Organisation Development and Community Management Trust (ODCMT)

CUTS International

REPORT OF THE PROCEEDINGS OF THE ZAMBIA NATIONAL LAUNCH WORKSHOP ON LINKAGES BETWEEN TRADE, DEVELOPMENT AND POVERTY REDUCTION

Organised Under the Joint Auspices of Consumer Unity & Trust Society-Africa Resource Centre (CUTS-ARC) and Organisation Development and Community Management Trust (ODCMT)

August 30, 2005, Club Lounge, Pamodzi Hotel, Lusaka

Report Prepared by the Organisation Development and Community Management Trust (ODCMT)

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ORGANISERS

Organisation Development and Community Management Trust (ODCMT), Lusaka, is a progressive local non-governmental organisation (NGO) whose vision is to attain sustainable social, economic and environmentally sound human development of under privileged people in Zambia. This goal is pursued through the provision of skills training programmes in social development, advocacy work and networking activities.

Consumer Unity and Trust Society-Africa Resource Centre (CUTS-ARC), Lusaka, is an international development organisation engaged in research and advocacy on international trade, sustainable development and economic equity issues from a Southern and Eastern African perspective.

PARTICIPANTS

The participants who were drawn from various economic sectors comprised of media, civil society representatives, academics, government officials, farmers, business sector representatives, and youth representatives. See Annex 6 of this report for details.

First Session

1.0. WELCOME FORMALITIES

1.1.1. The Programme Officer Ms Bridget Yembe from Organisation Development and Community Management Trust (ODCMT) called the meeting to order at 09:35 a.m. She welcomed the participants and thanked them for coming to participate in the National launch Workshop of the Project on 'Linkages between Trade, Poverty reduction and Development'.

1.1.2. Ms Yembe expressed concern that it was puzzling that although Zambia is richly endowed with abundant resources and hardworking people most of its citizens have continued to wallow in poverty. She said the current web of domestic policies are dictated not only by the Government but by the international economic agenda which presents a real challenge for the poor to improve their lives through among other things trade (See Annex 3 of this report for more details on this presentation)

1.1.3. Ms Yembe informed the participants that the most powerful emerging countries are those whose economic orientation in trade is such that they have penetrated world markets including those of poor countries such as Zambia. Ms Yembe recommended the need for new approaches to the Zambian policies in order to fit in with the World Economic Agenda in order to break away from the receiving end. She warned the country's leadership to be more cautious with the demands of the multilateral institutions. She then invited the **Regional Director** of **Consumer Unity & Trust Society (CUTS), Mr Sajeev Nair-** to present the objectives of the Project and ultimately shape the objectives of the Workshop.

1.1.4. The **CUTS Regional Director** described the Linkages Between Trade, Development & Poverty Project (TDP) as a four-year and 15-country project with the Zambian component being co-launched by CUTS-ARC and ODCMT as an initiative of Consumer Unity & Trust Society for International Trade, Economics and Environment (CUTS-CITEE) being implemented in Africa and Asia.

1.1.5. Mr Nair advised that the project's objectives and those of the participants should be designed in such a way that they achieved the national objectives. He emphasised that trade cannot be discussed in isolation, especially now that Zambia is part of the Diagnostic Trade Integration Study, where trade is being integrated into the Poverty Reduction Strategy so that it could be harnessed to reduce poverty and increase growth through job creation, increased income distribution and competitive pricing.

1.1.6. In his concluding remarks Mr Nair described the project as having a research component that was being handled by CUTS-ARC and an advocacy component providing national dialogue that was being handled by ODCMT. He said the project intended to find out why certain areas of the economy were left out during the previous 10 years of liberalisation and why others gained. He welcomed all the participants and expressed hope for a fruitful discussion. He then called upon the **Chairperson Mr Akashambatwa Mbikusita-Lewanika** of the **Economic Association of Zambia (EAZ)** to take the meeting forward.

1.1.7. **Mr Mbikusita-Lewanika** commenced by paying tribute to the joint organisers and facilitators of the workshop ODCMT and CUTS-ARC. He also acknowledged support from the Government of the Republic of Zambia as well as the financial assistance received from the Netherlands Government and the Department for International Development (DFID) of the United Kingdom.

1.1.8. In outlining the purpose of the workshop, Mr Mbikusita-Lewanika stated that the workshop was an opportunity to share views and concerns, to fine-tune the proposed objectives, strategies and activities, to learn and recommit to finding practical and effective sustainable solutions to secure better lives, for the crying requirements of the neediest of fellow human beings. He also reminded the participants to concede that, despite all appearances, and even notwithstanding realities of factors to the contrary, human beings are tied and destined to either swim together or drown together; to either pull each other up or push each other down.

1.1.9. Mr Mbikusita-Lewanika pointed out the conflicting approaches and narrow self-interest-motivations as impediments in making poverty history. He said that although diversity should be encouraged and welcomed in the name of development, it has to be prevented from becoming counter-productive. He made it clear that although it is neither possible nor necessary to take away self-interest and the private profit motive from trade and investment, advancing universal common interests is the most effective way to promote national interest and private profit goals. He said that now is the time to direct all streams of development efforts, on behalf of the poorer societies and economies of the world, to merge into one big river of a universal exertion, to let different roots and different groupings continue working on different development approaches, and also to let common interest development goals at the forefront of all these efforts.

1.1.10. Mr Mbikusita-Lewanika welcomed efforts by the governments and economies of the G-8 to come up with ways and means of overcoming the deplorable nature and extent of poverty in developing countries, with the emphasis on debt relief for Africa. He said that because of these efforts Africa's hopes have been raised that the future holds prospects for enhancing not only aid assistance, but also improved trade and investments from developed countries to Africa and that the Organisation for Economic Cooperation and Development (OECD) shall fulfill promises to achieve their long-term goal of raising aid levels to the official United Nations figure of 0.7 percent of gross domestic product (GDP). He however expressed concern that history teaches that this will not be accomplished without mounting pressure on a collective basis – both worldwide and continent wide – and therefore urged all not to relent.

1.1.11. Mr Mbikusita-Lewanika urged all to continue on the path of transformation towards fuller democracy and freer societies, both in terms of constitutional reforms and political behavioural improvements, including good governance in order to reap greater benefits arising from having reached the completion point of the Highly Indebted Poor Countries (HIPC) programme. He said all must be ever mindful and aware of the necessary and inseparable linkage between economic policy measures, private investment decisions, and human development concerns.

1.1.12. In stressing the way forward, Mr Mbikusita-Lewanika called for a critical review and radical revision of national and global economic policy and governance experience in the immediate past, including agreement with some of the criticism of the policy measures of privatisation, liberalisation, and fiscal austerity of the previous two decades. For example, he said, one cannot just ignore that there might have been much more dogmatism than pragmatism and human concerns, in the application of some of these policies. In this regard, he drew attention to Nobel Prize winner, Stiglitz, who noted, "many of these policies became ends in themselves, rather than means to more equitable and sustainable growth. In doing so, these policies were pushed too far, too fast, and to the exclusion of other policies that were needed" . (See Annex 4 of this report for more details of this presentation)

1.1.13. In his concluding remarks, Mr. Mbikusita-Lewanika reminded all of the economist's intervention that all have to be mindful that in the long run, we are all dead. Unfortunately, for far too many of the citizens of Africa are dying, even in the short-run. Under these circumstances, it should be expected that many of the intended would-be beneficiaries might not appreciate these efforts unless some dramatic and immediate remedies begin to impact in their lives, now, and not tomorrow. He pointed out efforts by the Zambian Government that are designed to ensure optimisation and balancing of benefits and empowerment arising out of graduating in the HIPC Initiative, which include improving the business environment in terms of macro-economic stability, investor friendly investment codes, supportive institutions and reduction of the cost of doing business, and institutionalising dialogue between the Government and the business sector. Mr Mbikusita-Lewanika expressed happiness that the **Permanent Secretary** of the **Ministry of Commerce Trade and Industry, Mr Davidson Chilipamushi** was present, being the right person when considering issues of national development, ranging from trade policy negotiations in the WTO to being the core Ministry for would-be investors. He thereafter called upon the **Permanent Secretary** to present his official opening address.

1.1.14. Beginning his presentation the Permanent Secretary expressed happiness that Zambia was one of the countries chosen for the four year project being implemented in the selected fifteen countries of Africa, Asia and Europe in a partnership mode. He said it was the workshop's objective to:

1. Facilitate cross-fertilisation of experiences and lessons learnt on linkages between trade, development and poverty reduction in the developing countries to develop appropriate policy responses;
2. Help strengthen the ability of developing countries through the provision of policy support and other know-how and do-how on trade and development issues, and to defend their viewpoints and negotiating and advocacy positions on issues of concern, prevailing and emerging in the international trading system and their relationship with development and poverty reduction;
3. Facilitate synergy between governments and civil society organisations (between and among the Northern and Southern stakeholders) to learn from each other and strengthen their collective perspectives and positions in the emerging debate on the linkages between trade, development and poverty reduction; and
4. Advocate development-oriented trade policies, based on learning from research and other activities, by taking into account the interests and priorities (needs and aspirations) of the poor and marginalised sections of the society and to look into the aspects of policy coherence.

1.1.15. The Permanent Secretary expressed delight at the activities of civil society that are aimed at supplementing Government efforts in the development process. He described the country's movement from policies ranging from the far left (socialist type: nationalisation, price controls of the pre-nineties) to the far right (embracing everything that had market orientation of demand and supply of goods and services, liberalisation) and that now the country was trying to move somewhat in the middle so that poverty levels could come down from 80 percent to somewhere around 50-60 percent and a project such as the TDP could be useful in this.

1.1.16. The Permanent Secretary said that the Government had tried to accommodate the private sector by macroeconomic policy orientation, but the open policy orientation has resulted in non-response from the private sector and a movement from a favourable trade balance to an unfavourable one. Mr Chilipamushi expressed exasperation at the fact that though there were yawning market opportunities opened within Common Market for Eastern and Southern Africa (COMESA), including that of Congo DR, Rwanda, and Burundi, but instead of the Zambian private sector responding accordingly, it was the South Africans who were taking advantage of the COMESA markets.

1.1.17. Furthermore, the Permanent Secretary said that as COMESA and Southern African Development Community (SADC) moves towards a Customs Union in each group logic does not require that Zambia continue to belong to two customs unions. He said Zambia would choose where to belong when the time comes. He pointed out that while the SADC infrastructure is good for traders, manufacturers where better off in COMESA. He said that the Government had put in place several institutions and regulations to support the private sector, but there where still some challenges that were making the private sector incapable of responding. He outlined these to include:

- Administrative barriers – These range from registration of companies, migration procedures and land acquisition to local councils requiring too many licences. He said this issue was being addressed through the private sector development reforms.
- Cost of doing business – He said that Zambia had high cost implications for doing business due to infrastructure challenges, such as electricity tariffs, telecommunications tariffs, high interest rates etc.
- Incentive structure – Mr Chilipamushi said that there was need to work on priorities in sector specific areas, such as agriculture, mining etc, and that these were being tackled in the private sector reforms.
- Macroeconomic stability – He said that the gGvernment was trying to stabilise macroeconomic forces by stabilising exchange rates, where certain quotas of society felt this to be a negative trend, but the Government felt this to be a positive one.

1.1.18. In his concluding remarks, the Permanent Secretary said that the Diagnostic Trade Integration Study (DTIS), which is being funded, by the World Bank and other organisations is another area envisaged by the Government to reduce poverty. Zambia being the chair of Least Developed Countries (LDCs) is leading other LDCs into the World Trade Organisation (WTO) where they are pushing for Special and Differential Treatment (SDT) knowing that they are not equal to their counterparts in the WTO. He, therefore, encouraged all to have an input in the deliberations of the workshop so that trade at local, regional and multilateral levels could be an effective agent for poverty reduction.

1.1.19. **Participant Responses to the Permanent Secretary's Presentation.**

1. Mr Muleya Haachinda – a representative from the National Association for Peasants and Small Scale Farmers of Zambia expressed concern over the country's continued external reliance especially on the Bretton Wood Institutions, which continue to dictate the agenda of the country. He said that privatisation and investment policy making was one area in which there was pervasive outside influence. Mr Haachinda also wondered whether the appreciation of the *Kwacha* translated into any real gains for the economy.

2. Mr Yusuf Dodia –a representative from the Private Sector Development Association pointed out that there were two sets of rules in the multilateral institutions, one for developing nations and the other for developed countries. He said what was needed was a strategy in the WTO which should be a home developed exercise. He wondered as to how long the country was to keep jumping to the dictates of the multilateral partners, even though Zambians know what it takes to develop their country.
3. Professor Venkatesh Seshamani from the University of Zambia said that it was not easy to appreciate the TDP discussion without a good grasp of the broader issues that underlie the issue of poverty. He said that it was impossible to talk of trade in isolation, aid in isolation, debt in isolation, Millennium Development Goals (MDGs) etc, without figuring out how all these issues fit into the overall picture so as to determine the position of poverty in the overall debate.

1.1.20. **The Permanent Secretary's Response**

i. Dependency Syndrome: The PS started by giving an analogy of running a house full of dependants who should abide by the rules of the house. He said that it is not easy to dismiss external influence when donors were funding 50 percent of the budget. Much of the country's budget was about paying salaries than about investments and projects, and the case in point being the Ministry of Defence Budget, which has nothing to do with infrastructure investment. He encouraged that more hard work is required so that the growth of four or five percent for the Zambian economy could be translated into real poverty and dependency reduction.

ii. In the WTO one abides by the rules and when one asks about who runs the rules, it is not the LDCs. Already the LDCs are crying out for the reduction of subsidies paid to national farmers to grow nothing. This is a classic example where national interest overrides multilateral concerns. While Zambia has positions on multilateral issues in the G20, G33, G77 and other G-somethings, what matters at the end of the day is the national position. It is in the green room where one meets with other interested parties such as the US where one ends up agreeing with their positions because no matter what you do you still end up small while they are the bigger players. The country is better off negotiating in informal discussions to sway opinions than to do it in formal discussions.

