THE COTONOU-AGREEMENT BETWEEN THE EUROPEAN UNION AND THE AFRICAN, CARIBBEAN - PACIFIC (ACP) COUNTRIES: *CREATING A PRIVATE SECTOR/GRZ DIALOGUE TO USE THE OPPORTUNITIES*

REPORT ON THE CONFERENCE ON THE ACP - EU COTONOU-AGREEMENT HELD AT PAMODZI HOTEL ON WEDNESDAY 15TH MAY 2002

LUSAKA - 2002

INTRODUCTION

The Friedrich Ebert Stiftung and the European Commission jointly co-hosted a one day conference on "*The Cotonou-Agreement between the European Union and the ACP Countries: Creating a Private Sector/GRZ dialogue to Use the Opportunities*" at Pamodzi Hotel on Wednesday, 15th May 2002. The organising committee of the conference included the Ministry of Commerce, Trade and Industry, National Economic Advisory Council, Southern African Enterprise Network and the Private Sector Development Association.

The conference sought to initiate a process of dialogue between the private sector and the public sector and concretise modalities of benefiting from the Cotonou Agreement. Participants to the conference were expected to come up with recommendations for establishing and enhancing effective private-public sector dialogue. To achieve its desired goals, the conference combined presentations with plenary discussions and group working sessions. Two presentations were made: one on the "*Overview of the ACP-EU Cotonou Agreement*" by Dr. Jochen Krebs and the other "*Zambia-European Community: Country Strategy Paper*" by Dr. Situmbeko Musokotwane. Mr. Ng'andu Peter Magande was the overall facilitator of the Conference.

The conference attracted participants from government, private sector, donor community, diplomatic missions, the media and many other organisations. It was officially opened by the Minister of Commerce, Trade and Industry, Hon. Bates Namuyamba, MP. Both Mr. Michael Schultheiss, the Resident Director of the Friedrich Ebert Stiftung, and Dr. Jochen Krebs, Head of Delegation of the Commission for the European Union, gave welcoming remarks. Mr. Ng'andu Peter Magande facilitated deliberations on Capacity Building while Mr. Ernest Mande facilitated discussions on Transport and Development.

In his introductory remarks, the facilitator of the Conference, welcomed the participants and indicated that the objective of the conference was to come up with modalities of benefiting from the ACP-EU Cotonou Agreement. He further indicated that the ACP-EU Cotonou Agreement was going to come into effect once two-thirds of the African Caribbean - Pacific Countries as well as all countries of the European Union (EU) had ratified the agreement. He further indicated that already forty seven of the ACP Countries, including Zambia, and seven of the EU Countries had signed and ratified the agreement.

In his welcoming remarks, Dr. Jochen Krebs indicated that following Zambia's ratification of the Cotonou Agreement on 22 April 2002, the European Union Parliament was going to discuss Zambia's case on 28 May 2002. He also observed that the EU was at liberty to talk on issues contained in the agreement including those hinging on good governance and that the EU was looking forward to normalising its relations with the Zambian Government following the differences that emerged after the 2001 tripartite elections.

Dr. Krebs informed the conference that the Cotonou Agreement was a long term agreement with a period of twenty years making it the only one of its kind as no other donor had such a long term multilateral agreement. He pointed out that the agreement would be implemented in five-year tranches and was optimist that Zambia would take advantage of the opportunities available in the Agreement.

In his welcoming remarks, the Resident Director of the Friedrich Ebert Stiftung, Mr. Michael Shultheiss welcomed all the participants to the conference. He hinted that Europeans were committed to the European integration and that in their international work they supported the specific relationship developed with the African, Caribbean and Pacific Countries. He observed that the Cotonou Agreement was a new foundation of the relationship which offered a lot of opportunities for the ACP countries including Zambia in improving their position on the world's market. Mr. Schultheiss observed that the Cotonou Agreement was an ambitious one which did not only offer assistance but also required active and mutual participation in a continuos process of negotiations, defining aims, opportunities and strategies. A permanent active participation of civil society was described as an important characteristic feature of the agreement. Hence the conference was intended to initiate that participation. While a one day conference would not actualise the necessary dialogue, it could clarify the importance of an institutionalised structure for dialogue, provide ideas for the enhancement of private sector participation and put forward appropriate recommendations. Mr. Schultheiss was hopeful that the conference would contribute to the enhancement of the private sector participation as a permanent feature in the Cotonou-Agreement process.

