

Making Trade Work for Women

The Likely Impact of the
Economic Partnership Agreements on
Women's Rights and Gender Equality

Horticulture & Floriculture Sector in Zambia

Bethel Nakaponda
July 2006

One World Action

Our Vision

A Just and Equal World, where there is no necessity for One World Action.

Our Mission

To create the power and opportunity for the poorest citizens to transform their own lives; and to challenge the international policies that make and keep people poor.

Our Values

We work with partners, South and North, in ways that respect different perspectives and build on the strengths of diversity; we believe strongly in gender equity and full participation of women in all development processes; we seek to put into practice the principles of good governance and democracy in our own organisation and behaviours.



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Abbreviations/Acronyms

ACP	African, Caribbean and Pacific countries
CAP	Common Agricultural Policy
CEDAW	United Nations Convention on the Elimination of all forms of Discrimination Against Women
COMESA	Common Market for Eastern and Southern Africa
CSO	Central Statistics Office
EBA	Everything But Arms initiative
EBZ	Export Board of Zambia
EDF	European Development Fund
EDP I	Export Development Programme I
EDP II	Export Development Programme II
EPAs	Economic Partnership Agreements
ESA	Eastern and Southern Africa negotiating group
EU	European Union
FHHs	Female headed households
FTAs	Free Trade Areas
GDP	Gross Domestic Product
GNP	Gross National Product
GRZ	Government of the Republic of Zambia
ILO	International Labour Organisation
LDCs	Least Developed Countries
MCTI	Ministry of Commerce, Trade and Industry
MHHs	Male headed households
MMR	Maternal mortality rate
NDTPF	National Development and Trade Policy Forum
NER	National enrolment rate
NGO	Non-governmental organisations
NGOCC	Non-governmental Organisation Co-ordinating Committee
NORAD	Norwegian Agency for Development
NUPAW	National Union of Plantations and Agricultural Workers
NRDC	Natural Resources Development College
NTEs	Non-traditional exports
NZTT	National ZEGA Training Trust
OWA	One World Action
PQU	Plant and Quarantine Unit
PRSP	Poverty Reduction Strategy Paper
SADC	Southern African Development Cooperation
SAPs	Structural Adjustment Programmes
SIAs	Sustainability Impact Assessments
SPS	Sanitary and phytosanitary measures
SSA	Sub-Saharan Africa
TNDP	Transitional National Development Plan (2002-2005)
TRQ	Tariff Rate Quota
UN	United Nations
US	United States
VIA	Voices, Influence, Access, a One World Action Project
WiLDAF	Women in Law and Development in Africa
WLSA	Women and Law in Southern Africa, Research and Education Trust
WTO	World Trade Organisation
ZARD	Zambia Association for Research and Development
ZDHS	Zambia Demographic and Health Survey
ZEGA	Zambia Export Growers Association
ZFEA	Zambia Farm Employers Association



Contents

	Page No.
1. Executive Summary	5
2. Introduction	7
2.1 Background	7
2.1.1 The problem area	7
2.2 Methodology	8
2.3 Limitations	8
3. The Proposed EU EPAs	9
3.1 Background	9
3.2 The Proposed EPAs	9
3.2.1 Objectives of EPAs	9
3.2.2 Differences in approaches to EPAs between the EU and ACP countries	10
3.3 The Eastern and Southern African (ESA) Group	10
3.3.1 Progress to date	11
3.3.2 Women's voices not being heard in decision-making processes	12
3.3.3 Challenges for ESA	12
4. The Gender Structure of the Zambian Economy	16
4.1 Economic background	16
4.2 Population size and distribution	17
4.3 Formal and informal sector employment by gender	17
4.4 Unemployment levels by gender	18
4.5 Poverty and gender	18
4.5.1 Access to land, income and other assets	19
4.5.2 Female-headed households	19
4.5.3 Women's education and training	19
4.5.4 Women and health	20
4.6 Gender roles	21
4.6.1 Gender roles in the household	21
4.6.2 Time allocation and gender	21
5. The Cut Flower Sector	23
5.1 Historical background and evolution of the sector	23
5.2 Employment and conditions	23
5.2.1 Employment	23
5.2.2 Employment conditions	23
5.2.3 Unions	25
5.3 Production	25
5.3.1 Inputs	25
5.3.2 Technology	25
5.3.3 Marketing	25
5.3.4 Freight costs	26
5.3.5 Local diesel costs	27
5.3.6 Quality requirements	28
5.4 Exports	29
5.4.1 Quantities exported	29
5.4.2 Export earnings	29