1.1.21. **Additional Participant Responses to the Permanent Secretary's Presentation.**

i) Mr Akashambatwa Mbikusita-Lewanika from the National Economic Association of Zambia wondered why Zambians could not be like Indians who drove country-made ridiculous-looking cars until they could be able to make cars that were different. He also wondered as to who is independent when the country is declared independent. He urged the nation to be realistic. Demonstrating the unequal nature of trade negotiations, he said that developed nations already have experts in different fields permanently stationed in Geneva at WTO, and they are able to sway opinions in informal discussions while it is a struggle for Zambia even to keep a lean staff of three permanently stationed at WTO.

ii) Ms Sara Longwe, an Activist on Feminism, stated that if poverty reduction is going to be realised it is important that the majority of the poor being women be taken into consideration so that they are empowered with trade support not just scanty and unsustainable local trade but international cross-border trade. The syndrome of the man as a breadwinner has fallen by the wayside and it is now women who are taking care of entire families.

iii) Mr Yusuf Dodia said that nobody is benevolent in this world. Only Zambians will be able to develop Zambia. Relations at the WTO shows that each country puts its own agenda forward and no country will do it on behalf of another. He gave an example of the Kamwala Shopping centre where most of the shops were foreign owned. Now the situation is 50-50 and the Zambian people have resolved that their backs are not completely against the wall and they are able to put their own agenda on the table and their foot down to negotiate for what they want. All they are asking the international community is that they cancel the external debt and the Zambians themselves will do the rest.

iv) Mr Seleste Mwanakisi from the Cross-Border Traders Association concurred with Ms Sara Longwe and emphasised the empowering of cross-border women traders who were being inundated and swallowed by bigger traders, such as the Chinese. He expressed concern with the high cost of doing business, the cumbersome immigration and customs procedures and the unfair competition with the big players of Chinese and Indian origin. Mr Mwanakisi gave an analogy of a fisherman who catches a small fish, which begs him to throw it away so that he could enjoy eating it when it had grown bigger. He said Zambian cross border traders where the small fish that should be made to grow bigger.

v) Ms Mirriam Mulomo, a representative from the Cross Border Traders Association, and Public Health HIV/AIDS Activist said that the majority of cross border traders are women who want to grow from small scale to large scale traders, and who risk a lot to provide for their families.

vi) The Chairperson interjected by saying that he was hoping that the private sector would demand specific things from the government representative; the Permanent Secretary of the Ministry of Commerce, Trade and Industry.

1.1.22. **Further Responses from the Permanent Secretary**

i) Whether it be foreign or local investment, government policy is such that there is no segregation as to which areas one can or cannot invest in. An example is that of two restaurants at Kamwala existing side by side, and of Zambian and Chinese ownership. Both are offering the same products, inclusive of *nshima*. . It would be expected that the Zambian should be able to sell more than the Chinese, *nshima* being an indigenous Zambian dish. But the final authority belongs to the consumer who considers the product quality, aesthetic environment, pricing etc. The point is that there should be no government negative list. Let the consumer choose and the trader improve.

ii) We need to come up with a Citizen's Empowerment Act. This is being done not as a negative list but as something to empower local Zambians with, not just in decision making but also as suppliers, just like what is happening in the Mines where any foreign supplier would have to team up with a Zambian partner.

iii) From Independence we have had many small-scale focussed policies, but the targets have not grown large scale. They do not need loans to grow. They are better off getting grants. The intervention should include government budget support to Small-Scale and Medium Enterprises (SSE).

iv) Dependency Syndrome: Even when a Small Scale Entrepreneur makes a small profit, one has to support several dependants such that for one working person there are 12 others who need his or her help, and the nature of women is such even when one loses a job they stay to support the family. These need direct support and empowerment. Micro-financing is not the solution.

v) Cross-border situation: The Government is in the process of simplifying some protocols on free movement of natural persons and goods across borders without encumbrances as hallmarks of our lives. This is being done under COMESA. The Government also wants to make certain border areas such as Kasumbalesa, Chipata, and Chirundu as commercial zones. But the Government is aware that most of the trade is carried out on an informal basis, though when the areas are commercialised then traders could work on improving their products in terms of quality and packaging and certain needs such as banks and warehousing could be provided.

vi) It is impossible to stop cross-border trading, but it could be encouraged. The old idea of the federation of Nyasaland and Rhodesia could be revived and made stronger just like the East Africans are doing in the East African Community (EAC). It is not easy to realise the country's potential single-handedly.

vii) The growth of the GDP is a collective contribution. The Government's responsibility is to make this possible and realisable so that the country does not only remain at potential.

1.1.23. The Chairperson interjected by observing that the country cannot stand by itself without depending on foreign assistance. Globalisation is real and it has come to stay. Everything is integrated. Even the European Union (EU) negotiations on Economic Partnership Agreements (EPAs) demand that Africa forms negotiating groups to get the best opportunities available that are advantageous as mechanisms for participating in trade formally.

1.1.24. **Further Participant Contributions**

i. Nomsa Wawe, a representative from National Youth Constitution Assembly, wanted to know if the Ministry had any deliberate policies targeted at the Youth, such as in the area of employment.
ii. Mr Muleya Haachinda pointed out that any foreign investor without a certain level of capital should not be made welcome especially those who simply want to compete in the *nshima* cooking business. This would go a long way to avoiding the growing cultural erosion.

1.1.25. **Further Responses from the Permanent Secretary**

i. There are no programmes for young people in MCTI, unfortunately. The Ministry of Youth, Sport and Child Development as well as institutions such as TEVETA handle young people.
ii. Current Laws show that a minimum capital of US$50,000 is required for anyone purporting to be a foreign investor. But it is not possible for a serious Japanese investor to travel all the way only to set up a restaurant business in Lusaka. The foreign individuals in the restaurant business are usually former employees who have satisfied immigration procedures and have earned something to set up their own businesses in town.
iii. It is important that Zambians educate themselves in improving their product quality, including pricing and cleanliness and couple that with courtesy or etiquette, which is simply a mental adjustment. The market is consumer oriented and it is the consumer who is the master of the game.

iv. The Government has approved the Consumer Protection Act, which will be housed by the Zambia Competition Commission so that the consumer is not subject to substandard goods and services and to generally bring sanity to the trading arena.

SECOND SESSION

The Chairperson Mr Yusuf Dodia, from the private Sector development Association, welcomed all the participants and called the meeting to order shortly after 12:25 hrs. He thereafter called upon Professor Venkatesh Seshamani to present his paper, which is the Research Component of the TDP Project.

2.0 Linkages between Trade, Development and Poverty Reduction in Zambia: An Overview of Issues *By Professor Venkatesh Seshamani, University of Zambia*

In a quick run down of his presentation, (See Annex 5 to this report for details) Professor Seshamani said that this was the third time he was presenting on the subject in the last six months. He said he had presented on the same topic although with varying terminology, i.e.:

- Poverty, Trade and Development – Some Practical Aspects;
- Trade, Development and Poverty – An Overview of the Issues; and
- Trade, Development and Poverty – A Millenium Perspective.

The Professor said that his paper was now prepared from an academic viewpoint. He said a number of things have happened in the last 10 years that require that we do not lose sight of the fundamental objective, which should be poverty alleviation. However, there have been some arguments that we should concentrate on wealth creation. He stated that poverty reduction is not a negative concept but the most fundamental positive objective to restore human dignity. He quoted the 18th century British poet Oliver Goldsmith who in his celebrated poem – "The Deserted Village" lamented the terrible adverse impact of the industrial revolution on English villages where two of the famous lines in his poem read as follows:

"Ill fares the land to hastening ills a prey,
Where wealth accumulates and men decay".

He said this means that wealth can be created and accumulated, but it need not contribute to human development.

He said that his paper presents up to 10 debates so that all are aware of the debates going round on the issue of poverty to get a more rounded view.

Because Professor Seshamani was not feeling well, he asked **Mr Dale Mudenda** of the **University of Zambia** to read the paper on his behalf.

This paper:

2.1.1. Commenced by outlining the potential of trade to reduce poverty in Zambia and explaining the extent to which linkages between trade and poverty reduction already exist and bear fruit so that they could thus be strengthened.

2.1.2. Highlighted the plethora of terms used to discuss the development already taking place in Zambia, being: National Development Plan (NDP), Poverty Reduction Strategy Paper (PRSP), Millennium Development Goals (MDGs), debt, and Highly Indebted Poor Countries (HIPC) Completion Point, Structural Adjustment Programme (SAP) and liberalisation, trade and World Trade Organisation (WTO), aid and donor Harmonisation in Practice (HIP), Southern African Development Community (SADC), Common Market for Eastern and Southern Africa (COMESA) and New Economic Partnership for Africa (NEPAD).

2.1.3. Cautioned against the isolated nature of certain workshops around these issues. Professor Seshamani stating that these themes need a holistic and integrated view because in economic principles "everything depends on everything else" . It pointed out that it is difficult to discuss the impact of trade on poverty reduction bypassing the intermediate chains of economic growth and distribution or without consideration of trade's multi-collinear relationship with investment, debt and aid.

2.1.4. Highlighted the historical evolution of the conceptual paramountcy of poverty reduction for Zambia starting with the World Summit on Social Development at Copenhagen in 1995, where the country endorsed the ten commitments that included, among others: the eradication of poverty; the promotion of full employment; social integration; human rights and gender equality; ensuring quality education for all; and access of all to primary health care. It was noted that the country adopted Sustainable Human Development (SHD) as the overarching goal.

2.1.5. Demonstrated the sequence of activities after the Sustainable Human Development as follows:

1. A Presidential declaration to bring down the incidence of poverty from 70 percent in 1996 to 50 percent or lower in 2004 and subsequent tasking of the Ministry of Community Development with the formulation of a Poverty Eradication Action Plan and Strategy;
2. The Preparation of the National Poverty Reduction Strategic Framework (NPRSF) in May 1998 and endorsement by the Government. The NPRSF was translated into the National Poverty Reduction Action Plan (NPRAP) that, after consultations and refinements, was readied in January 2000 for approval by the Cabinet;
3. The replacement by the IMF of its Enhanced Structural Adjustment Facility (ESAF) by the Poverty Reduction and Growth Facility (PRGF) and the requirement for every country to prepare a Poverty Reduction Strategy Paper (PRSP), in order to access the new concessional borrowing facilities, including debt relief; and
4. Paradoxically, although the NPRAP was already there, the process of preparing the PRSP was started afresh under the guidance and supervision of the Ministry of Finance. A three-year PRSP for the period 2002-2004 was prepared and its implementation came to an end in December 2004. The period of the PRSP was extended for a year until end-2005.

2.1.6. Observed that in the mean time, Zambia had attended, in September 2000, the UN Millennium Summit and endorsed the Millennium Development Goals, a set of eight goals with several specific targets and indicators that were to be achieved by 2015, the foremost being to reduce extreme poverty and hunger by 50 percent.

2.1.7. Informed the workshop participants that Progress on the MDGs is being monitored and Zambia has a Progress Report for 2003 and a draft Progress Report for 2005 is currently being finalised. The reports show that Zambia, on the whole, is on a steady path of progress towards the MDGs, although it may not be enough to enable her to reach all the goals by 2015.

2.1.8. Disclosed that the recent announcement by the Government to do away with the PRSPs and to subsume poverty reduction programmes in the broader National Development Plans has become a cause for concern for those committed to poverty reduction in Zambia. It was also revealed that in a recent Concept Paper (2005) prepared by the Government, aimed at creating a single and overall framework which encompasses short, medium and long term strategic planning three documents would be prepared: a long term Vision 2030, a six-year National Development Plan beginning 2006 and District Development Strategies, where the Government assures that strong emphasis will be placed on ensuring that the focus on poverty reduction and economic growth is dominantly present in all three documents.

2.1.9. Stressed that notwithstanding the above assurance, with the withdrawal of the PRSP as the core development document, civil society groups are skeptical that poverty reduction will retain its highest priority in the developmental scheme of things. It quoted the Vote of thanks by Saul Banda Jr at the Jubilee Zambia National Conference who said, "Our main fear is that Zambia is slowly but surely falling into the trap of overlooking the poverty crisis by hiding behind 'economic growth is the answer'. Therefore we need good, clear, concrete policies on how we can appropriately marry economic growth desires, poverty reduction ambitions and good governance goals to develop Zambia – none of these is the only solution"!

2.1.10. Informed the workshop participants of some among other important issues in contemporary debate such as:

- *Wealth Creation versus Poverty Reduction*
  Advocating for wealth creation rather than poverty reduction as the main goal to work for runs the risk of misplaced emphasis, because in the first place poverty reduction and the improvement in the human condition is the ultimate objective, not wealth creation. Secondly, wealth creation, like economic growth, is a necessary but not a sufficient condition for human development. Thirdly, those who are poor have not chosen to be poor or to voluntarily remain in a state of poverty. To say that the poor should desire to create wealth tends to shift the onus for poverty reduction from the Government to individuals who may not have the capability to do so on their own. A person who has not had a proper meal in days cannot have the capability to desire anything other than the next meal.

- *Growth versus Direct Iinterventionist Approach.*
  The suggestion that if you generate adequate growth in the economy, poverty reduction will be taken care of is a proved fallacy literature, especially by the UNDP's 1996 Human Development Report which shows that even if growth is generated, it may not contribute to development if it happens to be: <u>jobless</u> (cannot ensure sustainable livelihoods for the poor); <u>ruthless</u> (accentuates

inequality in distribution); rootless (destroys indigenous cultures); futureless (undermines the country's environmental base for future growth and development); or voiceless (lacks participation, empowerment and democracy).

2.1.11. Informed the workshop participants of the potential linkages between trade and poverty reduction in Zambia as analysed through the draft Diagnostic Trade Integration Study (DTIS) (2005) for Zambia, which looks at the impact of trade on households both as consumers and producers or income earners. It was observed that as income earners, households are affected when trade changes wages and agricultural income and that as consumers, households are affected when trade changes the prices of goods consumed by the family.

2.1.12. Observed that according to the study, in rural areas, there are two main channels through which new trade opportunities can affect household income: (a) households can switch from subsistence farming to cash crop farming, (b) household members may earn a wage in other farms. The study concluded that cash crops like tobacco seems to be an important vehicle for poverty alleviation. Other activities mentioned as good prospects for non-traditional exports were identified as hybrid maize, vegetables and groundnuts.

