An Analysis of the Current State of Implementation of the Aid-for-Trade Agenda in Zambia

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Abstract

Most economies of the world today are characterized by openness and outward orientation. In such a scenario, the roles played by aid and trade severally and in conjunction in boosting economic growth continue to be a matter of debate. It is in this context that Aid for Trade is considered as a potential instrument that can help developing countries translate their comparative advantage into competitive advantage. This paper analyses this potential for countries in sub-Saharan Africa, taking Zambia as a case study. It discusses the Aid for Trade strategies pursued within the institutional framework of the Enhanced Integrated Framework, EIF, the successes scored, and the challenges that lie ahead. The paper suggests that while Aid for Trade does have the potential to raise the levels of exports and growth, it could take a while for challenges to be effectively addressed and significant tangible results to emerge.

Key words: Aid, trade, Enhanced Integrated Framework, non-tariff barriers

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1. Introduction

1.1 Aid, trade, economic growth and poverty reduction

Voluminous literature exists regarding the potential of aid and trade to impact on a developing country’s economic growth and poverty reduction both in an individual and in a combined capacity. The extensive debate on this issue has not resulted in any definite, undisputed conclusions. There are numerous opinions and “evidence-based” inferences of varying shades that have been thrown up by empirical research.

The paper by Radelet (2005) lists some of the major critics and supporters of aid. Beginning with Milton Friedman, several others such as Bauer and Easterly have concluded that aid has been largely a waste. Zambian economist Dambisa Moyo (2009) created quite a stir with her book “Dead Aid” in which she argued for a complete stoppage of aid to developing African countries.

On the other hand, economists like Jeffrey Sachs, Joseph Stiglitz and Nicholas Stern take a more sympathetic view of aid. They argue that aid has supported poverty reduction and growth in some countries and prevented worse performance in others. Countries like Uganda, Botswana, Tanzania, Mozambique and Sierra Leone are stated to have successfully utilized the significant aid that they received.

An econometric study by Arndt et al (2009) came up with the result that aid flows of about 10% of GDP leads to an increase in economic growth of about 1 percentage point. This majority contradicts the results of the study by Rajan and Subramanian (2008) which found little robust evidence of a positive relationship between aid inflows into a country and its economic growth. The study went further to claim that there was no evidence that aid worked better in better policy or geographical environments, or that certain forms of aid worked better than others.

When it comes to trade, the results are seen to be relatively more positive. Busari (2009) analyzed the relative roles of trade and aid in bringing about sustained growth in Sub-Saharan Africa (SSA). His study found that the relationship between trade and aid was positive and more robust than the relationship between aid and growth in SSA. The amount of aid has grown over time, yet economic performance has not improved significantly. On the other hand, a positive and significant role is seen of exports in the growth process of SSA. Busari concluded that the ultimate source of growth would come from significant growth of exports than of aid.

Srinivasan (2009) recognized liberalization of foreign trade as one component of a broader process of integration of developing countries into the world economy. He, however, suggested
that for the interests of the poorest countries to be served, institutions managing the global economic system must undergo reform.

A similar argument was earlier made by Duncan and Quang (2003). On the basis of empirical tests of theoretical positions regarding the relationship between trade regimes, economic growth and poverty reduction, they concluded that trade liberalization had a positive impact on growth; although the impact seemed to depend on the existence of important economic institutions and complementary policies.

It is not as though trade has not had its detractors. There have been quite a few. Consider for example, the following strong comment of Vandemoortele (2004):

“Trade follows development, it seldom leads development; the causation between growth and trade has seldom been in the other direction. While recognizing that no country has ever developed by keeping its borders closed, it is equally true that no country has developed by throwing open its borders to foreign trade. Our argument is that the current rules for global trading do no longer allow countries to follow an export-led development strategy similar to that experienced by several Asian economies in the 1970s and 1980s because the policy space for individual countries to sequence selective export subsidies or import tariffs has been narrowed tremendously” (op.cit. p.11).

