

AID-FOR-TRADE CASE STORY

GERMANY

**The EU's Joint Aid for Trade Strategy – Opportunities and Challenges for coordination.
The case of Zambia and COMESA**

Davina Makhan

*Researcher, German Development Institute
Deutsches Institute fuer Entwicklungspolitik (DIE), Bonn*

The EU's Joint Aid for Trade Strategy – Opportunities and Challenges for coordination.
The case of Zambia and COMESA

Davina Makhan

Researcher, German Development Institute / Deutsches Institute fuer Entwicklungspolitik (DIE), Bonn

Executive Summary	2
1 Issues addressed	3
2 Objectives pursued	3
3 Problems encountered	4
4 Factors for success/failure	5
4.1 At the national level	5
4.2 At the regional level	10
5 Lessons learned	16
6 Conclusion (applicability to other programmes)	18
References	21

Executive Summary

This case story¹ looks into the EU's response to the AfT agenda. The paper analyses the EU's responses to the opportunities and challenges for coordination brought about by the AfT agenda at the country and regional levels of implementation. The EU's AfT strategy puts a particular emphasis on support to Least Developed Countries (LDCs) and has a strong regional dimension. For the purpose of this paper, the cases of Zambia and COMESA have been identified to inform the analysis on AfT coordination at the implementation levels.

The Zambian policy framework presents several opportunities for AfT coordination as the country appears fairly advanced in fulfilling the two preconditions of the mainstreaming of trade and the existence of functional consultation and coordination mechanisms. In fact, much progress in this respect had been achieved even before the emergence of AfT on donors' and partners' agendas, in a context where several efforts were being made to improve the broader aid relationship in Zambia for development effectiveness. The COMESA, whose mandate is about regional economic integration, has also been particularly active in responding to the initiative within its own policy frameworks.

However, the challenges facing the implementation of the AfT agenda in Zambia and COMESA are deeply-rooted and stem from the nature and quality of the different actors involved. While on the Zambian side, lack of capacity is a major obstacle to the effective coordination of the trade and AfT agenda, on the donors' side, it is rather the differences in the operating modes within the EU system that hampers a more joined-up approach on trade-related support. While there is more scope for AfT coordination between the EU and the COMESA appear greater, its overall effectiveness is hampered by the insufficient alignment to the regional strategies, particularly from EU member states, and the lack of ownership of the regional project by COMESA member states.

On both donor and partner side, translating an innovative, yet inherently complex initiative such as AfT into operational terms questions well-embedded thinking and modes of operation that require time to address. Some institutional re-arrangements and re-thinking of internal structures and policies, including in terms of decision-making processes, seem to be required on part of both the Commission and EU member states to effectively implement the EU's AfT agenda.

¹ This case story draws on a forthcoming DIE study by D. Makhan on the opportunities and challenges for coordination in the EU's Joint Aid for Trade Strategy. The paper draws on major policy documents on AfT in the EU, Zambia and COMESA and builds on a number of interviews that the author conducted in Brussels and Lusaka in November 2009.

1 Issues addressed

A successful implementation of the AfT agenda rests upon the effective coordination of policies and all actors involved, at and between the national and regional levels of implementation. In other words, harmonisation amongst donors and alignment with partner countries' and regions' strategies are central to the effective implementation of AfT agenda.

For the EU, a collective response on AfT requires close collaboration between the Commission and member States: whereas the Union holds an exclusive competence over trade issues, the competency over development policy is shared with EU member States. The importance of coordination is well acknowledged in the EU's joint Aid for Trade strategy of 2007. The aim is thereby to achieve complementarity amongst (EU) donors and facilitate the development process for developing countries, for instance through the programming of activities that match the country and the region's priorities or through procedures that support partners' capacities to plan, implement and manage the development process.

The policy framework in Zambia and COMESA seem to offer a favourable setting within which to assess the EU's capabilities to coordinate its AfT agenda. Indeed, at the regional level, the integration process has been driven and is strongly supported by the COMESA; at the national level, there seems to be a strong ownership of the trade and regional integration agenda on part of Zambia; and there have been several efforts over the years to harmonise donors' activities in country. In addition, the donor-partner dialogue appears fairly well established and several structures exist within which such dialogue can take place at both the national and regional levels.

2 Objectives pursued

Whether donors can align with existing trade and development strategies and thus, coordinate on policies with them, depends on the extent to which such strategies have been formulated and operationalised in the first place. Subsequently, the existence of mechanisms and structures within which such coordination can take place will be of essence to support this process.

In broad terms, two prerequisites thus need to be fulfilled for effective coordination over the AfT agenda at the country and regional level. First, it is crucial that not only trade but *regional* trade and the related AfT strategy be adequately mainstreamed in both the national development plan and EU donors' cooperation strategies in Zambia. Such a comprehensive approach and the concrete recognition of trade as a tool for development is indeed required for Zambia, or any developing country for that matter, to successfully engage with donors on these issues, and for the latter to align and coordinate their activities accordingly. Second,

trade and AfT are not specific sectors of activity and, in general, there are no AfT ‘experts’. Therefore, coordination efforts need to take place within sectors and within the ambit of existing and operational coordinating mechanisms at government level, with non-state actors and at the donor-partner interface.

3 Problems encountered

The EU, Zambia and COMESA face the common challenge of implementing the AfT agenda.

For the **EU**, the discussion has actually moved to the implementation level as much of the policy work is done. However, awareness over the AfT agenda has not yet trickled down to the national level of implementation and its operationalisation has remained to a large extent a headquarter exercise.

On the **Zambian side**, efforts towards building a comprehensive trade policy framework under the scope of the Fifth National Development Plan (FNDP) and the Private Sector Development Reform Programme (PSDRP) has not yet found the broad-based support required for its successful implementation and its achievements remain modest and limited to selected areas. 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.

At the regional level, the prospects as yet do not suggest the emergence of a joined-up European response to the AfT agenda, and regional economic integration is insufficiently promoted as a tool for development within the Commission and EU member States’ institutional structures, policies and modes of operation. In turn, the fragmented responsibilities over the national and regional development policy agendas hinder the achievement of a harmonised and consistent EU approach. This, however, is not exclusive to the EU. Fragmented decision-making has also impeded on the trade and regional integration agenda of the COMESA region and its member States. The overall ownership of the regional integration agenda, as well as the institution as such, are thereby undermined. Ultimately, donor and partner alike face the common challenge of adequately articulating the national and regional AfT processes.