2.1.13. Informed participants that in urban areas, key vehicles for poverty alleviation through trade involve employment opportunities and higher wages through utilisation of well diversified exports in the areas of light manufacturing, such as textiles (cotton yarn, loom state fabric, acrylic yarn, andtowelling), processed foods (sugar, molasses, honey, and bees wax) and engineering products (copper rods, cables, wire, billets, and brass ingots). It was pointed out that the light-manufacturing sector is the key to poverty reduction, because it is low and unskilled labour intensive and that households benefit from the wage incomes, which are generally higher and less variable than incomes coming from their next best alternative such as farming their own plots

2.1.14. Expressed frustration that although Zambia has made tremendous efforts by integrating into the global market, by removing trade barriers and participating in a number of trade arrangements, its integration into the global market is restricted by what other governments do. The following were noted:

- A system of escalating duties and tariffs, which discourages value addition and confines the country to the export of unprocessed raw materials;
- Heavy subsidisation by developed countries of their agricultural products again has a potential negative impact on diversification; and
- Non-tariff barriers to trade with the EU and the US such as anti- competitive Sanitary and Phyto-sanitary measures (SPS) in the EU, stringent market standards, restrictive rules of origin, lack of information flow, etc.

2.1.15. Concluded by calling for the paramountcy of poverty reduction and human development at the national level as the overarching fundamental objective rather than the lesser instrumental objectives such as wealth creation and economic growth. It was stressed that efforts should be made to enhance trade as well as to attract additional inflows of aid as complements rather than substitutes.

2.1.16. Recommended a significant enhancement of investments, both domestic and foreign through trade liberalisation and addressing of the numerous non-tariff and technical barriers to trade.

3.0 Discussant Response

3.1 First Discussant: Eugene Chandi – Zambia Chamber of Commerce and Industry (ZACCI)

3.1.1 **Mr Chandi** started by saying that Wealth Creation vs Poverty Reduction was the same discussion that ZACCI sponsored earlier with some arguing that poverty reduction has negative connotations. He said it is true that a hungry person thinks of nothing more than where his next meal is coming from. The country is emerging from a socialist economy where wealth creation was considered a crime. Some people took the idea of wealth creation as an end in itself, and now they spend most of their time in court.

3.1.2 Mr Chandi also noted the following:

- The truthfulness of the progress report on MDGs showing that reduction of poverty was unlikely in 2003 and that it is now only potential was echoed by Chancellor Gordon Brown's statement while on a tour of South Africa where he said that there was not a chance that Africa would be able to halve poverty by 2015, but probably by 2135; over 130 years after the targeted date;
- That growth alone cannot reduce poverty just as the modest growth of three to four percent over the recent past has not resulted in any poverty reduction. It is rather the quality of that growth. Most of the growth is as a result of mining activities and not in agriculture where the masses are employed;

    - Debt cancellation has the problem of freeing too little resources where there are too many people fighting for a small cake;
    - While foreign investment is desired, there is need to improve its quality. Keeping away would be investors however should not be based on where they come from but as long as they agree to live by the rules;
    - Investments are slowly trickling in and the Government has reduced on borrowing such that the banks are falling over themselves to extend some credit to individuals-just like in the UK. This may be due to the discipline that the country has managed in the macroeconomic environment such as the stabilisation of the exchange rate;
    - Professor Jeffrey Sacks warned that many African countries liberalised too fast and too deep, with the idea that they would reap in the long term. But there have been no gains at all, and in the area of trade there have been more imports than exports;
    - More infrastructure, skill, and finance are needed. It was imagined that what was needed in the past was capital investment which would be brought in as soon as the country liberalised. On the contrary, when the economy opened up, it s was not increased machinery that came into the country, but merchandise such as apples;
    - The export mix is still dominated by copper and cobalt. Only the year 2004 saw an increase in non-traditional exports such as tobacco and cotton.
    - On the heritage foundation scale, Zambia is at four out of five-five meaning the higher the number the poorer you are; and
    - The DTIS study links trade and poverty in both rural and urban areas and recommends a switch to cash crops. The biggest problem is not what to grow,

but the availability of inputs and the poor infrastructure. It is estimated that as much as 30 percent of produce is destroyed due to inadequate storage facilities.

3.2 Participant Responses to the Presentation.

1. Ms Annie Zulu Chime, a representative from the AGOA Linkages programme in COMESA, wondered whether the country would be ready to export any product if the SPS measures were removed. She said that the country still faces the problem of promoting trade without backing it up with quantities. Traders also face the problem of lead times, which affect their competitiveness.
2. Mr Kumar, a private businessman and proprietor of Living Word Graphics, expressed concern over the quality of domestic investment and wondered where the country went wrong. He noted that the type of manufacturing industries that were flourishing were those whose long term consequences tend to affect the mind negatively in the long term, such as the opaque beer and questionable soft drinks instead of nutritious products such as milk. He pointed out the recommendation by the DTIS study that tobacco should be grown, as another example of products with negative long-term consequences.
3. Mr Muleya Haachinda advised that simply growing cotton was not enough – value addition is also required. This so especially that cotton has four processes such as production, ginning, weaving, and textiles. He said although volumes have increased, the Government has not concentrated on value addition that increases incomes and employment creation.
4. Mr Yusuf Dodia, the Chairperson, mentioned that while the presenter was not going to provide answers to all the questions, the participant's concerns where useful in providing an input into the study.

3.3 Discussant's Response

- Quality of domestic response: While these issues have already been identified and were a subject for discussion in the Private Sector Business forum in Livingstone, the most problematic issue is implementation. It is true that some of the industries that the country has managed to come up with are undesirable. However, it is more an issue of demand and supply and there are benefits in that there are always more undesirable substitutes to formally and legally produced brew.
- Cotton ginning and weaving is important, but the country has no comparative advantage for cotton processing, just like the EU was unprepared for the Chinese bundles of textiles they received after the multi-fibre agreement was lifted.

4 The Role of the Private Sector in Trade and Development *by Yusuf Dodia, Chairperson, Private Sector Development Association (PSDA)*

4.1.1. Mr Dodia commenced his presentation by comparing the private sector to a machine, which needs to be directed in order for it to function on the right job. He said the fundamental goal of the private sector is to make profits and like all engines it requires to be monitored by the Government, employees and the public.

He said if the private sector is understood as an engine then it could be used as a tool for trade.

4.1.2. Mr Dodia pointed out that although the Government was the largest buyer, it buys from the private sector. Therefore, the Government engages the private sector in such a way that it reduces human suffering.

4.1.3. Giving a brief historical evolution of the private sector Mr Dodia said that trading used to be a preserve of a small population, most of it migrant. But 15 years later, it is the local people who have taken the lead, and they have learnt how to manage businesses, understanding the difference between turnover and profit, sometimes the hard way.

4.1.4. Mr Dodia observed that trading is the starting point in the supply of goods and services as well as the growth of the manufacturing industry. He stated that even manufacturing could be directed in such a way that it touched people's lives to provide employment by attracting the right consumer as well as passing on skills for local employment. He gave an example the production of *maheu*, which previously was a home brew, quietly consumed but is now being exported to as far as Botswana.

4.1.5. He drew participants' attention to the timber dilemma and the Government's imposition of 25 percent levy in the budget speech so that it could be used to make furniture. The situation is that now the product is being smuggled so that only five percent is locally consumed. This happens when the private sector is removed from decision-making and so it was only after 30 days and the levy on timber exports was removed.

4.1.6. Mr Dodia noted that there are institutions aimed specifically for the private sector, such the Development Bank of Zambia, Indo-Zambia Bank, the Bank of China etc. He said the mechanics were already in place but were bogged down with implementation problems, and such was the issue with the Zambia Export Processing Zones Authority (ZEPZA), which has failed to take off and Mozambique would soon overtake Zambia's idea.

4.1.7. Mr Dodia gave examples of opportunities that have over the recent past translated into jobs and incomes such as:

- Tourism-game management, which has been leased out;
- Handmade products such as chitenge products, which used to be imported from Zimbabwe;
- Diary and beer industry – where the private sector seizes an opportunity when they recognise one;
- Small-scale mining – instead of just concentrating on helping the large mines, there are far greater gains in the emerald and semi-precious minerals area such that many dealers have become secretive; and
- Cooking oil – both the bulk and the small importer are charged the same levy. If the Government charged a levy of five percent on bulk importation and 25-30 percent on processed cooking oil, then the bulk importer would employ more people to do the packaging for him.

4.1.8. In concluding his intervention, Mr Dodia said the question from the Government to the private sector is usually what does the Government need to do in order to facilitate the private sector's trade? If border areas are developed and sufficiently equipped, they have potential to grow.

5. Linkages between Trade, Development and Poverty Reduction *by Zindikilani J Daka, Organisation Development and Community Management Trust (ODCMT)*

This Paper:

5.1.1. Commenced with a pre-recorded voice over the public address system of a farmer who has been growing cotton for ten years and was complaining about the low prices he gets from his cotton in an outgrower scheme. He felt that the contracting company was exploiting him and his farm workers, because unlike his North American counterparts who use combine harvesters his farm was labour intensive.

5.1.2. Regrettably noted that although agriculture is central to food security, central to rural development and livelihood needs in African countries, the ongoing trade negotiations are threatening to force open their markets to agricultural exports from the developed countries, while the latter continue to protect theirs by maintaining unfair subsidies and dumping artificially cheapened products, displacing and disrupting livelihoods.

5.1.3. Drew attention to the cotton sector reforms in the mid-1990s when the very high international prices for cotton lint allowed ginners to pay attractive prices to farmers. This made cotton growing a highly profitable enterprise for both ginning companies and small farmers. However, the decline in prices from 1995 undermined this profitability as prices of seed cotton in Zambia fell from $0.56/kg in 1995 to $0.18/kg in 1999 and averaged US$0.225/kg during the 2001/2003 harvest seasons. Farmers grew accustomed to several years of increasing prices and they did so with limited information on world market conditions. This, together with a lack of transparency as to how each buyer determined the prices and how they deducted input costs, led farmers and their representatives to conclude that they were being exploited. It pointed out that after international lint prices rose in the 2004/05 marketing year to nearly US$0.60/lb from the historic low of US$0.42/lb in 2001, the improvements in prices did not trickle down to small-scale growers.

5.1.4. Disclosed that the hands off approach to cotton farming and the subsequent privatisation of the main cotton player LINTCO has also extended to the Government's institution for agronomic research being the Cotton Development Trust (CDT) which has done nothing to protect small farmers in their relationship with ginning companies. It noted that the CDT protects multinational company's interests more than it does the small-scale farmers.

5.1.5. Expressed concern that farmers on cotton fields are exposed to toxic chemicals without protective clothing while input providers do not show commitment to help small-scale farmers and stressed for government attention to this situation.

5.1.6. Disclosed that Dunavant began working with CDT and other stakeholders in the cotton sector after having developed a draft Cotton Bill that would allow the orderly development of the sector over time with a key concern to avoid a repeat of the credit default crisis that nearly destroyed the sector from 1997 to 1990. There is a possibility that the registration and licensing requirements introduced in the draft bill will extend not only to the cotton ginners, cotton seed sellers, and inspectors but also to small farmers who will be subject to licensing as suggested in this draft. The concern is that such registration and licensing may be refused without giving the criteria for such refusal while the inspection of records of all cotton transactions for registered small-scale farmers seems rather intrusive.

5.1.7. Condemned the subsidies, especially in the US which have contributed to low prices and profitability of ginners and farmers in Zambia and the fact that while Brazil was able to bring an action against the US in the WTO Africa was not part the action even when it is most hurt by the subsidies. Zambia was encouraged to join Benin, Bukina Faso, India, China and Chad in bringing a cotton action for determination in the WTO.

5.1.8. Proposed a forum that will bring together the main players in the cotton sector be established without any further delay and that ODCMT be included in any such forum as they have direct contact with many small cotton farmers especially in the Eastern Province.

5.1.9. Suggested that the Government creates an environment that will improve local cotton prices, while better international prices should trickle to small-scale farmers too.

5.1.10. Concluded that a balanced application of free trade rules in the WTO would certainly lead to the elimination of subsidies on cotton and on other commodities in the developed world. This would allow Zambia and other developing countries to compete on the world market on a level playing field.

6. History of Poverty Trade and Development *by Mr Akashambatwa Mbikusita Lewanika, Chairperson of the Economic Association of Zambia (EAZ).*

This presentation:

6.1.1. Commenced with the aim of providing a historical perspective to the development dimension in order to illuminate the issues under consideration and getting the best way out. It revealed that Zambia was referred to as ‘underdeveloped’, which was considered an impolite tag because the process of underdevelopment is a created one according to Rodney’s book called ‘How Europe Underdeveloped Africa’.

6.1.2. Disclosed that Africa was considered a source for raw materials while Europe came up with the finished product, which was later sold to Africans. Thus Africa came to produce what it does not consume and consume what it does not produce. But the problem is that what Africa consumed increased in price, while what it produced reduced so that there were more poor Africans. This is why Africa needs aid to finance development because Africa and Zambia inclusive inherited a system that had for several decades been characterised by economic dependence.

6.1.3. Informed the participants that the system that was inherited was designed to employ all Zambians so that by the 1920s and 1930s the minerals that were required went into the motor car production industry. By the 1940s, the copper that was mined was required in the ammunition industry as World War II raged on. There was little intra African trade not to mention intra-Zambian trade.

6.1.4. Pointed out that since the British Government did not agree to most of Zambia's decisions, it was decided to delink Zambia'a economic ties momentarily so that Italy, Yugoslavia etc, became co-operating partners. It is now India and China that need to be taken seriously because everyone else is taking them seriously. It is important for Zambia to take Chile's example because both countries depend on the same mineral, but Chile is producing 4000 tonnes of copper while Zambia has declined to levels below those at Independence.

6.1.5. Reminded the participants that there was a meeting in 1970 were the issues under discussion in this workshop were discussed and they came up with the conclusion that grants not loans were required. But, it was then noted that even if grants were provided, there was need to buy spare parts, fuel and other technological requirements for whatever was purchased using the grants.

6.1.6. Concluded by stressing that Zambia needs more aid on a grant basis, trade on a fairer basis and savings on an individual basis so as to reduce poverty.

