

REPORT

**LINKAGES BETWEEN TRADE DEVELOPMENT AND
POVERTY REDUCTION**

ADVOCACY WORKSHOP REPORT

ORGANISED BY

ODCMT AND CUTS-ARC

**HELD AT THE CALABASH LODGE
CHIBOMBO DISTRICT
CENTRAL PROVINCE**

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**Report by
Zindikilani J. Daka**

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LIST OF ACRONYMS

CBOs	Community Based Organisations
CSOs.....	Civil Society Organisations
CSTNZ	Civil Society Trade Network of Zambia
CUTS-ARC	Consumer Unity and Trust Society – Africa Resource Centre
DACO	District Agriculture Coordinator
MACO	Ministry of Agriculture and Cooperatives
MNC	Multinational Corporations
NTE	Non-Traditional Export
ODCMT	Organisation Development and Community Management Trust
SAFADA	Small – Scale Farmer’s Development Agency
TDP.....	Trade Development and Poverty
WTO	World Trade Organisation
ZANIS.....	Zambia National Information Services

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1.0 EXPECTATIONS

1.1 From participants

- To learn more about policies which would help in understanding trade and agriculture
- To acquire knowledge on the Linkages between local trade and international trading systems
- To understand how small - scale producers and traders can market their goods in Zambia and abroad
- To understand how imports affect local production and trade, especially for small-scale producers and traders in Zambia
- To find alternative ways through which small scale farmers and traders could have access to inputs and credit facilities
- To come up with new and different ways of marketing Zambian products in Zambia and outside
- To find ways of dealing with the issue of prices and pricing of agricultural commodities

1.2 From facilitators

- To see farmers and small scale producers provide their own solutions to their problems, without someone dictating to them
- To get suggestions from participants on how they intend to deal with the issue of value addition to their products
- To see how participants (small-scale producers and traders) would get together and speak and do things with one voice
- To get advocacy and lobbying issues and strategies from participants
- To encourage farmers to either form farmer groups or join the already existing farmer groups for effective and collective lobby and advocacy

2.0 PARTICIPANTS

The majority of the participants were small-scale producers who are engaged in selling their produce as well. These were invited from various farmer cooperatives and trade groups from chibombo district of central province. Other participants included representatives from government departments (Ministry of Agriculture- Chibombo District Agricultural Coordinator's Office; DACO), the media including Zambia Daily Mail and Zambia National Information Services (ZANIS), Community Based Organisations (CBOs) and individuals from Central province and Lusaka.

3.0 WORKSHOP LANGUAGE

The workshop was conducted in both English and Lenje¹ as the majority of participants could not speak English. This was further aimed at building the capacity of local organisations and getting them involved in influencing issues that affect their areas and to ensure effective communication with local people.

¹ Lenje is a local language which is widely spoken in Chibombo district of central province of Zambia

4.0 PRESENTATIONS

Presentations were done by Ms Angela Mulenga of CUTS-ARC who looked at the *Background to the TDP project*, Vladimir Chilinya of Civil Society Trade Network of Zambia (CSNZ) who shared some of the findings of the TDP research conducted in Zambia and Ms. Leslie Nyirenda from Chibombo District Agricultural Coordinator (DACO) who presented on Co-operatives and access to inputs.

4.1 Background to the project–by Ms. Angela Mwape Mulenga

In her presentation, Ms. Mulenga indicated that the project, Linkages between Trade, Development and Poverty Reduction was being implemented in nine countries in Africa and Asia, including Zambia.

Ms. Mulenga indicated that in Zambia, the project Linkages between Trade, Development and Poverty reduction was being implemented by three partners, who had specific roles. She said that CUTS-ARC was playing the role of coordination, while ODCMT was the implementing organisation in Zambia. She indicated that the objectives of the project were to;

- Draw lessons and experiences on linkages between trade, development and poverty among stakeholders.
- Strengthening the ability of policy makers to include issues of concern in international trading systems in relation with development and poverty reduction in Zambia,
- Facilitating synergy between government and Civil Society Organisations and to advocate for development – oriented trade policies, based on research and other TDP activities.

