idea was to ensure that policies adopted affect the economy positively or at least limit the harm done to the economy and to the consumers.

In giving the background to the EIF for Poverty Reduction project, Angela firstly thanked the Finnish Embassy for supporting the project. She also acknowledged Finland's commitment to help LDCs through the EUR 1.3mn (US\$1.94mn) donations that it recently made to the EIF Trust Fund (TF). She said this shows how Finland was committed to seeing that trade is boosted in LDCs. She further explained that the main objective was for CUTS ARC to act as a focal point in supporting civil society groups to respond to ongoing policy discussions on productive capacity building and trade development taking place through the EIF. She went on to mention that the project will aim at promoting a pro-poor and inclusive approach to productive capacity building and trade development in Zambia.

In general the project aims to benefit and ensure that the trade and supply-side concerns by the economically marginalised groups such as small-scale farmers, traders and small and medium enterprises are fed into the EIF process. She further highlighted that during course of the project CUTS ARC intends to hold provincial workshops in Copperbelt, Luapula and Eastern Province. The project would also encompass research and round table meetings to discuss policy issues arising in the EIF process. She summarised her presentation by outlining the activities as tabulated in the work plan.

3. Evolution of EIF – Presentation by Dale Mudenda

Dale Mudenda began his presentation by stating the objective of EIF, Zambia's potential gains from trade as well as promotion of LDCs in the Multilateral Trading System (MTS). He said the potential gains from trade were implied by well-documented facts about differences in standards of living between developed and developing nations such as in Africa. He said trade stimulates investment, efficiency and generates resources for sustainable development thus reducing poverty. He also said that trade fostered welfare of the community since countries were able to trade with one another.

As the world economies evolve many efforts have been made to put viable trading synergies between countries. Dale Mudenda cited the General Agreement on Tariffs and Trade (GATT) as one of the initial efforts to promote import substitution and to reduce barriers to international trade. He explained that this was achieved through the reduction of tariff barriers, quantitative restrictions and subsidies on trade through a series of agreements. The functions of the GATT were taken over by the WTO which was established during the final round of negotiations in early 1990s.

LDCs have remained poor with continued undiversified economies. He further noted that trade having the potential of lifting millions of people out of poverty, but if not properly managed could exacerbate the cycle of poverty instead. The benefits of global trade are currently distributed unequally, and Africa's share declined in recent years. In order to be able to effectively reap the benefits of trade, African countries need meaningful changes to world trading rules, increased funding targeted at expanding their capacity to trade and country-owned trade strategies that are a key part of their overall economic growth and

poverty reduction strategies. Africa's share of global trade is approximately two percent a decrease of two-thirds since 1980, when it was approximately six percent.

He further highlighted that this decline was due to lack of African capacity to produce and export and a decline in certain agricultural commodity prices and tariffs, subsidies and other trade barriers in the export market. He further noted that efforts such as African Growth and Opportunity Act (AGOA) and EIF aimed at assisting LDCs to be integrated into the global economy were still being made at international level. He said both multilateral and bilateral donors were also committed to increase assistance to LDCs to build the physical, human and institutional capacity to trade. According to Dale Mudenda, donors were committed to provide additional support for trade capacity building to assist LDCs, particularly in Africa, to take advantage of the new opportunities to trade.

3.1 Evolution of the EIF

Dale Mudenda expressed his views that AfT is critical to the development of the international trade components in LDCs. He said the IF Programme was initiated at the first WTO Ministerial Conference held in Singapore in 1996. The IF was established to support LDC governments in trade capacity building and integrating trade issues into the overall national development strategies. He said the multilateral agencies participating in the IF (IMF, ITC, UNCTAD, UNDP, the World Bank and WTO) combined their efforts with those of LDCs and other development partners to respond to the trade development needs of LDCs so that they could participate fully and be active players and beneficiaries of the MTS.

According to him, IF had three stages:

- Preparatory Stage: It involves government making requests so as to be engaged in the process.
- Diagnostic Stage: It involves identifying constraints to traders including sectors of greatest export potential, plan of action for better integration, supply-side constraints to trade, human and institutional capacity constraints, take measures to implement and apply international and regional trade agreements and implications of analysis and recommendations on growth and poverty reduction
- Implementation Stage: Implementing and translating the findings of DTIS into an action plan, which will serve as a basis to coordinate delivery of TRTA and the need for LDC governments to identify technocrats for input in DTIS. These may include, local expertise, main stakeholders, government departments, academia, private sector, civil society, current research and analysis available and development partners (bilateral and multilateral).