Mr. Schultheiss indicated that the conference was structured in such a manner that there would be two presentations, a plenary session discussion and group working sessions. In conclusion, Mr. Schultheiss thanked all the members of the organising committee for their active participation in the preparation of the Conference.

Official opening of the Conference by the Minister of Commerce, Trade and Industry, Hon. Bates Namuyamba, MP.

The Minister of Commerce, Trade and Industry, Honourable Bates Namuyamba MP observed, in his opening remarks, that the timing of the conference was very opportune as it would provide an opportunity to reflect on the ACP-EU framework of co-operation. He then pointed out that Zambia had been a signatory to the ACP-EU framework of co-operation dating back to 1975 when the first Lomé Convention was signed. He also pointed out that since then, the European Union had disbursed more than One thousand two hundred and twenty six million (1,226,000,000.00) Euros for technical assistance, development projects and programmes in Zambia. The projects were formulated on the strength of signatures to an agreed National Indicative Programme (NIP), which reflected the development priorities of the country and included, among others, the Export Development Programme, which had provided short term credit, and technical assistance to exporters of coffee, tobacco, cotton, paprika, cut flowers and vegetables. Further, he indicated that the SYSMIN facility was providing funding to help Zambia's diversification of exports from copper and other base metals.

Hon. Namuyamba apprised the conference that the Zambian Government in consultation with many stakeholders had prepared a Country Strategy Paper (CSP), which provided a framework for European Commission assistance programmes under the Cotonou Agreement for the years 2001 to 2007. He informed the conference that the Cotonou Agreement, which was ratified by the Zambian Government on 22nd April 2002, was characterised by the term 'partnership' implying mutual commitments and responsibility by the parties involved with a central objective of reducing and eventually eradicating poverty while contributing to sustainable development and to the gradual integration of ACP countries into the world economy. The Minister pointed out that the current non-reciprocal trade preferences would be replaced by a set of new Economic Partnership Agreements (EPAs) beginning January 2008. Negotiations for the establishment of reciprocal EPAs would begin in September 2002. The idea of the EPAs was to make the ACP-EU free trade arrangements compatible with the World Trade Organisation (WTO) to which both Zambia and the EU were members. The Minister further pointed out that another major innovation of the Cotonou Agreement was the participation of non-state actors such as civil society and the private sector. The agreement stated that developing the private sector, increasing employment and improving access to productive resources shall be part of the framework of co-operation. He also pointed out that the Cotonou Agreement outlined a comprehensive programme of action for support to the private sector, which included a structured dialogue with the private sector, development of skills, strengthening of intermediate business organisations and the development of an arbitration system. It also called for the reinforcement of the financial services sector in the ACP states to improve private investment and growth.

The Minister reiterated Government's commitment to creating a stable employment market in which all Zambians would be afforded the opportunity to realise their potential as productive members of society with dignity, confidence and a sense of fulfilment and personal well being, through the maintenance of an economic environment in which enterprises could flourish, and the formulation of clear rational and purposeful and productive economic policies and procedures. He challenged the private sector to actively contribute to the negotiations of economic partnership agreements. He also urged the private sector to make optimum use of the support that had been offered under the Cotonou Agreement and the enabling environment the government was striving to put in place, to grow and compete favourably in the global market.

In conclusion the Minister thanked the European Union for its continued support to the country, the organisers of the conference and all the participants. He urged participants from other ministries to co-operate with the Ministry of Commerce, Trade and Industry to ensure that maximum benefit was derived from the provisions of the Cotonou Agreement.

