



AID-FOR-TRADE CASE STORY

FINLAND

**AID FOR TRADE CASE STORY ON
THE INTEGRATED FRAMEWORK (IF)/ENHANCED INTEGRATED FRAMEWORK
(EIF) PROCESS IN ZAMBIA**



REPUBLIC OF ZAMBIA

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1 ISSUES ADDRESSED

There has recently been a growing recognition of the role that trade can play in fostering economic growth and development. It is apparent from the economic diversification strides that the Government of Zambia has been making that there has been recognition of this potential and important role. However, despite its desire to diversify the economy away from copper and expand the export production base, for a long time, Zambia did not explicitly integrate trade into its development plans and strategies such as the 2000 – 2004 Poverty Reduction Strategy Paper (PSRSP). There were therefore, no clear linkages drawn between the trade sector and other sectors. Further, strategies of how best the sector could contribute to overall socio-economic development were also lacking. This adversely affected the resource allocation from within Government to the sector and ultimately the extent and pace of trade diversification.

The fact that the sector was not properly integrated into development plans covering other sectors also meant that even interventions supported by donor funding were not fitting into a proper framework and could not enable Zambia to make headway in diversifying and expanding its export production base.

The IF/EIF process therefore, sought to mainstream trade into Zambia's national development plans, improve the management of trade related technical assistance programmes and provide a framework for leveraging additional resources from donors to support economic diversification.

2 OBJECTIVES PURSUED

The main objective pursued was to create a framework that could enhance the contribution of the trade sector to overall socio-economic development. Specific objectives were to:

- i. create awareness of the potential role that trade can play in fostering economic growth and socio-economic development;
- ii. mainstream trade into the National Development Plan, other planning process such as the medium term expenditure framework and the budget;
- iii. Create national structures that could improve coordinated delivery of trade related technical assistance; and
- iv. enhance Zambia's capacity to leverage trade-related technical assistance and funds to support upgrading of capacities in productive sectors and addressing other supply side constraints.

3 THE IF/EIF PROCESS IN ZAMBIA: DESIGN AND IMPLEMENTATION

Zambia became a beneficiary of the Integrated Framework (IF) in 2004 and commenced the IF process.

Phase 1: Pre-Diagnostic Trade Integration Study (DTIS)

As part of the Pre-Diagnostic Trade Integration Study (DTIS), a team of experts visited Zambia. The purpose of the visit was to build up support for the trade and development agenda through stakeholder outreach, advocacy and awareness-raising and to commence the process of setting up IF national structures. Although the team held several consultative meetings, a sizeable group of stakeholders was not involved in the consultative process. These included key stakeholders such as Parliamentarians, who would later be critical, to the success of the programme. This later turned out to have adverse effects on the buy-in and ownership of the process among some stakeholders. Although part of the output for this process was to have all structure in place for the implementation of the IF, the structures were not exhaustively established at that time.

Phase 2: Diagnostic Trade Integration Study (DTIS)

During this phase, another team of experts visited Zambia and undertook consultations with various stakeholders. The purpose of the consultations was to identify constraints to competitiveness, supply chain weaknesses and sectors of greatest export potential and other trade opportunities for Zambia. At the time this work was being undertaken, extensive work had already been done with regard to ascertaining sectors of export potential under the Joint integrated Technical Assistance Programme (JITAP). Further work had also been done by consultants in the preparation of the Private Sector Development Reform Programme (PSDRP) project document. Therefore, the consultants did not re-invent the wheel but adopted the good work done under these supporting frameworks and supplemented and complemented whatever new information they had gathered and integrated the information in the DTIS.

The DTIS was validated in 2005. During the validation process, it was evident that some stakeholders were not on board as they expressed dissatisfaction with the process and claimed they had not been consulted. This, coupled with the fact that some relevant senior Government Officials occupying key decision making positions were not closely engaged in the process, led to the delay in official endorsement of the document by the Government of the Republic of Zambia. Although the validation was done in July 2005, formal Government endorsement was only done in June 2006.

Phase 3: Implementation phase

Prior to formal endorsement, Zambia had already commenced the integration of trade and export priorities into the Fifth National Development Plan and other national processes and policies. Despite this integration however, not much progress was scored with regard to actual implementation of priorities especially from the resource envelop under Window II of the IF. This was partly due to the fact that structures to handle project preparation and follow up on implementation were not yet in place. Further decisions as to how the EIF process would be managed alongside the PSDRP had not yet been made. This notwithstanding, Zambia has made good progress in leveraging assistance from bilateral donors and had several donor supported projects designed to address priorities set out in the DTIS running. However, more work remains to be done to fully engage the donor community to align their support along priorities set out in the DTIS process.