He further said that in 2003/04 an evaluation of the IF was conducted and it was recommended that it should be enhanced. Weaknesses highlighted included the fact that there were a number of competing development initiatives; there were no formal links

between the IF and the PRSP, DTIS and MDGs and linkages with the PSDS were poor. The IF was not regarded as the main tool for co-ordination and management of other trade related activities; there was no real national ownership of the IF, coupled with a poor understanding of the IF; the “branding” of the product was wrong; and the IF was seen as a MCTI project as opposed to a cross-cutting programme. Therefore, the Development Committee of the WB and IMF at their meeting in 2005 recommended that the IF steering committee should set up a task force that would provide recommendations to enhance the IF. Three elements were recommended by the IFTF and these include:

- Provide increased, predictable and additional funding on a multi-year basis. He said IF was pegged at US\$40 and that the EIF is now set at a target of US\$200–US\$400mn.
- Strengthen IF within the country, including through mainstreaming trade into national development plans and poverty reduction strategies, more effective follow up on DTIS and implementation of action matrices, achieving greater and more effective coordination amongst donors and IF stakeholders, including beneficiaries.
- Improve the IF decision making and management structure both at international and national levels (National Steering Committee; inter-ministerial, private sector, civil society and donor representatives) to ensure effective and timely delivery of the increased financial resources and programmes.

He further explained that at the WTO Hong Kong Ministerial Conference in December 2005, ministers reaffirmed their commitment to better integrate LDCs into the MTS and endorsed the three elements (mentioned above) that would constitute the EIF.

3.1.1 EIF at National Level

The resource person emphasised that the key element of the EIF is to build strong capacities among the LDCs to manage, implement and monitor the EIF process. Accordingly, the EIF foresees a number of National Implementing Agencies (NIAs). He further explained that the NIAs at national level comprised of, a Focal Point, a National Implementation Unit (NIU) and a National Steering Committee.

- **Focal Point:** He explained that every LDC government should appoint a Focal Point (FP) who was in charge of overseeing the functioning of the NIU. He further stated that the focal point should work closely with the relevant ministries, the donor facilitator, the Executive Secretariat, and other development partners, including the EIF agencies to ensure that technical assistance projects were mainstreamed into the Poverty Reduction Strategy Paper (PRSP) or other national development plans and respond to priorities in the DTIS. It was also the duty of the FP to lead in the preparation of the DTIS and its updating and also reporting to the LDC governments and the Executive Secretariat on EIF progress.

- **National Implementation Unit:** He explained that beneficiary countries are expected to set up a NIU to strengthen the IF Focal Point. The presenter further explained that the NIU was responsible for coordinating EIF activities in the LDCs and for EIF implementation at the national level. It is supervised by the FP and the NIU:
 - NIU works with the Ministries of Commerce, Trade and Industry, Finance and National Planning, Ministry of Agriculture and Cooperatives and other ministries and trade-related institutions, such as the Chamber of Commerce, the private sector and civil society to ensure coordination at all stages of the EIF process.
 - NIU works closely with the executive secretariat, the donor facilitator and EIF agencies for the preparation of the DTIS, formulation and appraisal of Tier 1 and Tier 2 stages of the project and other activities, as appropriate.
 - Monitor the implementation of the Tier 1 and Tier 2 phases of the project under National Steering Committee supervision and report progress to the Executive Secretariat.
 - Work with all relevant partners to assist in the inclusion of a trade integration strategy and its priorities in the PRSP or NDP.

National Steering Committee: Dale Mudenda explained that beneficiary countries should have in place a high level inter-ministerial committee, a National Steering Committee so as to provide senior level engagement and coordination on trade policy and to provide political commitment.

He further explained that the role of this committee was to:

- Monitor the overall EIF process and activities, including mainstreaming trade into the country's PRSP and other development plans.
- Ensure effective coordination and buy-in among LDC government institutions, private sector, civil society and other IF stakeholders.
- Based on NIU's proposal, approve Tier 2 stage of the project in close consultation with the donor facilitator and the executive secretariat. A member of the National Steering Committee designated by the Chair participates in the appraisal and approval process of Tier 1 of the project.
- Decide when to submit proposal for Tier 2 of the project to the bilateral and/or multilateral donors.