The results of a graduate student dissertation show that for Zambia, the regression of GDP growth on aid is not significant while the regression of GDP growth on trade is. Further, regressing growth on both trade and aid does not significantly increase the explanatory power of the regression. Furthermore, there is no evidence of the interactive effects of aid and trade. That is to say, donors do not tend to export more to aid-recipient countries nor do trade relations cause aid to increase. These are interesting counter-intuitive results. ¹

What is pertinent to note, however, is that in the present largely irrevocable era of globalization and liberalization, economic openness and outward orientation are increasingly going to become the norm; and much as some trenchant critics of aid may argue for the adoption of its speedy exit policy especially in SSA, aid too will continue to play its role in the development of the least developed countries in the foreseeable future. One has, therefore, to see what strategy could be adopted to harness both aid and trade to accelerate the process of growth and poverty eradication in the developing countries.

¹ As the dissertation is still in the examination process, we maintain anonymity of the author and the dissertation at this stage.
From this perspective, the gist of the above described empirical results is that aid given to boost trade, notably exports, more than aid given directly, has a better scope to raise GDP growth and accelerate poverty reduction. This is the main rationale of aid for trade.

In summary then, the following are the broad hypotheses emerging from the empirical relationships witnessed in general:

- AID ------------ GROWTH relationship: Inconclusive
- TRADE --------- GROWTH relationship: Generally positive
- AID & TRADE ----------- GROWTH relationship: Not more significantly positive
- AID ------- TRADE ------- GROWTH relationship: Possibly strongly positive

1.2 Organization of the paper

In the next section, we list the various components of Aid for Trade. In the section following thereafter, we provide a terse explanation as to why many African countries are unable to translate their comparative advantage into competitive advantage. Next we describe the Enhanced Integrated Framework that has been developed with the express aim of strengthening a country’s trade agenda. We then examine at length the Aid for Trade initiative in Zambia as a case study. Here, we first discuss and summarize the findings of a study conducted by the Zambian Government in 2011. We then describe and discuss in detail our own study that was undertaken in 2011 – 2012. The methodology used in the study to gather primary data is set out, and the findings are then analyzed to infer what lessons can be learnt and to describe the challenges that lie ahead in making Aid for Trade work better for Zambia’s growth and welfare. The final section contains our conclusions and recommendations.

2. Components of Aid for Trade

As explained by Higgins and Prowse (2010), Aid for Trade has several broad components: support for trade policy and regulations; support for trade-related infrastructure; support for productive capacity building and trade development; and support for trade-related adjustment.

Support for trade policy and regulations includes: helping the countries to strengthen the linkage between the trade agenda and the national development agenda, enabling the countries to get a better deal in regional and international trade negotiations, providing institutional and
administrative support to regional groupings, and supporting trade facilitation such as improving the time and costs associated with trading.

Support for trade-related infrastructure includes: support for improvements in transport, energy and telecommunications and in particular extension of infrastructure such as roads, telecommunication services and power supply to assist poorer trading groups such as women, small holders, informal traders and micro entrepreneurs as well as support for storage facilities for agriculture products to enable producers cope with price fluctuations.

Support for trade-related adjustment includes: support for countries with costs associated with trade liberalization, such as preference erosion, tariff reductions and declining terms of trade.

Support for capacity building includes: enabling the private sector to exploit its comparative advantage, and enhance and diversify exports. It is within the purview of this category of support that trade-related technical assistance (TRTA) in particular can make a significant contribution.

It must be noted though that the above categories are not watertight compartments and TRTA for instance can relate to or impinge on all categories of support.

3. Translating comparative advantage into competitive advantage

African countries on account of their resource endowments have a natural comparative advantage in many products, especially agricultural and horticultural products; but there are barriers that impede the translation of this comparative advantage into competitive advantage. The result is that Africa’s exports to North America and countries in the European Union (EU) are not as significant as they should be. There are a number of “conditionalities” that need to be met before Africa’s goods can enter the US and EU markets. These conditionalities act as non-tariff barriers (NTBs). Some of these are:

- Sanitary and phyto-sanitary (SPS) measures;
- Standards;
- Pest risk assessments;
- Minimum residual level;
- Size and packaging requirements;
- Complex and somewhat non-transparent tariff profiles, tariff peaks and tariff escalation;\(^2\)
- Rules of origin.