4 Factors for success/failure

4.1 At the national level

Factors of success for EU coordination and coordination with Zambia

From Brussels, several initiatives have been taken to encourage coordination in the field. First and foremost, the Commission and member States jointly adopted the EU's AfT strategy, whereby they signified the existing consensus to assist partner countries' with their needs assessment and strengthen the 'demand side' of AfT, to develop joint programming exercises and deliver joint responses. For instance, in April 2006, the GAERC approved the Commission's proposal concerning joint multi-annual programming and adopted a common framework for drawing up country strategy papers and the principles concerning joint multiannual planning (European Commission 2006). However, the agreement came too late for any actual joint programming between member States and the EC to occur, as the 10th EDF programming had already been initiated and in some cases largely completed². Since then, further documents have been adopted that refine and keep the momentum on the EU's endeavours towards complementarity. The adoption of an operational framework in November 2009 is the EU's latest initiative to foster a complementary approach within the Union and support the implementation of its aid effectiveness commitments. Specific measures are outlined that seek to address the areas of division of labour, facilitate the use of country systems and enhance capacity development through technical cooperation (Council of the European Union 2009).

There is a strong potential for the effectiveness and longer-term impact of AfT activities in Zambia, insofar as there has been progress in covering the essential preconditions for success identified by the OECD, namely the political will to use trade as an engine for development and the existence of a favourable domestic business environment (OECD 2006). Zambia's participation in the Integrated Framework (IF) process for LDCs since 2004 played an instrumental role in trade being mainstreamed more deeply in the country's overall development strategies. Trade policy-making and implementation in Zambia have also become more inclusive since the early 1990s. Greater consultation on trade policy issues has occurred over the years within government structures and involving private sector, civil society organisations as well as donors, with several coordination mechanisms being set up in this view. These dynamics have been institutionalised through the setting up of various consultative and coordinating mechanisms that facilitate coordination at the intra-ministerial level, with the private sector and civil society, but also with donors and within the donor community, e.g. the National Working Group on Trade (NWGT) and the Trade Expansion Working Group (TEWG). In addition, the country has demonstrated increasing ownership of

² Interview with EC representative in Brussels, October 2009. See also (Mackie / Zinke 2006)

its development process over the years and has more scope to shape donors' development packages.

In turn, donors have become more responsive to Zambia's concerns and have also increased their own harmonisation and alignment efforts. The Harmonisation in Practice (HIP) initiative was launched by seven donors (Denmark, Finland, Ireland, the Netherlands, Norway, Sweden and the United Kingdom) and led to the signing, in 2004, of a memorandum of understanding (MoU) with the Ministry of Finance and National Planning (MoFNP) on the coordination and harmonisation of government and donors' practices for aid effectiveness in Zambia. However, it was soon considered that donor participation to the HIP was inadequate, as several important development partners for Zambia had not signed up to the initiative. A new MoU was thus signed, expanding the HIP to include the remaining major donors to the country under the Wider Harmonisation in Practice (WHIP)³ (Chigunta / Matshalaga 2010; Wohlgenuth / Saasa 2008). Donors' efforts to harmonise their support were followed by the formulation of an Aid Policy and Strategy on the Zambian side with the view to "ensure that Zambia has a systematic and coordinated approach for soliciting and managing aid" (Republic of Zambia 2007, 32) to best achieve the development priorities set out in the FNDP. In turn, and as an effort to concretise the HIP/WHIP initiatives, donors developed their joint response to Zambia's priorities as set out in Vision 2030, the FNDP and the Aid Policy, by endorsing the Joint Assistance Strategy for Zambia (JASZ) for the period 2007-2010. In addition, the EC decided to use Zambia's FNDP – where trade has taken a more prominent place in the country's development strategy – as the guiding document for the 10th EDF CSP (Mali 2006).

Factors for coordination failures

For **Zambia**, time and the lack of capacity are major factors for the less than optimal interaction and coordination so far between the relevant ministries and agencies over trade related issues, and despite the setting up of the various consultation mechanisms bringing them together (CUTS International 2009).

Both the (Enhanced) IF process and the AfT initiative aim to support the identification of trade-related needs but they are still recent endeavours whose operational details have taken a great deal of time to be fleshed out.

In addition, the country has lacked the intra-ministerial coordination and strong leadership by the Ministry of Commerce, Trade and Industry (MCTI) crucially required to carry the trade agenda forward and called for most notably by the fact that trade and AfT are not sectors *per se*⁴. Key aspects of trade policy are even beyond the MCTI's authority altogether (Integrated

³ New signatories to the WHIP are Canada, the European Commission, France, Germany, Italy, Japan, the United States, the United Nations system and the World Bank. The African Development Bank, the International Monetary Fund or new actors, such as China, however "have remained outside the process, weakening it considerably" (Wohlgenuth / Saasa 2008, 5)

⁴ Interviews with civil society representatives, Lusaka, November 2009.

Framework 2005). Indeed, a number of other ministries and government agencies have under their mandate issues with a direct bearing on the trading environment: policy guidance is provided by the Ministry of Finance and National Planning (MoFNP), notably responsible for setting the tariff policy; the implementation of trade policy measures and tariff collection is then under the remit of the Zambia Revenue Authority (ZRA). Other ministries such as the Ministry of Agriculture and Cooperatives also provide input and feedback for the trade policy making and implementation processes. Admittedly, this situation is by no means a unique feature to Zambia's decision-making process on trade but is instead common to most countries. However, it calls for a high degree of coordination and further stretches the limited capacities of many developing countries – and especially LDCs' understaffed ministries (Integrated Framework 2005; CUTS International 2009). Furthermore, all ministries and government agencies are running on limited budgets and with limited human resources and “cannot afford to shift these limited resources for their core areas of work to attend to what are perceived to be the interests and concerns of other ministries” (CUTS International 2009, 188). Thus, ministries are often focussing narrowly on their mandates only, “without consciously looking at and responding to inter-linkages with other policies under the mandates of other ministries” (CUTS International 2009, 188).