- Ensure that trade-related issues were included in NDP and they receive due attention in the development partners' conferences, such as Consultative Group Meetings and Roundtable Meetings.

3.1.2 Structure at Global Level

At the global level, the presenter highlighted that the EIF had two governing bodies namely the EIF Steering Committee (EIFSC) and the EIF Board. EIFSC is composed of LDCs, six EIF agencies and all bilateral development partners while the IF Board is composed of one representative from each of the six IF agencies, three representatives from each of the LDCs and three representatives from the donor community. The Board serves as the key decision-making body for operational and financial oversight and policy direction within the broad context set by the EIFSC. The role of the EIF Board is to supervise the management of the EIF process, provide policy direction to the Executive Secretariat of the EIF, take funding decisions under the EIFTF in accordance with the approval process, monitor, review and evaluate country specific progress and operations

3.1.3 Disbursement of the EIF Funds

He explained that the disbursement of the EIF was done in two tiers:

Tier 1- He emphasised that this process certainly looks at capacity building of IF Focal Point and NIU and the activities under this process included, human resource capacity building, support in preparing and updating of DTIS and support NIU and other key institutions.

Tier 2- He explained that this process addresses priority activities identified in action matrices. The scope included project preparation, feasibility studies and small scale projects. He said the activities in this process included designing of a preparatory support for infrastructure and large project implementation, and development of national export strategies and their implementation.

Conclusion

He summarised his presentation by stating that since inception, over 35 countries have benefited from the IF. Out of these 35 countries, 26 are from Africa. The presenter further said that Zambia as a beneficiary to the EIF will have a concrete mechanism for translation of Aid effectiveness through enhanced country ownership, strengthening of institutional capacities such as MCTI and mainstreaming trade and periodic review of DTIS implementation and update of potential sectors.

4. Implementation of EIF in Zambia

4.1 Status of implementation of EIF in Zambia – Presentation by Alain Pierre Bernard

Alain Bernard provided an outline of Zambia's experiences with regard to the implementation of the EIF and also gave a brief background and history of the EIF (as mentioned in the first presentation). He outlined the programmes which were

implemented under Tier 1 of the IF as being, preparation of the DTIS, a study on the proposed COMESA Common External Tariff, a study on the implementation of the export processing zone, and purchase of equipment to strengthen the Focal Point. He further stated that under Tier 2 stage Zambia submitted a request to strengthen the Focal Point, which has been approved.

He further stated that Zambia's EIF programme has six components namely Trade Policy; Trade Capacity and Policy Coordination, Trade Facilitation, Standards, Quality Assurance and Metrology, Market Access and Market Penetration and Aid for Trade. He also highlighted that the implementation agents and lessons are clustered into three categories: the government, cooperating partners, and the private sector.

Regarding the shift from IF to EIF, he explained that lack of thorough involvement of all stakeholders in the initial stages had implications on the appreciation, ownership and implementation of the programme. He said there had been a lack of clear understanding on the roles to be played by different players concentrating on the focal point and the facilitating agency. He further stressed that there had been a lack of preparedness in accessing resources, with the focus remaining on the need to get approval for DTIS with insufficient attention paid to preparation of proposals. Further there was also a lack of clear guidelines on the preparation and consideration of proposals and a lack of political involvement in the initial stages, both at Parliamentary and Ministerial levels, the consequence of which was difficulty in obtaining political support needed to mainstream the IF into the budget process.

The presenter also mentioned that though there have been problems in the IF process, Zambia has managed to score some positive returns during both the initial stage of the IF and the current stage of EIF.

4.1.1 Outputs and Progress

He explained that NIU had been set up with Focal point Advisor and National Trade Expert and that the Trade Expansion Working Group has been reconstituted based on new Terms of Reference (ToR). He further informed the participants that Aft and IF strategy and planning retreat for the TEWG had been done so as to reinforce participation thus meeting the core objectives of the EIF.

Further Alain Bernard also highlighted that Zambia had embraced the concept of mainstreaming trade in its National Development Programmes and processes and that EIF accelerated the finalisation of the Commercial, Trade and Industrial (CTI) policy which has since been submitted to the MCTI.

He also informed the participants that the DTIS activity matrices had been reviewed and amended and that a three-year (2009 – 2011) programme document has been drafted and awaiting approval for the TEWG. Further MCTI in collaboration with International Development Law Organisation had recently formulated a proposal for technical assistance and capacity building covering Intellectual Property (IP), investment promotion and EPA negotiations for funding by the Finnish Government under Aft. The

proposal also lobbies for a formal request to have a legislative review and amendment of IP.