\(^2\) While the complex tariffs per se are tariff barriers, inability to comprehend them is a non-tariff barrier!
It may therefore be somewhat paradoxical that, while on the one hand, measures such as AGOA (Africa Growth Opportunity Act) and EU-ACP Cotonou agreement profess to promote Africa’s exports to the west, the conditionalities and non-tariff barriers (NTBs), on the other hand, inhibit such exports to this very region.

Let us provide a little amplification on this in AGOA’s case. The fundamental purpose of AGOA is to provide preferential treatment of exports from Africa in the form of duty-free and largely quota-free access to US markets. But there are several requirements to be fulfilled and restrictions placed on these exports such that SSA countries have not been able to avail the best of the export opportunities to the US as one would have desired or expected. A survey conducted by ECA and AUC (2011) brings out the constraints faced by SSA firms in exporting to the US. The following is an illustrative sample of the major constraints:

- Stringent rules of origin, especially for the textile sector;
- Restrictive environmental standards;
- SPS measures;
- Product-specific standards, especially for textile and food sectors;
- Obtaining approval of the US Food and Drug Administration (FDA);
- Social and political conditionalities.

A large percentage of the respondents in the survey (79%) stated that the requirements were either “restrictive” or “very restrictive”.

Often, a main reason for non-compliance with such conditionalities is lack of information. Again in the ECA-AUC AGOA survey, more than a third of the respondents admitted that they were unfamiliar with the requirements and restrictions. Even if there was adequate information, there could be a lack of technical capacity to address the issues. This could be another main reason. TRTA can help in capacity building in this area in terms of improving trade literacy and informatics and developing technical capability.

Thus, ostensibly the chief underlying motive of Aid for Trade is to overcome the above barriers and constraints and help promote trade and growth in the developing countries of sub-Saharan Africa. However, notwithstanding its noble intentions, there does not seem to be clear-cut evidence that the program is working well. Nobel Laureate Joseph Stiglitz is of the opinion that contrary to what was envisaged, Aid for Trade has not proved to be additional, predictable and effective, although there have been some positive effects on trade facilitation. Stiglitz further
states that without additionality, Aid for Trade is just another form of conditionality, and may actually impair the overall effectiveness of assistance programs, becoming a substitute for meaningful reform of the global system. (see Stiglitz, 2012).

4. Integrated Framework (IF) and Enhanced Integrated Framework (EIF)

The Enhanced Integrated Framework (EIF) was set up as part of a broader objective to strengthen a country’s trade agenda that also includes mainstreaming trade into national development strategies and addressing critical supply-side constraints.³

The EIF began as an Integrated Framework (IF) which was set up at the WTO in 1997. In 2005, the IF was reviewed and subsequently transformed into the EIF to produce a more result-oriented, accountable and responsive program. To this end, there are now, among other things, a sharp focus on country ownership, significantly higher levels of financial resources committed to the program, and a changed management structure that includes a National Implementation Unit in each country.

The EIF is the institutional framework for delivering aid for trade with a view to enabling LDCs integrate into the global multilateral trading system and reap the benefits of increased access to developed countries’ markets resulting in higher levels of exports, higher economic growth and speedier pace of poverty reduction.

TRTA is aimed at identifying products in which a country has comparative advantage, the constraints that these products face and ways of alleviating those constraints so as to promote their exports on a sustained basis. The implementation of the EIF is carried out in a sequence of three stages:

1. Technical review by the IF Steering Committee of an LDC government’s request to participate in the EIF process; upon approval of the request, the LDC government forms a National Steering Committee and identifies a lead donor;
2. Conduct of a Diagnostic Trade Integration Study (DTIS);
3. Translation of the findings of the DTIS into an Action Plan which serves as a basis for coordinating delivery of TRTA.

³ Although the IF and the EIF are frameworks to provide trade-related assistance, it is for most practical purposes, trade related technical assistance (TRTA). Consequently, the terms “trade-related assistance” and “trade-related technical assistance” are used interchangeably.
5. A Case Study of the Zambian situation

5.1 Study objectives and hypothesis

The main objective of this paper is to understand the current state of implementation of the Aid for Trade agenda in Zambia in the context of Zambia’s development. Specifically, the paper will:

- provide an analysis of the Zambian situation in respect of the implementation of the three stages mentioned in the preceding section;
- highlight some of the problems that are encountered at the operational level as a result of which there could be a hiatus between planning and implementation.