5.5	Challenges for floriculture	30
5.6	Institutional support to the sector	31
5.6.1	Government and private sector partnership	31
5.6.2	Benefits from Export Development Programme	31
5.6.3	International institutional support to the sector	31
5.7	Potential of the cut flower sector	32
6.	The Policy Framework	33
6.1	National Agricultural Policy, 2004-2015 (NAP)	33
6.1.1	Historical perspective	33
6.1.2	Current agricultural policy	33
6.2	The Transport Policy, 2002	33
6.3	National Gender Policy 2000 and its Strategic Plan (2004-2008)	34
6.3.1	Poverty	34
6.3.2	Labour, employment and social security	34
6.3.3	Agriculture	35
6.3.4	Commerce, trade and industry	35
6.4	Trade policy	35
6.4.1	Historical background	35
6.4.2	The Draft Commerce, Trade and Industry Policy, 2005	36
6.4.3	Policies directly affecting imports	37
6.4.4	Existing bilateral and regional trade agreements	38
6.5	Key requirements for implementing Zambia's trade strategy	38
7.	Impact of the Proposed EU EPAs	40
7.1	Impact of EPAs on the cut flower sector	40
7.1.1	Effect of output and input tariffs	40
7.1.2	Exchange rate effects	40
7.1.3	Impact of employment loss	43
7.2	Economy-wide effects	43
7.2.1	Loss of tariff revenue	43
7.2.2	Influence of EU's Common Agricultural Policy (CAP)	45
7.2.3	Loss of corporate tax revenue	45
7.2.4	Impact on public service provision	46
7.3	Gender dimensions	46
7.3.1	Fiscal issues	46
7.3.2	Market access issues	46
8.	Conclusion and Recommendations	47
8.1	Recommendations	47
8.1.1	Sector level	47
8.1.2	National and regional level	47
8.1.3	EU level	48
8.1.4	International level	48
9.	References	49



1. Executive Summary

Despite being abundantly endowed with the resources needed for agricultural development – a good climate, plenty of arable land and abundant water resources – in recent years Zambia has moved from being among the middle income countries in Sub-Saharan Africa to one of the poorest. Reasons include the devastation wrought by HIV/AIDS, poor infrastructure development and a structural adjustment policy which rapidly moved the country from a heavily subsidised economy to a liberalised market.

The current trade negotiations going on between the European Union and the countries which make up the African, Caribbean and Pacific (ACP) group (which includes Zambia) aim to free up trade between the two regions. The so-called Economic Partnership Agreements (EPAs) have development and poverty reduction as a central focus. But without due consideration of the impact of freer trade on women and other marginalised groups, they could worsen rather than improve the situation for Zambia's most deprived people. One World Action (OWA) wants to ensure that EPAs promote rather than undermine women's rights and gender equality. This study takes the export-oriented cut flower and fresh vegetable sector as a case study to explore the likely impact of EPAs on women's livelihoods.