Similarly, the effectiveness of private sector and civil society participation in trade policy making has remained sub-optimal, notably due to a lack of capacities (CUTS International 2009). While some organisations have proven effective lobbyists – such as the Zambia National Farmers Union (ZNFU) and the Zambia Export Growers Association (ZEGA) – they often have little capacity to critically evaluate trade policy (Integrated Framework 2005). As for larger businesses and organisations that may have the resources and capacity to do so, such as the large-scale mining companies that engage in well established international markets, they often take little interest in the domestic trade policy framework and rather see themselves as in need of protection from international competition (ADE-IBM-EPU 2004; CUTS International 2009). Ultimately, the private sector is characterised by wide range of interests, sometimes even within a given sector, that need to be reconciled.

Finally, non-state stakeholders' measure of influence is all the more reduced that the capacities of both private sector and civil society organisations in Zambia often find themselves stretched thin due to the multiplication of meetings and coordination mechanisms on trade-related matters. Indeed, while the establishment of the various NWTG, TEWG and Sector Advisory Groups (SAG) have undoubtedly contributed to improving the trade policy process in Zambia, the functioning of the overall consultative mechanism has been hampered by the mushrooming of sub-committees and working groups dealing with specific sectors or addressing issues stemming from the various trade agreements and negotiations in which the government takes part. Often, it is the same people that are called to participate to the plethora of meetings called for by the various committees and groups, making it extremely difficult for them to attend and effectively participate in the process altogether (CUTS International 2009).

For **the EU**, two key bottlenecks can be identified that have prevented a greater mainstreaming of AfT in EU donor's programmes: first, at the level of the programming

processes and second, at the level of the procedures governing the delivery of development assistance. As can be observed, these are not necessarily AfT-specific but relate to the broader operational terms of the EU's official development assistance, of which AfT is part and parcel.

With respect to *EC development cooperation*, the mainstreaming of trade in EC programmes remains limited at the national level. First, trade is not a central point of entry in support strategies and EU Delegation officials in charge of the programming phase are responsible for specific sectors (e.g. rural development, social sector, transport, etc.); second, EC services in charge of preparing the Country Strategy Papers would rely on the regional level to address the trade dimension – where the negotiations for the establishment of Economic Partnership Agreements is taking place –, thus showing low concern for trade.

One could have expected the formulation of the EU's AfT agenda to have a greater influence on the programming in-country, as these processes were occurring in parallel. However, this was not the case, not least due to the long-standing lack of clarity over the linkages between the EPA negotiations and AfT (due to EU member states reluctance to allow for the negotiation of development resources as part of the EPA) and the resulting tensions that arose between the EC and the ACP on this issue.

In addition, while there had been some efforts to involve them, non-state actors often complained that the overall consultation process was ad-hoc and composed of one-off meetings that were not preceded by any kind of sensitisation or awareness-raising to ensure a meaningful process⁵ (Mali 2006).

Finally, the fact that EC AfT resources are to be available under the EDF is of particular relevance for the aspired promotion of effective coordination through the AfT agenda, not least with the partner country. Indeed, it is a cause for concern for Zambian authorities⁶, due to the widely acknowledged stringent and cumbersome character of EDF procedures (Martí / Rampa 2007). For instance, it was reported by Zambian interview partners that EC support for the reform of the sugar sector in Zambia has been significantly delayed due to the EC's complex procedures, with some disruption also caused by a high staff rotation at the EU Delegation. By the time Zambian proposals were through the EC's course of action, the political momentum and mobilisation for the reform in Zambia had waned. Ultimately, the implementation process at the national level suffered a lag of two years (starting in 2008 instead of 2006) and overall ownership has been frustrated⁷.

As for *EU member states*, their capacity to respond to the AfT agenda in Zambia is constrained due to the centralisation of the decision-making. Effectively responding to the

⁵ Interviews with civil society representatives, Lusaka, November 2009

⁶ Interviews with Zambian officials, Lusaka, November 2009

⁷ Interviews with Zambian officials, Lusaka, November 2009

agenda would require EU member States to do so through programming their activities and promoting greater awareness on AfT and the need to formulate trade-related needs, through their policy dialogue in country. However, it appears that much remains to be done at the level of member States' head offices before such efforts can be made at the implementing level.

Despite the mobilisation that led to JASZ/WHIP processes, political priorities decided in headquarter offices often take precedence over development priorities. Only few donors, such as Denmark, are making direct use of the FNDP and JASZ as planning tools, while most others are still developing their own country assistance strategies, with some improvement in terms of greater involvement of the Zambian government in the process (Chigunta / Matshalaga 2010). Overall, however, there is no common operational framework and bilateral agendas still determine the development cooperation programmes, and bilateral projects often have little or no regional components. Interestingly, it was pointed out that the stakes are actually not high enough for donor coordination over AfT to occur: the political influence, the levels of money and the sense of crisis management are not there.

The cross-cutting nature of AfT poses yet another challenge for the reprogramming of bilateral development policies it requires: donors usually operate along sectors. Even the way sectors are collated within donor systems are under different understandings and when there is agreement on a common set of indicators for a country, internal procedures still apply.

In terms of procedures, however, EU member States can be found to have greater flexibility to coordinate at the country level, at least to some extent. On the one hand, when intervention areas match and are backed with the necessary political will to do so, EU member States procedures allow for joined-up approaches amongst donors. Finland, the Netherlands and the United Kingdom for instance support the PSDRP through basket funding. On the other hand, in cases where there is no such decision for a joined-up approach, effective coordination with the partner country in particular but also with other donors can be inhibited due to the fact that EU member States' programming cycles are of varying lengths and do not coincide.

Some countries have taken innovative measures to overcome the traditional sector approach in development policy in order to better address the trade for development agenda. Finland offers an interesting example in this respect. With the launch of the Doha Round of WTO negotiations, Finland created a trade and development team within its Ministry for Foreign Affairs, which brings together officers from the development cooperation and the external economic relations departments and works with the regional department (e.g. Africa) controlling the funds for development cooperation for implementation at the country level. Within the scope of its AfT strategy, Finland has also actively involved the embassies in country and designed a specific training programme to support the implementation of its AfT

Action Plan. At the international level, Finland has assumed a leading role in the EIF process which has translated in the embassy taking up the donor facilitator role in Zambia⁸.