Zambia completed the first two stages by 2005 and is currently in the implementation stage.

The discussion here will be based on two studies: the study undertaken by the Zambian Government whose results are presented in a report brought out in January 2011 (GRZ, 2011); and the study undertaken by the authors in 2011-12 which is presented in this paper.

Our broad hypothesis is that to date, Aid for Trade in Zambia has not produced significant results in terms of trade facilitation, export promotion and economic growth.

5.2 GRZ study

Sectors with export potential were identified under the Joint Integrated Technical Assistance Program (JITAP) and the Private Sector Development Reform Program (PSDRP) was also prepared. Next there followed the DTIS. The information obtained from JITAP and PSDRP documents was integrated in the DTIS which was validated in 2005.

The GRZ report lists the following problems that were encountered:

1. Although Zambia qualified as a member of the IF program in 2004, it was validated only in 2005. Further, it was endorsed by the Government only in 2006. The reason for the delay was due to reorganization of the Ministry of Commerce, Trade and Industry and addressing the challenge of rationalizing the IF and PSDRP structures to avoid duplication.
2. Constant staff changes in the donor community resulting in four different donor facilitators for the IF in two years.
3. Country ownership affected by limited engagement of stakeholders at the launch of the IF process. There is need for engaging a broader range of stakeholders, particularly in the
private sector, local level actors, the wider donor community and sectors of government not directly linked to external trade.

4. Delay in developing guidelines for Tier 2 funding at the Geneva level constrained the pace and progress of implementation activities that were specifically targeted to draw finance from Window II.

Two positive factors that brought some success were the high level of commitment of the Government in championing IF/EIF and the role played by the Embassy of Finland as Donor Facilitator. Thus, notwithstanding the constraints and problems, the following were some of the successes that were scored:

1. Embedding of trade in the Fifth National Development Plan, integration of the IF/EIF and PSDRP programs.
2. Setting up and operationalization of the Trade Expansion Working Group (TEWG) and the National Implementation Unit (NIU).
3. The recognition of EIF as the main mechanism through which Zambia obtains access to additional Aid for Trade resources.
4. Development of legislation to make Zambia TRIPS 4-compliant.
5. Development of sectors identified as having export potential such as horticultural, floricultural and honey sectors, and strategies for their promotion.
6. Upgrading of private sector capacities in the trade policy discourse and management.
7. Undertaking of various activities to upgrade National Quality Infrastructure.
8. Formulation of Zambia’s Services Sector Negotiation Strategies.
9. Undertaking of EF/EIF awareness raising activities in the provinces.
10. Upgrading of capacities for investment promotion within the Zambia Development Agency, ZDA.

6. The current study

6.1 Methodology

This study used a mixed method approach to obtain pertinent information that addressed the study objective. First, the study made use of desk reviews on Aid for Trade (including EIF) agenda in Zambia. Secondly, the study also utilized open-ended structured questionnaires that targeted key informants from the key governance structure of the EIF. This meant that officials

4 Trade-related Intellectual property rights
from the Government of the Republic of Zambia (GRZ), Civil Society Organizations (CSOs) including Private Sector Organizations (PSOs) and, Donors were all consulted. In essence, this diversity in opinions also provided an avenue for triangulation and comparisons of expert views.

Three separate questionnaires were prepared: one each for Government of Zambia, for Donors and for NGOs and Private Sector respectively. Using these instruments tailored to the specific functional characteristics of these groups, views from these key informant groups were elicited on: familiarity and involvement with Aid for Trade, Government’s and donors’ commitment to EIF, and monitoring and evaluation.

This is a qualitative study that has sought to distil the information provided by the respondents and glean insights into their perceptions and views on different issues. A pseudo Delphi method was adopted to gauge consensual opinions and modal strands of thinking on those issues.