7.0.0. **Discussant Interventions**

First Discussant – *Mr Bornwell Mwelwa, One World Action*

7.0.1. **Mr Mwelwa** gave a brief overview of the three presentations noting that increased economic activity would certainly facilitate growth. Referring to Mr Dodia's presentation, he said it is important that the private sector does not wait for the Government to facilitate the environment, but that they should demand specific areas where they want the Government to improve the situation.

7.0.2. With reference to Mr Daka's presentation, Mr Mwelwa pointed out that Dunavant, being a dominant buyer of cotton, would continue with its exploitative activities unless checks and balances are introduced. He said that Civil Society have forgotten their roles because they used to be quite vocal especially with the Beijing Conference on Women's rights. Mr Mwelwa reminded the participants that if the same campaign strategy was employed to the greater good for the exploited small-scale cotton farmers then agriculture could be used to improve the lives of small-scale farmers.

7.0.3. Mr Mwelwa concluded with reference to Mr Mbikusita Lewanika's presentation that there is nothing new with the technology that is being introduced into the country, because issues such as conservation farming, or Cassava growing has already been handed down to us by our grandfathers. He stressed that there is need to stop the CSO syndrome of assessments without a real impact on the lives of people.

Second Discussant – *Mr Muleya Haachinda, National Association for Peasants and Small Scale Farmers of Zambia*

7.1.0. **Mr Haachinda** started by stating that poverty reduction and development is just one and the same thing. He said most suicides in India are from cotton farmers who discover that they spend more than they earn. He said for those who are herdsmen, when one hears a Lion, it is time to sharpen his spear for one does not know when the Lion will visit him; therefore it was necessary that the issue of subsidies is resolved so that cotton growers could have more sustainable incomes.

7.1.1. Mr Haachinda disclosed that in order to strengthen the outgrower scheme the Government released money from the treasury and paid the private sector. However, the private sector put this money in one coffer and treated the money as its own. He expressed concern that the outgrower scheme is fraught with problems, because the financier is also the buyer. Even when capital is sourced elsewhere, it is difficult to find a different buyer because of the monopoly enjoyed by the big players.

7.1.2. Mr Haachinda pointed out that the Cotton Development Trust (CDT) gives too much power to the Minister who has appointed some non-cotton growers to the Board. He said although the CDT's mandate is already drawn it is not living up to its word and there are a number of disputes coming to the CDT. The dominant players being, Dunavant, Clark etc, do not appreciate the grower and that is why there are too many disputes in the cotton-growing field. He concluded by saying that information such as seed and pesticides being part of the loan is never provided and when they liquidate, the farmer remains with too little for survival.

8.0. Participant Responses to the Presentation.

- Mondo Muyenga from Youth Vison Zambia and a UNZA Students representative expressed concern that even after being independent politically, Zambia was 75 percent dependent and foreign owned.

9.0. Presenter's Response

9.1.1. **Mr Mbikusita-Lewanika** informed the participants that the issue of neo-colonialism has not yet been dealt with. While the colonial system had its own characteristics, not all had changed. An example is that development was concentrated along the line of rail. Even when the country became Independent, development stayed along the line of rail. At Independence, the mines were still Anglo American owned and it was not possible to change ownership without nationalising them.

9.1.2. Mr Mbikusita-Lewanika reminded the participants that globalisation is 500 years old because it started with Vasco Da Gama's voyage to Africa and then to India. So people just have to live with it, otherwise they will have to 'fall off the earth'. He said what is needed is to learn how to balance globalisation with social interests.

9.1.3. **Mr Yusuf Dodia** advised that while the private sector should lobby the Government to change certain decisions there are some among the very private sector who profited from wrong government policies. He pointed out that when there were only two Mobile Phone companies in Zambia everyone felt the US$.45 per minute was exploitative, until a third market player being ZAMCELL appeared. Mr. Dodia also revealed that the banks were doing the same thing by borrowing funds in Europe at an interest rate of two percent while they were lending at more than 30 percent. He said regulation and supervision by the Bank of Zambia is required. He said it was the same thing with the cotton issue, which would be solved when more market players were introduced on the market. Mr Dodia said that the same was required in the cotton issue. He recommended that there is need for more market players, more supervision and regulation and more inspections in the sector by the department of labour. He demanded that the Minister and the Department of Labour be taken to task for their failure to do their jobs effectively.

9.1.4. Further, Mr Dodia expressed concern that the Investment Act has a number of incentives for foreigners while none have been extended to domestic investors. He said the world has shifted its attention into security issues and he predicted that the World Bank would soon be lending the country some money going into the security wing. He concluded his intervention by saying that there has never been a loan from which the country has developed substantially.

10.0. Concluding Remarks

The concluding remarks were shared between the project partner's representatives: Ms Irene Banda of ODCMT and Mr Sajeev Nair of CUTS-ARC.

10.1. The Role of Organisation Development and Community Management Trust (ODCMT) in the Project: Linkages Between Trade, Development and Poverty Reduction *By Irene Banda, Acting Executive Director, ODCMT.*

10.1.1. Ms Banda expressed her appreciation to the participants of the workshop. She then briefed the participants on the mandate underpinning the work of the ODCMT and highlighted the project activities in its broad context (Please refer to Annex 7 for details of this presentation).

10.1.2. She described the project as manifesting the policy relevance of international trade on poverty reduction and thus, help in articulating policy coherence in particular between the international trading system and national development strategies. Project activities will include analyses of stakeholders' perceptions on linkages between trade, development and poverty reduction, networking with partner organisations and other stakeholders, advocacy with policymakers and civil society organisations, dialogues involving producers and consumers, information dissemination to policymakers, civil society organisation and other stakeholders, outreach to trade diplomats, parliamentarians, and developmental agencies (including donor agencies).

10.1.3. Ms Banda drew the participant's attention to three major aspects of the project as:

- How existing agreements on international trade can be made more beneficial for the poor;
- What role the civil society should play in creating a better environment so that the poor benefit more from trade liberalisation; and
- A partnership between and among the civil society and governments to be developed, particularly keeping in mind the millennium development goals

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10.1.4. Ms. Banda concluded her presentation by providing specific activities to be carried out by the ODCMT;

- Organising a national dialogue of one-day duration for each year of the project with the pilot period being four years. This national dialogue will be the key to conduct advocacy at the country level;
- The preparation and distribution of the campaign kit and advocacy documents into the Zambian local languages in consultation with project partners, members of the project advisory committee and other experts. This is to ensure that the objectives of the project are understood at all levels; and
- Writing articles in national and local press for public sensitisation so as to cover the country as widely as possible.(See Annex 7 of this report for details of this presentation)

10.2. The TDP Project – The Research Component and Concluding Remarks *by Mr Sajeev Nair, Programme Co-ordinator, Consumer Unity and Trust Society-Africa Resource Centre (CUTS-ARC).*

10.2.1 Mr Nair informed the participants that CUTS-ARC's role in the project was that of research. That is all the presentations in the workshop were very useful. He referred to the point made on 'Africa's producing what it does not produce and producing what it does not consume' means that there are other people who are able to produce better quality of the same products at favourable prices. He said because of this trade will always continue.

10.2.2 He observed that the research component of the project will be taken in conjunction with Professor Seshamani of the University of Zambia and the first part will be based on the perception survey of stakeholders. This section will comprise the case study approach of two sectors, one which benefited (particularly the poor) from trade liberalisation why it benefited and institutions and policies that helped the poor to avail opportunities for increased trade liberalisation.

10.2.3 Mr Nair disclosed that the second sector would be the one that lost out (particularly from which the poor lost out) due to trade liberalisation where the researcher will get stakeholder perceptions of factors (economic and social) responsible for hindering the poor from availing opportunities from trade liberalisation. He gave an example of the textile industry where 30 industries existed before 1990, but which have reduced to only seven or eight.

10.2.4 In wrapping up the workshop, Mr Nair concluded by conveying his appreciation to all participants saying that they would form the forum in which the research findings would subsequently be discussed and provide input into the final report.

ANNEX 1: AGENDA: LINKAGES BETWEEN TRADE, DEVELOPMENT AND POVERTY REDUCTION NATIONAL LAUNCH WORKSHOP

Venue: ***Club Lounge, Pamodzi Hotel, Lusaka Date: August 30, 2005***

Organised by: ***Consumer Unity & Trust Society-Africa Resource Centre (CUTS-ARC) and the Organisation Development and Community Management Trust (ODCMT)***

08:30-09.00 Registration: Workshop Participants

09:00-10:00 Hrs Opening Session

Session Chairperson: Mr Akashambatwa Mbikuista-Lewanika; Chairman, National Economic Advisory Council

- Welcome Remarks: Ms. Bridget Yembe Programmes Officer Organisation Development and Community Management Trust (ODCMT)
- Chairperson's remarks – Mr Akashambatwa Mbikusita-Lewanika
- Keynote address: (Ministry of Commerce, Trade and Industry Deputy Minister)
- Comments and viewpoints from the audience
- Vote of thanks (CUTS-ARC)

10:00-10.15 Tea/coffee

Session 1-10:15-13:00 hrs

Overview of Trade Development and Poverty Reduction

Session Chairperson: Mr Yusuf Dodia: Private Sector Development Association

10:15-10:45-Presentation of background paper by Professor Venkatesh Seshamani, UNZA
10:45-11:30 - Discussants with 15 minutes each

1. Mr Kasote Singogo; Zambia Association for Research and Development (ZARD)

2. Mr Eugene Chandi; Zambia Association of Chambers of Commerce and Industry (ZACCI)

11:30-13:00- Floor discussions

13:00-14:00-Lunch

Session II

Stakeholders' Perception

Session Chairperson: Ms Anne Zulu Chime, AGOA Link, Zambia

- The Role of the Private Sector in Trade and Development – Mr Yusuf Dodia; Private Sector Development Association
- Agricultural Commodity Trade: Zindikilani Daka-ODCMT
- National Development Plan and Poverty Reduction: Ministry of Finance and National Planning - (Presenter to be confirmed)

15:00-15:30 - Discussants with 15 minutes each
1. Mr Bornwell Mwelwa; One World Action
2. Mr Muleya Haachinda; National Association for Peasants and Small Scale Farmers of Zambia

15:30-16:00- Floor Discussions

16:00-16:15 Tea Break

Session III

Trade Development and Poverty Reduction in Zambia

Session Chairperson: Professor V Seshamani; UNZA

16:15-16:30-Project Advocacy points: Ms Irene Banda, Acting Executive Director
16:30-16:45- Project Research component: Mr Sajeev Nair, CUTS Regional Coordinator
16:45-17:00- Discussion and way forward / Closing Remarks

ANNEX 2: List of Participants

No.	*Name*	*Organisation / Address, Telephone, Fax and E-mail*
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ANNEX 3: Linkages Between Trade, Development and Poverty Reduction National Launch Workshop *by Bridget Yembe, Programmes Officer, Organisation Development and Community Management Trust (ODCMT)*

Zambia today is a potentially rich country and has been so, since time immemorial. What has continued to be puzzling is why a country with so much abundant natural resources and hardworking people is still wallowing in abject poverty.

Unfortunately, we find ourselves in a web dictated not only by domestic policies that our Government and its partners come up with but also by the international economic agenda, which has its own interests which impact on you and me and our relatives in rural areas. The present challenges of development give everyone a real opportunity to make a change in the lives of many Zambians, especially the poor who are the majority. What is undisputable today is that one cannot separate trade and the rules that bind it and the influence that it has on people's lives.

The countries that are emerging powerful today are those whose economies are to reckon with on the trade front and it is these countries that have penetrated into the markets of poor countries, including Zambia. Much as Zambians today are able to access goods from all over the world in the name of the liberal economic regime, the result has been an absence of jobs, because the country's manufacturing base has been weakened; those who have remained producing have either been exploited or been forced to close down due to the differences in the cost of production.

We cannot continue to allow the current trends to continue and this calls for new approaches in the way the country designs policies to fit in the with the world economic agenda. Zambians have, for long enough, been at the receiving end and time has come for the country's leadership to carefully think through the trade agreements that they commit the country to and analyse as to how they will change the lives of the poor Zambians, and not just of the elite.

The leadership needs to realise that development in the broader sense does not just imply serving the demands of multilateral institutions, but really lies in taking cautious approaches as to how the decisions they make will ease living, earning and access to life supporting facilities without the painful experiences that Zambians have to bear today.

Ladies and gentlemen, I welcome you all to the launch of the project, ."Linkages between Trade, Development and Poverty Reduction". We have in our midst, representatives of civil society organisations and co-operating partners, representatives of the private sector, community and church based organisations and government officials. We hope therefore, that today will be an opening for us all to share ideas and experiences on trade, development and poverty reduction related matters to ensure the success of the project.

I hereby call upon the chair of the opening session Mr Akashambatwa Mbikusita-Lewanika to carry the meeting forward.

Thank you.

ANNEX 4. Welcome Remarks at Opening Session of the Linkages between Trade, Development & Poverty Reduction National Project Launch ***By Akashambatwa Mbikusita-Lewanika, Chairperson, Economic Association of Zambia***

We are here at the National Project Launch Meeting of "Linkages between Trade, Development and Poverty Reduction". It is a very great honour for me to have received an invitation to take part, and it is an appreciated great opportunity for me to have accepted the invitation to be here.

All of us should be grateful to the CUTS-ARC and the ODCMT. They have invited us, and facilitated for us, to this launch. We should appreciate and give thanks for the support that this launch has received from our own Government, the Government of the Netherlands and the Department for International Development (DFID) of the U K, through CUTS International.

We are here to learn about the identified tasks, objectives, strategies and activities being proposed. Where opportune and useful, we are also here, to contribute towards confirming or adjusting conceptions of the task at hand and, perhaps, fine-tuning these proposed objectives, strategies and activities. The identification of, and proposal to working on, linkages between trade, development and poverty reduction is a commendable step in the correct and necessary broadening of focus on the underdevelopment challenges being faced by developing countries, such as Zambia. However, it is important to understand and operate on the realistic and necessary basis that the subject challenges occur in an even broader historical and subject context of a long-standing struggle for human liberation and human dignity.