Arguably, Finland's approach may not be replicable by all EU member States, at headquarters level or in country offices. But it does suggest that some institutional re-organisation or better mainstreaming of trade and AfT at headquarters as well as greater sensitisation on the AfT agenda facilitate country offices' ability to effectively deal with the linkages between trade and development in a consistent manner. This was further confirmed through interviews with other EU member States active in Zambia. Even though they would be funding activities that would be reported as AfT at headquarters level, embassy officials indicated they could not engage more broadly on the AfT agenda or on related policy dialogue unless they were explicitly mandated to do so by headquarters. Nor would they be in a position to be more responsive to an increase in demand for (national or regional) AfT support. Some even indicated that they did not feel concerned since trade is an area of exclusive competence to the Commission and AfT is linked to the EPA and regional agendas; in this sense, the AfT agenda was perceived more confusing than helpful⁹.

4.2 At the regional level

Factors of success for EU coordination and coordination with COMESA

Both the EU and the COMESA have actively taken up the regional dimension of AfT in their policy frameworks. Several achievements in terms of harmonisation and alignment can also be found to be in place to support the implementation of the EU's AfT strategy at the COMESA level. While many such initiatives predate the AfT agenda, its emergence has given a fresh impetus to existing efforts and has contributed to further mobilise attention and resources. A number of avenues thus exist that can be further built on, improved and consolidated to tap into the coordination opportunities of AfT, in terms of agendas, actors (i.e. within the region, with the EU and at the partner-donor interface) as well as with respect to the levels of implementation.

European engagement at the regional level – including that of COMESA – is a long-standing one and mostly occurred through the intervention of the EC. In addition, the EU as a whole has committed more forcefully to promoting regional integration in the ACP, with the formulation of the EC's Communication on regional integration for development in ACP

⁸ Phone interview with Finnish officials in October 2009 and in Lusaka, November 2010.

⁹ Interviews with EU member state representatives in Lusaka, November 2009. The 2010 EU AfT monitoring report found that in LDCs, EU donors have taken advantage of the Integrated Framework process to engage in coordination and joint policy dialogue on AfT in only seven LDCs out of 31 (European Commission 2010).

countries which was later endorsed by the Council in November 2008 (European Commission 2008).

As (support to) regional integration has gained in prominence, several efforts have ensued to better coordinate actors and agendas, thereby facilitating the harmonization of procedures and alignment. With respect to the programming of activities, this was notably reflected through the adoption of a single strategy paper for the ESA-IO under the 9th EDF, which replaced the three separate programmes covering the region up to then. Furthermore, the EC has gradually aligned its support to the COMESA's strategy and system. On the basis of a positive assessment of the organisation's financial management capacity, the EC has been channelling most of its support to the COMESA through so-called Contribution Agreements since 2005. According to these, the COMESA can "use its own accounting, internal control, audit and procurement procedures, provided a four-pillar ex-ante assessment confirms that these procedures comply with international standards" (European Court of Auditors 2009, 28). In turn, coordination at the EC-COMESA interface has improved and it is generally considered that the contribution agreements have increased the predictability of resources and strengthened ownership by the region¹⁰ (EC - ESA-IO 2008; Mackie et al. 2010).

In addition, the EC appears to have a clear view as to how to implement the coordination and complementarity objectives spelt out in the EU's joint AfT strategy. Since the EU pledged its support to the AfT agenda, the EC has focussed much of its efforts on the establishment of 'regional AfT packages'. The emphasis on EU coordination is all the more relevant that an increasing number of EU member States are establishing activities at the regional level. The increased interest on the part of EU member States to operate at the regional level is generally considered as a positive development by the COMESA. But the EU Delegation regional office has also taken the initiative to launch an informal 'Friends of COMESA' group, with a view to build a forum for discussion between EU as well as non-EU donors that are active or about to engage at the regional level (such as the World Bank, USAID, UNECA) and eventually draw up a donor matrix and a more coherent voice from the donor community¹¹.

The COMESA's own policy framework has arguably facilitated these positive developments in terms of harmonisation and alignment of EU policies on the region's agenda. For instance, greater coordination between the EC and COMESA in terms of delivery mechanism was made possible by the efforts carried out in this domain by the region and the adoption in 2002 of the COMESA Fund for Cooperation, Compensation and Development. The Fund was established with a view to facilitate the mobilisation of resources to address productive capacity and infrastructure needs and assist member states with the costs stemming from the integration process and economic reforms. The EC has played a determining role in supporting these transformative processes within the COMESA and since 2007, a major share

¹⁰ Interviews in Brussels, October 2009 and Lusaka, November 2010.

¹¹ Interviews with EC and COMESA officials in Lusaka, November 2009.

of the COMESA Fund Adjustment Facility¹² (€ 78 million) is financed under the Contribution Agreement between the regional and the EU on the Regional Integration Support Mechanism (RISM).

In addition, the four regional organisations composing the ESA-IO¹³ decided in 2002 to establish an Inter-Regional Coordinating Committee (IRCC), based at the COMESA Secretariat in Lusaka, Zambia. With the emergence of the AfT agenda, further efforts have also been made to strengthen the IRCC's harmonisation mandate and its role in coordinating the trade and aid agenda in the region and fostering greater complementarity among EU donors, through the utilisation of harmonised procedures and joint delivery mechanisms.

More recently, the COMESA region has been particularly active in responding to the AfT agenda. If the importance of the regional trade agenda was already high amongst leaders in the region, it arguably became more pressing with the intense negotiations of the EPA with the EU. In turn, the emergence of the AfT initiative at the international level appears to have propped up their efforts further. In 2007, the COMESA Summit gave its assent to the establishment of an AfT unit within the Secretariat, whose task is to help countries identify, design and implement projects and programmes aiming at the removal of trade-related supply-side constraints. The region also embarked in the design of its own regional AfT strategy, to complement its' member States' strategies. The COMESA's AfT strategy has the two-pronged objective of supporting the region in mobilising additional resources for the implementation of its mandate and strategy and serving as an instrument to improve the effectiveness and efficiency of programming and planning of already available resources. It also aims at developing effective, efficient and predictable regionally owned instruments for resource delivery, building on initiatives such as the contribution agreement with the EC and the COMESA Fund (COMESA 2009). Furthermore, within the institution itself, an AfT Task force was set up in order to facilitate coordination amongst the different division of the Secretariat dealing with AfT- and trade-related activities¹⁴.