Zambia exports 98% of its fresh vegetables and cut flowers. The horticulture and floriculture sector is of great importance to the Zambian economy, employing over 12,000 people in 2004, 50% of whom were women. However, most women are employed on a casual or seasonal basis, while men tend to be employed on a permanent basis and receive higher salaries and better conditions. The supply-chain regulating the production and sales of Zambia's cut flowers and fresh vegetables is functional and impressive. The chain extends from buyers in Europe to producers in Zambia, and it is supported at critical junctures by international donor agencies as well as the Zambian government. There remains work to be done, however, to overcome the recent downturn in revenue from floriculture and to achieve more of the sector's potential.

An EPA will not have any direct negative impact on the cut flower sector in terms of output tariffs and input tariffs. As a least developed country (LDC), Zambia does not need to enter into an EPA to maintain access to the EU market. But tariffs are not the only barriers to exports. If the EU is to make an EPA interesting to Zambia (both generally and from a gender perspective) it must provide additional support

(beyond that available under the Everything But Arms agreement) to enhance the country's supply capacity. Unless an EPA offers this level of support, in a plausibly predictable and guaranteed form, there is nothing in it for Zambia.

Although there may not be direct job losses resulting from EPAs in the floriculture and horticulture sector, it faces a number of challenges, such as high airfreight costs, lack of technical skills and up-to-date technology and high fixed costs. Other trade-related issues may bring about job losses, which will affect women livelihoods. The appreciation of the Zambian currency (Kwacha) has already started leading to losses of employment.

Improvements and needs to be considered by the government and stakeholders in this sector in their negotiations for an EPA are:

- establishment of a grower's cooperative, or consortium, that unifies smaller producers to be able to better leverage terms of sale/profits in exports;
- solving the critical problem of high cost air freight by negotiating with carriers not as individual businesses but as a block;
- production expansion so as to achieve economies of scale;
- securing long-term financing at competitive rates that could assist at all levels of production (capital goods, skilled labour and competent managers/supervisors); because operations in this sector are very capital intensive, the availability of external financing is critical to boosting sector capacity;
- public assistance in improving and expanding road networks (to allow smaller growers to participate regularly in sector production and marketing); sector capacity cannot be augmented without growth in exporter critical mass;
- public assistance in providing increased water supply (to enable expanded irrigation facilities);

-
- technical assistance for identifying and targeting comparative advantage for Zambia's flowers (and vegetables) in international markets; seed trials to promote diversification and improved strain; soil improvement methodologies; fertilisation methods; pest control; produce grading; post harvest handling; cold storage; processing/in-plant training; packing and specialty packaging.

In terms of the wider impact of EPAs on women, the following policy measures will help women to gain as much as possible from engagement in trade:

- Addressing the physical and policy constraints to women producers' ability to produce competitively tradable goods with higher value added.
- Supporting enterprises and sectors where women are dominant, through appropriate regulation and investment in appropriate technologies and infrastructure.
- Shifting patterns of production towards products with stronger demand growth and more favourable price trends.
- Promoting the production of more value added goods in order to trade competitively on local, regional and international markets.
- Protecting expenditures of greatest importance to poor women and men from budget cuts.
- Designing and implementing programmes in ways that enable women to take full advantage of the opportunities opened up through new trade arrangements.
- Democratising trade and investment policy and decision-making processes by ensuring women's participation in economic governance.
- Ensuring democratic social regulation of markets, investment and operations of foreign investors, including through the enforcement of the ILO conventions and legally binding codes of conduct for corporations.

2. Introduction

2.1 Background

The establishment of a grouping of African, Caribbean and Pacific countries in 1975 began a new era in trade relations between these countries and the European Union (EU). These relations were governed by the Lomé Convention, which came into force in April 1976, and which was revised four times subsequently. These conventions granted preferential trading arrangements to the ACP states, thus giving them better access to the EU markets than other groups of developing countries.

The Lomé Convention was succeeded by the Cotonou Agreement (signed in Cotonou, Benin, in June 2000). Cotonou differs strikingly from the preferential arrangements of the earlier conventions in that preferences will no longer be one way – the ACP countries will have to offer some reciprocity in the form of tariff-free access to their own markets under the so-called Economic Partnership Agreements (EPAs).¹ Formal negotiations for EPAs at regional level between all ACP countries (at regional level) and the EU started in September 2002 and are due to end in 2007.