He further said that two other draft proposals have been formulated which are as follows: The Small Holder Coffee Producers Development proposal which will look at possibilities of revamping coffee production in Zambia and also provide avenues for market access and linkages; and the Trade Policy and Discourse Capacity Building proposal formulated in collaboration with the UNZA which aims at addressing trade policy issues and how key stakeholders would be incorporated so as to have a wider participation in trade negotiations and practices.

4.1.2 Priorities - 2009

Alain Bernard mentioned that the EIF process will provide for the implementation of the livestock and honey analysis. The sectors were selected because they are one of the most promising sectors, which can earn the country revenue. He went on to add that the implementation process of the sectors will improve and strengthen the honey and livestock sectors by creating access to relevant markets, disseminating market information and make them visible in the international markets. He also mentioned that addressing IP implementation issues will be one of the priorities.

He went on to mention that 2009 will also provide for some capacity building activities and some of the priority areas include:

- Short term trade assistance for MCTI's departments.
- Rules of origin implementation issues to stakeholders.
- Customs Valuation Agreement Implementation issues to stakeholders.
- Trade policy and discourse capacity building implementation to MCTI and stakeholders.
- Policy and Trade Data Analysis Course for the TEWG and MCTI.
- Awareness raising for the TEWG and MCTI on regionalism.

He also deliberated on fund mobilisation process and stated that funds available under EIF will finance the two tiers of the project, called Tier 1 and Tier 2, as already explained. He also stated that Tier 1 of the project seeks to build greater in-country capacity and ownership while Tier 2 aims at facilitating the implementation of projects identified in the DTIS and Action Matrices and priority initiatives under national development strategies.

He further informed the participants that large projects and programmes identified in the Action Matrices such as infrastructure will be financed from other mechanisms such as consultative group lobbying, roundtable meetings with other donors.

Summing up, he challenged for the need to have a broad partnership mechanism which will foster the need to identify co-financing or leveraging funds from other larger funders, as well as assess adjustment needs and broker financing for such programmes and the need to promote involvement of the local, regional and private-sector actors, as well as South-South cooperation through triangular schemes.

He further stressed that there is also a need to put in place a strong performance management system that will build confidence among all partners in reliability of information on developing effectiveness and also the need to put up strong, prudent and good marketing for the EIF logical framework.

4.2 Discussant - Ambassador Love Mtesa

As a discussant Ambassador Love Mtesa evaluated the two presentations and categorised them as cardinal. He also recognised the importance of the EIF process for countries like Zambia since it provides greater avenues for boosting the trade potential areas in LDCs and addresses supply side concerns. He urged the Zambian Government to take keen interest and adopt the process so as to foster greater participation.

He further stressed that despite significant progress made by LDCs in implementing broadly-based economic reform programmes, most of them have not succeeded in achieving the basic objectives of the whole process. He also said that, although a wide range of investment opportunities exist in LDCs, they still face obstacles in trying to access international markets thus, the need for technical and financial assistance so as to improve their institutional and physical infrastructure in order to enhance their ability to attract and participate actively in the trading system.

Ambassador Mtesa further stressed on the importance of supporting LDCs in their efforts to reverse their current marginalisation in world trade and to become integrated into the world economy and international trading system thus applauding to EIF.

He also stressed on the need to clearly address constrains such as the supply-side concerns as they have been labelled as some of the key constraints hindering LDCs' in international trade process. He went on to add that supply-side constraints are at the root of LDCs' weak participation in international trade.

In conclusion he acknowledged civil society's importance in enhancing socio-economic development. He urged CUTS ARC to consider involving and engaging actual producers in the forthcoming workshops and meetings so that they can participate actively and be incorporated in the process thus having ground realities of their experiences.

Floor Discussions

During discussions on evolution of the EIF and its status of implementation in Zambia, key points and concerns which emerged are as follows:

Participants expressed concern over ownership of the process. They acknowledged the progress made by the country but still there remains a lot to be done as far as the EIF ownership process is concerned. There is a need to critically evaluate the whole process.

- Participants wanted to know how information on the ongoing EIF process is disseminated and how they can access it?

- Participants also expressed their concern on the fund management system. They wanted to know what strategies have been put in place to monitor optimal utilisation of these funds and what monitoring and evaluation mechanisms have been put in for the process.