Coordination at the interface of the donor community and the COMESA region has also significantly improved, as the momentum over the AfT agenda and the COMESA-EAC-SADC initiative to establish a North-South corridor have gained in speed. This was particularly apparent at the high-level pledging conference which took place in April 2009 for the financing of the North-South corridor. the North-South corridor was formulated in 'donor-

¹² The COMESA Fund comprises two elements: the Adjustment Facility and the COMESA Infrastructure Fund. While they operate under distinct financial mechanisms, the two windows of the COMESA Fund are interlinked "in that the creation of an efficient regional market requires both policy reforms and physical infrastructure development" (EC - ESA-IO 2008, 21).

¹³ Indeed, the geographical coverage of the EC's programme does not match the contours of the existing integration processes in the region and the four following regional organisations make up the ESA-IO region: the COMESA, the East African Community (EAC), the Intergovernmental Authority on Development (IGAD) and the Indian Ocean Commission (IOC).

¹⁴ Interviews at the COMESA Secretariat, Lusaka, November 2009.

friendly' terms and this has paid off: donors have pledged support as high as \$1.2 billion and the momentum is high¹⁵.

Factors for coordination failures

The overall effectiveness of AfT coordination efforts at the regional level are hampered by discrepancies between the decision-making processes and modes of operation of the various actors concerned, and not least within the EU system. These inconsistencies affect the effectiveness of the engagement of the EU and COMESA alike, and thus of their interaction. In turn, the national and regional agenda are generally insufficiently articulated and remain a challenge that needs to be addressed.

For the EC, complementarity between the national and regional dimensions has been difficult to achieve due to the combination of several factors along the policy formulation and implementation chain. In broad terms, it appears that the promotion of regional integration is not sufficiently streamlined within the institutional structure and policies of the Commission. For instance, and in spite of the decentralisation process of EC decision-making to the Delegations, Brussels has remained the main point of reference for implementing regional trade-related assistance projects. More specifically, the staffing capacity for regional integration issues was found to be limited and the chain of responsibilities on issues pertaining to regional integration unclear, at both headquarter and Delegation level. The articulation of responsibilities between DG DEV, DG Trade and EuropeAid has not been straightforward and it remains to be determined how regional integration will be dealt with under the new structure of DG DEVCO. Delegations that are not responsible for managing regional activities often consider regional integration issues as an add-on, rather than an integral part of their activities¹⁶. Communication between Delegations with regional responsibilities and national responsibilities remains low, and no mechanisms are in place to allow for a coordinated policy dialogue between them. For the European Court of Auditors, the "lack of coordination and definition of responsibilities is one of the main reasons for the lack of complementarity between regional and national programmes" (European Court of Auditors 2009, 22). This, in turn, has affected the efficiency of the headquarters-Delegation relation¹⁷.

Most EU member States' procedures do not facilitate their intervention through existing delivery mechanisms and progress in the utilisation of joint programming mechanisms remains limited.

¹⁵ Amongst the donors and funding agencies present at the pledging conference for the North-South corridor programme were the African Development Bank (AfDB), the World Bank, DFID, the European Commission, Japan, France, the United States, the Netherlands, Sweden, Norway and Finland.

¹⁶ Interview with an EC official in Lusaka, November 2009.

¹⁷ Interviews with EC officials in Brussels, October 2009 and in Lusaka, November 2009.

A major difficulty for joint programming at the regional level lies in the differences in the institutional set-up and decision-making centres between the various actors of the EU system, not least so between the Commission and EU member states. Most notably, while the EC is essentially decentralised to the implementation level, member States' head offices in capitals are generally responsible for activities touching upon the regional dimension. As yet, most EU member States do not have regional offices, and there is very little embassies can do to support regional activities. Thus, EU bilateral donors rarely engage the COMESA on the basis of the Regional Strategy Paper (RSP)¹⁸ and most are developing their own strategy¹⁹. As a result, most EU donors are considered as insufficiently aligned to the region's strategy and priorities and much remains to be done to improve the overall terms of EU bilateral interventions at the regional level, not least with respect to the predictability of available resources. This has for instance led to situations where the region had to digress from its strategy and design ad hoc projects in order to absorb un-allocated resources that would otherwise be lost²⁰.

In addition, a tension between visibility and alignment/ownership can be observed for EU member states' regional interventions. This can be linked to the centralisation of decision-making on regional issues, and most bilateral interventions are still driven by political priorities and foreign policy interests that do not necessarily match priority areas identified for support by the region²¹. Conversely, when interventions do seek to align on the region's strategy, some relatively small projects, such as the Trading for Peace project²², receive more interest from donors than others. Such 'crowd-puller' projects generally have a more direct impact (in this case, that of dealing with small traders in the Democratic Republic of Congo), while other programmes with a less visible impact have more difficulty in attracting funders²³.

Even the setting up of the EC's proposed regional AfT packages – which were conceived with a view to address these challenges and facilitate coordination within the EU (i.e. EC and EU member states) and with the ACP regions – is proving a protracted process and illustrates the

¹⁸ The RSP is the EC's main programming instrument. In the same way as the Country Strategy Paper (CSP), and since the 2006 revision by the GAERC, the RSPs are to serve as a tool for joint multi-annual programming between the EC, the member States and other interested donors (European Commission 2006).

¹⁹ Interviews with COMESA officials in Lusaka, November 2009. If at the national level the timing was too short for joint programming to occur within the framework of the CSP following the conclusions of the GAERC in 2006, this was not the case at the regional level. The regional indicative programme process was delayed by almost two years, notably because of the EPA process thereby leaving scope, at least in principle, for member states to participate more actively in the regional programming exercise (Interviews with COMESA officials in Lusaka, November 2009)

²⁰ Interviews with COMESA officials, Lusaka November 2009.

²¹ Interviews with officials from the COMESA and EU member states in Lusaka, November 2009.

²² This project aims at enhancing the sustainable and equitable use of natural resources in the DRC, with links in Uganda, Rwanda, Burundi and Zambia, in the interests of regional stability and poverty eradication.