One World Action (OWA) wants to ensure that EPAs promote rather than undermine women's rights and gender equality. This study is part of a research programme commissioned by OWA to demonstrate, with practical case studies, the likely impact of EPAs on women's livelihoods.

2.1.1 The problem area

Debate on the potential impact of EPAs abounds. Arguments for the proposed EPAs are that they will facilitate economic integration of ACP countries and eventually lead to poverty eradication. Proponents argue that reciprocity in market access will increase competition and lead to economic growth and, to this end, EPAs are development-centred agreements designed to stimulate such growth.

On the other hand, critics argue that EPAs are simply free-trade agreements designed to ensure EU access to developing country markets. They argue that EPAs will require ACP countries to provide reciprocal market access to EU imports in a time scale that will make it difficult for them to compensate for loss of tariff revenues and deal with supply side constraints that prevent their producers competing successfully with EU imports.

There is a large amount of analysis² to support the view that EPAs could undermine progress towards poverty reduction and development. It is argued that EPAs, in their current form, would lead to new and unfair trade areas between the EU and regional groupings of ACP countries by demanding reciprocity between unequal trading partners, reducing policy space that ACP countries need to develop their economies and eradicate poverty, reducing revenue which would affect delivery of public services and undermining regional integration. There are further concerns that the pace of negotiations does not take into account the capacity of ACP countries, and that participation in the negotiations by non-state actors has been almost entirely restricted.

Such EPAs would negatively affect poor people, especially women, who are most vulnerable to rapid and increased trade liberalisation. There is, therefore, a need to assess the extent of that impact. Since 2002, OWA has been working with partners in Southern Africa engaged in processes around the Cotonou Agreement. The VIA (Voices, Influence and Access) project is working with non-governmental organisation (NGO) networks, women's networks, trade unions and local authorities in Angola, Mozambique, Namibia, Zambia and Zimbabwe to support and strengthen their direct engagement in Cotonou and other related processes. A key finding arising from the VIA project is the lack of gender analysis in debates on trade liberalisation and especially now on EPAs, despite commitments to gender equality in the Cotonou Agreement.

Women are more likely to be negatively affected than men because they are particularly disadvantaged with regards to poverty and their participation in the economy. For instance, in 2003, 67% of Zambia's total population of nearly 11 million were considered poor (CSO, 2003). Most women are employed in the informal sector, so are "not entitled to paid leave, pension, gratuity and social security and worked in an establishment employing 5 persons or less" (CSO, 2003).

¹ Less developed countries (LDCs) will continue to benefit from duty free access to the European Union under the 'Everything But Arms' (EBA) initiative, starting in 2009.

² See for example, research by Action Aid (Trade Traps) 2005; European Research Office; Christian Aid (The Economics of Failure. The real cost of 'free' trade for poor countries) 2005; and Aprodev's work on EPAs in Zimbabwe (EPAs: What's in it for women?).

2.2 Methodology

The objectives of this research are to:

- Provide civil society and other advocates on gender and trade, and trade issues generally, with solid analysis and information on which to base their influencing work.
- Provide One World Action partners and others with information for raising awareness amongst their constituencies of the importance of EPA trade negotiations and demonstrate the links between their daily economic life and the wider trade agenda.

I used a mixed methodology which included desk research, interviews, field work and synthesis. I interviewed 31 different stakeholders from a variety of relevant institutions and farms (Annex 1). Thirteen interviewees were women who are either currently working in the cut flower sector or who once worked in the sector.

The synthesis and report writing brought together all the information collected through the foregoing activities, evaluated their significance and drew conclusions and recommendations.