- The participants also took the opportunity to find out on what marketing strategies have been put in place for the EIF process so that lobbying for more funds can be carried out.

Responses

Ambassador Metsa acknowledged the importance of ownership and re-emphasised that the core objective of the EIFs is to promote ownership. They further explained that one of the key elements of the EIF is to build strong capacities among LDCs to manage, implement and monitor the EIF process.

On information dissemination, he explained that in the EIF process there is a provision of utilising all sorts of communication materials including the media. Information on the EIF process is always available on the web site. Partner organisations should pass on information on the EIF process for its effective dissemination of information.

5. EIF and DTIS

5.1 Overview of the EIF and Zambia's DTIS – Presentation by Maybin Nsupila

Maybin Nsupila acknowledged that the background and transition information of the IF to EIF had already been shared by his predecessors so he began his presentation on the implementation of EIF, with a focus on DTIS. He started by explaining that Zambia qualified to join the group of LDCs that are benefiting from the IF programme in 2004 and went through four stages of the IF implementation, namely, awareness-building on the importance of trade for development, preparation of DTIS to identify constraints to traders, sectors with greatest export potential and an action matrices for better integration into the global trading system, integration of the action matrices into the national development strategy and implementation of the action matrices in partnership with the development cooperation community.

5.1.1 DTIS - Zambia

Maybin Nsupila explained that the DTIS was a document that reviews Zambia's trade policies and performances, assesses its potential for export diversification, identifies the main constraints to increasing exports, highlights requirements for effectively

implementing Zambia's trade strategy and develops an action matrix which summarises the policy reforms and technical assistance needed to remove these constraints.

He, therefore highlighted that DTIS supported the Zambian Government to build national consensus around the reforms, mainstream trade priorities into its development and poverty reduction strategies, and enhance trade capacity within and outside government to formulate and implement trade policies, to negotiate trade agreements, and to tackle supply-side challenges in responding to new market access opportunities. The Action Matrices provides the basis for effectively coordinating donor support and mobilising additional resources for TRTA.

5.1.2 Zambia's Trade Policies and Performance in Relation to DTIS

In deliberating on Zambia's trade policy he stated that three main priority areas have been identified in the DTIS which are as follows:

- **Market Export Incentives:** It involved streamlining the operating procedures for the duty drawback scheme, ensuring full and timely reimbursement of actual duties paid and preparing standard operating guidelines and a procedures manual prior to implementing the Export Processing Zone Act EPZ.
- **Improving Trade Facilitation:** It involved improving efficiency in customs administration by upgrading the customs infrastructure (equipment, procedures, physical and human infrastructure), integrating the border agencies and developing a single processing and payment window for all border agencies, reducing border clearance time by undertaking a Cargo Release-Time study and implementing its recommendations, improving transit and clearance procedures and establishing a 'fast-track' facility, reducing transport costs through augmenting capacity in the transport industry with training in regulation, logistics, financial management and marketing, and improving infrastructure through amending the Standards Act to separate standards testing from the regulatory functions of the Zambia Bureau of Standards (ZBS) and increasing the role of the private sector.
- **Accelerating implementation of trade policy and negotiating trade agreements:** Maybin Nsupila stated that under this action area, the DTIS proposed the following activities: establishment of a trade policy analysis unit in MCTI; expansion and training trade staff in and outside government; support establishment of Zambia Institute for Policy Analysis and Research (ZIPAR) with a dedicated trade economist; and incorporating trade issues explicitly into the inter-agency policy formulation and implementation of mechanisms set up following the Livingstone Forum.

While deliberating on Zambia's trade performance, he informed the participants that the DTIS also highlighted Zambia's performance during the 1990 – 2003 period, noting her continued reliance on copper exports and decreasing share in world exports mainly due to the decline in copper prices. He also said that the DTIS noted some improvement in the performance of the non-traditional export sector with regard to export earnings and stressed the need for accelerated diversification. He further stressed that the DTIS also observed the trade and market dynamics that have seen the European market lose its significance to the SADC market. Therefore, he said that the DTIS suggested that Zambia's main objective of the trade policy should be to reverse Zambia's declining share in world exports by accelerating export diversification and regional trade.