This is an opportunity to share views and concerns, to learn and recommit ourselves to finding practical and effective sustainable solution to secure better lives, in our times, for the crying requirements of the neediest of our fellow human beings. It is a chance to reflect upon, and to express, the common human and future interest across the divide between the richer and poorer societies and economies of our one world.

This is an occasion to concede that, despite all appearances, and even notwithstanding realities of factors to the contrary, human beings are tied and destined to either swim together or drawn together, to either pull each other up or pull each other down. It an occasion to state that if we are indeed to make poverty history, what has to be made history, in the war against poverty, are conflicting approaches and narrow self-interests motivations. This means that even as we should encourage and welcome different efforts and different fields of development, everything should be done to prevent and avoid making these diverse ways counter-productive. It also means that while national interests and private profit motives should be expected to be pursued, this should be, as much as possible, in ways that promote mutual and fair benefits for all.

It is not possible, and it is not necessary, to take away self-interest and the private profit motive from trade and investment. But, advancing universal common interests is the most effective way to promote national self-interest and private profit goals. It is a time to direct all steams of development efforts, on behalf of the poorer societies and economies of the world, to merge into one big river of a universal exertion. Let different roots, and different groupings, continue working on different development approaches, but let there be common interest development goals at the forefront of all these efforts. It is good that the concept of the project being launched here takes this into account.

It is good that this is taking place at the time when there has been encouragement in what has been heard from among leaders of the governments and economies of the G 8. I recall that during the first quarter of this year, we heard that the London meeting of G7 Finance ministers and central bank governors was to be dominated by concerns on coming up with ways and means of overcoming the deplorable nature and extent of poverty in developing countries, with the emphasis on Africa. We are appreciative that efforts to shape and concretise measures that have been highlighting the importance of debt relief and increasing funds for the relief of disease and poverty reduction, and the related promotion of better health, education and general social and transport infrastructure in Africa.

All these developments have raised our hopes that the future holds prospects for enhancing not only aid assistance, but also improved trade and investments from developed countries to Africa. In particular, we are hopeful that members of the OECD shall fulfill promises to achieve their long-term goal of raising aid levels to the official United Nations (UN) figure of 0.7 percent of GDP. But, history teaches that this will not be accomplished without mounting pressure on a collective basis – both continentwide and worldwide. Perhaps through such a forum as this, citizens and citizens' groups across borders can lend a hand to the need to continue mounting this pressure.

At this workshop, even as we apply our minds to the narrower issues of trade, development and poverty reduction, we must not forget to render primary concern for the comprehensive and complex issues of overall social and economic development issues. Even these issues cannot be to the exclusion of complementary and necessary concerns for political matters. In this regard, Zambia, and Africa as a whole, must continue to progress our transformation towards fuller democracy and freer societies, both in terms of constitutional reforms and political behavioural improvements. We must continue to reaffirm this, not just because we are determined to consolidate and deepen the progress and gains arising from our having reached the completion point of the Highly Indebted Poor Countries (HIPC) programme. We reaffirm this, even more importantly, because it has been an integral and essential part of our agenda, since we turned our backs against the system of One Party States in 1991. Indeed, it has been the bottom line agenda of the centuries old African movement for liberation and human dignity.

We must be ever mindful and aware of the necessary and inseparable linkage between economic policy measures, private investment decisions and human development concerns. This is because it is our experience that economic reforms so far, including in the trading regime liberalisation, have been costly in social terms of social welfare and employment security, without reducing the consequences of unequal exchange and exploitative economic relations. This is why it is necessary to enhance focus on human factors, including the practical steps being taken and contemplated towards further debt relief and poverty reduction.

As African businesspeople , political leaders, public administrators and general citizens, we know that we must not relent in our fight against corruption and the efforts towards improving governance factors that are required to ensure success of the economic measures being called for. We must understands that is just the beginning, which should be followed up improvements in sovereign credit rating, much better terms of trade and greater investments in value adding venture on African soil.

It is widely accepted that the ability of a nation to solve problems and initiate and sustain economic growth depends to a large extent on its capabilities in science and technology. It is evident that all the years of well-intentioned efforts to assist Africa develop have been too insufficient to show. This could partly be attributed to the fact that past assistance efforts focussed on alleviating symptoms such as hunger, disease, poverty, poor shelter and economic malaise have not succeeded.

It could also be that past efforts did not sufficiently balance the interest of donors and those to be assisted, as well as the interest of foreign investors and business – persons with the interest and needs of the host national economy and society. As a result, it has not been uncommon for the net benefit to go to the donors and foreign investors and foreign business houses. This is an opportune time for Africa and its serious and genuine partners, and to those genuinely mutual development efforts to be committed to treating this illness and not symptoms of the illness. This has to be done by focusing on how best to tackle factors that undermine sustainable economic development.

The MDG's have targets that seek to address issues such as poverty, hunger, primary education, gender equality, child and maternal mortality, HIV/AIDS, malaria, TB and other major diseases as well as access to essential medicines. In addition, the goals stress sustainable development, safe water, upgrading slums, open, rule-based trading systems and technology transfer. Many of the problems that Africa is facing today will require science and technology to solve: they are the problems of disease, inadequate shelter, malnutrition, lack of adequate infrastructure, insufficient agricultural productivity, challenges in diversifying the economy, and sustainable utilisation of natural resources. For science and technology to contribute to national development, the unique interdependence of education, science education as well as investment in research and development capacity must be recognised, accepted and made a priority by African countries and the co-operating partners. The quest is where does trade and the private sector investor fit into this.

All this may seem to be irrelevant to the topic at hand, to the subject of linking trade, development and poverty reduction. But, let me take the advantage of the chairperson of the first session to say that, in fact, this workshop shall be irrelevant, if the linking of trade, development and poverty reduction is de-linked or isolated from these or even broader issues of contestation. Fortunately, there is a firmly developing consensus that beyond debt relief meetings such the one we are participating in should include looking for ways and means of improving global trade and the opening of fair markets for African goods. One obstacle area has to do with standards of goods, which are set by importers. The solution is not to demand the lowering of standards, but requesting for assistance in capacity building for accredited laboratories to certify the quality of exports.

All this is important in order to advance the day when countries such as our will be able to offer the world more than a begging bowl. There can be no doubt that there are challenges, difficulties, and undoubtedly, opportunities for mobilising development resources for Africa and ways of improving the continent's financial systems. Some of our own African development and economics experts, together with their colleagues across the globe, tell us that we need to search for US$64bn in new investment needed to generate a growth rate of seven percent and meet the MDG's designed to halve extreme poverty.

Economic theory and textbooks tell us that these resources can be generated either domestically, through increased domestic savings and improvements in public revenue collection systems, or from external sources. However, the practical situation on the ground are such that, in several countries, getting domestic development funding is greatly hampered by a lack of skilled workers, inadequate infrastructure and, even the toll being taken by diseases, such as malaria, HIV/AIDS and tuberculosis. But, there is a hopeful basis, on which to respond to the call for co-operation and partnership with Africa. Already, over the last few years, a number of African countries reached the desired GDP growth rate of at least seven percent, and about half of Africa's national economies have lately been performing at half that rate. Zambia is among those economies, which are achieving improved growth rates that are approaching the higher levels necessary for the MDG's.

The way forward calls for critical review and radical revision of our national and global economic policies and governance experiences of the immediate past. We have to agree with some of the criticism of the policy measures of privatisation, liberalisation and fiscal austerity of the last two decades. For example, we cannot just ignore that there might have been much more dogmatism than pragmatism and human concerns, in the application of some of these policies. In this regard, in his book on Globalisation, Nobel Prize winner, Stiglitz, noted, " "many of these policies became ends in themselves, rather than means to more equitable and sustainable growth. In doing so, these policies were pushed too far, too fast, and to the exclusion of other policies that were needed" .

And, as Africans, we have to acknowledge and address our own governance shortfall, as well as revisiting the impact, and options for revising the policies, for a more positive and sustainable reversal of trends of unemployment, inflation, low real wages, poverty, destitution, misery, social inequality, poor quality of education and health services. We know that too many African countries had accumulated foreign debt to the tune of over 150 percent of their GDP, over the past two decades. We know that more needs to be done to overcome economic mismanagement and corruption, plummeting living standards and life expectancy. We know that the international community has, from 1996, come up with the HIPC initiative, upon which the G 8 have decided to improve, but not yet to completely resolve the fundamentals of the underdevelopment challenges facing African countries in the world trade and economic regime.

In co-operation with governments of some developed countries and international financial agencies, Zambia is among the underdeveloped countries that have quite successfully drawn up and implemented agreed upon Poverty Reduction Strategy Papers (PRSPs) as a result of which we have met the conditions for debt relief and access to the IMF Poverty Reduction and Growth Facility and the World Bank soft loans and grants. We have demonstrated, and are continuing to improve upon, our commitment to democratic governance, transparency, accountability, poverty reduction, and good economic management practices. This has been necessary, not only in order to earn debt relief and increased assistance, but, even more importantly, to hasten the coming of that day when we shall be satisfying economic partners in fair global trade and other economic interactions.

Beyond this, we have the New Partnership for Africa's Development (NEPAD). We are determined to ensure that NEPAD is, and is seen to be, by our own people, as an African-designed, African-driven, and African-interested programme. We know that NEPAD, and all our development endeavours can only succeed in delivering what is needed, by being African-owned. NEPAD continues to be challenged to be more concretely African-driven and to be more concretely development focused, in the interest of African problem solving. The question is how will reforms in the international trade and investment regime go to contribute in making NEPAD a significant contributor towards this end.

Even as we call for a review of policies, we are mindful of the need to build on what has worked in our past. We know that there has been some modest success in both the short and medium terms, and, in some ways, the situation is better than it would otherwise have been, without these measures. But, we have to interrogate on how more can be achieved, because the needs are so great and so urgent. We have to be honest with our own policy implementation failures, such as poor governance, improper sequencing of measures and failure to create a significant number of jobs and to reduce poverty levels, as well as lack of effective policy ownership and uncertainty over the role of the state in underdeveloped economies. Here again, the question is when will reforms in the international trade and investment regime contribute towards making NEPAD a significant contributor to this end.

Furthermore, as economists have been telling us, we have to be mindful that in the long run, we are all dead. Unfortunately, for far too many of the citizens of Africa are dying, even in the short run. Under these circumstances, it should be expected that many of the intended would be beneficiaries may not appreciate these efforts, unless some dramatic and immediate remedies begin to impact in their lives now, and not tomorrow.

It is important to note and appreciate that the current debt cancellation proposals were already declared as necessary, and envisaged, under MDG number eight. This calls for the need to develop a global partnership for development. In this scheme of things, it must be realised that debt cancellation is, in fact, only one of the components of Goal eight. The other sub-goals are increase in aid flows, which hopeful mean net aid flows, improved trade conditions and investment targeting, in favour of developing countries, such as the African ones. Here again, the question is what reforms in the international trade and investment regime will contribute towards making NEPAD a significant contributor to this end.

And, beyond this, further measures are required in order to ensure optimisation and balancing of benefits and empowerment arising out of graduating in the HIPC Initiative. For example, these additional needs and requirements call for a guarantee schedule to facilitate accelerated flow of foreign direct investment. On the part of many African countries, including Zambia, we are already addressing issues of improving the business environment, in terms of macro-economic stability, investor friendly investment codes, supportive institutions and reduction of the cost of doing business. We are institutionalising dialogue between the Government and the business sector, including investors in agriculture, mining, manufacturing and tourism. All these are areas in which the linkage of trade, development and poverty reduction is important.

I am confident that the citizens and interested people gathered here will greatly enrich the implementation of the project being launched today.

ANNEX 5. Linkages Between Trade, Development and Poverty Reduction in Zambia – An Overview of issues *By Venkatesh Seshamani, University of Zambia*

Introduction

The purpose of this paper is to discuss the potential of trade to reduce poverty in Zambia, and to what extent do linkages between trade and poverty reduction already exist and are bearing fruit and how can the linkages be strengthened?

In addressing the above specific issues it is important to situate them in the context of the overall development process that is taking place in Zambia. Here, it is necessary to take cognizance of a plethora of terms that are often used and discussed in Zambia's development context. A ready, off-the-cuff sample would include: National Development Plan (NDP), Poverty Reduction Strategy Paper (PRSP), MDGs, debt and Highly Indebted Poor Countries (HIPC) Completion Point, Structural Adjustment Programme (SAP) and liberalisation, trade and WTO, aid and donor Harmonisation in Practice (HIP), SADC, COMESA and New Economic Partnership for Africa (NEPAD).

Where and how do all the concepts and institutions represented by the above terms fit in Zambia's overall development paradigm? Furthermore, a number of issues revolving around the above terms have also come for frequent contemporary debate. Some of the main ones include:

- Wealth creation versus poverty reduction;
- Growth approach versus direct interventionist approach;
- Enabling economic environment versus empowering social environment;
- Trickle down approach versus the osmotic approach;
- PRSP versus SAP;
- Debt cancellation versus new loan contraction;

- Domestic investment versus foreign direct investment;
- Trade versus aid;
- Trade and poverty reduction versus trade liberalisation and poverty reduction; and
- Policy implementation versus policy perception.

In recent years, so many seminars and workshops have been organised on each of these concepts and themes mostly in isolation that many participants simply hop from seminar/workshop to another without getting a holistic and integrated view of all of them. And yet, in economics it is well known that "everything depends on everything else". It is difficult to discuss the impact of trade on poverty reduction bypassing the intermediate chains of economic growth and distribution or without consideration of trade's multi-collinear relationship with investment, debt and aid. Nor is it possible for a country to have truly 'independent' negotiations on trade with the WTO that can be different in ideological character from the kind of negotiations that are conducted with the IMF and the WB, since all these institutions are ultimately birds of the same ideological (neo-liberal) feather.

Genesis and Evolution of the Conceptual Paramountcy of Poverty Reduction for Zambia

Following the World Summit on Social Development at Copenhagen in 1995, Zambia, which was one of nearly ten dozen countries that attended the Summit, endorsed the ten commitments that included, among others: the eradication of poverty; the promotion of full employment; social integration; human rights and gender equality; ensuring quality education for all; and access of all to primary health care. The country adopted Sustainable Human Development (SHD) as the overarching goal and identified the following objectives to be realised within the context of SHD:

- Improving livelihoods through promotion of employment and income earning activities;
- Improving social services;
- Providing welfare services to help society's worst off; and
- Maintaining an enabling environment that will be conducive to investment and growth.

