

## The IF in Zambia



Zambia became a beneficiary of the Integrated Framework (IF) for Least Developed Countries in 2004.

As a basis for implementing the IF, a Diagnostic Trade Integration Study (DTIS) was conducted and was subsequently validated to pave the way for implementation of the IF in July 2005.

### National Implementation Arrangements

Simultaneously, the Zambian Government had also engaged with the private sector and Donors with the objective of building consensus on reform priorities for improving the investment climate. This interaction resulted in the initiation of the Private Sector Development Reform Programme (PSD RP). The PSD RP identifies six broad reform areas and lists various areas of intervention and activities to ensure that the private sector takes its rightful place as the engine of socio-economic growth for the Zambian economy. The core policy reform areas can be summarized as follows;

- Regulations and laws aimed at improving the regulatory frameworks and investment code to foster private sector growth;
- Infrastructure aimed at enhancing the infrastructural platform for PSD by encouraging private investment in infrastructure(PPI);
- Business facilitation and economic diversification aimed at removing administrative barriers to business entry and operation and facilitation of high growth sectors;
- Trade Expansion aimed at creating greater opportunities for access to regional and international markets; and
- Local empowerment to unlock growth potential of micro-, small- and medium-scale enterprises through business development and empowerment initiatives.

Following consultations amongst IF and PSD stakeholders in April 2005, the IF was integrated into the PSD RP by adopting the DTIS Action Matrix as the framework for all trade-related aspects of the PSD RP.

The EIF National Implementation Arrangements (NIA) comprise the National Implementation Unit (NIU), the Trade Expansion Working Group (TEWG), the PSD RP Implementation Subcommittee (ISC) and the PSD Steering Committee.

The NIU is located in the Ministry of Commerce, Trade and Industry (MCTI) and comprises the Director of Foreign Trade, who assumes the role of the Focal Point, the Focal Point Advisor, the National Trade Expert and an Economist. The unit is responsible for ensuring coordinated implementation of the EIF and other trade expansion-related activities and processes, including the Aid for Trade strategy for Zambia. It also has the mandate to work closely with the EIF Executive Secretariat in Geneva, the Donor Facilitator and the EIF Agencies.

The TEWG is responsible for monitoring the overall implementation of trade expansion activities, the EIF process and activities, including working with the MCTI and the Ministries of Finance and National Planning in working towards mainstreaming of trade-related activities in all national policy documents, development plans and processes, including the Fifth National Development Plan (FNDP), the Budget, Medium-Term Expenditure Frameworks (MTEFs) and the PSD RP.

The TEWG, through the PSD RP Programme Management Unit, reports to the ISC, which tracks the work of all the PSD Working Groups and reports to the PSD Steering Committee and the Zambia International Business Council (ZIBAC) on a biannual basis.

Drawing in part on the DTIS, the authorities have incorporated a number of export-promoting trade policy measures into the FNDP. Key measures include (i) streamlining of procedures for the duty drawback scheme and improved management of bonded warehouses and removal in bond and the establishment of an accessible and affordable export financing facility; (ii) improving efficiency in customs administration; (iii) strengthening standards and certification services; (iv) enhancing export-oriented investment promotion and export promotion functions; and (v) strengthening capacity to formulate and implement trade policy and negotiate trade agreements. Furthermore, the DTIS findings are fully incorporated into the PSD RP.

IF implementation is being supported through a Window II project to build institutional capacity to manage the IF process in-country, which has facilitated the setting up of the NIU referred to above.

With regard to the enhanced IF, Zambia hosted an EIF Regional Sensitization workshop for Southern and Eastern African in July 2007. Currently, the NIU is finalizing a number of project proposals, which include the 'Trade Policy, Negotiations, Analysis, Drafting, and Discourse Capacity Building, Coffee Small Holder Development Proposal and the Honey Sector Capacity Enhancement Proposal. The proposals are to be submitted for funding under the EIFTF Tier 2.

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Zambia's 2006-2010 FNDP aims at ensuring broad-based wealth and job creation through citizenry participation and technological advancement. It focuses on a number of priority economic and social sectors. Within the various economic sectors (agriculture, mining, communication and meteorology, infrastructure, tourism, manufacturing), the strategy continuously refers to trade and export, in addition to the section on Commerce and Trade where key objectives for the trade agenda are spelled out. These are

- strengthen and decentralize the administration of testing and certification;
- increase the volume of Zambian exports, particularly in non-traditional sectors;
- formalize and monitor domestic trade activities and stimulate a vibrant domestic trading sector;
- secure improved market access for Zambian goods and services;
- facilitate the effective implementation of trade remedies and oversee tariff classification, rationalization and implementation;
- increase trade in services; and
- reduce trade-related supply constraints.

As already highlighted, trade is also embedded in the structural reforms section under the PSD RP.