CONFERENCE PRESENTATIONS

Overview of the Cotonou Agreement : A renewed ACP-EU Partnership by Dr. Jochen Krebs, Leader of the EU Delegation

Dr. Krebs gave an overview of the ACP-EU Cotonou Agreement. In his presentation, he noted that the need for change to renew the ACP-EU partnership was prompted by the mixed results of 25 years of implementing the Lomé Conventions. The global developments resulted in the need to adapt and modernise the partnership while the increased poverty and stagnant trade in the ACP Countries, despite the increase in aid, also accentuated the need for modification. Dr. Krebs argued that the post-Lomé era had been characterised with comprehensive and far reaching reforms which culminated in the birth of a new partnership that had a long term framework and a significant volume of resources.

Dr. Krebs observed that the Cotonou Agreement was based on five pillars which made a clear association between the political dimension, trade and development, namely: political dialogue; participatory approach; poverty focus; new trade partnership; and reform of instruments and programming. He explained that political dialogue entailed the need to broaden the scope of political participation as well as commitment to good governance, while the participatory approach demanded the involvement in the dialogue and formulation of country strategies of the non-state actors. Further, he noted that non state actors needed to have access to resources and to be involved in the implementation of the development strategies. Dr. Krebs also explained that the agreement recognised the fact that development strategies focus on reducing and, in the long term, eradicating poverty by promoting growth, competitiveness and creating employment. Similarly, he pointed out that the aspect of social and cultural policies were key in the fight against poverty. Regional integration, capacity building, gender and environment were also important components of the new partnership.

Dr. Krebs pointed out that the objectives of the new trade framework of the Cotonou Agreement included, among other issues, a gradual integration of the ACP states into the world economy by enhancing their production, supply and trading capacities before there could be full conformity to WTO rules. He explained that the EU funds would be disbursed through different instruments such as STABEX, NIP, Debt relief, Budget lines, SAF and SYSMIN. Further, he noted that the instruments had been re-grouped into two envelopes: envelope (A) for all long term assistance and envelope (B) which was essentially an instrument facility managed by the European Investment Bank (EIB). A rolling programme accompanied by regular review of the performance would be employed for envelope A. Dr. Krebs pointed out that the total volume of financial resources available to support the development strategies in the ACP Countries included 13.5 billion Euros for the 9th EDF plus the remaining balance of 9.9 billion Euros to bring the total to 23.4 billion Euros. In addition to this figure, there would be 1.7 billion Euros from the EIB. Besides, Dr. Krebs informed the conference that the European Union had given Zambia a grant of 20 million Euros to help reduce the high interest rates.

Dr. Krebs concluded his presentation by indicating that the agreement was a comprehensive ACP – EU partnership which embraced political dialogue, trade and aid. He indicated that it was an agreement that hinged on sustainable economic development, centred on poverty reduction, with a vision for a north-south interdependent relationship.

Zambia - European Community: The Country Strategy Paper by Dr. Situmbeko Musokotwane, Ministry of Finance and National Planning.

Dr. Situmbeko Musokotwane's presentation was on the Country Strategy Paper (CSP). It was structured into three parts: fundamental basis underlying the co-operation between Zambia and the EC; choice of agreed interventions; and elaboration on what was meant in the focal sectors. From the onset, Dr. Musokotwane noted that the Cotonou - Agreement was premised on both the EU/ACP co-operation objectives and on the country's policy agenda, which included: government's commitment to reducing poverty level from 70% to 50% during the period 1999 - 2015; national capacity building programme for good governance, macro-economic policy objectives – medium-term growth rate targets of 5 – 5.5%, reduction of inflation to 10% by 2003, reduction of domestic fiscal debt to 3% in 2003, stable exchange rate; and a reviewed focus on sector policies with particular attention on transport and agriculture. He noted that high domestic fiscal deficits were responsible for high interest rates. Reduction therefore in the fiscal deficits would help stabilise interest rates.

It was also noted that the CSP outlined an assessment of the country's political, economic and social situation. The assessment covered the past and current co-operation and lessons learnt from the co-operation administered by the European Commission, the European Investment Bank, the complementing member states as well as the non EU cooperating partners.