2.3 Limitations

In undertaking this assignment, I was constrained by various factors. These include:

- Shortage of time
- Communication and budget constraints, especially as regards interviews with stakeholders outside Zambia
- Difficulty accessing farms and women for focus group interviews. Most farmers would not allow me to interview them or their workers, especially when they knew I was interested in gender issues. One farm gave me limited access by allowing me to talk to two women of their own choice. They explained they are sceptical because they have allowed such interviews to be conducted before, only to then read negative reports in European newspapers which are taken out of the context of the wider Zambian scenario. The people to whom they supply produce also began to query them on mistreatment of staff.

3. The Proposed EU EPAs

3.1 Background

In the framework of the ACP-EU Partnership Agreement, signed in Cotonou on 23 June 2000 (the 'Cotonou Agreement'), the ACP Countries and the European Community (EC) agreed to conclude new WTO-compatible trading arrangements, progressively removing barriers to trade between them and enhancing co-operation in all areas relevant to trade.³ The driver for this decision was a mutual recognition that existing non reciprocal trade preferences have not promoted the sustainable development or integration into the world economy of ACP countries.⁴

The overall objectives of the Cotonou Agreement are:

- economic development;
- the reduction and eventual eradication of poverty; and
- the smooth and gradual integration of ACP states into the world economy.

The Cotonou Partnership Agreement brought about significant changes in the framework for ACP-EU relations. While there is a broad consensus on the above objectives between the two parties to the Agreement, the EU sees the integration into the world economy as the driving force for poverty eradication and sustainable development. Accordingly, a key feature of the Cotonou Agreement is the proposal for the establishment of free trade arrangements in the form of Economic Partnership Agreements (EPAs).

3.2 The Proposed EPAs

EPAs are an integral part of the Cotonou approach. The Cotonou Agreement defines EPAs as the main instrument of economic and trade cooperation, closely linked to the political and development finance aspects of the agreement. The negotiations are to continue to the end of 2007 to allow the ACP countries to prepare for their implementation. However, the new trading arrangements will be progressively implemented over a much longer time frame. The existing trade arrangements are covered by a WTO waiver that is due to expire at the end of 2007. The ACP and the EC agreed that EPAs must be compatible with WTO rules in order to ensure the necessary stability and predictability of the new trading arrangements.

The EC Council adopted the EC's negotiating directives for EPAs on the 17th June 2004.⁵ The negotiations on EPAs were then launched in Brussels on 27 September 2002. At the opening session, an agreement was reached to sequence the negotiations in two phases. The first phase, at an all-ACP-EC level, addressed issues of interest to all regions. The second phase, at the level of ACP countries and regions, is addressing regionally specific issues and commitments.

3.2.1 Objectives of EPAs

The EPAs have been designed to:

- strengthen integration of trade between ACP and the EU,
- promote economic liberalisation of ACP economies,
- deepen ACP countries' regional integration processes, and
- increase access for EU companies to ACP markets through the introduction of trade reciprocity.

The EPAs are guided by the following principles:

1. Development. The Cotonou Agreement defines EPAs as the main instrument of economic and trade cooperation, closely linked to the political and development finance aspects of the agreement.
2. Regional integration. The EU encourages ACP countries to sign free trade agreements, individually but also collectively as regional groups, thereby promoting regional integration. Therefore, ACP countries have been divided into six regions for purposes of negotiations of the EPAs: the Central Africa Region, the Eastern and Southern Africa (ESA) Region, the Southern Africa Development Community (SADC) Group, the West Africa Region, Pacific Region and the Caribbean.
3. Reciprocity. The EU currently grants almost free access for ACP products to its markets, but ACP countries do not grant preferential treatment to European Union products. EPAs foresee that ACP countries will offer reciprocity, i.e. they will progressively open their markets to European Union products in line with the WTO's Most Favoured Nation treatment principle. This is in line with the EU practice of moving towards WTO compliance. Non-reciprocal trade preferences

³ Article 36 (1) of the Cotonou Agreement.