Zambia's then President made a declaration that the country will work towards bringing down the incidence of poverty from 70 percent in 1996 to 50 percent or lower in 2004. Accordingly, the Ministry of Community Development was tasked with the formulation of a Poverty Eradication Action Plan and Strategy.

The National Poverty Reduction Strategic Framework (NPRSF) was prepared in May 1998 and endorsed by the Government. The NPRSF was translated into the National Poverty Reduction Action Plan (NPRAP) that, after consultations and refinements, was readied in January 2000 for approval by the Cabinet.

However, the Poverty Reduction and Growth Facility (PRGF) overwhelmed the above process when the IMF announced the replacement of its Enhanced Structural Adjustment Facility (ESAF). It became a requirement for every country to prepare a Poverty Reduction Strategy Paper (PRSP), through nation-wide consultation, to access the new concessional borrowing facilities, including debt relief.

For reasons that are not clear to this day, although the NPRAP was already there, the process of preparing the PRSP was started afresh under the guidance and supervision of the Ministry of Finance. A three-year PRSP for the period 2002-2004 was prepared and its implementation came to an end in December 2004. The period of the PRSP was extended for a year until end 2005.

In the mean time, Zambia had attended, in September 2000, the UN Millennium Summit and endorsed the Millennium Development Goals, a set of eight goals with several specific targets and indicators that were to be achieved by 2015. The foremost goal is to reduce extreme poverty and hunger by 50 percent.

Progress on the MDGs is being monitored and Zambia has a Progress Report for 2003 and a draft Progress Report for 2005 is currently being finalised. The reports show that Zambia, on the whole, is on a steady path of progress towards the MDGs although it may not be enough to enable her reach all the goals by 2015. The following table shows the assessment of the likelihood of the country reaching the targets.

Table 1: Will the Targets be Met?

Goal/Targets	**Likelihood of Meeting Target, 2003**	**Likelihood of meeting Target, 2005**
<u>Extreme Poverty</u> Halve between 1990 and 2015 the proportion of people living in extreme poverty	Unlikely	Potentially
<u>Hunger</u> Halve, between 1990 and 2015 the proportion of people who suffer from hunger	Unlikely	Unlikely
<u>Universal Primary Education</u> Ensure that by 2015, children everywhere, boys and girls alike, will be able to complete a course of primary schooling	Potentially	Likely
<u>Gender Equality and Women Empowerment</u> Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015	Probably	Likely
<u>Child Mortality</u> Reduce by tow-thirds, between 1990 and 2015, the under five mortality rate	Potentially	Potentially
<u>Maternal Mortality</u> Reduce by three quarters,	Unlikely	Unlikely

between 1990 and 2015, the maternal mortality ratio		
<u>HIV/AIDS</u> Have halted by 2015, and begun to reverse the spread of HIV/AIDS	Potentially	Likely
<u>Malaria and other Diseases</u> Have halted by 2015, and began reversing the spread of malaria and other diseases	Potentially	Potentially
<u>Environmental Sustainability</u> Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources	Potentially	Unlikely
<u>Water and Sanitation</u> Halve by 2015 the proportion without sustainable access to safe drinking water and basic sanitation	Potentially	Potentially

Source: Zambia: Millennium Development Goals Report 2003; Zambia: Millennium Development Goals Report 2005, draft.

Zambia will soon be attending the Millennium+5 Summit to take stock of what has happened to the MDGs over the past five years, at the global level. The purpose at this stage is to show that over the past ten years, since the World Summit on Social Development, poverty reduction had become the foremost development objective in Zambia. 'Making poverty history' like slavery and apartheid have been made history is the current catchy slogan.

However, some recent developments have been a cause of concern for those committed to poverty reduction in Zambia.

The Government has announced that there will be no more PRSPs but that poverty reduction programmes will be subsumed in the broader National Development Plans. In a recent Concept Paper (2005) prepared by the Government, it says that its primary aim is to create a single and overall framework, which encompasses short, medium and long term strategic planning. It is therefore finalising the preparation of three documents: a long term Vision 2030, a six-year National Development Plan beginning 2006 and District Development Strategies. The Government assures that strong emphasis will be placed on ensuring that the focus on poverty reduction and economic growth is dominantly present in all three documents.

Notwithstanding the above assurance, with the withdrawal of the PRSP as the core development document, civil society groups are skeptical that poverty reduction will retain its highest priority in the developmental scheme of things. "Our main fear is that Zambia is slowly but surely falling into the trap of overlooking the poverty crisis by hiding behind 'economic growth is the answer'. Therefore we need good, clear, concrete policies on how we can appropriately marry economic growth desires, poverty reduction ambitions and good governance goals to develop Zambia – none of these is the only solution"! .(Vote of thanks by Saul Banda Jr at the Jubilee Zambia National Conference, June 9, 2005).

There is also now a growing debate that is being generated by a coterie of people who suggest that what Zambia needs to focus on is not poverty reduction, but wealth creation. I shall now make brief comments on this debate as also on other similar issues stated earlier on, in the paper. It is not the purpose of this paper to dwell on these issues at length (since each of them would merit a paper on its own) and they are not the main theme of this paper. However, some awareness of these issues is helpful in understanding better the linkages between trade, development and poverty.

Some Important Issues in Contemporary Debate

Wealth Creation versus PovertyRreduction

In his statement to the National Assembly on August 17, 2005, on Zambia's Accession to the HIPC Completion Point, the Minister of Finance stated the following in the concluding part of his address: "Mr Speaker, while wealth is visible and can be shared, poverty is only a manifestation of a state of being on an affected individual and can never be shared. No one can feel the depth of the impact of another person's poverty. It is therefore the responsibility of the poor to articulate their poverty and to desire to create wealth as a means of alleviating the impact of poverty on them. However, national development will still require each one of the adult Zambians to articulate their own path towards a better future life for themselves and their children. No Zambian should allow other people to usurp their right to determine their future".

The above statement typifies the manner of thinking of those who advocate wealth creation rather than poverty reduction as the main goal to work for. This strand of thinking runs the risk of misplaced emphasis. Firstly, poverty reduction and the improvement in the human condition is the ultimate objective, not wealth creation. Secondly, wealth creation, like economic growth, is a necessary but not a sufficient condition for human development. This perception is not new. Nearly three centuries ago, the British poet Oliver Goldsmith in his celebrated poem on "The Deserted Village" lamented the terrible adverse impact of the industrial revolution on English villages. Two of the famous lines in his poem read as follows:

"Ill fares the land to hastening ills a prey,
Where wealth accumulates and men decay".

Wealth can be created and accumulated but it need not contribute to human development.

Thirdly, those who are poor have not chosen to be poor or to voluntarily remain in a state of poverty. To say that the poor should desire to create wealth tends to shift the onus for poverty reduction from the Government to individuals who may not have the capability to do so on their own. A person who has not had a proper meal in days cannot have the capability to desire anything other than the next meal. Nobel Laureate Amartya Sen's Capability Approach elaborates on this.

Growth versus Direct Interventionist Approach.

There are those who suggest that if you generate adequate growth in the economy, poverty reduction will be taken care of. The fallacy of this argument has been amply proved by literature, especially from the UNDP. The 1996 Human Development Report shows that even if growth is generated, it may not contribute to development if it happens to be: jobless (cannot ensure sustainable livelihoods for the poor); ruthless (accentuates inequality in distribution); rootless (destroys indigenous cultures); futureless (undermines the country's environmental base for future growth and development); or voiceless (lacks participation, empowerment and democracy).

Again, Sen, in his book Development as Freedom states: "Economic growth cannot be sensibly treated as an end in itself. Development has to be more concerned with enhancing the lives we lead and the freedoms we enjoy".

Hence direct interventions, in addition to growth promoting policies, are required to ensure employment and to empower those with little empowerment especially through social safety nets and social protection measures.

Enabling Economic Environment versus Empowering Social Environment

This is an offshoot of the aforementioned debates. If one focuses heavily on growth and wealth creation, then one would be concerned with ensuring an environment in which the private sector can flourish, market forces can function freely and growth can take place. But if one is concerned with broader development, then one would want to go beyond an enabling economic environment to ensure a broader social environment in which even the least of the citizens are empowered and can participate freely in decisions that involve their welfare.

Trickle Down versus the Osmotic Approach

Those who believe in growth as the main objective that will eventually promote human development essentially accept that the benefits of growth may disproportionately accrue initially to those who already have and slowly trickle down to the have-nots over a non-specified time path. The gains from growth would thus accrue to those who are not poor, and then to the moderately poor, and eventually to the extremely poor.

But advocates of the theory of empowerment would want to start from the other end where the marginal utility of empowerment would be the highest. They would want an osmotic approach by which you would begin to alleviate the suffering of the extremely poor and then proceed to benefit the more fortunate groups in society.

It is noteworthy in this respect that the first MDG is not to halve the incidence of poverty but to halve the incidence of extreme poverty.

PRSP versus SAP

Development economists became optimistic with the advent of the PRSP. On paper, it looked like the PRSP was providing an alternative development paradigm to SAP. But, as the implementation of the PRSP went on in countries including Zambia, this initial optimism gave way to varying degrees of skepticism. From the branding of the PRSP as 'new wine in a new bottle' in contrast to SAP, many started wondering if it was only 'old wine in a new bottle' or 'new wine but in the old bottle' or in essence 'the same old wine in the same old bottle' (i.e. it was just the same old SAP in disguise) provided by the IMF and the WB to appease the critics of SAP.

We shall not discuss the rationale for the above-varied characterisations of the PRSP here. They are provided in a paper that I read at a conference some time ago, see Seshamani (2005).

Debt Cancellation versus New Loan Contraction

This is not a debate as such, but a major concern expressed by those who stress the moral hazard issue involved in debt cancellation. Debt cancellation in principle is a good thing but achieving it and releasing additional resources for development need not ensure the country will remain on a fresh slate in respect of its debt obligations and that the resources will be spent on development, especially if past track records do not warrant such suppositions. And as long as the legal framework for contracting new loans remains as it is, a framework that gives a free hand to the Minister of Finance to sign new loan agreements with very little consultation with other stakeholders, we could be back to the debt problem some years into the future. It is, therefore, advocated that there has to be stricter scrutiny and Parliamentary approval before the country can contract fresh loans.

It is noteworthy that in his August 17, 2005 Address to the National Assembly referred to earlier, the Minister of Finance assured the house that "the Zambian Government will be prudent in contracting fresh loans so that the country does not fall back into another debt crisis in the future".

Domestic Iinvestment versus Foreign Iinvestment

While everyone agrees that investment is necessary for Zambia, there is resentment in some quarters that policy discussions focus almost exclusively on boosting foreign direct investment (FDI) rather than domestic investment. The contents of various documents suggest that there is some merit in this line of thinking.

However, it has to be recognised also that the scope for domestic investment is severely limited in Zambia given that the domestic saving rate is quite low (6-7 percent).

Trade versus Aid

One view is that a country like Zambia should learn to wean itself away from its dependency on aid and fight for fair trade. While this could be a worthwhile objective in the long run, in the short to medium term, trade and aid need to be treated more as complementary sources of finance to fight poverty. Estimates of the costs of achieving the MDGs both at the global as well as Zambia level are so huge that the resources from trade alone will not be enough. According to Sachs (2005), poor countries will need 'trade plus aid' since trade reforms alone are not powerful enough to enable the poorest countries to escape from extreme poverty. Elaborating on this idea, Sachs states:

"Even if trade reforms would raise the incomes of the poorest countries by billions of dollars per year, only a small fraction of that would be available for funding the vitally important public investments needed to escape from the poverty trap. When huge gains are attributed to trade reforms (hundreds of billions of dollars), we need to look at the fine print: almost all of those gains accrue to the richest countries and the middle-income countries, not the poorest countries, and especially not the poorest countries in Africa. How, after all, could trade alone enable isolated rural villages in Africa to meet their basic needs"? (op.cit., p.281).

Trade and Poverty Reduction versus Trade Liberalisation and Poverty Reduction

The 2004 UNCTAD report on LDCs states that international trade is vital for poverty reduction in all developing countries, but adds that the links between trade and poverty are in practice neither simple nor automatic. Also, the national and international policies that can enable trade to act as a powerful instrument for poverty reduction "must be rooted in a development-driven approach to trade rather than a trade-driven approach to development. An exclusive focus on trade, which assumes that poverty is reduced through trade rather than through development, is likely to prove counter-productive. Rather it is necessary to look at the relationship between trade and poverty from a development perspective". (UNCTAD, 2004, p.67).

One of the basic contentions of the UNCTAD report is that the discussion on the links between trade and poverty often reduces to a discussion on the links between trade liberalization and poverty. The latter has a narrower focus than the former.

The report asks two questions:

- Is it right to limit the analysis of trade and poverty to the analysis of the effects of trade liberalisation on poverty?
- Will it be possible to identify the most effective policies to link international trade with poverty reduction if the analysis is limited in this way?

According to UNCTAD, the answer to both the above questions is no. The reasons for this are four-fold. Such an analysis:

- puts the cart before the horse in policy analysis: unrealistic expectations are created regarding what can be accomplished by trade policy alone;
- prioritises trade liberalisation over poverty reduction as a policy objective: the approach takes trade policy as a given and then see how to make poverty reduction goals compatible with it, rather than to make poverty reduction the priority and then ask how trade liberalisation might fit into this;
- excessively narrows the field of trade and poverty: the subject of trade and poverty includes a number of topics of which trade liberalisation and poverty is only one. Other topics include trade and employment, balance-of-payments constraint and poverty, 'curse' of primary commodity dependence, bargaining power in global production chains, trade

and wage inequality, exchange rate and poverty, terms of trade and poverty, trade, poverty and conflict, gender relations and export development, upgrading and exclusion, export/import instability and food security; and

- cannot address issues of long-term dynamics which are central to sustained poverty reduction: while the current approach to the issue of trade and poverty is very good at understanding the direct impact on poverty of changes associated with trade liberalization, it is less good at understanding the indirect impact on poverty of change in a country's level and pattern of trade, and the long-term dynamics of that change.