²³ Interviews with COMESA official in Lusaka, November 2009.

difficulty of forging a coherent vision and approach within the EU. So far, much of the discussion on setting up the regional packages has indeed focussed on measurement and the quantitative dimension of EU's AfT pledge rather than its qualitative dimension. As a result, many perceive that the AfT process is supporting donors' internal accounting needs rather than promoting aid effectiveness and greater coordination²⁴.

Another set of challenges relating to decision-making processes concerns more specifically coordination with other (non-EU) donors. Finding the right level of engagement was identified as an impediment to effective AfT coordination at the regional level of implementation²⁵. It was for instance pointed out that EC headquarters in Brussels often communicate directly with other donors' headquarters on regional issues, such as the World Bank in Washington. Moreover, coordination with other donors active at the regional level²⁶ is further complicated by the fact that their respective decision centres are often spread across the region, even though many donors have branch offices in Lusaka. For instance, DfID's main office for East Africa is located in Tanzania, while that of TradeMark Southern Africa is in Tshwane (Pretoria), South Africa. As for USAID, its regional office is in Nairobi, Kenya. In addition, the differences in procedures and instruments are even greater when considering the non-EU group of donors²⁷.

Much also remains to be done in terms of strengthening the COMESA's institutional capacities and legitimacy, as well as the level of ownership of the regional agenda by its member states. Like many other regions in Africa, progress in regional integration is often limited by governments' unwillingness to delegate sovereignty to a regional authority, thus inhibiting the legitimacy of the regional institution. Intra-regional trade within the COMESA remains generally low and is dominated by a few of its member States. Besides, there are few national capacities to implement regional programmes and coordination between ministries responsible for liaising with the regional level and other ministries is weak – e.g. between the trade and finance ministries. The lack of strategic vision as to how to use trade as tool in the development process of the country often leads to overlapping and conflicting commitments between the regional, multilateral and bilateral levels, and their inconsistent implementation (UNECA / AU 2006; UNECA / AU / AfDB 2010; Makhan 2009).

These fundamental challenges have made it more complicated to articulate the national and regional agendas, not least with respect to AfT. It is for instance more difficult for the

²⁴ Interviews with EC officials in Brussels, October 2009 and EU member states officials in Lusaka, November 2009.

²⁵ Interviews with donors in Lusaka, November 2009.

²⁶ These include African Development Bank (AfDB), the World Bank, the UK's Department for International Development (DfID), which are the four major donors for COMESA together with the EC. Other funding agencies/donors are USAID and the United Nations Economic Commission for Africa (UNECA).

²⁷ The procedures of the World Bank, for instance, do not allow it to participate in common funds, but rather to finance projects directly through concessional loans or grants.

COMESA AfT strategy to reflect priorities at the national level, which need to be seen in the wider context of the development priorities. These are generally identified by the ministries in charge of planning and finances and differ from the priorities identified by the trade ministries. At the same time, it is often difficult to make a clear distinction between the national and regional components of AfT programmes. Many projects are rooted at the national level: resources and capacities thus need to be mobilised for their effectively and timely implementation, to the risk otherwise of jeopardising the success of the broader regional programme. In addition, if for Zambia drawing from the COMESA AfT strategy is relatively straightforward, this is not necessarily the case for other countries in the region that are not landlocked, or further away from the COMESA headquarters.

5 Lessons learned

At the national level, more efforts are needed to better and more deeply embed trade in the country's broader development strategy, as this will eventually also facilitate greater engagement from donors. EU donors, for their part, should increase their engagement and more proactively support the formulation and implementation of Zambia's trade agenda. Indeed, donors generally require well prioritised, planned and budgeted operational trade strategies to justify the mobilisation and sustain the increase of AfT flows. In the absence of such elaborate plans, many adopt a wait-and-see approach²⁸. However, defining bankable projects that meet donors' requirements is a time-consuming exercise, which crucially calls for the availability of sufficient capacity on the Zambian side. Yet, such capacity is still limited. Donors have thus an important part to play in supporting Zambia's efforts to better mainstream trade in their development strategy.

Several avenues can be foreseen to strengthen the 'demand side' of AfT and respond to Zambia's identified priorities to improve the implementation and effectiveness of AfT. First, EU donors could more systematically engage and raise awareness on trade-related issues – or the importance thereof – through their policy dialogue and when engaging with relevant ministries or non-state actors. This would require little adjustments, and is achievable within a short timeframe²⁹. Second, from a more medium- to longer-term perspective, donors should provide support to completing and fully operationalising the aid database currently in the pipeline. This would notably allow strengthening Zambia's capacity to oversee and monitor aid flows, including on AfT, and, by the same token, the mutual accountability principle of

²⁸ Interviews with EU officials, Brussels, October 2009 and Lusaka, November 2009.

²⁹ Such engagement, however, should not result either in too great involvement of donors' in crafting the country's positions, as it was found to have occurred in the process leading to the adoption of the FNDP, Vision 2030 as well as the Aid Policy and Strategy. This may indeed result in the government distancing itself from true ownership of the policy frameworks articulating its development priorities (Chigunta / Matshalaga 2010).

the Paris agenda. As yet, AfT monitoring has been effective and useful mostly for donors³⁰. Third, sustained efforts need to be carried out at headquarters level to better mainstream AfT in member States' development policies so as to allow the (joint) programming of AfT activities in country. Related to this, the 2nd Monitoring Report of the EU Fast Track Initiative on Division of Labour notably suggested that the delegation of greater authority to the country level with regard to programming decisions would be one way of bridging the "gap between in-country information gathering and decision-making on headquarter level" (Buercky / Knill 2009, 11). In turn, a more regular dialogue with partner country governments would thus be enabled (Buercky / Knill 2009).

There is still much scope for a top-down approach to keep the political momentum and push the AfT agenda (and hence coordination) forward in country. Indeed, without a clear mandate from head-offices and the designation of an AfT agenda "champion" or "special envoy" recognised as such in country, it was perceived that support could difficultly be mobilised to better mainstream trade and trade-related needs in the policy dialogue with Zambian authorities or to eventually effectively coordinate with other donors³¹. For instance, with Finland as the EIF donor facilitator in Zambia, other member States have disengaged from the broader discussion on trade-related support and often do not feel concerned by the AfT agenda as this is seen as the responsibility of Finland. In turn, there was little mobilisation Finland could accomplish in support of AfT³².