⁴ This was extensively discussed in the preparation for the negotiations leading to the Cotonou Agreement, following the publication of the "Green Paper on the EU-ACP relations: a new partnership for the 21st century" adopted by the European Commission on 20th November 1996.

⁵ Council doc.No. 9930/02 of 12 June 2002, ACP 89, WTO 62.

- granted until recently by Europe to several countries of the Maghreb and other areas have been transformed into Free Trade Areas (FTAs). However, agricultural products are excluded.
4. WTO compatibility. The EPAs will be compatible with the requirements of the World Trade Organisation (WTO) on global trade.
 5. Special treatment for LDCs under EBA. In view of the fragility of their economies, the 39 LDCs will retain their present level of access to the EU under the Everything But Arms (EBAs) initiative despite signing an EPA.

3.2.2 Differences in approaches to EPAs between the EU and ACP countries

The EU's approach to EPA negotiations is based on the assumption that trade and investment liberalisation under EPAs is the single most important ingredient for achieving economic development and poverty eradication in ACP countries. As outlined in the European Commission's guidelines⁶ for ACP-EU trade negotiations adopted on 12 June 2002, the key elements of its negotiating strategy are:

- enhanced market access to the EU for ACP exports;
- the gradual and managed liberalisation of ACP economies;
- support for regional integration;
- encouraging more beneficial investment;
- discussions on trade in services; and
- the adoption of a comprehensive approach linking trade and development co-operation.

By contrast, and in line with the letter and spirit of the Cotonou Agreement, the ACP countries place emphasis on development issues and poverty eradication. The ACP negotiating guidelines⁷ adopted on 19 July 2002 underline the crucial importance of the structural transformation of ACP economies and the possible adverse effect of reciprocity on such transformation. The guidelines point to the critical need for negotiations to comprehensively address:

- the external effects of the Common Agricultural Policy (CAP);

- the supply-side constraints facing ACP producers; and
- the fiscal consequences of moves towards free trade with the EU.

There are also critical issues of timeframes and sequencing which the EU has not considered in its EPA proposals which impinge upon both domestic trade policies and intra-regional processes of trade negotiations.

3.3 The Eastern and Southern African (ESA) Group

Zambia is negotiating the EPAs under the Eastern and Southern African Group of countries, even though she is also a member of SADC. Therefore, she has no trade negotiator attached to SADC. The ambassador in Brussels is the trade negotiator attached to ESA.

Negotiations on the ESA-EC EPA began formally on 7 February 2004⁸ in Mauritius with the adoption of the official roadmap, and they will be in three phases as follows:

- Phase 1- Setting of Priorities (March to August 2004)
- Phase 2- Substantive Negotiations (September 2004 to December 2005)
- Phase 3- Continuation and Finalisation (January 2006 to December 2007)

⁶ ACP Group (17 June 2002), Directives for the negotiations of Economic Partnership Agreements with ACP countries and regions.

⁷ ACP Guidelines for the negotiation of the ACP-EU Economic Partnership Agreements (June 2002).

⁸ EC Commission Staff Paper: "The Trade and Development Aspects of EPA Negotiations", October 2005

3.3.1 Progress to date

ESA has put in place an internal negotiation structure, which consists of two levels: the Ministerial and Ambassadorial/senior official. The six Ambassadors (based in Brussels) and six Ministers lead the negotiations according to clusters as follows:

Cluster	Ministerial Lead Spokespersons	Ministerial Alternate Spokespersons
Development Issues	Sudan	DR Congo
Market Access	Mauritius/Rwanda	Burundi and Zambia
Agriculture	Malawi	Uganda and Ethiopia
Fisheries	Madagascar	Seychelles and Djibouti
Trade in Services	Zimbabwe	Rwanda and Djibouti
Trade Related Areas	Kenya	Djibouti
Cluster	Ambassadorial Lead Spokespersons	Ambassadorial Alternate Spokespersons
Development Issues	Ethiopia	Zambia and Burundi
Market Access	Kenya	Zimbabwe and Uganda
Agriculture	Mauritius	Zimbabwe and Madagascar
Fisheries	Eritrea	Seychelles and Madagascar
Trade in Services	Malawi	Rwanda and Uganda
Trade Related Areas	Sudan	DR Congo and Burundi