6.2 Information from key informants

6.2.1 Experts from CSOs and PSOs:

Key informants within this group furnished the study with information based on:

- **Familiarity with and involvement in EIF (including Aid for Trade) systems:** Here, we purposively inquired from research participants about their familiarity with EIF processes. The rationale for so doing was based on the understanding that to effectively participate, at whatever level (i.e. policy formulation and design or lobby and advocacy), in EIF processes, there was need for them to have some knowledge about the process itself.

- **Government and donor commitment to aid for trade:** Here, research participants provided their views on government’s as well as donors’ commitment to aid for trade in Zambia.

- **Monitoring and Evaluation of Aid for Trade:** It was important for the study to obtain information on approaches currently in place to ensure that EIF as well as aid for trade systems are effectively monitored and evaluated. These approaches would also answer the question as to whether or not Aid for Trade is working in Zambia.

6.2.2 Experts from Government:

GRZ officials provided information based on the following thematic areas:

- **Zambia’s trade development strategy with particular reference to EIF:** Here, GRZ officials provided information on whether or not Zambia has a trade development strategy.

- **Resource allocation, stakeholder participation and implementation of EIF:** Here, it was pertinent for the study to obtain information on the criteria that are in place to allocate aid for
trade support to individual programs. Further, information on specific government institutions and/or processes in place that seek to consult and interact with other stakeholders while formulating and implementing EIF systems was also obtained.

- Monitoring and Evaluation: Indeed, the study also recognizes that the benefits of the EIF systems cannot be fully enjoyed if there are no effective monitoring and evaluation systems in place. Further, whether or not Aid for Trade was working depended on how well its systems were evaluated.

6.2.3 Experts from the donor community:
Donor views on EIF systems, as already alluded to were an important constituent of the study. In this regard, the thematic areas on which views were sought were:

- Familiarity with and involvement in Aid for Trade (including EIF): Here, donors provided their views on why they thought it was important to support Zambia’s trade capacity and perhaps highlight why EIF is particularly important for Zambia. Further, donor experts also provided information on how they engage themselves in Zambia’s EIF systems.

- Government’s and donors’ commitment to EIF: Here, donors’ views on both their commitment as well as government’s commitment to EIF systems were important because their views also provided a basis of comparison with other stakeholder views around this theme.

- Monitoring and Evaluation: As aforementioned, the views expressed around this theme underscores the premium the study places on the workings of the EIF.

6.3 Lessons learnt

6.3.1 Why aid for trade?
Zambia’s manufacturing base continues to be eroded and this casts doubt on Zambia’s ability to compete internationally. Efforts to diversify Zambia’s export base away from copper mining seem to fall apart every time copper prices on the international market rise. This further raises questions as regards trade policy sustainability. In this context, donors have seen an opportunity to provide support to Zambia’s efforts to diversify the export base through the Aid for Trade initiative. By and large, EIF is increasingly being viewed as the key intervention/vehicle or umbrella for all Aid for Trade support including the injection of fresh financial resources.

6.3.2 Opportunities and challenges of aid for trade
From a global perspective, EIF seems to be a ‘dinosaur’ with a stand-alone structure managed top-down across 50 countries. In fact, the executives in Geneva themselves do not have the capacity to build capacity in the recipient countries. On the contrary, other Aid for Trade activities by other financiers such as DFID, USAID come with massive financial resources for infrastructure investment, capacity building and implementation.

Other pertinent concerns for instance seek to find out the driving force behind the Aid for Trade research agenda. Indeed remarks such as “he who pays the piper calls the tune”\(^5\) point to the fact that there exists some skepticism from observers that Aid for Trade is an agenda that is not home-grown but foreign-driven since funds come from outside; that it is, as Stiglitz (2012) stated, just a conditionality in another form. Radical views also point to the concern that the Aid for Trade agenda could be an instrument that donors are using to undermine trade options of recipient countries – i.e. they could be interested in derailing or changing focus of government initiatives.

“Money is given and you use it on something as long as a program lasts”.