4 PROBLEMS ENCOUNTERED

Zambia qualified as a member of the IF programme in 2004 and had its DTIS validated in July 2005; in 2007 the IF process was replaced by the EIF. In reviewing the problems encountered, the entire period from IF to EIF is considered.

Although the DTIS was validated in July 2005, Government official endorsement was only secured in June 2006. This delayed implementation of priorities identified in the study.

The delay was also occasioned by internal institutional reforms and inter-institutional dialogue that were taking place at the time. For instance, the Department of Trade in the Ministry of Commerce, Trade and Industry, housing the Focal Point, was restructured and split into two departments; the Foreign and Domestic Trade.

In addition, the PSDRP, initiated in 2004, was in its infancy and government was faced with the challenge of how best to rationalise the IF and PSDRP structures and ensure, first, that there was no duplication and, second, that there were synergies created between the PSDRP and the IF.

The Government of Zambia therefore, decided to integrate the IF/EIF process into the PSDRP by adopting the Action Matrix of the DTIS as the trade component of the PSDRP and adopting the Trade Expansion Working Group of the PSDRP as the Steering Committee of the IF/EIF programme.

The process was further adversely affected by inadequate capacity in the donor community propelled by constant staff changes which resulted in Zambia having four different donor facilitators for the IF in two years.

Limited engagement with some stakeholders at the launch of the IF process, also hampered the process in that there was lack of understanding and appreciation of the process thereby adversely affecting the buy-in and ownership of the IF/EIF process and the implementation of follow up activities. While good progress has been made since the launch of the IF process, further work remains to be done to fully engage 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. The non-implementation of the follow up actions and activities was also partly attributed to capacity issues within the Focal Point, the Ministry of Commerce, Trade and Industry. The Ministry had limited staff numbers and could not therefore manage to dedicate staff to follow up on implementation of the IF. In addition project proposal formulation skills were and continue to be scarce. More resources need to be allocated towards dissemination and to securing a wide range of participation in the EIF process by stakeholders.

The transition from IF to the EIF and the delay in developing guidelines for Tier 2 funding at the Geneva level further constrained the pace and implementation progress of activities that were especially targeted to draw financing from Window II, and was therefore a problem.

5 FACTORS FOR SUCCESS/FAILURE

One of the main factors for success was the political will and support from the Minister of Commerce, Trade and Industry who played the role of the IF/EIF political champion. In addition to his efforts to bring other Ministers on board in supporting the trade and private sector development mainstreaming process, he engaged donors at the highest level to leverage funds for supporting implementation of follow up activities under their various projects.

In addition, the Embassy of Finland as Donor Facilitator contributed to the success scored by working towards bringing other donors on board and coordinating their support. It has also provided technical and financial support to the process. For example, the Embassy partially funded the setting up and the running of the National Implementation Unit and has since supported and funded many IF/EIF related interventions. Aside playing the role of the Donor Facilitator, the Embassy of Finland has been one of the three donors that have been committed to the broader PSDRP, and has been contributing resources to the PSDRP Basket Fund that has further supported implementation of IF/EIF related activities.

The role of the Focal Point was also critical. Despite insufficient buy-in into the initiative by some stakeholders both inside and outside Government, the Focal Point gained support to ensure that trade was incorporated as a stand alone chapter into the Fifth National Development Plan (FNDP). The joint efforts of the Focal Point and the Donor Facilitator, working with other stakeholders under the Trade Expansion Working Group of the PSDRP, the Sectoral Advisory Group on Trade and Industry¹ and the Sectoral Advisory Group on Macro-economic Issues, further facilitated the integration of the broader PSDRP into the FNDP, resulting into double integration. of the EIF into the FNDP.

Integration of trade and the PSDRP into the FNDP was in itself a success factor as it provided the entry points for all donors wishing to support Government's efforts in trade development.

Zambia's 2006-2010 Fifth National Development Plan (FNDP) aimed at ensuring broad-based wealth and job creation through citizen participation and technological advancement. It focused 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 referred to trade and exports, well beyond the section on Commerce and Trade where key objectives for the trade agenda are spelled out.

Appropriate linkages with all the relevant institutional structures were also established and strengthened as coordination between various Government agencies and the private was being improved. Nevertheless, while awareness and buy-in among the private sector and other stakeholders has improved, it still remains at a moderate level. Further work is required

¹ As part of ensuring broad participation in the formulation of the Fifth National Development Plan, Sector Focused Technical Groups were established. The Sectoral Advisory Group on Trade and Industry set the trade and industry agenda that was embedded into the FNDP.

to engage a wider range of participation in the EIF process, particularly by the private sector, e.g. by enhancing dissemination of information.