In the meantime, and apart from the formal routes, coordination can also take place through more informal channels. Indeed, much is or has also already been done through the actions the staff present on the ground. When they are not constrained by a donor's interest in keeping control over a programme, many coordination efforts in country could be attributed to the initiative and drive of committed individuals³³. Such initiatives could be further encouraged through greater awareness and sensitisation on the AfT agenda and on the importance of coordination for the broader aid effectiveness debate.

Tackling the challenges for AfT coordination at the regional level is likely to have more immediate returns and should focus on bringing about a more flexible set of procedures and connecting the decision-making centres. As much of the processes are still at an early stage of

³⁰ As pointed out in its 2009 AfT questionnaire, Zambia's the current aid flows database has not been segmented into the different categories of AfT. Therefore, the country cannot ascertain whether the AfT flows reported by donors in the OECD reporting system (Creditor Reporting System – CRS) accurately reflect what the country has received under the different categories. Thus, donors' monitoring and evaluation results would be the most regularly used when assessing trade-related programmes, and only rarely the country's own monitoring and evaluation arrangements. Zambia's monitoring and evaluation capacities should thus be build, in order to ensure for instance that the aid database managed by the Ministry of Finance and National Planning is segmented in accordance to the AfT categories (OECD/WTO 2009).

³¹ Interview with EU member state representative in Lusaka, November 2009.

³² Interview with Finnish official in Lusaka, November 2009.

³³ Interviews with EC officials in Brussels, October 2009 and EU representatives in Lusaka, November 2009.

being shaped amongst a more manageable number of stakeholders, coordination efforts at the regional level should focus on offering a structure within which all donors, EU and non-EU, can engage. Indeed, while it may be advisable in the long run to further the broader European integration project, as yet, only a few EU member States operate at the regional level besides the EC. For the long-term perspective, however, it is crucial that the lack of articulation between the national and regional programmes be addressed in parallel, starting from the national level. This will notably require that both the EC and EU member States increase their efforts to better mainstream trade and AfT as an integral and systematic part of their policy dialogue with partner countries, in conformity with the EU's joint AfT Strategy. Even though much of the success of the AfT initiative needs to happen and come from the implementation level, headquarters in Brussels and European capitals still have a determining enabling role to play in this respect.

6 Conclusion (applicability to other programmes)

Capacities are a core weakness on the partners' side. As the strongest in the relationship, the onus is on the EC and EU member States to support the capacities of partner countries and regions to effectively engage on the trade, regional integration and AfT agendas. Ownership must be promoted, and some risk-taking is needed to allow for it. Even before they engage on AfT proper, donors may well need to support the effective mainstreaming of trade and regional integration in partner governments' development strategies and institutions, or front-load funds to support the formulation of bankable projects and help kick-start projects. However, such support (and risk-taking) is unlikely to take place if it is not enabled and facilitated in the first place by headquarters.

Yet, moving from the policy concept of AfT to practice and actual implementation is a difficult and long haul process, not least so for a multilevel actor like the EU. A whole process needs to take place before AfT actually materializes. First the policy shifts, then the programming shifts and only then can implementation occur. Policy decisions that are applicable to such a variety of actors, from capitals to country offices and spanning across different policy fields, need to first be formulated in a timely fashion if they are to effectively influence relevant processes. Second, time is also required for translating these policy decisions into implementable measures, and should include awareness raising and mobilisation efforts. Such a sequence, however, is difficult to achieve. Processes would often rather take place in parallel and would subsequently need to be coordinated and made coherent. Further cases studies would be needed to have a deeper understanding of how different donors (EU and non-EU) operate at the country or regional level, of their programming cycles, processes and their procedures. More specific measures can thereby be identified as to where and how adjustments need to be made to allow joint work at the implementation levels. However, initiating this process of change can only be done on the

basis of common understanding and if steered with sustained political momentum across the board.

On this basis, the following recommendations can be made with a view to contributing to a more effective implementation of the AfT coordination agenda.

First, and more pragmatically perhaps and with a view to playing an enabling role, ***an AfT ‘champion’ or coordinator could be designated, with a strong mandate (i.e. recognised by all), which can operate at national and regional levels, as well as at headquarters.*** Building on existing dynamics and processes to the extent possible, the role of the AfT coordinator could be to champion and raise awareness on the AfT agenda and advocate for greater mainstreaming of trade in the development strategies, at all levels. Another role that could be played by such an actor is that of facilitating communication, dialogue and coordination across sectors over AfT, and thus help in overcoming the cross-cutting nature of AfT. The AfT focal point could further collect the information necessary to provide a clear and easily accessible overview of different programming cycles and modes of operation, as a possible basis along which to divide labour amongst different donors, and support the greater articulation of the national and regional agendas. In sum, institutionalising an AfT focal point would help in connecting, activating and synchronising the various dots required for the effective operationalisation of the AfT agenda.

Trade and regional integration need to be better mainstreamed and given more structure within the institutional set-up of European development policies. This is fundamentally required for the effective coordination of all actors – including partners – and policies, at all levels of implementation. Such a measure would notably allow enhancing overall EU management and staffing capacities over the AfT agenda and enable country and regional offices to engage on related issues and AfT in their policy dialogue, for instance. In turn, more sustained efforts could be put in ensuring the effective articulation of the national and regional agendas.

Roles and responsibilities need to be clarified along the decision-making line. This would notably facilitate feedback loops between Brussels and EU capitals, between the headquarters and country and regional offices at the implementation levels, and between the latter and partner institutions. The forthcoming setting up of the European External Action Service (EEAS) may have a supportive role to play in this respect.

More thought and greater efforts should be put in working towards programming processes that effectively support ownership and alignment, for instance to explore the extent to which some decision-making in EU member States’ programming could or should be devolved to the country or regional level, or how to improve the EC’s programming processes. The next financial perspectives in 2014 could be used as an opportunity to pave the way for joint programming.