- **Potential Export Diversification:** He stated that the DTIS has noted that Zambia has unrealised potential and could score a lot more in her quest to diversify the economy by harnessing her natural resources and labor-intensive activities such as agriculture, agro-processing, tourism, textiles and garments,. It embraces various sectors identified in the Priority Sector Assessment Study as having an in-depth assessment of issues affecting these sectors including floriculture and fresh vegetables, cotton, tobacco, coffee and paprika. He also explained that DITS also extends its assessment to textiles and garments, processed foods, gemstones and engineering products. He also emphasised that, although Zambia had been found to have immense potential in the services sector, tourism is the only sector identified in the DTIS as having potential.
- **Constraints in Increasing Exports;** Maybin Nsupila stressed that DTIS also identified constraints that have prevented Zambia from expanding and diversifying her export base. He said that the issues varied and ranged from policies and infrastructure, through inadequacy in schemes meant to improve export performance and trade facilitation.
- He also mentioned that the DTIS also provided **requirements for effectively implementing Zambia's trade strategy** which include, high level political commitment, mainstreaming trade policy, increased coordination within government, effective public-private partnership, coordination of export promotion and private sector development programmes, enhanced trade policy capacity and increased donor coordination.

Summing up and concluding his presentation, Maybin Nsuplia stated that although the DTIS is expected to comprehensively analyse and propose remedial actions for different issues affecting Zambia's trade capacity, it was not possible that this objective could be fully realised due to many reasons including prohibitive nature of the DTIS template, lack of relevant data on given trade topics at national level, limited stakeholder consultations and non-prioritisation of the topics and areas at national level.

He also described non-prioritisation of these issues as another constraint. He stressed that the information available within each country on given trade subjects may influence the extent to which a particular subject may be covered as opposed to importance of the subject. He cited an example of Zambia where he said Zambia's DTIS does not contain detailed disaggregated data on gender and age distribution in economic sectors such as horticulture, floriculture, cotton and tobacco. He said this information would be useful in designing interventions to address gender mainstreaming, employment creation and poverty reduction. He further said the absence of such data could be attributed to either absence of such data at national level or indeed the non-prioritisation of gender issues.

He also stated that lack of stakeholder consultations was also another constraint in the process. He said that such a state might be the result of lack of involvement of stakeholders in dealing with various issues such as gender, intellectual property and services in the IF process.

He concluded his presentation by stating that it was important to stress the need to build information resources at national level that would feed into the DTIS updating exercise. He also said it would also be important to ensure that consultants undertaking assignments such as DTIS updating are made to consult very widely and are guided on the priorities that Zambia has set in with regard to trade mainstreaming and trade expansion.

6. Reducing Poverty Through the Integrated Framework for LDCS

6.1 Linking the EIF with the FNDP – Presentation by Saul Banda Jr

Saul Banda began by explaining that international trade brings about benefits and losses to households both as consumers and producers or income earners. He further explained that income earners, households are affected when trade impacts wages and income and that as consumers, households are affected when trade changes the prices of goods consumed by the family.

Giving an overview of the EIF, he acknowledged the information shared by previous presenters and that EIF initiative aims at boosting trade in LDCs so that they can be active players in the global economy. Saul Banda further explained that the EIF timeframe is from 2008–2011 and implementation will be done by the Zambian Government through the NIU and the TEWG. He also stated that EIF has three objectives that are summarised as follows in the Zambian context:

- To contribute in mainstreaming trade into Zambia's national development planning and budgetary process.
- To contribute to expansion of trade in Zambia by reducing barriers to both domestic and foreign trade.

- To contribute to the attainment of the objectives of the Commercial, Trade and Industrial Policy as mainstreamed in the FNDP as well as to the realisation of the Vision 2030.

In providing an overview of trade in the FNDP, Saul Banda explained that trade is recognised as an important tool for economic growth which, in turn, is a pre-requisite for long-term poverty reduction. He explained further that limited domestic market size and low domestic purchasing power suggested that sustained economic growth must be export-led and that regional markets also provide additional outlets for Zambian goods.

Saul Banda further acknowledged that poor infrastructure, including inadequate road and railway network, high costs of telecommunication and high transportation costs due to landlocked status, uncertain business environment including high inflation, high tax rates, high cost utilities, and burdensome regulations, lack of modern technology and inadequate access to credit facilities, and high cost of capital are some of the challenges to export expansion of Zambia.