Ms. Mulenga further mentioned that the project had produced an advocacy toolkit which will be shared later in the day by CSTNZ. The toolkit basically drew case studies on the implication of trade liberalisation on agro-processing, textile and cotton sectors.

4.2 About CUTS

- CUTS international is an Advocacy NGO and was established in 1983, with Head office in India (www.cuts-international.org)
- More Offices in Zambia (opened in 2000), Kenya, UK, Geneva, and Vietnam
- Our main Advocacy work is on :
- International Trade and Development (WTO and EPAS)
- Competition Policy (Fair Trading and regulation of Monopoly companies)
- Investment and Economic Regulation (in favour of pro-poor investment and pro-poor economic policies)
- Consumer Protection issues (fair trading practices and consumer welfare)

Activities of CUTS

Ms. Mulenga indicated that CUTS main activities included;

- Policy Research
- Capacity Building (for both government and CSOs)
- Coordination and Networking
- In Zambia we work closely with partners in Zambia such as ODCMT and all Southern Countries including Mauritius

4.3 TOOLKIT CASE STUDIES – Vladimir Chilinya (CSTNZ)

4.3.1 Agro-Processing Sector

The presenter indicated that the agro-processing involved turning primary agricultural products into other commodities for the market and that in Zambia the sector comprised industries whose core activities included; snack food production, fruit and vegetable drying, oil (from groundnuts, sunflower and seed cotton) and Honey Processing, cereal Milling (maize, wheat, Soya beans, etc), Peanut Butter production, Sugar processing, Mushroom processing, Dairy products, Beef production, Fish farming and distribution, Tea, tobacco and coffee processing and Poultry farming.

Mr. Chilinya noted that the agro-processing sector had generally enjoyed a reasonably good market in Zambia with a notably indigenous production structure in the sense that the industries used a significantly high quantity of local raw materials.

He indicated that the sector contributed to national income and that agro-processing had the potential to increase income and access to food for the poor who largely depended on agriculture for their livelihood, by establishing small-scale processing businesses that could be carried out at homes and did not require huge investment. Thus, through this transmission mechanism agro-processing could potentially reduce poverty in a more sustainable manner.

4.3.1.1 Impact of trade liberalization on the agro-processing sector

The presenter observed that the agro-processing sector had recorded growth and expansion in the recent past years, particularly because of the deliberate efforts by government to support the agricultural sector, which is the key resource sector for the agro-processing industry. He said that the agriculture sector had enjoyed a lot of support from the government in its deliberate effort to diversify the economy from the mining sector to other sectors deemed to have business potential. In this sense, farmers had been given some security. He further said that the sector had grown in terms of the number of players and thus productivity had risen and that as a result of competition the agro-producers have been forced to increase the ranges of their products, which have been made possible through increased mechanisation of the processing plants. Thus, the sector had witnessed a facelift in terms of new technology that led to significant reduction in the cost structures.

The presenter also noted that liberalisation impacted positively on specific variables, including an increase in terms of product range, improvement in productivity due to low costs incurred through the use of local raw materials, satisfactory turnover, increased profitability, an expansion in employment levels owing to diversification that necessitated increased labour, substantial recapitalization, however this occurred more on account of change of ownership through privatization.

The presenter also indicated that, even though there was an increase in terms of employment levels in the agro-processing sector, income levels were still very low, hence making it difficult for employees and their families to meet their basic needs such as education, health facilities and transport, and the levels of poverty kept increasing. This was due to low wages and salaries paid to workers.

4.3.2 Plenary

4.3.2.1 Comments and questions from participants

Participants noted that whereas inputs were being received by some Cooperatives, most farmers failed to access the inputs. One participant noted that most co-operative members and managers were ignorant about issues related to marketing, international trade, liberalisation etc, and therefore needed to build their capacity in this area. Another participant suggested exchange visits amongst producers and traders both in the country and outside in order to enhance learning and experience.

