



AID-FOR-TRADE: CASE STORY

CONSUMER UNITY AND TRUST SOCIETY (CUTS)



Zambia's Aid for Trade: A case of the EIF



EXECUTIVE SUMMERY

Zambia is a beneficiary of the Enhanced Integrated Framework (EIF) which provides the institutional and support framework to address trade related constraints with an envisioned outcome of enabling participating countries take advantage of the trade. The country has since established a National Implementation Unit (NIU) in the Ministry of Commerce, Trade and Industry (MCTI) to oversee the implementation of the EIF with the Zambian Action Matrix near finalisation for implementation under the Tier 2 fund of the EIF.

Following the inception of the Private Sector Development Programme in Zambia, a Trade Expansion Working Group (TEWG); a platform for wider participation, has also been established for the implementation discussions of the EIF and aid for trade agenda in Zambia. Prior, it was the preserve of MCTI alone to formulate trade policies. The value of monitoring aid for trade lies on incentives through enhanced transparency, scrutiny and dialogue. It is about inclusivity through information sharing and applying policies and approaches that are proven to deliver results.

Under the programmes of CUTS; Awareness Raising of the EIF and the Better Exploration of Trade as a Means for Poverty Reduction (BETAMPOR) , the drive and focus is the tapping into initiatives under the EIF by identifying grassroot actors and community level actors for purposes of national level trade dialogues (including the development of Aid for Trade strategy). Since the majority of small scale traders constitute women, CUTS emphasis is on adequate gender mainstreaming in all trade related decision-making and planning processes. Therefore, alongside its programmes, CUTS has continued to complement government's agenda on development initiatives such as the EIF process.

Despite the strong support and ongoing efforts to improve Zambia's capacity to benefit from trade, Zambia continues to face numerous constraints in many areas of leveraging aid for trade resources. These challenges include trade policy analysis and interpretation, negotiation and implementation; trade facilitation; adjustment costs; competitiveness and regional integration.

1 OVERVIEW

1.2 Zambia is a beneficiary of the Aid-for-Trade Initiative launched at the WTO Hong Kong Ministerial Conference. Zambia has also been at the forefront of aid-for-trade discussions and represented the LDCs in the Aid-for-Trade Task Force created pursuant to the Hong Kong Ministerial Declaration.¹ For Zambia and other LDCs, the priorities that aid for trade should address include strengthening their supply-side capacity, which is often closely linked with improvements in their (economic) infrastructure. Zambia is a beneficiary of the EIF which provides the institutional and support framework to address these priorities and creates better ownership of priority projects and programmes.

1.3 With total aid flows of US\$ 556 million in 2007 (equivalent to 4.9% of the country's GDP), Zambia has been benefiting from a high level of development assistance from its development partners.² Further, according to the OECD, Zambia (in terms of trade-related aid flows) has received a significantly increasing amount of aid for trade. The OECD and WTO have reported, however, that against an average commitment of aid at USD 178.8 million in 2002-05, the commitment for 2007 was USD 161.2 million. Also, share of AfT in total sector allocable ODA for Zambia is 27.3 per cent against a LDC average of 28.29.4 per cent³. Despite the strong support and ongoing efforts to improve Zambia's capacity to benefit from trade, Zambia continues to face numerous constraints in many areas of leveraging aid for trade resources.

1.4 In its DTIS, Zambia has identified its three key priority areas of intervention to improve its capacity to benefit from trade expansion and integration into the world economy. These are: network infrastructure (power, water, and telecommunication); cross-border infrastructure; and export diversification. OECD and WTO indicate that trade programmes in these priority sectors have not resulted in a significant increase except for mobile telephony⁴. Other areas include: trade policy analysis, negotiation and implementation; trade facilitation; adjustment costs; competitiveness and regional integration. It is a moot point whether the identified areas in the DITS are also current trade sector priorities and are in alignment with Zambia's Vision 2030⁵.

1.5 In consonance with the Paris Principles on Aid Effectiveness, the EIF is premised *inter-alia* on country ownership. Hence there is a need and importance of making it an inclusive stakeholder-driven process. Recognizing that Zambia has been a beneficiary of the IF and the EIF initiative longer than most other LDCs, in this case story we address

¹ The Task Force Recommendations are contained in Document WT/AFT/1

² AfDB/OECD (2008)

³ Aid for Trade at a Glance 2009, WTO/OECD, 2009, page 294

⁴ Ibid, page 295

⁵ Zambia's Vision 2030 is available at

<http://www.mcti.gov.zm/images/publications/vision%202030%20final.pdf>, the Strategic Business Plan of Zambia's Ministry of Commerce, Trade and Industry is available at

<http://www.mcti.gov.zm/images/strategic%20plan.pdf> and Zambia's DTIS is available at

http://www.enhancedif.org/documents/DTIS%20english%20documents/english/Zambia_DTIS_10-10-05.pdf

the question of the status and effectiveness of engagement of various stakeholders in the EIF process.