Other key informants argue that the entire Aid for Trade agenda is one of ‘throwing money at challenges as opposed to ascertaining problems on the ground’. Recent upgrades of certain Ministries’ and government agencies’ facilities (such as computerization of Ministry of Lands, Registrar of Companies, Department of Immigration, Customs) through donor funds may well serve locals but more importantly may also be viewed as a vehicle to facilitate foreign investment rather than domestic interests. While such developments may be good, what is of concern is that they may not be necessarily of priority. However, someone has put money on the table and this becomes very difficult for resource-constrained agents to resist.

Further criticism has strongly been directed at the in-country governance structure of the EIF. Some deep-seated views such as “EIF governance structures don’t work” provoke further thought in relation to the EIF systems. To qualify such radical sentiments, EIF experts themselves point to the suggestion that there are some fundamental flaws in the whole EIF set-up.

First, the EIF was conceived as an extension, add-on or booster of global trade negotiations (e.g. Doha trade development round). At that level, there was some concern and willingness from the point of view of the global community to include LDCs in trade negotiation processes. To facilitate such inclusion, it was urgently recognized that development cooperation was key. As a positive, this facilitation enabled LDCs to integrate into the multilateral trading system (for

\(^5\) Hereon, statements in quotes are those gleaned from key informant interviews.
example, Zambia’s accession to the World Trade Organization, WTO). By the same token, EIF has borne all the problems of an organization trying to superficially do all the things it is not capable of doing because it has not been empowered.

Second, the discourse on aid has been directed at utilizing country systems as opposed to earmarked support. Indeed, EIF implementation reliance on country systems emphasizes the need for country ownership, management and coordination but this proposition rests on the assumption implementation will be managed by recipient country institutions. The EIF scheme thus imposes the ideology of ‘implement first, and then capacity building later’.

Third, the EIF governance structure also places a high premium on stakeholder dialogue in EIF systems – from policy formulation and design to implementation. Such a stance presupposes fairly-balanced approach for active stakeholder participation so as to satisfy the call for equity in participation. In reality, however, EIF itself is predominantly public-led. This is somewhat paradoxical because “civil servants are talking among themselves about what private sector should do”. Remarks, such as these, reinforce the argument that there is marginalization of private sector participation in Zambia – i.e. partially-participatory in the sense that there is some degree of participation although this is true only for a few. Policy making is done exclusively since just a handful of select officials are present during such deliberations. One comment that has resonated the exclusivity of policy making suggests that the “the absence of civil society in policy making is so conspicuous that it actually hurts the eye”. Of course there are cases of a ‘lone voice in the wilderness’ but that is also only true for a few select civil society organizations and private sector organizations. These developments have stifled participative policy making in general. Even in cases where civil society participation is prominent, civil society itself is both hierarchical and elitist in nature in the sense that it is Lusaka-centered and this casts doubt on how nationally representative it is on issues relating to the grassroots especially that the income inequality in Zambia is pronouncedly high.

To address such challenges, the government, in consultation with other stakeholders, came up with the Private Sector Development Reform Program (PSDRP). The PSDRP was formulated to further lay the foundation for accelerated and sustained private sector-led growth by improving the investment climate (Siame, 2007). The PSDRP has failed to attract significant private sector participation and this to a great extent echoes the deliberations surrounding the marginalization of the private sector in Zambia. However, EIF is quite visible in the current PSDRP. This also means that, on the one hand, EIF enjoys the good practices from PSDRP while, on the other,
bears the challenges the PSDRP faces. Analysts further argue that the current implementation experience seemingly reveals that the private sector is subordinate to government and donor structures. However, an effective outcome of the Aid for Trade initiative will be arrived at if the private sector is regarded (in practice) as part of the decision making and implementation channel.

The government has continued to show a high level of commitment as evidenced by comments from senior government officials. Thus, what is important to note is that things handicapping EIF cannot be addressed by EIF alone but overall government systems in general and MCTI systems in particular. Within Ministry bottlenecks are reflected in the set-up of the National Implementation Unit (NIU) which is currently under the Foreign Trade department. Indeed Ministry staffs working under the NIU are also working on many other things that have comparable importance and thus dividing time across all responsibilities imposes a handicap on EIF.