Implementation (including M&E) of the programmes associated with these objectives will be aligned with Government initiatives in the MTEF and undertaken through annual work plans. The TEWG has initiated the inclusion of trade expansion indicators as part of the MTEF. Once implemented, this will provide the country with an opportunity to monitor EIF activities within the context of the overall national M&E framework.

### **Mainstreaming**

Zambia's 2006-2010 FNDP is a good example for the integration of trade issues into an overall poverty reduction and growth strategy. Measures to stimulate trade and exports – both specific to export sectors and to enabling/facilitating sectors – are included in a variety of sectors, in addition to a more extensive treatment under trade and commerce. Programmes corresponding to objectives have been formulated, but the M&E framework has not been very clear. Although there are indicators for the trade sector, they are not smart as they lack projected targets for the period 2006-2010, the FNDP implementation period.

Zambia provides a good example of leveraging of funding through bilateral support. Even though as a country, Zambia did not utilize a lot of funding under Window II in the initial stages, a number of priority activities in the DTIS were implemented through bilateral donor support, proving that indeed, the DTIS and its Action Matrix can be utilized as a tool to leverage and ensure coordinated technical assistance to a country if the appropriate mechanisms are put in place.

Zambia is currently programming Phase II of the PSD RP. It has been agreed and therefore expected that the resultant PSD RP II programme document will have mainstreamed trade by incorporating action points and activities embedded in the EIF Framework Programme 2009-2013. This is expected to further provide an opportunity for domestic resource mobilization to complement and supplement Tier II Funding in implementing the EIF programme.

### **Trade Strategy and Aid for Trade Implementation**

Zambia has put in place a comprehensive PSD RP of which a TEWG is part. This TEWG oversees and implements the trade strategy and aid for trade for Zambia, including the IF.

The Zambia Aid for Trade Questionnaire indicates that the country's top three priorities to benefit from trade expansion and integration to the world economy are network infrastructure (power, water and telecom) and cross-border infrastructure and export diversification; the Government is also in the process of formulating operational strategies to implement these priority areas. The main dialogue forum for discussing financing needs for these priorities is a PSD RP and its TEWG (which also serves as IF NSC). Zambia would like to see Aid for Trade implementation to have a stronger focus on capacity building; be more predictable and have more frequent joint partner country and donor programming, and implementation, monitoring and evaluation to be guided by harmonized reporting requirements. So far, the areas where Aid for Trade was most effective in creating necessary capacity are export diversification, trade facilitation and border infrastructure. Regional aspects are key to Zambia's trade development and Aid for Trade implementation strategy. This is even more wanting when it comes to trade facilitation issues, taking into account Zambia's landlocked status. The commitment of the country to the North-South Corridor and the One Stop Border Post work for Chirundu and Nakonde is a clear manifestation of this approach.

Having undertaken a Trade Facilitation Assessment through the support of the USAID Trade Hub and the WTO, Zambia initiated some regulatory reforms and customs harmonization procedures through the US Millennium Threshold project, which also resulted in the establishment of a Trade Facilitation Working Group, which now provides the negotiating positions under the WTO and other negotiations

that Zambia is participating in, but more importantly is working on the evolution of more concrete development needs for considerations by Donors. This work provided the catalyst to increase the momentum on the NSC activities with the support of DFID Pretoria.

The self-assessment of Zambia in the Aid for Trade Questionnaire shows that trade is a key priority in the national development plan/strategy, which includes well-developed trade-related priorities and implementation actions. The DTIS and its accompanying Action Matrix partly reflect the country's trade-related needs and the Government's priorities, which are supported by the key stakeholder groups and a well-coordinated donor approach led by Finland as Donor Facilitator of the EIF programme.

A summary of status of EIF activities is attached as Annex I.

### The status of the Current Activities in the DTIS/PSDRP

Activity	Status
In collaboration with ITC, conducted and completed the Priority Sector Assessment Study for export Promotion in Zambia in 2006.	The study is being used as the basis for export sector development and diversification efforts.
In collaboration with ITC, formulated and finalized the Horticulture and Floriculture Sector Strategy in 2006.	Full strategy implementation has not commenced. Partial implementation (Market Diversification Study focusing on the United Arab Emirates' Dubai) was supported by the Capacity Building for Private Sector Development (CBPSD) project.
Trade Facilitation Self Assessment.	Zambia, with the assistance of the US Trade Hub, conducted a Trade Facilitation Self Assessment, which has among other things resulted in the setting-up of the National Working Group on Trade Facilitation creating momentum for the setting-up of the Chirundu One Stop Border Post.
Zambia hosted a Regional EIF Sensitization Workshop in July 2007.	The WTO Secretariat and several countries attended this workshop.
The Trade Expansion Working Group (TEWG) comprising private sector, public sector and civil society representatives reconstituted in 2008.	The TEWG reconstituted based on the EIF draft Steering Committee TORs and guidelines and the PSD RP Trade Expansion objectives.
DTIS Action Matrix partially reviewed and updated, taking into consideration actions and activities already implemented under various Government and Technical Assistance Programmes in 2008.	Comprehensive review awaited.
EIF Framework Programme to guide activity implementation for the period 2009-2013 drawn up.	Programme completed.
EIF integrated into the Private Sector Development Reform Programme (PSD RP).	Updated DTIS Action Matrix adopted as the Trade Component of the PSD RP I, which closed end of 2008. EIF Framework Programme (2009-2013) integrated into the draft PSD RP II project document to run from 2009 to 2013 to facilitate local resource mobilization, among other things.  Draft PSD RP II project document pending endorsement.
IF National Implementation Unit (NIU) fully set up and functioning – Focal Point Advisor and National Trade Expert recruited in November 2008 and in December 2007 respectively.	IF NIU fully set up and operational.