The Response Strategy : Focal Sectors and Macro-Economic Support

It was observed that the selection of focal sectors to be supported by the European Union was done after discussions with several stakeholders including the: civil society, private sector and member states. The specific areas of focus include: assistance to government to provide an improved environment for business activities; improvement of infrastructure, mainly the road system; and the provision of loans and capital.

Transport and Infrastructure

In discussing the first specific focal sector, Dr. Musokotwane indicated that the CSP identified transport as crucial for the development of all major sectors of the economy. Roads offer access to local/regional markets and to social services, integration of peripheral parts of the country, transportation of agricultural inputs to individual farmers and produce to the market places. The geography and demography of Zambia made transport needs relatively large for purposes of poverty reduction and economic development particularly in rural areas. The CSP also highlights areas of intervention which include: preventive maintenance of truck, main and district roads; maintenance and rehabilitation of feeder roads and transport mode study (rail/road) and studies for track upgrading.

Institutional Development and Capacity Building

Dr. Musokotwane indicated that reasons for selecting the institutional development and capacity building as focal areas was for the purpose of strengthening individual and organisational capacities of public, quasi-public and private institutions, upgrading of institutional and manpower conditions in public/private sector thereby making the private sector a partner rather than a competitor to government. It was further pointed out that the policy dialogue with government, the Commission and other cooperating partners emphasised the need to provide support in maintaining suitable macro-economic environment that was required for poverty reduction; to facilitate a more comprehensive and participatory analysis of poverty in Zambia encompassing the capability and security dimension of poverty; to pursue public finance management reforms towards more effectiveness and accountability; and to monitor outcome indicators as a way of measuring progress in the access and quality of social services as well as in the efficiency/effectiveness of public expenditure.

Support through the EIB

In his presentation, Dr. Musokotwane indicated that investment facility will have at its disposal loans, quasi-equity, equity participation and provision of guarantees among other instruments. Operations would be financed as a rule on market-related terms. He added that considering the specificities of the country's economic situation as well as EIB's past experience, EIB will focus on three main areas of intervention: co-operation with local financial intermediaries to support small and medium scale enterprises through global loans or equity funds; financing infrastructure projects in the power, water, sewerage, transport and telecommunications sector; and direct funding of large individual projects, where the Bank could contribute value added in the technical and/or financial structuring of the investment.

The EIB approach in supporting investment in Zambia would be demand driven and would depend on the macroeconomic framework and on the business environment. It was pointed out that the CSP put emphasis on the involvement of non-state actors through substantial capacity support, building a common platform to voice private sector interests, building the capacities of the representative bodies, mobilising resources to conduct policy analysis and preparation of arguments as well as proposals for government's consideration.

Non-Focal Sectors

The CSP also proposes other sectors that the European Commission would support, particularly, the health (including HIV/AIDS) and education sectors. The sectors were selected on the basis of the ACP/EU policy dialogue recognition of the social sectors as an important component in the context of poverty reduction. Education, health and the combat on HIV/AIDS had been classified by government as priority areas.

Other Elements of the Support Strategy

Dr. Musokotwane outlined in his presentation that loans from the EIB were intended for private sector investments. He pointed out that through budget lines a continuation of funding would be sought for democracy, human rights, food security and co-financing with NGOs. Besides, the CDE and all ACP programmes would continue to support the private sector through ad-hoc interventions. It was noted that in case of emergency needs, ECHO would respond through its implementing partners and its priority areas would include health, nutrition, water, sanitation, shelter and protection.

Indicative Programme

Dr. Musokotwane pointed out that several financial instruments would be used to finance the EC co-operation with Zambia. It was indicated that the envisaged volume of resources for envelope A which would cover development operations within the country strategy was 240 million Euros. Its proposed utilisation was as follows: transport and development - 90 million Euros, institutional reform and capacity building - 40 million Euros, macroeconomic support - 90 million Euros, and other programmes (health, HIV/AIDS, education) - 20 million Euros.