Participants noted that Zambian products in general were exposed to cheap foreign products which resulted to the local products failing to compete effectively on the international and regional markets.

The participants noted that, for the local products to compete effectively at international and regional levels, there was need for producers to concentrate more on producing high quality goods or add value to their products if they were to find their place in the international and regional markets so as to generate sustainable incomes, which could contribute to poverty reduction and enhance development.

4.3.2.2 Responses from presenter

The presenter said that small-scale farmers and traders needed to get more organised if they were to benefit positively from the existing cooperatives. He urged participants and their fellow farmers and traders to strive to adding value to their products if they were to penetrate and compete effectively at regional and international markets.

Key challenges raised by farmers in the agro processing industry

- Small scale producers and traders lack adequate capital
- Absence of strong co-operatives in the district

- Lack of small scale farmer voice at policy level
- Limited markets and weak marketing system
- Weak information links at all levels
- The Ministry of Agriculture and Cooperatives present at district level but farmers were not taking advantage
- People at grass-root level not able feeling the successes from the agro- processing sector
- Value addition still a big challenge
- Foreign products still considered more superior than local ones

4.3.3 THE TEXTILE SECTOR

4.3.3.1 Impact of liberalisation on the textile sector

The presenter indicated that the textile sector was very critical to the Zambian economy not only in terms of its capacity to contribute to the country's export earning, but also in terms of employment creation that the government desired to achieve in order to reduce poverty. Mr. Chilinya said that the textile sector had had an outstanding record of export earnings in Zambia. He noted that the textile sector was the largest exporting industry in 1996 among Non-Tradition Export (NTE) sectors, and had been second to Primary Agricultural Commodities in the ensuing years despite the declining trend after 1997. The sector had been among the top two NTE earners since 1994, following expanded investment especially in cotton spinning.

Mr. Chilinya said that up until the onset of trade liberalization, Zambia had a well-established textile and clothing sector. But the sector which boasted of having over 140 companies in the 1980s and empowering over 25,000 Zambians through the provision of jobs saw mass closures of garment factories and scaling down of operations especially of the textile sub-sector with the resultant employment levels dropping to below 2,500. He said that the Zambian textile sector comprised of highly mechanized parastatal and private companies in all the spheres of textile operations that were captured by the study sample, which included cotton growing, spinning, weaving, knitting and garment manufacture.

He noted that the country previously had a very good market for the whole range of products that the sector produced and that currently the textile sector was faced with serious challenges, which have led to a decline in productivity forcing a number of industries to close down. This gloomy situation had largely been attributed to trade liberalization that removed restrictions both internally and externally and thus brought about competition, which many local industries seemed to have not been ready for due to the inefficient manner in which they were run as they enjoyed protectionist policies from government.

The presenter also noted that the textile sector in Zambia required a number of raw materials amongst which cotton was major and that cotton growing in Zambia had been

successful, especially in the recent past. He further said that commercial cotton growing was previously dominated by LINTCO (a former parastatal) and that after the privatization of LINTCO, many other commercial farmers switched their focus to other alternative crops like maize because cotton growing had become unprofitable. Mr. Chilinya indicated that recently cotton production was highly dominated by out-grower schemes, a principle that involved the mobilization of local farmers who were supplied with some basic inputs as one incentive to keep them in business. He said that Zambia produced a wide range of products, which included cotton lint, cotton yarn, poly/cotton yarn, acrylic yarn, cotton fabrics and cotton yarn fabrics.

The presenter said that economic liberalisation resulted in the drastic reduction of purchasing power of the population and impacted negatively on the demand for local products. This became worse when the market eventually became flooded with goods from countries with stronger economies. In the case of the textile sector this meant that people could not afford to buy new clothes, a situation that led to the influx of imported fabrics, which in turn impeded local industrial production. For instance, *salaula* and other Chinese fabrics have greatly undermined the *Zambian* textile sector and the situation has forced a number of industries that have survived closure to reduce their productivity. This has resulted in low capacity utilization of the existing textile infrastructure leading to a substantial number of job losses.