EIF is de facto synonymous with certain name-tags i.e. individuals, and this questions the level of institutionalization of the EIF processes. In truth, government capacity is questionable from the point of view of staffing levels right through the Ministry. With only one staff (National Trade Expert) full dedicated to the EIF and trade expansion activity planning, implementation and monitoring, the NIU’s capacity to effectively and efficiently perform its functions is heavily compromised. The staff levels will therefore have to be enhanced and capacity of the officers upgraded to effectively handle project planning, implementation, monitoring and evaluation.

The Trade Expansion Working Group (TEWG) faces a major capacity challenge. Primarily, the TEWG plays the role of the EIF National Steering Committee (NSC). There is inadequate understanding of trade policy as well as appreciation of the potential role that trade can play in fostering socio-economic development. This has further limited the contribution of TEWG members to the EIF process including the trade mainstreaming process. Indeed, the grounds upon which participation is based further emphasize the need to be familiar with and understand the EIF systems.

Emphasis on the discussions of trade processes and negotiations seemed to have been much louder a decade ago when trade negotiations such as the Doha round were acceded to. This is a global trend but is reflected at the national level as well. Currently, trade processes seem to suggest that the ‘trade game’ has changed. The real interest now is how countries attract investment rather than issues of trade rules and capacity negotiations. Viewed this way, trade
policy issues do not attract a high premium any more. Within the EIF scheme, the redeeming factor for Zambia is to acknowledge that the ‘game’ has changed and thus find ways to build some productive capacity in order to get something traded. Further, pertinent issues being raised in recent trends around trade policy emphasize that the new rules of the game seek to identify who gets the slices of the investment cake.

Whether or not Aid for Trade is working in Zambia has been a subject of much debate. However, some country trade policy experts argue that Aid for Trade is generally not working because it has never been designed by people from whom it is supposed to apply. Right from policy advice, consultation and formulation to implementation, there has not been any equity in terms of stakeholder participation. Most of the relevant work has been done by aid providers themselves. It is virtually inconceivable for some observers to accept the fact that aid providers are actually telling aid recipients about what is going on in the latter’s’ countries. However, there are other observers who argue that it is not a question of whether Aid for Trade is working but rather how aid for trade can be made more relevant given the current dynamism. Who is going to benefit from the support from Aid for Trade and investments that accrue? How would you strategize the Aid for Trade agenda for those people who matter for production?

In fact, there are measurement problems relating to Aid for Trade programs. This in itself has stood as an impediment for further participation by other donors. This also highlights the challenges faced by monitoring and evaluation schemes around Aid for Trade. Other arguments supporting this observation from the point of view of the disinterest the donor community has shown in the involvement of EIF processes has been the difficulty of quantifying EIF outputs – “EIF is not producing any tangible results”. It should be noted that all programs being designed, such as the PSDRP phase are being accompanied by elaborate results frameworks and Monitoring and Evaluation systems. However, programming, monitoring and evaluation skills and capacities still remain limited. There is therefore need to direct more effort and resources in upgrading skills in this area. Moreover, it should be noted that the global monitoring system is very dependent on national monitoring systems. Despite this being the case, national systems are weak and not properly developed, thus acting as a hindrance to accurate monitoring at both national and global levels. There is therefore need for National Monitoring Systems to be strengthened where they exist, and to be established where they don’t.

Aid for Trade has been viewed as being very prescriptive in the sense that donors dictate what should be done and how it should be done including when it should be done. Indeed such
sentiments mirror previous concerns that Aid for Trade may bring in the possibility of new conditionalities in developing countries (see for instance Laird, 2007).

In fact, some Aid for Trade funds end up in bank accounts of foreign consultants from the consultancy charges. Further, a huge portion of the aid package is paid for capacity building rather than actual program implementation. Some trade policy experts argue that change of policies does not require Aid for Trade. Some successes stories have been Zambia-driven with a focus on Zambian entrepreneurs. For instance, Registration of Business Names Bill was designed and operationalized by Zambians.

Some damage is actually being done because partners are not truly appreciating what is happening – there are proponents and opponents in the same playing field. Aid for Trade may in actuality derail national strategies and programs. Testament to this argument is the Zambia Business Forum (ZBF) formed as a parallel program to Zambia Association of Chambers of Commerce and Industry (ZACCI). Instead of consolidating the business community, such a development could have the outcome of practically fragmenting it.