The 9th EDF, Envelope B (111 million Euros) would cover unforeseen needs as per Cotonou Agreement. That particular envelope would be for: economic vulnerability, taking into account export earnings, losses and dependence on export earnings (ex-SYSMIN); a bonus for HIPC countries that benefit from internationally agreed debt initiatives; provision for additional influx of refugees as a consequence of a continuation of the conflicts in Democratic Republic of Congo (DRC) and Angola; and preparedness for natural disaster associated with drought or floods. Additionally, there was also an investment facility which was a financing instrument managed by the EIB which did not form part of the indicative programme.

In conclusion, Dr. Musokotwane noted that the European Commission's budget lines would be used to finance specific operations which would have to be done in accordance with the Commission's procedures for the budget line concerned and would depend on the availability of funds.

PLENARY DISCUSSION

After the two presentations, questions and comments were invited from the floor.

The participants observed that an issue of particular interest to the private sector was capacity building. The capacity to be able to plan on a long term basis. Particular reference was made to the rose flower growing companies that had flourished at one particular time and suddenly died out. Such a development could be attributed to the fact that the aspect of planning was not taken seriously hence the programme was not built on a sustainable foundation. It was more of a short term affair. Need for long term planning was cited as critical if anything tangible had to be realised.

Participants were hopeful that there would be valuable contributions in the working groups to ensure that maximum benefit was derived from the Cotonou Agreement opportunities. It was also hoped that after the conference the role of the private sector would be appreciated and well defined. It was observed that there was need to build an institutional framework for private sector participation or better still having it as a reference group. The involvement of the non state actors in the CG meeting was both appreciated and commended.

There was an appreciated interest on the part of non-state actors regarding their possible involvement in developmental policy issues. It was noted that the private sector had in many times been left out in the equation, yet it occupied a strategic position. For instance, it had acquired the competence of wealth creation. The need to recognise the role other non-governmental organisations played in economic development was also highlighted. In respect to that it was observed that the term private sector encompassed all sectors outside the government sector.

Concerns were expressed on how the private sector could access resources from the European Union, especially the European Investment Bank, for sectors not covered in the focal sectors of the Country Strategy Paper. In response, it was pointed out that not all sectors had to be covered as focal sectors. If any deserving sectors were left out from the CSP, this was a clear indication on lack of adequate dialogue between the government and the private sector, because such omissions could have been corrected if brought to the attention of the government in good time. However, it was pointed out that the private sector could avail themselves of the financing facilities of the European Investment Bank for projects in non-focal sectors.

With regards to the transport focal sector, a suggestion was made that government should consider reducing or removing the tariff on bitumen to lower the cost of road construction, maintenance and rehabilitation. The suggestion was mooted in view of the fact that the country imported most of its bitumen from Europe since INDENI Petroleum Refinery could not meet the local demand of the same. However, it was noted that the issue of reducing tax on a product was by and large an internal matter. It was hoped that the Ministry of Finance and National Planning together with the Ministry of Commerce, Trade and Industry would take up the issue.

The participants sought government’s commitment towards institutional reforms. They desired to know to what extent government was committed in involving the private sector. Reference was made to some of the countries in the region whose policy on the private sector involvement in institutional reforms was demonstrated through the regular meetings held with the sector followed with action on issues brought forth. The conference was assured that government was making steady progress in it’s efforts to involve the private sector. The involvement of the non state actors in the 2000 CG meeting was cited as a reflection of government’s commitment to that effect. Similarly, government’s participation at the conference on Cotonou Agreement was also an indication that government was willing to dialogue with the private sector. It was further highlighted that the Cotonou Agreement made it mandatory that the private sector got involved in dialogue with government. Moreover, most of the issues concerning trade affected the private sector. Accordingly, the Cotonou-Agreement stipulated that for any money to be used, the private sector had to be involved.

The Conference was also apprised of the private sector initiative in the creation of a private/public sector platform. It was explained that steady progress had been made in creating a private-public sector platform. A steering committee that had been constituted was making steady progress and it was getting substantial support from government.