Activity	Status
Identification of trade-related training needs (December 2008).	Done and the training needs being met with support from various local bilateral and international training institutions and cooperating partner through funded projects.
Technical Assistance for training and conducting assessments for 12 services sectors in order to prepare Zambia for her services negotiations and services sector development activities secured from the Regional Trade Facilitation Programme and the CBPSD (from February 2009).	Seven (7) assessments are currently being done. These include business, construction, distribution, education, environmental, health and recreational, cultural and sporting services.  Other five (5) assessments expected to be concluded in the second quarter of 2009 are financial sector, transport, communication, energy, tourism and professional services.
Technical assistance to review, amend and develop an Intellectual Property Rights regime that is not only consistent with the WTO TRIPS Agreement and other IP Treaties but also supportive of Zambia's socio-economic development secured from TradeCom.	Tendering process has commenced, and work is expected to start in the second quarter of 2009.
Proposal for technical assistance in three areas: i) Investment Regulation and Promotion; ii) Promoting Effective Use and Protection of IPRS in Zambia; and iii) Skills and implementation capacity upgrading in EPAs has been developed in collaboration with the International Development Law Organisation in December 2008.	Proposal has recently been approved for financing by the Ministry of Foreign Affairs of Finland, and implementation is expected to commence in April 2009.
National Export Strategy.	National consultations on-going. Document is expected to be finalized in the second quarter of 2009.
Commercial Trade and Industrial Policy.	Finalized and submitted to the Cabinet office in June 2008. Feedback from Cabinet being awaited.
Under Trade Expansion, Zambia participated in the Aid for Trade OECD Stakeholder Dialogue held in September 2008 in Paris.	On behalf of Aid for Trade recipient countries, Zambia presented a paper on Aid for Trade Monitoring Challenges and the Way Forward.
Participated in the Aid for Trade Regional Seminar organized in Zambia, December 2008, by the Ministry for Foreign Affairs of Finland and the Embassy of Finland in Zambia.	The EIF NIU worked with the Embassy in planning the event and made presentations on the EIF and the Aid for Trade in Zambia.
Preparation of the Signing Mission to Angola for North-Western/ Moxico Province Memorandum of Understanding.	Activities have been submitted and incorporated into the GRZ process to agree on the date for signing of the Memorandum of Understanding.

Proposals	Status
Two proposals formulated, namely for submission under Tier 2 Funding:	
The Small Holder Coffee Producers' Development. The Opportunity Assessment Study for Export-led Poverty Reduction was conducted and finalized in 2006 in collaboration with ITC.	Draft proposal prepared, final version expected to be submitted to the EIF Secretariat in the second quarter of 2009.
The Trade Policy, Negotiations, Drafting, Analysis and Discourse Capacity Building.	Proposal prepared and cleared by the TEWG, ready for submission to the EIF Secretariat.
In collaboration with ITC, formulated and finalized the Honey Sector Strategy in 2006. A Honey Sector Capacity Enhancement & Service Delivery Proposal formulated.	Draft proposal developed in collaboration with the Honey Council, its members and other stakeholders. Expected to be tabled before the TEWG and finalized within the second quarter of 2009.
Livestock Sector Development Proposal.	Consultations with the relevant stakeholders, including the Livestock Working Group, Ministry of Agriculture, Livestock and Fisheries, and Cooperating partners, among others, such as the World Bank and the European Commission, have been initiated alongside review of relevant documents with the view to putting together the said proposal. Draft proposal expected in the second quarter of 2009.
Sensitization workshops on the EIF in Lusaka (January 2009), Copperbelt Province (February 2009) and Luapula Province (March 2009) with a CSO CUTS ARC International.	Presentation of the status, achievements and implementation of the DTIS and IF/ EIF process in Zambia.
Preparation of the Aid for Trade resources mobilization conference on the North-South Corridor to be held on 6 and 7 April 2009 in Lusaka.	Active participation in coordinating and back-stopping of the Inter-Ministerial Technical Committee of preparation on the North-South Corridor.