There is thus need to strengthen the practical basis for dialogue beyond just ‘pen and ink’. It should be recognized that empirical evidence does attest to the fact that trade performance depends on the vibrancy and buoyancy of the private sector. Indeed, the public-private sector partnerships and national consultation mechanisms stress the importance of enhancing dialogue. These should be supported by further actualization by translating policy documents into actual programs that can be tracked.

Some key milestones as to regards aid for trade initiatives that Zambia may record as successes include:

- Export diversification: support from the European Union under EDF 7 and EDF 8 enabled Zambia to develop significant capacities in the horticulture and floriculture sectors and become one of the major exporters in Africa.

- Trade facilitation: interventions by the US government-funded Threshold Project has contributed to significant reductions in the number of days required to start a business and to register a company (from 33 days to 1 day) with the possibility of doing online registration, among other things.

- Border infrastructure: support provided under the Chirundu One Stop Border Post pilot initiative by COMESA and supporting donors has led to upgrades in infrastructure in the
short term, and is expected to reduce the exit and entry timeframe in the long run, thus reducing the cost of importing and exporting.

7. Conclusion and recommendations

This study concurs with a number of findings of the GRZ study:

- The Zambian Government has consistently shown a high level of commitment to the EIF process;
- EIF is being increasingly seen as the main vehicle for all Aid for Trade support including the injection of fresh financial resources;
- EIF is quite visible in the PSDRP: on the one hand, it enjoys the good practices of the PSDRP, and on the other hand, bears the challenges that PSDRP faces.
- Further some notable successes have been scored.

Notwithstanding the above positive features and outcomes, our study has also highlighted a number of problems. Several of these are a result of misgivings, suspicions, and skepticism that still characterize the attitudes of several key players among different stakeholder groups towards the EIF.

Four years after the start of the implementation of the EIF in Zambia, whether Aid for Trade is working or not continues to be a subject of debate. Some advance the view that generally it is not working because it has never been designed by people for whom it is supposed to apply. Right from policy advice, consultation, and formulation to implementation, there has not been any equity in terms of stakeholder participation. Most of the relevant work has been done by aid providers themselves. It is virtually inconceivable for some observers to accept the fact that aid providers are actually telling aid recipients about what is going on in their (latter’s) countries.

On the other hand, some others are of the view that the question is not whether Aid for Trade is working but rather how it can be made more relevant given the current dynamism. Who is going to benefit from the support from Aid for Trade and investments? How would you strategize the agenda for those people that matter for production?

There is thus need to strengthen the practical basis for dialogue among all stakeholders. In particular, it must be recognized that trade performance depends on the vibrancy and buoyancy of the private sector. Public-private sector partnerships and national consultation mechanisms stress
the importance of enhancing dialogue. These should be supported by translating policy documents into actual programs.

The following are the broad set of recommendations that we make on the basis of our study:

- The present high levels of commitment to the Aid for Trade programs by the government and the donors should be sustained.
- There has to be up-gradation in the levels and capacity of the staff that is entrusted with the responsibilities of project planning, implementation, monitoring and evaluation.
- National monitoring systems have to be strengthened in order to achieve reliable quantitative measurements of the outputs of Aid for Trade programs.
- Reliance on solo experts and multi-tasking by the limited staff should be avoided. There must be enough competent staff assigned exclusively to deal with Aid for Trade programs.
- There has to be broad-based, inclusive and equitable participation by all stakeholder groups in the decision-making process. In particular, the private sector must be assigned a conspicuous role in the process.
- There has to be national ownership of the process and efforts should be made to eliminate any perception that the program is just another conditionality imposed by donors; the perception that the aid is a tool to promote foreign investment rather than exports of domestically produced goods.

The final upshot of the debate, in our view, is that Aid for Trade does have a lot of potential to raise the levels of exports, growth, development and poverty reduction in the LDCs. But, as the Zambia case study demonstrates, the realization of this potential requires unremitting commitment to purpose, planning, persistence, push, patience and possibly prayer! While the first steps have been taken in the required direction, it may be a while before one will be able to see significant tangible results on the ground. Indeed, development is a long-term process.

References