Further in his presentation, he contended that the FNDP has also incorporated some strategies for trade which are outlined as follows:

- carry out an aggressive export promotion of targeted products, particularly those in which Zambia has competitive advantage;
- improve market access for Zambian exporters;
- reduce trade-related supply constraints and build export capacity;
- improve the business environment and facilitate private sector development;
- strengthen Zambia's negotiating and technical capacity in trade related negotiations;
- promote investments, especially of viable export sectors;
- promote trade in services, especially of export nature; and
- monitor and strengthen domestic trade to ensure fair competition and consumer protection.

6.1.1 Contrasting the EIF and the FNDP

Saul Banda indicated that the FNDP did not specify any implementation agencies. He went on to add that there is non-coherence between the two documents and that there are different timeframes for implementation process of activities. He also stressed that information on the working of the NIU and TEWG was hardly available to other working group members thus lack of participation from other stakeholders. Further, he stated

steps taken in the EIF process include trade as a tool for poverty reduction and that some of the components of the EIF did not match with FNDP.

In conclusion, he recommended that there was a need to revisit the EIF and align it with FNDP and that there is also a need for linking the implementation agencies. He further indicated that there was also need to develop clear indications for both FNDP and EIF and the need for timely provision of information on the working of the NIU and the TEWG among stakeholders.

Floor Discussions

Several queries were raised during this slot.

- The discussions were spurred by questions from the participants. They acknowledged that though the presenters highlighted the fact that the DTIS didn't cover some of the important issues such as IP and services, but expressed concern at the calibre of people who were contracted to prepare Zambia's DTIS for there were gaps in the study that also had the potential to foster development.
- Issue of trade facilitation with particular reference to bureaucracy at Chilundu boarder post. There was a concern regarding the amount of time being taken to solve the border post issue. Further a concern was also raised on what initiative the government was taking to reduce border agencies that have mushroomed over the past years.
- Another concern which rose during the discussion was on how the ministries working on trade issues were working together on the EIF process implying that it was important for the ministries to work together and that there should be synergy in their works.
- A concern was also raised on the exact amount of funding that Zambia would be getting from EC.
- Participants expressed concern on the potential of local consultants and how such a scenario undermines the work of the county. They re-emphasised the importance providing capacity building to local people so that there could be adequate representation and greater output from all areas of representation thus the need to have an active committee at the national level.
- Although the EIF provides avenues for enhancing production of goods by entrepreneurs and larger businesses to consumers. The participants expressed concern on whether the initiative incorporated consumer welfare issues and concerns for they are the end users of every production in the trading system. They further asked if the EIF had set its own priorities for the protection of consumers in accordance with economic circumstances of the country.

Responses

Responding to the preparation of the DTIS and the gaps identified. Maybin Nsupila reaffirmed his comments and agreed with the participants' concern of not including other current sector priorities. Further he explained that the DTIS preparatory process was done using a template by foreign consultants with the help of local consults. The local consultants were supposed to play a leading role to guide and advised the foreign consultants on areas which were critical and needed immediate attention hence the current situation.

On Chilundu boarder controls procedures and agencies, ZRA representative, Mr Patrick Chileshe explained that the process of reducing the Boarder Agencies (BA) was underway. He also explained that the Authority is also looking at finding plausible ways of coordinating agencies so to promote information sharing among them for this has been found lacking in the system.

Francesca Dimauro, EC representative acknowledged the importance of the EIF process and informed the participants that they are working hand in hand with the EIF secretariat for mobilising funds for the Trust Fund. And commenting on how much Zambia will be allocated from the EDF. Damauro reviewed that a sum of Euro 200 million (US\$299.86) has been allocated to Zambia for Sanitary and Phytosanitary Standards (SPS) for vegetables and the rehabilitation of the Chipata road network for agricultural and sugar exportation.

Responses

In responding to the issue of capacity building, the resource persons acknowledged the need of capacity building for local personnel stating that this could lead to having good supervisory advisors. He further stated that capacity building should also be extended to the EIF-IPR steering committee of which the national working group and IP advocates are a part. He further acknowledged the importance of updating DTIS and suggested integrating the issues raised in the workshop into the DTIS.

And commenting on consumer welfare, he informed the participants that the EIF has a component that looks at consumer welfare issues called Standards and Meteorological Control (SMC) which incorporates the guidelines under the Competition and Fair Trading Act (CFTA). He said the SMC provides avenues and guidelines that ascertain and recognise the rights of consumers in relation to anti-competitive practices.