It is clear that what is often analysed at the practical level is the linkage between trade liberalisation and poverty reduction even when it is stated to be trade and poverty reduction, which, as the UNCTAD report shows, is a much broader topic of study.

PolicyImplementation versus Policy Perception

One of the main lessons to be learnt at the practical level is that policy impacts depend not only on implementation but also on perceptions. Zambia provides a striking illustration.

Despite significant progress in the business environment since the 1990s, the perception of the business climate in Zambia remains poor. The UNCTAD Inward Potential Index places Zambia towards the bottom of a long list of countries. The Heritage Foundation Index of Economic Freedom gives Zambia a four on a scale of one to five, with lower scores representing a more favourable climate.

It is important to examine details on the ground as to why this happens to be the case. The recently prepared draft Investment Policy Review for Zambia, (UNCTAD, 2005), states that Zambia's operating conditions have not been in tandem with its liberalisation policies. There are still too many administrative hurdles and give too many discretionary powers to Government officials. The following table in the UNCTAD report provides an assessment of operating conditions.

Table 2: Assessment of Operating Conditions

High Standard	**Medium Standard**	**Low Standard**
Foreign exchange control		
	Taxation	
		Employment (severance payments)
		Non-citizen employment
	Land	
Competition policy		
	Rule of law and commercial justice	
Intellectual property protection		
		Licensing

Source: UNCTAD (2005), p. 41

Linkages between Trade and Poverty Reduction in Zambia

The Potential for Linkages

The draft Diagnostic Trade Integration Study (DTIS) (2005) for Zambia analyses the potential linkages that could be secured between trade and poverty reduction. The DTIS looks at the impact of trade on households both as consumers and producers or income earners. As income earners, households are affected when trade changes wages and agricultural income. As consumers, households are affected when trade changes the prices of goods consumed by the family.

According to the study, in rural areas, there are two main channels through which new trade opportunities can affect household income: (a) households can switch from subsistence farming to cash crop farming, (b) household members may earn a wage in other farms. To provide some quantification of the gains that can be expected from these two new opportunities generated by international trade, the study uses two models: the unconstrained household model (where the household can plant an additional hector cash crop without giving up subsistence farming) and the constrained household model (where the household switches to a cash crop by giving up subsistence farming). In the case of the unconstrained household model, there would be no foregone income by expanding household activities to a cash crop.

In the constrained model, growing cotton (instead of subsistence farming) leads to increases in income of around 20 to 24 percent in the case of (a) and (b) above. In the unconstrained model, instead, the gains are equivalent to around 56 and 68 percent. If the household switches to tobacco, the gains would be 71 and 104 percent in the constrained model, and 88 and 130 percent in the unconstrained model. Therefore, growing tobacco seems to be an important vehicle for poverty alleviation. In the cases of vegetables and groundnuts, two activities often mentioned as good prospects for non-traditional exports, there are no gains in income in the constrained model, but gains of 37 and 20 percent, respectively, in the unconstrained model.

One key crop in Zambia is maize, which is grown by the vast majority of households. Farmers grow local varieties and hybrid maize. While local maize is devoted to own-consumption, hybrid maize can potentially be produced for the market. The study finds gains ranging from 55.7 percent in the constrained model to roughly 100 percent in the unconstrained model. These are important results because they support the claim that income gains can be achieved through the production and sale of hybrid maize. In addition, since most Zambian farmers across the whole country grow (or grew) maize, there is a presumption that they are able to produce it efficiently and that some of the constraints faced in other crops may not be present. Know-how and fertiliser use are examples. In those regions in which cotton and tobacco, major exportable crops, are not suitable agricultural activities (due to weather or soil conditions), the production of hybrid maize appears as a valid alternative. Switching from local to hybrid maize requires significant increase in government extension services and other support to maize producers.

If larger market access is achieved, rural labour markets may expand and workers may become employed and earn a wage. By comparing the average income in subsistence and in rural wage employment in agriculture, DTIS estimates gains associated with rural employment ranging from

104.2 to 128.3 percent of the total expenditure of the average poor household in rural areas. Rural employment in commercial farms could be good instruments for poverty alleviation.

In urban areas, key vehicles for poverty alleviation through trade involve employment opportunities and higher wages. Zambia's main opportunities for export diversification and employment creation are in the areas of light manufacturing. These include textiles (cotton yarn, loom state fabric, acrylic yarn, and towelling), processed foods (sugar, molasses, honey, and bees wax) and engineering products (copper rods, cables, wire, billets, and brass ingots). The light-manufacturing sector is the key to poverty reduction because it is low and unskilled labour intensive. Households benefit from the wage incomes, which are generally higher than incomes coming from their next best alternative such as farming their own plots. In addition, incomes from employment in factories are generally less variable than farm incomes, which are very dependent on rain and other exogenous factors.

A healthy and growing manufacturing sector can decrease poverty partly because of its ability to create jobs through direct employment generation and equally importantly, because of the backward linkages it fosters through the sourcing of raw materials (agricultural goods) and intermediate goods (button and thread producers, packers, etc.), capital goods, and through forward linkages (advertising, marketing, distribution, etc.). In Zambia, a healthy manufacturing sector also contributes to a more profitable agricultural and primary commodity sector. The employment opportunities generated decreases the households' dependence on farm incomes, and increases formal sector employment. Employment and hence, wages are not the only benefits that accrue to these workers and to the economy as a whole. In addition, workers in these factories are also likely to be exposed to good production practices, management techniques, quality control practices, etc. In other words, there is significant potential for total factor productivity (TFP) growth, which in turn tends to have a lasting impact on productivity and hence, economic growth.

The largest impacts of trade policies on the consumption side will be caused by changes in the prices of food items. There is an important additional role for trade as an instrument to reduce the cost of living. Among several foodstuffs, maize is the main food item consumed in Zambia. There are four main types of maize consumption: home produced maize, *mugaiwa*, roller maize, and breakfast meal. Maize consumption was heavily subsidised until liberalisation in the early 1990s. After the elimination of these subsidies, consumers substituted industrial maize with cheaper *mugaiwa* maize. This substitution cushioned some of the negative effects on the elimination of the subsidies. However, this substitution was only possible after the liberalization of the small milling industry. Importantly, liberalised access to imported maize -to be grinded by small local mills- is essential if poor farmers are to benefit from cheaper *mugaiwa*.

Realising the Potential

The DTIS points to the potential of trade to reduce poverty through export diversification and enhancement. But to what extent can the higher volume and composition of exports be realised? While in principle, the potential may be there, in practice, a host of barriers may prevent the realisation of the potential.

The Zambian Government after 1991 took steps to remove barriers to trade by opening up its markets and participating in a number of trade arrangements. These include multilateral arrangements like WTO, EU-ACP Cotonou Agreement and the Economic Partnership Agreement (EPA). Regionally, Zambia is a member of COMESA and SADC) and participates in preferential arrangements like AGOA (Africa Growth Opportunity Act), EBA (Everything-but Arms) and the Canadian Initiative.

The underlying premise of the above approach to trade is that by integrating into the global market, it will help enhance Zambia's growth, which in turn will help reduce poverty.

Zambia's exports are, however, mostly primary and semi-processed commodities such as copper, cobalt, cotton, tobacco, fresh flowers, copper wires, and textiles.

While the Zambian Government has taken all the above-mentioned steps, the country's integration into the global market is restricted by what other governments do. The following may be noted.

A system of escalating duties and tariffs discourages value addition and confines the country to the export of unprocessed raw materials. This entails a long-term opportunity cost in terms of diversification, job creation and higher growth. It also restricts Zambia's ability to avail of arrangements such as AGOA and EU-ACP.

Heavy subsidisation by developed countries of their agricultural products again has a potential negative impact on diversification. Although Zambia does not export agricultural products in a significant way and hence does not bear any direct impact of the subsidies, it is discouraged from venturing into agricultural goods in whose production it may have a latent comparative advantage.

Mudenda (2005) explains several non-tariff barriers to trade with the EU and the US even though Zambia is supposed to have free market access to these regions. Some of these are:

<u>Sanitary and Phyto-sanitary measures (SPS):</u> Although every country has a set of food safety and animal plant standards, the EU goes beyond what is perceived as necessary for health protection and use SPS measures to shield domestic producers from economic competition.

<u>Minimum Residual Level (MRL):</u> Standards of MRL of chemicals/pesticides are set at a very high level. The EU has a list of 33 active ingredients of pesticides. Zambian soils have too many pests, which make it inevitable to make use of such chemicals and this reduces the products that qualify for the EU market.

<u>Market Standards:</u> The market standards set by the EU countries regarding how each product should grow, its size, shape, smell, packaging, etc., are based on their own climatic conditions and this makes it difficult for Zambian products to penetrate their markets.

<u>Pest Risk Assessment (PRA):</u> Some pests (Like leaf mining Lirimyza, tobacco whitefly, caterpillars) are not allowed in the EU. PRA involves additional costs to exporters, since Zambia does not have sufficient pest control at production stage.

Restrictive Rules of Origin: The rules of origin that govern the use of the Cotonou Agreement make it difficult for potential Zambian exporters to source imports from a cheaper source that does not qualify under the EU. The producers are allowed to source inputs only from other GSP eligible countries.

Child Labour: In Zambia, small-scale farmers who rely on family labour that includes child labour grow most exports like cotton and vegetables. . The underlying premise here is that children doing light safe work off school times supplement family incomes without compromising their future.

Information Flow: The flow of information regarding changes in the export markets pertaining to policies, quality requirements, and certification and export procedures does not get to suppliers in good time and this holds up goods at the port of entry.

Conclusion

Trade undoubtedly has the potential to impact favourably on poverty reduction and human development in Zambia. But this linkage between trade, development and poverty reduction cannot be taken for granted. One needs to take a number of conscious steps to forge that linkage.

- Foremost at the national level, the paramountcy of poverty reduction and human development as the overarching fundamental objective should not be allowed to give way to lesser instrumental objectives such as wealth creation and economic growth;
- Efforts should be made to enhance trade as well as to attract additional inflows of aid. Given the significant financial requirements for the country to address the poverty issue as represented by the MDG targets, both trade and aid are required for Zambia at this stage. They are both complements rather than substitutes;
- There is need for a significant enhancement of investments, both domestic and foreign. If trade liberalisation can attract foreign direct investment, it can act as a cheaper source of capital than debt; and
- The numerous non-tariff and technical barriers that were spelt out in the previous section need to be addressed.

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ANNEX 6: Linkages between Trade, Development and Poverty Reduction
National Launch Workshop: *Presentation from Organisation Development and Community Management Trust (ODCMT) by Zindikilani J. Daka*

AGRICULTURE (Cotton Trade)

1. Introduction
Agriculture is central to the food security, rural development and livelihood needs in African countries. In the ongoing trade negotiations, African and other developing countries face the

danger of being forced to open their markets to agricultural exports from the developed countries while the latter continue to protect theirs. Worse, the African and other developing countries will be exposed to the unfair subsidies in the developed countries, with artificially cheapened products being dumped in their markets, their own farmers displaced and their livelihoods disrupted.

2. Cotton Trade: Zambian Perspective

The cotton sector was reformed in the mid-1990s when the very high international prices for cotton lint allowed ginners to pay attractive prices to farmers. This made cotton growing a highly profitable enterprise for both ginning companies and small farmers. However, the decline in prices from 1995 undermined this profitability as prices of seed cotton in Zambia fell from \$0.56/kg in 1995 to \$0.18/kg in 1999 and averaged US\$0.225/kg during 2001/2003 harvest seasons.

We have no doubt that farmers grew accustomed to several years of increasing prices and they did so with limited information on world market conditions. Thus they found it difficult to understand the reasons for decline in prices the ginning companies were giving them. This, together with lack of transparency in how each buyer determined the prices and how they deducted input costs, led farmers and their representatives to conclude that they were being exploited.

We note that this environment of lack of information created mistrust and in all likelihood led to the increasing rate at which farmers defaulted on their loans. It also led to their being involved in side selling of their yield to other firms and the loan repayment rate dropped from 86 percent in 1996 to 65 percent in 1999 and 2000.

3. Cotton Prices

We note that competition among ginners began to emerge in 1997. We also note that price competition was a key tool ginners used in attracting buyers and that this contributed to repayment problems that ensued. We have described above how farmers felt exploited by ginning companies because of lack of transparency in setting prices. This contributed to misunderstanding between farmers and ginning firms – hence to the repayment crisis.

We further note that there has been no government mandated price or any pricing guidance of any kind from the Government since liberalisation in 1994. Besides there is no evidence that ginning companies have engaged farmers in dialogue or negotiation regarding the price they will pay.

We however, acknowledge that Dunavant has, as a result of its dominant role, acted as a price leader. It has been the only company that has in late October announced a new cotton price before each planting season. But Dunavant prices have generally been lower than the smaller ginners who have paid higher prices.

4. Government's Approach

We are sad that it appears that for the Government, privatisation has meant a-hands off approach to the cotton sector. However, we wish to note that the Government has, while leaving the cotton sector alone, continued periodically to suggest how much it will pay to support maize prices. For example at planting time in 2001 The Government announced that it intended to offer a maize price of US\$140/metric tonne. We agree with some ginners that this focus on maize distorts decisions by some farmers and results in swings away from cotton into maize and then out of the maize crop when the Government fails to fully deliver on its commitments. We also note what other observers and some farmers suggest that these government policy statements have little effect on farmer behaviour. This is due to their skepticism about the Government's ability to deliver. Recent policy initiatives by government have included the Cotton Outgrower Fund and the proposed Cotton Board. It appears these may suggest the beginning of a broader focus within the Government to a move driven by comparative advantage or by perceived commercial opportunities within the agricultural sector.

5. Stakeholders' Forum

We have already alluded to the fact that the gGvernment appears to have abandoned its role in the cotton sector. Thus, we wish to emphasise the point that there is no body in Zambia, which serves as a forum for ginners and farmers to address and resolve conflicts among them.

The Cotton Development Trust we will describe later has a mandate that is broad enough for it to play this role. But presently it is not doing so. Instead the CDT is focusing mostly on technical issues.