Mr. Chilinya indicated that after the privatization of LINTCO, local raw cotton was quoted based on Liverpool price index causing local industries to bear extra costs, which included the cotton price, shipping freight and insurance. He said that this unfair trade practice tended to push up the cost of production, which was in turn translated into high prices of the final products that were expected to compete with similar foreign products from countries whose price of local cotton was either controlled by government or ex-factory.

In the presentation, Mr. Chilinya further noted that there was inadequate political will on the part of government to assist the textile sector.

4.3.3.2 Impact on specific variables

The presenter indicated that the textile sector witnessed a decrease in product range which was caused by competition from foreign products and decline in people's purchasing power resulting from job losses. In terms of productivity, the presenter noted that apart from cotton growing, the sector witnessed a significant decline in productivity owing to dominance of the traditional markets and other foreign markets by the Asian tigers as a result of the removal of all quotas as per World Trade Organization (WTO) agreements in 2004, inability to recapitalize and high levels of indebtedness. He further indicated that there was decline in other variables such as turnover, profits, employment levels, investment and capital formation and human resource development.

The presenter however noted that some Multinational Companies took advantage of the situation and benefited from these challenges. He said that within the textile sector which

faced adverse challenges, some companies such as Dunavant monopolized the supply of cotton by forming what appeared to be a cartel that even regulated the prices. Mr. Chilinya said that due to the shrinkage in Zambia's domestic market, which resulted from competition put up by *Salaula* (second-hand clothes) and other Chinese and Indian products, Zambia was forced to start looking at other foreign markets such as Tanzania, Malawi, Mozambique and South Africa. In order to penetrate and sustain these markets, the country had to improve the quality of our products by comparing them to imported products, which included *Salaula*.

4.3.3.3 Plenary

One participant indicated that he stopped growing cotton when he realised that out-grower companies were paying him very little money for his high quality seed cotton. Mr. Mutenge noted that cotton companies offered very little prices for high quality seed cotton, which in turn made very high profits, while deepening the poverty levels on the part of the farmer.

"I used to grow a lot of cotton but I realised that I was not making enough money from it. I worked a lot in the field, just for the company which was buying the cotton from me to become rich. More to it, was when I realised that a shirt which was made from my cotton was weighing a few grams, not even a kilogram was costing about K120 000, while the whole bale of my cotton, which weighed more than 100 kilograms was giving me less than K100 000. "Mr. Mutenge- farmer from Chibombo

4.4 Cotton sector marketing scenario

Mr. Zindikilani Jimmy Daka advised farmers who were under out-grower schemes to be organised. He noted that out-grower companies took advantage of the disorganisation of farmers to manipulate the whole out-grower system to their own advantage. For instance, that Multinational Corporations (MNC) took advantage of the farmers on the part of timing, by not announcing guaranteed prices for cotton before the planting period. He said that farmers were left with no choice but to sell their cotton at the low prices.

Key Challenges in the cotton and textile industry

- The textile sector was critical to Zambia's economy, as forex earner
- The sector was adversely impacted by liberalisation
- The Zambian market was and still is exposed to cheap goods, mainly those from countries like China, Asia and second hand (*Salaula*) products from Europe
- The employees of the textile companies lost jobs and incomes and their purchasing power declined
- Some big Multi- National Companies took advantage of liberalisation to exploit farmers who produced seed cotton for export
- Lost potential of the sector to contribute to poverty reduction and development

4.5 Co-operatives and access to inputs – by Leslie Nyirenda from DACO

The presentation was made by Ms. Nyirenda from the Ministry of Agriculture and Cooperatives (MACO). Ms. Nyirenda indicated that the office of the District Agricultural Coordinator (DACO) was encouraging small-scale farmers to form groups or join cooperatives in their districts. She indicated that small-scale farmers were not coming forth to take advantage of the programmes of the office of the DACO. She indicated the ministry was encouraging the formation of farmer groups because it was easy for the ministry to operate.