7. Recommendations and Closing Remarks

7.1. Recommendations

The recommendations that come out of the workshop include:

- There is need for market access and market linkages to be enhanced by insuring that local infrastructure is improved and there should be flexibility from developed nations on non tariff barriers. This should be coupled with capacity building of trade negotiators.

- There is need to comprehensively review the DTIS and ensure it reflects the current status of the trade sector priorities such as Intellectual Property Rights (IPR), Services etc.
- Conduct comprehensively trade and gender analysis studies that will facilitate gender mainstreaming in trade and the EIF.
- There is need to revise the EIF and incorporate Monitoring and Evaluation (M&E) mechanisms so that there could be ownership. This could be done by resuscitating and revitalising the sector advisory group. Further ownership can also be enhanced through incorporating various state holders e.g. MCTI
- Recognise and strengthen the legislation of the Standard, Quality Assurance Mechanism (SQAM) as well as improve the related infrastructure and also consider creating awareness of the issues relating to SQAM with regard to consumer welfare.
- Zambia is currently in the process of reviewing the FNDP which comes to an end in 2011, therefore, there is need to utilise this opportunity to harmonise FNDP with EIF because currently they have different implementing timeframes and this could foster negative developments.
- EIF should also pay attention to improving trade facilitation by developing and enforcing legislation to allow information sharing among border agencies and also developing an Integrated Information Management System (IIMS) for border agencies including establishment of a risk management database so as to enhance efficiency. There should also be an introduction of integrated software management system for all border agencies so as to develop a single processing and payment window for all border agencies
- There is need to explore the possibility of creating geographical indications particularly in regions where Zambia has the capacity and is producing products of quality such as honey in north-western province.
- The EIF process should empower and support organisations that advocate and support the poorest in the supply chain. Additionally the DTIS should not only encompass cash but also food crops which some farmers produce.

7.2 Vote of Thanks

Anthony Kasolo, Board Member, CUTS ARC concluded the workshop by questioning whether Zambia as a country is ready or not, to fully participate in the global economy. He went on to add that there have been numerous developmental plans in Zambia since independence and only 40 percent have been achieved. There stands a question mark to the rest of the 60 percent plans.

He therefore, added that there was a need for Zambia to have a well defined and presentable marketing strategy for it has numerous potential areas of growth and further stressed that the EIF should vividly look at empowering micro trade activities especially in the marginalised communities.

He concluded by thanking the Finnish embassy for supporting the project stating that this will go a long way in empowering people in Zambia and that it was his wish that the EIF reduces poverty in Zambia.

7.3 Closing Remarks

Angela thanked the participants for taking out time to participate in the educative and interactive workshop. She stressed that it was important for participants to share with others who could not participate in the workshop. She also explained that the recommendations of the workshop will be forwarded to MCTI with a hope that MCTI would take some action on them.

**Sensitisation Workshop on the Enhanced Integrated Framework
January 23, 2009
Cresta Golf View Hotel, Lusaka**

0800-0830 Registration

0830 – 1000: **Session I**

Welcome and Introduction: Prof: Seshamani - CUTS-ARC Board Member

Introduction to CUTS and the EIF project: CUTS- ARC Coordinator

Official Remarks: *Permanent secretary (PS)-MCTI*

Keynote Address: *Finnish Embassy*

Floor Deliberations

1000 – 1015 Tea/Coffee

1015 – 1140 **Session II**

1. EIF and its relevance to LDCs and Poverty reduction (20min)

Presenter: *Dale Mudenda- Lecturer Economist- University of Zambia*

2. The status of the implementation of the EIF in Zambia (20 min)

Presenter: *Alain Pierra Bernard- UNDP technical advisor (EIF/MCTI)*

Discussant: *Ambassador Love Mutesa (10min)*

Floor Deliberations: *(20min)*

1140-13:15 **Session III**

3. The review of the Diagnostic Trade Integration Study (DTIS). (20min)

Presenter: *Maybin Nsupila- Trade Expert (EIF/MCTI)*

4. The feasibility of incorporating the EIF into the Fifth National Development Plan (20min)

Presenter: *Saul Banda- Programmes Manager-Civil Society for Poverty Reduction (CSPR)*

Discussant: *Professor Seshamani (10min)*

Floor deliberations: (20min)

1315-1400 Lunch

1400-15:30: Session IV

5. Recommendations and Way forward

Presenter: Preamble of deliberations by rapportuer

Vote of Thanks