2 ISSUES

2.1 Country ownership through inclusiveness in the design and implementation of EIF related activities is the core principal of the EIF. However, the discussions and debates on the implementation of the EIF process in Zambia were originally mostly confined within the Ministry of Commerce, Trade and Industry (MCTI) and the Trade Expansion Working Group (TEWG) which had representation of other stakeholders before CUTS' interventions. The consultations were limited to stakeholders in Lusaka owing to the ministry's presence being only in the capital. CUTS implemented a pilot project as a good example of involvement of diverse stakeholders in five different provinces in Zambia and also the public at large through the effective use of the media. CUTS view which informed this project is somewhere in the middle between liberal and realist regime theorists and acknowledges that despite their conflicting interests diverse stakeholders can be brought together through institutions possessing norms, decision rules, and procedures which facilitate a convergence of expectations.⁶

2.2 One observed significant gap in inclusivity was that the priority needs expressed by many stakeholders, especially the marginalized groups in rural provinces who are facing several developmental challenges were not captured in the EIF process. Trade (through, among others, good implementation of EIF-supported projects and other activities under Zambia's aid for trade agenda) can be made an effective means to address some of those challenges. The excluded groups include those that have a huge stake in the benefits that trade may bring to any country. First, trade starts on a small scale, particularly so if we look beyond Zambia's mineral wealth and attempt to leverage agriculture and the manufacturing sectors, the other chief means of livelihood in the economy. It is thus important that the voice of small-scale farmers and small and medium scale enterprises be captured in the EIF implementation process. Second, for more meaningful impact on the grassroots, the whole process should be imbued with gender equity; acknowledging the extent to which women work in and can influence small scale trading opportunities. Women dominate informal and cross-border trading in Zambia. Many households in rural areas are headed by women while their spouses work in towns. These non-state actors, directly or through their organisations are best suited to articulate their needs and priorities, provided they are aware of the opportunities. Hence there is a need to embrace them in the process.

2.3 Realising the importance of the 2005 vintage DTIS of Zambia in unveiling the constraints in the production and supply chain and highlighting the potential trade sector priorities, there was a need to review the document and ascertain whether the identified

⁶ CUTS under its Fostering Equity and Accountability in the Trading System (FEATS) project has developed an Inclusive Trade Policy Making Index (ITPMI) to measure the inclusiveness of formal trade policy making process in five African countries including Zambia. Zambia scored 9.5 out of a maximum of 14 on the ITPMI in 2009 indicating the need for greater and sustained efforts to improve inclusivity. For more information on ITPMI and study on trade policy making process in Zambia kindly see http://www.cuts-grc.org/FEATS-Projects.htm#FEATS_First_Phase_Research_Publication.

priorities were applicable to the current situation. The review found that a number of key potential sectors of opportunities for trade expansion were not reflected. It is possible that these gaps remained due to the factors in paragraph 2.2 above.

2.4 During the implementation of the project, it was further observed that Parliament, (an essential central link between the executive and the population) was hardly debating issues pertaining to trade and aid for trade. Realising that trade policy decisions are inherently political, a few identified Members of Parliaments were engaged in the project and through informal lobby meetings.

3 DESIGN AND IMPLEMENTATION (ACTIVITIES)

3.1 CUTS-International Lusaka with support from the Embassy of Finland undertook a pilot project entitled “Enhanced Integrated Framework for Poverty Reduction” with the aim to promote a pro-poor and inclusive approach to productive capacity building and trade development in Zambia.

3.2 This intervention was aimed at enhancing the capacity of both state and non state actors especially the marginalised to assume greater ownership of the Enhanced Integrated Framework process and help them respond to the on going policy discussion on the process.

3.3 Under this project, CUTS organized four sensitisation workshops in four different provinces. The workshops provided stakeholders with an opportunity to highlight the issues of concern to them. This enabled the National Focal Point in particular and the National Implementation Unit (NIU) generally to make the necessary improvements in the DTIS in particular.

3.4 Round table meetings were also organized to bring together national EIF Focal Point and Geneva-based stakeholders such as the EIF Executive Director in order to exchange views, present workshop findings and recommendations and receive feedback on the operational modalities for the EIF. The meeting also discussed modalities to enhance the involvement of the civil society in the EIF and bring a more collaborative country-driven approach and promote country ownership.

3.5 In addition to these activities, CUTS also responded to the request to review the DTIS. This request came after the realisation that the study had omitted the current trade sector priorities such as intellectual property and gender issues. Also, tourism was the only services sector mentioned. The DTIS review undertaken under the project provided additional information on these and many other sectors that needed prioritisation in the DTIS.

3.6 While conducting sensitisation and awareness workshops in the regions, the CUTS team received feedback that rice has a good production and export potential in Zambia provided it is adequately supported by trade policy and capacity building. The Copperbelt Province workshop led to the realization of the potential for Zambia to diversify its

export base beyond minerals while the Luapula workshop led to the realization of the soft and hard infrastructure constraints faced by rural agriculture producers in accessing urban markets. CUTS then undertook a rice supply-chain analysis and made it available to the Ministry for use to access Tier 2 funding for bridging the supply side and infrastructure gaps required to be filled in order to benefit rice farmers from trade liberalisation and open markets.