Another organisation, the Agricultural Consultative Forum in conjunction with the Ministry of Agriculture has held a few meetings, bringing farmers and ginners together, but this has not been sustained nor has the effort continued.

6. Lint Prices

After the fall in prices described above, international lint prices rose in the 2002/03 marketing year (August 02 – July 03) to nearly US$0.56/lb from the historic low of US$0.42/lb the previous year .In September 2003, projections by the International Cotton Advisory Council showed that prices would continue their recovery and would possibly average US$0.60/lb for the 2003/04 marketing year, then fall slightly to US$0.59/lb for 2004/05. We feel these improvements in prices do not trickle down to small farmers who produce this wealth.

7. Cotton Development Trust

We have already mentioned the fact that there has been little government involvement in the cotton sector since 1994 when LINTCO was privatised. The Government has done nothing for cotton both as participant or as regulator of private activities, and to date still has no role in pricing, competition policy, or marketing regulation. However, the Government has defined as its main role agronomic research through the Cotton Development Trust (CDT), created in November 1999. The CDT has several objectives, which are quite broad but in particular to promote and develop cotton including research extension, farmer training and seed production. The CDT also has to undertake cotton programmes which the Government or other sector bodies may be unable to initiate, continue or complete and to complete and complement and supplement the agricultural research, extension and seed production activities of the Government of the republic of Zambia or other bodies. While all these objectives are well meaning, we note that the CDT has done nothing that has involved the protection of small farmers in their relationship with ginning companies.

We are aware of the CDT's added role in disbursing funds under the Cotton outgrowers' Fund. We restate that initially the Government proposed US$2 million but later the amount was increased to K15 billion (US$3.5mn), though only K3.5 billion was later released (US$800,000). We further restate that this money when disbursed was given mostly to Dunavant (K1.1 billion) and Continental in Livingstone and that in 2003/04 CDT planned for K2.2 billion and this time would include Clark Cotton as well. While these efforts are commendable we believe they still do not really address the problems of small cotton farmers as they leave the determination of cotton prices to ginning companies. Thus, this assistance is not to farmers but to ginning companies. We propose that this issue be addressed so that both the ginning companies and the farmers must benefit from the scheme.

8. Inputs

At present, co-ordination between ginners and smallholders focuses primarily on efforts by ginning companies to resolve the input delivery and credit recovery problems that began to emerge in 1997. We note that with few exceptions, smallholders as a group have not been able to participate actively in broader co-ordination efforts. The reason for this is that there are few, if any, independent and self-supporting smallholder farmers or farmer organisations in Zambia capable of engaging in commercial negotiations with ginning companies on the delivery of marketing or other services to their members.

Generally, the ginners or their agents distribute the bulk of the inputs to farmers. Each ginner has a standard package with standard rules. These packages and use are similar among the ginners generally consisting of micro- nutrient (boron) foliar feed, aphicide, bollworm complex, and buffering solution. Jassids do not appear to be a serious problem in Zambia because both varieties in use are relatively hairy. Due to this hairiness, which also protects against aphids, Dunavant recommends spraying on aphids only late in the season to avoid honeydew, which has emerged as a quality concern in Europe. Our view regarding inputs is that there is need for better arrangements that would be beneficial to both ginning companies and farmers. Further, our view on issues of pesticides referred here as parts of packages of inputs are discussed below.

9. Pesticides and Safety

There are three institutions that look at the use of chemicals in agriculture – Phytosanitary Unit, under the ministry of Agriculture and Co-operatives and, the Environmental Council of Zambia and the Bureau of Standards. There is need for these institutions to ensure that there is proper control on the import, sale and handling of these agricultural chemicals and other dangerous chemicals in the country. Farmers on cotton fields are at times exposed to these toxic chemicals without protective clothing. The input providers have not shown commitment to help the small-scale farmers despite providing all other inputs on loan. We feel that there should be a deliberate rule, which will make the input providers also provide protective clothing as part of the package. We also wish to alert the Government that this position is dangerous, hence the need for immediate action.

10. Exports

Both Dunavant and Clark devote over 90 percent of their lint to export while the smaller gins devote 70 percent for local consumption. Mulungushi and Mukuba as owners of spinning plants devote 100 percent of their production to their spinning plants. Generally Dunavant exports its lint to Europe while Clark exports to South Africa. The US Africa Growth and Opportunities Act (AGOA) have resulted in significant foreign investment in spinning and garment making in South Africa, Mauritius, and Madagascar. This suggests that these countries may become important export markets for Zambian cotton.

Our concern here is the high percentage of lint both Dunavant and Clark export, because these companies get high prices for this and yet this does not trickle down to small farmers. We have said earlier that better prices must begin at home and not abroad. We say even the provision of AGOA will be meaningless to small farmers if this existing situation is left as is.

The bulk of the yarn (over 90 percent) produced by spinners is also destined for the export market. The rest is retained for weaving into cloth – mainly *chitenge* and blankets. Our view is that small farmers do not benefit from these exports. A mechanism must be devised to allow excess earnings from exports to trickle down to small farmers.

Similarly, all ginners devote 10 percent of the seed from gins for redistribution and they sell about 80-90 percent to local oil processors. Obviously ginning companies get good prices for seeds sold to oil processors while nothing goes back to farmers who initially produced the seed, using his labour and land. Only ending up being given the same seed s/he grew on loan.

In this regard, it is worthy noting that over 95 percent of cotton growers are found in the Eastern, Central, and Southern provinces with the Eastern accounting for 60 percent of all growers. What have they benefited from their labour on cotton?

11. Proposed Bill

As early as 2000, Dunavant began working with CDT and other stakeholders in the cotton sector to develop a regulatory framework that would allow the orderly development of the sector over time. A key concern driving this process was avoiding a repeat of the credit default crisis that nearly destroyed the sector from 1997 to 1990. The Dunavant effort resulted in a draft Cotton Bill whose central provision was the creation of a Cotton Board with broad regulatory powers.

We note that the proposed Bill establishes a Cotton Board with nine voting members, appointed by the minister of Agriculture upon nomination by their own institution. Members of the board are the Permanent Secretary of Agriculture; two persons each from CDT, Cotton Ginners Association and the Cotton Growers Association; one person each from the Controller of Seeds and the Environmental Council of Zambia.

We further note that the Board would have no authority to set prices or to directly engage in marketing. Its functions are regulatory and advisory and include the following specific functions:

- Regulate the production, processing, and marketing of cotton;
- Advise the Government on regulations and policies related to the sector;
- Monitor and report on implementation of policies and matters related to the sector; and

We are worried that this Bill appears interested in policing the cotton sector and we discuss some of the details of our concern below.

12. Key Sections of the Bill

As has been indicated above, the key sections of the proposed Bill are licensing (Part 3, section 15), and registration (Part IV). The Board will have a Cotton Licensing Committee of not more than seven members and its functions are to issue certificates and licenses, approve 'distinguishing marks' (or company trademarks) and maintain data bases on land planted with cotton, registered cotton growers, and distinguishing marks.

The proposed Bill also stipulates that 'any person dealing in cotton' must be registered and must pay a fee for registration, and that any cotton leaving a registered ginner must have the distinguishing mark clearly shown (subsection 30.1). Licensing is specified for cotton ginners, cottonseed sellers, cottonseed producers, inspectors and "any other licence which the Board may prescribe".

We are worried about the possibility that not only the cotton ginners, cotton seed sellers and inspectors but also small farmers will be subjected to licensing as suggested in this draft. We are further worried that the Board can refuse registration (Part VI subsection 33.3) and no criteria for such refusal is given. We are also worried that all licence holders (including small farmers) will be expected to maintain records on cotton transactions which "shall be open to inspection at all reasonable times, by the Board" (Part VI section 35). What are we trying to do to the small farmer let alone to the cotton sector? Do we intend to criminalise cotton production?

13. Weaknesses of the Bill

Some of the weaknesses of the Bill have been mentioned above. Others include the proposal that the Cotton Development Trust Fund for technical activities be created but without giving specific mechanism on how to generate funds for this.

The proposed Bill does not address how to improve the capacity of cotton growers to negotiate and sign informed contracts with ginners – especially with the near monopoly positions of the major buyers of cotton, which even the trade minister admits, they use this monopoly ruthlessly' with threats.

Besides the proposed Bill does not address the issues of how ginning companies can achieve higher repayment rates at lower cost. Some observers have proposed the creation of a credit bureau – a kind of clearing house for information on the credit status of borrowers. We suggest that such a proposal be examined. The dilemma is that in all these discussions, schemes and machinations that affect the lives of the key participants who bare the brunt – the small-scale cotton producer – is not consulted. Even if these regulations, procedures and practices are a question of her/his life and death and that of his children and their environment.

Our view is that the small-scale cotton producer should be empowered with information, knowledge on the social and environmental hazards and determines the price of their products as sellers and not the buyer as the case is. They have no bargaining power. They are thus prone to exploitation.

15. US Subsidies

Subsidies, especially in the US, have contributed to low prices and profitability of ginners and farmers in Zambia. Recently, the WTO ruled against the US on this issue. The WTO ruling on the cotton dispute was sparked by complaints by Brazil. Where was Africa in all this? What is the implication for Africa? Of all the cotton producing countries in Africa, only Benin and Chad involved themselves in the dispute. We believe that it would be in Zambia's interest to join the move by Brazil, India, China, and other developing countries dependent on agricultural exports to form a negotiating block in the WTO. This would increase Zambia's capacity to negotiate a better deal for its produce.

While acknowledging the influence of the global price on local producer prices, the cotton merchants still regard the irresponsible behaviour of the farmers as the primary factor. On the other hand, farmers believe their no participation in price setting is responsible for the ever – decreasing returns from cotton. Both sides are focusing on national factors without seriously considering the international dimension as a primary factor. Farmers feel input suppliers exert the pressure on them while the cotton merchants feel the same from the international price.

Proposals

We propose that a Forum that will bring together the main players in the cotton sector be established without any further delay. We also propose that our organisation be included in any such forum, as we have direct contact with many small cotton farmers especially in the Eastern Province.

Price Improvements: this issue needs to be addressed so that benefits of improved prices can spread to all players – namely, the producers, the ginners, and the spinners.

We propose that as the Government creates an environment that will improve local cotton prices, they should at international level take this route too. We repeat our view – better prices must begin at home.

We recognise that we cannot campaign for higher prices on the world market, while, locally, we keep prices to the small farmer low. Hence our slogan is – better prices must start at home. We urge the Government to create the environment in which our farmers are better paid than they are now.

We also believe that a balanced application of free trade rules in the WTO would certainly lead to the elimination of subsidies on cotton and on other commodities in the developed world. This would allow Zambia and other developing countries to compete on the world market on a level playing field.

End

ANNEX 7: The Role of Organisation Development and Community Management Trust (ODCMT) in The Project: Linkages Between Trade, Development and Poverty Reduction *By Irene Banda, Acting Executive Director (ODCMT)*

The goal of the programmes of the Organisation Development and Community Management Trust (ODCMT) is to attain sustainable social, economic and environmentally sound human development of under privileged people in Zambia. This goal is pursued through the provision of skills training programmes in social development, advocacy work and networking activities.

This project, Linkages between Trade, Development and Poverty Reduction will manifest the policy relevance of international trade on poverty reduction and thus, help in articulating policy coherence in particular between the international trading system and national development strategies. International trade has a major role to play to achieve the Millennium Development Goals (MDGs) and reduce absolute poverty by half by the year 2015.

Project activities will include analyses of stakeholders' perceptions on linkages between trade, development and poverty reduction, networking with partner organisations and other stakeholders, advocacy with policymakers and civil society organisations, dialogues involving producers and consumers, information dissemination to policymakers, civil society organisations, and other stakeholders, outreach to trade diplomats, parliamentarians, and developmental agencies (including donor agencies).

The project will also look into the aspects of coherence that different stakeholders and departments need to accomplish in order to establish a positive linkage between trade and development, especially from the point of view of poverty reduction. Activities to be implemented will contribute to sustainable economic development in Zambia by improving the international policy environment on trade and related issues and thus, manifesting the role that international trade can and should play in enhancing development and reducing poverty.

Civil society organisations will benefit by taking part in this project, as the activities are designed to cross-fertilise ideas and experiences, thus building the capacity (in terms of gaining knowledge about the issues and the process of implementing a multi-country project) of civil society groups. The project will also look at the coherence between different policies to reduce poverty and articulate a coherence agenda vis-à-vis trade and development issues that can help in reducing poverty.

Furthermore, it will contribute to the policy debate for achieving MDGs and will, in particular, look into the aspects of partnership between different stakeholders to achieve the MDGs.

The project will be implemented through the pursuance of the following inter-related objectives.

- By facilitating cross-fertilisation of experiences and lessons learnt on linkages between trade, development and poverty reduction in the developing countries to develop appropriate policy responses;
- By helping to strengthen the ability of developing countries through the provision of policy support and other know-how and do-how on trade and development issues, and to defend their viewpoints and negotiating and advocacy positions on issues of concern, prevailing and emerging in the international trading system and their relationship with development and poverty reduction;
- By facilitating synergy between governments and civil society organisations (between and among the Northern and Southern stakeholders) to learn from each other and strengthen their collective perspectives and positions in the emerging debate on the linkages between trade, development and poverty reduction; and
- By advocating development-oriented trade policies, based on learning from research and other activities, by taking into account the interests and priorities (needs and aspirations) of the poor and marginalised sections of the society and look into the aspects of policy coherence.
- The three major aspects of the project are:
    1. How existing agreements on international trade can be made more beneficial for the poor;

2. What role the civil society should play in creating a better environment so that the poor benefit more from trade liberalizstion; and
3. A partnership between and among the civil society and governments to be developed, particularly keeping in mind the millennium development goals.

To achieve all the above-mentioned goals, the following activities will be carried out by the ODCMT;

- Organising a national dialogue of one-day duration for each year of the project with the pilot period being four years. This national dialogue will be the key to conduct advocacy at the country level;
- The preparation and distribution of the campaign kit and advocacy documents into the Zambian local languages in consultation with project partners, members of the project advisory committee and other experts. This is to ensure that the objectives of the project are understood at all levels; and
- Writing articles in national and local press for public sensitisation so as to cover the country as widely as possible.

- End -