6 RESULTS ACHIEVED

Despite its early difficulties, the EIF has, in time, achieved some notable results in Zambia. These include the embedding of Trade into the FNDP, the integration of the IF/EIF into the PSDRP programme, which is itself part of the FNDP, integration and rationalisation of IF/EIF and PSDRP implementation structures thus creating necessary synergies, reducing working group operating costs, and leveraging of resources from bilateral donors to support implementation of the priority activities set out in the DTIS Action Matrix.

The setting up and operationalisation of structures such as the TEWG and NIU and their linkage to the broader PSDRP structures, has created synergies and efficiencies which are likely to have a positive impact as the implementation of Tier 2 projects gains momentum.

Most importantly, the EIF has established itself as the main mechanism through which Zambia obtains access to additional Aid for Trade resources, and has provided the country with a clear procedure for mapping out and prioritising key needs for trade-related assistance and capacity building.

This is exemplified by, among other things, the choice and designation of the Trade Expansion Working Group (EIF Steering Committee) as the Steering Committee for the Norwegian-funded WTO-UNIDO project and the involvement of the EIF Focal Point and the NIU in the local United Nations Private Sector Development (UN PSD) Forum².

A number of activities that have yielded very positive results or are contributing to the advancement of the implementation of Zambia's trade agenda have been undertaken using the EIF framework. These inter alia, include the development of draft upgraded trade related intellectual property legislation to make Zambia TRIPS compliant, the conducting of the Priority Sector Assessment that assessed priority sectors for export promotion and is serving as a basis for export sector development and diversification efforts, the development of the Horticulture/Floriculture and Honey Sector Strategies, upgrading of private sector capacities in the trade policy discourse and management as well as trade information, undertaking of various activities aimed at upgrading National Quality Infrastructure including the formulation of the National Quality Policy, the development of Tier 2 project proposals which are almost ready for submission, upgrading of capacities for investment promotion within the Zambia Development Agency, the formulation of Zambia's Services Sector Negotiation Strategies, undertaking of IF/EIF awareness raising activities in various provinces, and the preparation of an EIF Framework Programme document which is expected to guide EIF implementation in the short to medium term.

It is envisioned that the recent full integration of the EIF into phase II of the PSDRP will provide an opportunity to further domestic resource mobilisation to complement and supplement EIF Tier 2 funding in meeting trade related priorities.

² The UN PSD Forum was established recently to facilitate the sharing of information among local UN agencies involved in private sector development activities with the view to contribute to better programming and delivery of the various UN interventions.

7 LESSONS LEARNED

Involving key stakeholders from the start: Key players must be involved not only at the inception of the process but also in the design and of long term projects. Given that beneficiaries will eventually be called on to judge the results, it is only right that they have a role in formulating the criteria for project success. Political buy-in and involvement is a crucial factor in the success of the IF/EF process. It is therefore, critical that various political levels including ministerial and parliamentary are engaged from the onset and all they way through. Furthermore, it needs to be recognized that the EIF is not just the business of the central government, but that it is important to fully engage the wider stakeholder community in the process, including local level actors, private sector and civil society as well as the donor community.

Have a clear understanding on the roles to be played by different players: as projects often include contradictory interests, compromises must be made to reach consensus. The frank exchange of opinions, interests and expectations are is key to the successful implementation of the IF/EIF.

Having a competent and dedicated Donor Facilitator helps the processThe Donor Facilitator in Zambia change a couple of times before a more stable solution could be found.

Government Ownership and drive of the process is instrumental to the success of initiatives such as the EIF.To successfully move the EIF process forward, the Government should play a leading role, take ownership of the process and make key decisions such as setting priorities, establishing structures and deciding on who should be the Donor Facilitator.

The need to build on existing frameworks. In the case of Zambia, the EIF process from the onset did not attempt to create parallel structures. This evidenced by the fact that the consultants took on board work done by other projects and frameworks and built on it. In addition, Government decided not to establish separate structures but build on the PSDRP structures.

Putting in place clear guidelines and building capacity in the preparation of proposals at national level can fast-track EIF implementation. Clear guidelines to access prepare proposals should be developed and capacities for doing so upgraded at national level if the EIF is to realise its intended benefits in a foreseeable future. Moreover, stakeholders must be guided to access funding beyond the resources available in the EIF Trust Fund.

8 CONCLUSIONS AND APPLICABILITY

The EIF Process has begun to hit its stride in Zambia, with improved country ownership and political buy-in and some encouraging results. Given the strong pre-existing Zambian government commitment to trade development as a national priority, EIF faces a particularly benign environment in which to operate there.

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. Finland, as Donor Facilitator of Zambia's EIF programme, has played an important role in supporting these outcomes.

Countries that have recently joined the EIF family and those that are still in the process of creating the relevant structures can learn a lot from Zambia's experiences in the implementation of IF/EIF. They can therefore, avoid making mistakes that initially slowed Zambia's implementation process as ensure fast-tracked implementation.