GROUP WORK DISCUSSIONS

The purpose of the working groups was to define the interests of the private sector and parameters of dialogue. There were two working groups: one looking at the '*Public - Private Dialogue/Institutional Reform and Capacity Building*' and the other looking at '*Transport and Development*'

Group 1: Public - Private Dialogue/Institutional Reform and Capacity Building

The facilitator of Group 1, Mr. Ng'andu Peter Magande, posed a number of fundamental concerns whose deliberation was to guide the direction of the discussion. He noted that the Public Service Reform Programme (PSRP) whose primary objective was to bring the private sector into the forefront of economic development had stalled. Regrettably, the private sector had not responded to the intended challenge of PSRP. It was therefore important to recognise that there were inherent weaknesses both in government and private sector management. He also alluded to the fact that many a time Government did not release information to the Private Sector aimed at taking advantage of both multilateral and bilateral agreements Zambia signed from time to time.

He implored the private sector, as beneficiaries of these agreements, to be more proactive and aggressive especially with the implementation of the Cotonou Agreement.

Looking at past events with regard to GRZ/Private Sector dialogue, Mr. Magande concluded that Government Information System was faulty, particularly that government had the ultimate jurisdiction over the affairs of the state. He equally blamed the private sector for rather remaining silent. He reminded the group that since in the declared national economic policy the private sector was considered to be an engine of growth and development, the importance of information flow from government to other sectors could not be over emphasised. The question therefore, was about making appropriate institutional reforms intended to reorient the existing institutions in such a way that they become responsive to the present challenges.

The group expressed great concern at the lack of effective dialogue between government and the private sector. Dialogue that had existed in Zambia between the two sectors had been characterised by suspicion on the one hand and on the other hand, perceived superior/subordinate relationship. Moreover, there had been segmented levels of private sector dialogue with government, thereby entrenching incoherence in the government/private sector dialogue.

In calling for a formally structured dialogue between government and private sector, the group noted that the motivating factor was the inclusion in the current ACP-EU Cotonou agreement of non-state actors as part of the agreement. Hence the necessity and desirability for the envisaged institutional framework to encompass the lowest levels of private sector forum.

Southern Africa Enterprise Network (SAEN) made a presentation to the group over the initiative already embarked upon to enhance government/private sector dialogue. The group endorsed the effort by SAEN as a positive starting point in creating effective government/private sector dialogue. SAEN also sounded a warning for stakeholders to appreciate the difference between building partnership and building dialogue in as far as government/private sector relationships were concerned. The group also noted that some of the weaknesses associated with government had been a lack of both the Employment and National Trade Policies.

In terms of capacity, the group noted that capacity of institutions to deliver entails both individual and organisational development. Evidently, no one institution therefore had a choice of whether or not to train the individuals. It was the capacity of individuals that greatly contributed to organisational development. However, once the institutions had trained individuals, it was incumbent upon those institutions to provide conducive-working environments in which individuals so trained would work.

Concern was expressed in relation to certain government departments such as the Bureau of Standards, the Competition Commission, the Assize Department and/or Ministry of Commerce, Trade and Industry (MCTI) where capacity remained comparatively low for the challenges brought about by the new economic dispensation in Zambia. The group urged the Ministry of Commerce and Industry to enhance the capacity of its human resources.

In conclusion the group observed that three sectors namely: agriculture, mining and tourism had not been covered in the agreement in terms of expected support from EU. The group learnt that the omission in the agreement was deliberate because the three sectors had no sectoral policies at the time of preparing the CSP. The ACP-EU agreement was about supporting such sectors that had direction or sectoral policies. The position taken by EU over the three sectors mentioned above was not punitive since support to the three sectors can be accessed by using other provisions of the same agreement. The group concluded that Zambia needed to modify the relationship between government/private sectors so as to enhance interaction.