3.6 Another component missing in the existing policy framework was the almost complete absence of the gender analysis of trade policy and related initiatives. As mentioned above, gender equity is a critical desired component of trade mainstreaming in Zambia if the EIF is to satisfy the ownership principle of the Paris Principles on Aid Effectiveness. To fill this gap, the project organised a meeting on gender elements in trade and brought forth key recommendations on this element of ownership.

3.7 As the project was conceptualised and implemented during the end (summary) of the Fifth National Development Plan (NDP), a deliberate policy was instituted to engage as many ministry officials as possible engaged in the design and implementation of the development plans. CUTS partnered with the lead CSO “Civil Society for Poverty Reduction (CSPR) monitoring design and implementation of NDPs in awareness raising and lobby. With this intervention, it is hoped the Sixth NDP will not only be devised in a more inclusive manner but its implementation will have greater development dividends.

4 FACTORS FOR SUCCESS AND RESULTS

4.1 The activities under the project contributed to a heightened awareness of the role of trade in the national development strategy, and made national and sub-national stakeholders aware of the EIF, thereby contributing to its successful implementation. They also rendered them better informed on how to follow up on and participate in the EIF activities thus improving inclusivity. The project was implemented using the CUTS research based advocacy model⁷. It was successful as it had targeted key stakeholders, thus creating a workable interface between policy makers and non state actors. MCTI/NIU officials' and stakeholders' interaction during meetings organised under the project ensured that the two sides knew each others' roles as well as constraints well. Based on stakeholder consultation, important gaps in the DTIS were identified and this to some extent reduces burden on government to spend huge sums of monies which could be used elsewhere. The discussions and input to the project motivated CUTS to go beyond the activities envisaged within the project so as to focus on achieving the goals of the project by adding the gender element.

4.2 Further, using its global networking abilities, the centre managed to engage the EIF Secretariat and other important international functionaries in the project in discussing pertinent issues emanating from the project. CUTS was invited to make a presentation in the pre-Trade Policy Reveiw meeting organised by AITIC in Zambia, and to the Global Focal Points Workshop in Geneva, where project outcomes were disseminated.

4.3 However, the project also faced some failures owing to the difficulties in sustaining the backward and forward information linkages between the NIU and CUTS, mainly due to the lack of adequate personnel manning the NIU. This shortfall continues, thus affecting the additional efforts to maintain continuity. The failure of Zambia to get Tier 2 projects, particularly the one on exploiting the potential to export rice, ready for approval under EIF, is a case in point.

5 LESSONS LEARNT

5.1 The need and importance of having all stakeholders involved in the implementation of the EIF was among the key lessons. Through the project, there was a demand from all provinces visited to have the MCTI/NIU decentralised as well as to constitute EIF chapters in each province that would feed into the TEWG. The issue of simplifying the EIF technical language (make it basic for the common man) came out prominently from both the recipients of the project as well as the NIU.

5.2 Further, it was observed that for a trade diagnostic study to be effective, it needs to be informed by and conducted in close consultation with stakeholders representing a range of social and economic interests. A civil society organisation can provide an opportunity for the poor and excluded women and men (informal traders, small scale farmers etc) to inform the diagnostic studies by articulating the particular challenges they face in accessing the benefits of trade.

⁷ CUTS research based advocacy model of implementing its projects is a model of conducting grass roots based research and then conducting advocacy based on such research.

6. CONCLUSION

6.1 There is still a need to continue with the awareness and engagement of all stakeholders in the EIF and aid for trade agenda in Zambia in order to reap the benefits and be able to fully integrate into the multilateral trading system. CUTS has been able to take the process to areas the NIU would not reach, to far distant areas beyond the capital. However, much more remains to be done. It remains a challenge that the NIU is currently not fully operational despite new staff recruitment (and consolidation).

6.2 During the CUTS project, the NIU was assisted by CUTS and learnt of the realities on the ground and could feed them into the diagnostic processes. Now we expect that it has developed and has the capability to move the process. We expect the NIU to have a well defined agenda on how the EIF implementation process will be unfolded with all stakeholders being involved and EIF funds accessed for a more inclusive national development. CUTS will on the other hand continue to complement government's agenda on development initiatives such as the EIF process. As the next step, CUTS has launched a new project called Better Exploration of Trade As a Means to Poverty Reduction (BETAMPOR) with support from the Government of Finland.

6.3 CUTS-International, Lusaka is committed to the continuation of its interventions on the aid for trade agenda in Zambia in general and EIF-related issues in particular through a more comprehensive approach. The justification for this continuation rests on its potential to contribute to better realization of the objective of the EIF which is inclusiveness (strengthening of in-country implementation of the EIF capacity so as to reinforce its political as well as practical ownership). The interventions will complement the activities under the proposed action matrix such as awareness raising as well as capacity building by reaching a larger grassroots constituent with the purpose of getting the grassroots engaged with the EIF process more widely. The focus of these interventions will be to involve identified district and community level actors to improve inclusivity, to continue the national trade dialogue (including the development of Aid for Trade strategy) with the participation of all relevant stakeholders and facilitate adequate gender mainstreaming in all trade related decision-making and planning processes.