4.6 Market challenges and opportunities

The general observation made by the participants was that, Chibombo district had a wide range of products, which if well marketed would result in sustainable incomes for producers and traders, and eventually contribute to poverty reduction. The participants indicated that some of the products were:

- Maize (both green and dry)
- Watermelons
- Fresh and dried vegetables (including tomatoes, onions, cabbage, rape,)
- Tubers such as sweet potatoes
- Livestock like cattle and goats
- Dairy products - milk

4.6.1 Market challenges

The participants noted the following as the major market challenges in the district:

- Poor road infrastructure
- Inadequate number of Food Reserve Agency (FRA) satellite depots during agricultural marketing period
- Limited control of farmers on the pricing of agricultural products
- Late supply of inputs (government subsidies)
- Poor technology which could facilitate product value addition
- Inadequate market and marketing information
- Limited access to micro-finance facilities such as loans

4.6.2 Opportunities

- Unexploited local market
- Upgrading of strategic feeder roads and repairing of bridges
- Existing simple technology such as radios to gather market and marketing information
- The coming and spread of mobile phones
- Farmers and producers can get organised by joining existing groups and cooperatives
- Use of affordable energy such as solar panels and windmills

- Companies like PAMALAT (Zambia) are buying milk from farmers
- Those dealing in livestock could take advantage of the existence of ZAMBEEF in the district
- The existing Lusaka – Kabwe road plays an important role

5.0 RECOMMENDATIONS

- Small-Scale Farmers, traders and producers need to get organised by joining existing groups or forming new ones if need be
- The farmers should take advantage of the existing opportunities in the district
- There is need for farmers and traders should add value to their products
- Civil Society Organisations should play a role of gathering and disseminating relevant information
- Government should strengthen the capacity district structures and provide extension services to small scale producers

APPENDIX 1: LIST OF PARTICIPANTS

Names	Sex	Organisation	Phone/ Email
Lumbama Harrison	M	Mulenda Corp Society	0979 873875
Ruth Moongwe	F	Small Scale Irrigation Industry	0979 846779
Esther Kamalata	F	Small Scale Irrigation Industry	0977 942 078
Mwalongo Frank	M	Chibolamushi Cor. Society	0977 257 797
Harris Mukwilimba	M	Lifwambula Corp. Society	0976 936 703
Patricia Chuumbwe	F	Lifwambula Corp. Society	
Chalelwa Brenda	F	Tandanzala Cor. Society	0978 154 622
Ngwenya M.	M	Katete	0979 358 934
Lateness	F	Kanyama	0976 605 989
Fille Nyirenda	F	ZANIS	0977 496 169 fillenyirenda@yahoo.com
Brian Kayaya	M	ZANIS	0968 296 068 kayabrian@zanis.org.zm
Leslie Nyirenda		MACO – DACO Muchenje	0966 461 482 leslienyirenda@yahoo.co.uk
Mumba Kasonkomona	M	Chankumba Agric Camp	0977 701978
Mpiluka Cosmas	M	SAFADA	0955 114 999
Musonda Vester	M	Agri- Cola Corp Society	0977 876 311
Gavio Aaron	M	Munchi Multipurpose Corp.	0977 793 817
Patricia Muchabila	F	SAFADA	0977 451 355
Vincent Mugwagwa	M	Chankumba Corp. Society	0977 696 219
Gideon Halubimba	M	Farmer	0978 547 411
Macloud Ngwenya	M	Katete Corp.	0979 358 934
Martin Lubesha	M	Mungule	0977 530 889
Teddy Makwilimba	M	Lufwambula	0979 688 113
Daka Zindikilani	M	ODCMT	
Angela Mulenga	F	CUTS-ARC	
Chilinya Vladimir	M	CSTNZ	
Arthur Mwansa	M	Zambia Daily Mail	0976 966 254
Jonathan Mwansa	M	Umoyo Wathu	

Boyd Moobwe	M	SAFADA	0966 322 553
Mr. Munenge	M	SAFADA	0966 322 553