Recommendations - Capacity building

- Form a common platform for the private sector.
- The platform should be established on the basis of inclusion. Inclusion will mean a strategic and consistent effort to build trust and consensus in the private sector
- The platform shall be used as the dialogue partner with government for private sector issues
- identify specific capacity building needs of intermediaries to be supported under the Country Strategy Paper
- The EU-PSDP would co-ordinate a team to move concept to reality
- Three options: existing organisations, new body, a new initiative

Working Group

A working group was constituted to look at ways and means of moving the concept of platform to reality. The members are:

- Yusuf Dodia
- Chibembe Nyalugwe
- Abel Mkandawire
- Anthony Mwanaumo
- Songowayo Zyambo

The work of the group will be coordinated by Mr. Chris Sealey of Private Sector Development Programme (PSDP).

Terms of Reference of the Working group

The terms of reference for the group were to:

- Review the position and suitability of Zambia Association of Chambers of Commerce and Industry (ZACCI);
- Review other existing private sector options and their suitability to drive the process;
- Look at the possibility of establishing a new institution; and
- Report to workshop participants by end of July 2002.

Group 2: Transport and Development

In his preliminary remarks, the facilitator of Group 2, Mr. Ernest Mande, explained that according to the country strategy paper (CSP), transport and development was collectively identified as one of the focal sector to benefit from the European Commission’s assistance. Accordingly, 90 million Euros had been set aside for the sector. He further indicated that most of those resources were meant for improvement of infrastructure and mostly the road system. He explained that the purpose of the group work discussion was to draw up priorities for the sector which would be presented to government for consideration. He also explained that the group could also recommend other areas that were not supported in the CSP as it was subject to annual reviews. Accordingly, the recommendations could be considered only after the review.

The group recognised transport as a crucial ingredient for the development of all main sectors. Roads were of crucial importance for the access to local/regional markets and to social services. Roads were vital for the integration of peripheral parts of the country and for the transportation of agricultural inputs to individual farmers and produce to the market places. The rail, air and water transport were recognised as equally important.

During the discussion, clarity was sought on the 90 million Euros indicated in the CSP on whether it was part of the resources budgeted in the Poverty Reduction Strategy Paper (PRSP). Similarly, the group desired to know if the said resources would be used to settle some of the debts that government owed road contractors. It was pointed out that part of the 90 million Euros constituted the budgeted amount in the PRSP though it would not be used to pay for the outstanding debt.

The group observed that the resources were little, hence it was not possible to develop the whole country with the available resources. However, it was important that consideration was given to development. The group identified three sectors (agriculture, small scale mining and tourism) that needed to be considered when developing the transport sector. Accordingly, it was observed that mining on the Copperbelt would not be as it was in the 1920s. It was pointed out that new regions in potentially fertile and wet areas should be opened up for agriculture purposes. The group also noted that while good roads were good for tourism purposes, it was however observed that tourists were not interested in another concrete jungle but rather in good passable gravel roads.

Concerns were raised as to how government could have forgotten to include the aviation sector in CSP. It was indicated that for tourism to be vibrant, it was necessary to have a national air line as a vehicle to promote the hospitality industry. Views were expressed to the effect that the current airlines in the country were only interested in regional flights and that was impacting negatively on tourism. Following the demise of Zambia Airways, local experts in the aviation industry were working abroad and the support staff had become jobless and were in abject poverty while the traditions of managing such as industry by and large disappeared from Zambia. The first two local companies to operate private airlines after the demise of the national carrier had since closed down, not because they had failed but because government decided to cancel their licenses. The group also cautioned investors in the aviation sector to follow laid down procedures when acquiring licenses. It was observed that tendencies of using politicians was dangerous as such investors risked being harassed when their ‘favourite politicians’ were no longer in influential positions. The other concern raised by the group was that relating to lack of competitiveness in the industry due to the fact that other airlines had comparative advantage in the region.

As for the rail transport sector, it was observed that problems had been well documented in the past. The lack of corporate planning and commercialised operations led to uneconomical operation resulting in lack of maintenance of the infrastructure and rolling stock, thus making the service undesirable. Concessioning appear to be the only way forward, but had to be handled with caution and must allow for competition between concessionaires. The group suggested that government should come up with deliberate policies to ensue that bulk and heavy cargo transportation was done by rail as a control to reduce overloading on roads. Furthermore, the group indicated that roads and rail have to be developed at the same time to institute complimentarity and not competition. It was also suggested that government should plan to open up the Chipata-Muchinji rail track.