In a similar vein, ***procedures and operating modes need to be revised,*** with a view to more flexibly allow for harmonisation and alignment at the implementation levels, and facilitate

joint financing, for instance. The overall objective should be to build bridges between the different instruments and mechanisms at play.

To facilitate the formulation and implementation of such measures and ensure that trade and development indeed mutually reinforce each other, it will be crucial to ***keep the political momentum on AfT***. This will notably be required to sustain the efforts towards operationalising the changes called for within the EU context (EU AfT Strategy) or within the broader group of donors (JASZ/WHIP initiatives in Zambia). Non-binding documents and best endeavour language are not sufficient to foster effective harmonisation and sustained political commitment is required to follow such endeavours through.

Monitoring and reporting instruments should be coordinated with partner countries and regions, and better reflect and account for long-term processes such as regional integration and donor coordination. This is notably required to improve the qualitative dimension of AfT. The risk is otherwise is that AfT becomes a bureaucratic and technical exercise. However, since the initiative calls on some deep reforms of donors' institutional set-up and modes of operation, there is a need for sustained political will to do so. Monitoring and reporting instruments can play a key role in keeping the momentum on the AfT agenda, but may need to be adjusted accordingly.

Explore the advantages of an EU pledge on the wider AfT agenda. This could help in further sustaining the political momentum on the AfT and would be in line with the WTO's AfT work programme of 2010-2011. The UK has already formulated one such pledge. However, careful thought is needed as to the value of such a pledge at the given time. Indeed, if it may be good for visibility, a new pledge may well lead to an 'AfT fatigue', specially in cases where much remains to be done on the partners' side to elaborate comprehensive trade strategies of which AfT is a supportive element, and not least in the context of general economic and financial austerity that has affected many donor countries' budgets. Conversely, it may divert attention away from the more difficult and yet fundamental need to ensure the quality of AfT.

References

- ADE-IBM-EPU* (2004): Field Mission Report: Mission to Kenya and Zambia, 30th June-16th July 2003, Revised 26th February 2004. Evaluation of Trade-related assistance by the European Commission in third countries - Final report. Volume 2 - Annexes, Annex B - Main Field Missions Findings, Louvain-la-Neuve: Aide à la décision économique
- Chigunta, F. / N. Matshalaga* (2010): Evaluation of the Implementation of the Paris Declaration in Zambia, Paris: OECD (Organisation for Economic Co-operation and Development); online: <http://www.oecd.org/dataoecd/13/18/44549817.pdf>
- COMESA* (2009): COMESA Aid for Trade Strategy, Lusaka, mimeo
- Council of the European Union* (2009): Council conclusions on an Operational Framework on Aid Effectiveness, Brussels, 17 November 2009, mimeo
- CUTS International* (2009): Zambia, in: CUTS International (ed.), Towards More Inclusive Trade Policy Making: Process and Role of Stakeholders in Select African Countries, Jaipur: Jaipur Printers P. Ltd.
- EC - ESA-IO* (2008): (European Community - Eastern and Southern Africa and the Indian Ocean), Regional strategy paper and Regional indicative programme 2008-2013, mimeo
- European Commission* (2006): Communication from the Commission to the Council and the European Parliament. Increasing the impact of EU aid: A common framework for drafting country strategy papers and joint multiannual planning, COM(2006)88, Brussels, 2 March 2006, mimeo
- (2008): Communication from the Commission to the Council, the European Parliament, the European Economic and Social Committee and the Committee of the Regions. Regional Integration for Development in ACP countries, mimeo
- (2010): Aid for Trade monitoring report 2010 - Commission staff working document accompanying the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions "A twelve-point EU action plan in support of the Millennium Development Goals", SEC(2010)419 final, Brussels.; European Commission; online: http://ec.europa.eu/development/icenter/repository/SEC_2010_0419_COM_2010_015_9_EN.PDF
- European Court of Auditors* (2009): Effectiveness of EDF support for regional economic integration in East Africa and West Africa, Special Report No 18, Luxembourg
- Integrated Framework* (2005): Zambia Diagnostic Trade Integration Study (Trade component of Private Sector Development Programme for Zambia), mimeo
- Mackie, J. et al.* (2010): Joining up Africa: Support to regional integration, ECDPM Discussion Paper No. 99, July 2010, Maastricht: ECDPM; online: www.ecdpm.org/dp99
- Mackie, J. / J. Zinke* (2006): Delivering the goods: Challenges for ACP-EU relations in 2007, ECDPM InBrief 17, Maastricht: ECDPM; online: www.ecdpm.org/inbrief17

- Makhan, D.* (2009): Linking EU trade and development policies. Lessons from the ACP-EU trade negotiations on Economic Partnership Agreements (Studies 50), Bonn: German Development Institute/Deutsches Institut für Entwicklungspolitik (DIE)
- Mali, E.* (2006): We decide, You "own"! A Zambian perspective, in: S. Stocker (ed.), We decide, You "own"! An assessment of the programming of European Community aid to ACP countries under the 10th European Development Fund (EDF), Brussels: Eurostep; online: <http://www.developmentportal.eu/wcm/content/view/89/7346/>
- Martí, D. / F. Rampa* (2007): Aid for Trade: Twenty lessons from existing aid schemes Discussion Paper 80, Maastricht: ECDPM, South Centre; online: <http://www.ecdpm.org/dp80>
- OECD* (2006): Trade-related assistance: What do recent evaluations tell us? The development dimension, Paris: OECD
- OECD/WTO* (2009): Partner country questionnaire on Aid for Trade - Zambia, Paris: Organisation for Economic Co-operation and Development / World Trade Organisation
- Republic of Zambia* (2007): Joint Assistance Strategy for Zambia (JASZ) 2007-2010, Lusaka, mimeo
- UNECA / AU* (2006): Assessing Regional Integration in Africa II: Rationalising Regional Economic Communities, Addis Ababa: United Nations Economic Commission for Africa, African Union; online: www.uneca.org/aria2
- UNECA / AU / AfDB* (2010): Assessing Regional Integration in Africa IV: Enhancing intra-African Trade, Addis Ababa
- Wohlgemuth, L. / O. Saasa* (2008): Changing aid relations in Zambia, Discussion Paper No. 83, Maastricht: ECDPM (European Centre for Development Policy Management); online: www.ecdpm.org/dp83