As regards water transport, the group singled out the state of the Mpulungu harbour as a source of concern. Despite the construction of adequate storage facilities, good offices, workshop, good road network within the harbour and provision of lighting, no woks had been planned for the Quay. Currently the barge had to be moved four times when loading and off loading which implied major delays. It was noted that Mpulungu was the only major export and import harbour on the Lake Tanganyika that was comparatively backward and hence the need to modernise it.

Recommendations - Transport and Development

- The current main trunk and district roads should be given priority in rehabilitation and maintenance.
- Consideration should be given to economically potential feeder roads, taking into account the needs of tourism, agriculture, small scale mining as well as social economic potential.
- Government should provide an enabling environment to attract investors both local and foreign to institute a viable national airline.
- Government should set up an Aviation Regulatory Board with maximum participation of the private sector to minimise undue political interference.
- The government, with the involvement of the private sector, should provide airstrips in areas producing non-traditional exports and rehabilitate the existing dilapidated tourist airstrips.
- Government should handle rail concessions with care and must allow for competition between the concessionaires.

- Government should deliberately come up with policies that would ensure that bulk and heavy cargo transportation is carried by rail as a control measure against overloading on roads.
- Rail track and roads should be developed simultaneously so as to provide complimentarity and rather than not competition.
- The quay at Mpulungu harbour should be extended.
- Gantry cranes at Mpulungu harbour should be provided.
- Zambia should also explore opportunities of introducing its own Cargo Vessel on Lake Tanganyika.
- There should be transparency in the awarding all contracts in the transport sector.
- A regional transport competitive study should be undertaken in the region;
- Government should consider tax reduction or zero rating on bitumen.

PLENARY SESSION

After the presentations of the recommendations by the two working groups, comments were invited from the floor.

Concern was expressed to the effect that the recommendations on transport and development did not include the rehabilitation of township roads yet they were in a deplorable state. In response, it was explained that the aspect of township roads was under the jurisdiction of the respective local authorities. They were entrusted to maintain and rehabilitate the roads. However, it was hoped that the Ministry of Communications and Transport and Roads Board would take up the issue.

Participants indicated that owing to the political instability in the great lakes region, Zambia’s exports to that region through Mpulungu Port had been constrained. Currently, sugar and cement exports had gone down tremendously. Hence, the plea to government and the EU to work towards bringing back peace to the region so that trade could be improved.

Participants bemoaned governments omission of the aviation sector in the CSP. It was further observed that even the statement in the CSP indicating that the national airline was privatised was misleading as the national carrier was liquidated. It was argued that, had government heeded the advice to privatise the national carrier, it could possibly have been doing fine like some successful airlines in the region for instance Kenya Airways. Hence the recommendation to have a national airline was welcomed. It was noted that a national airline would minimise certain problems that the local exporters faced. The national airline would also help enhance the performance of the tourism industry.

The private sector was challenged to exploit the opportunities offered in the Cotonou Agreement to make the country graduate from the Highly Indebted Poor

Countries and Least Developed Countries categories. Farmers were urged to use the vast land and water to grow crops for export. It was explained that the problem of market access was no longer an issue. The country could export anything to the EU, except arms, while the American Growth Opportunity for Africa (AGOA) was another facility that could be utilised.

CLOSING OF THE CONFERENCE

The facilitator thanked all the participants for the contributions and participation, the Friedrich Ebert Stiftung and the organisers for the tireless effort in making the conference a reality. He was optimistic that the working group constituted under the capacity building focal sector will give their report at a similar conference later. Mr. Schultheiss thanked the facilitators for the manner in which they handled the proceedings. He also thanked the participants for their patience and contributions. He was hopeful that the conference was a step forward in information dissemination on the Cotonou Agreement and that a process had been commenced in earnest for enhanced GRZ/Private Sector dialogue in Zambia.

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