Source: Civil Society Trade Network of Zambia (CSTNZ), 2005

Each ESA country, including Zambia, has established a National Development and Trade Policy Forum (NDTPF) which is multi-sectoral (covering agriculture, trade, investment, services, etc.) and representative of the public sectors and non-state actors (NSAs) involved in trade and development work. The function of the NDTPF is to determine Zambia's optimal development and trade negotiating position and to prepare briefs outlining the position. These are then to be used by country representatives in the Regional Negotiating Forum to prepare the ESA position for negotiations with the EU.

The first ambassadorial/senior-level and technical talks took place in July and October 2004. In May 2005, a joint senior-level brainstorming meeting in Nairobi provided a platform for open dialogue notably on regional issues, market access, trade-related areas and development cooperation aspects, such as the establishment of an adjustment facility. Since then, the

internal ESA preparations have accelerated. Joint ESA-EC technical and senior level talks on market access, agriculture, fisheries and development took place in September and October 2005. A ministerial level meeting to take stock and provide guidance for the negotiations will take place at the beginning of 2006. In terms of substance, talks will focus on:

- "Steps which need to be taken to integrate the region;
- Agriculture, marine fisheries;
- The improvement of existing market access to the EC, ESA demanding duty- and quota-free access under an EPA. This also includes discussions on rules of origin; sanitary and phytosanitary measures and technical regulations and standards;
- Gradual market opening towards the EC including the establishment of a sensitive list of imports and

the introduction of special safeguard clauses; this is linked to the establishment of an ESA Common External Tariff as the baseline for discussions;

- Trade in services;
- Trade-related issues such as investment, competition, government procurement and trade facilitation.”⁹

3.3.2 Women’s voices not being heard in decision-making processes

So far, there has been no deliberate effort to incorporate gender in the on-going negotiations, as confirmed by the EU Delegation to Zambia, the Ministry of Commerce, Trade and Industry and Common Market for Eastern and Southern Africa (COMESA). The focus has been on principles of EPAs rather than on incorporating cross-cutting development issues like gender. In my interviews I found that none of the non-governmental organisations (NGOs) or institutions which deal with gender equality and women’s rights were participating in Zambia’s NDTPF on the on-going EPA negotiations. Therefore, poor women’s voices will not be heard in decision-making processes and EPA negotiating structures that are largely male-dominated and closed to public debate.

This underlines the longstanding issue of women’s limited participation in trade policy-making and monitoring, as well as in economic decision-making generally.

3.3.3 Challenges for ESA

The ESA countries would like to see the overall objectives of the EPAs be the sustainable development of ACP countries, their smooth and gradual integration into the global economy and the eradication of poverty. The specific objectives of EPAs should be to promote sustained growth; to strengthen the economic development of countries which make up the ESA EPA by strengthening the trade policy environment and supporting poverty reduction programmes; to increase the production and supply capacity of the ACP countries; to foster the structural transformation of the ESA economies and their diversification; to allow them to be more competitive in a global environment and reduce the economic vulnerability of the region; to support regional integration; to strengthen the trade negotiating capacities of the region and member states so that

they can play a more meaningful role in negotiations of Regional Trade Agreements (RTAs) as well as bilateral and multilateral trade and development agreements; and to promote and enhance co-operation in trade-related areas, including rules of origin, non trade barriers (NTB) and sanitary and phytosanitary (SPS) issues.

The ESA EPA negotiations, and the adjustment process, should be phased so that they minimise the negative effects of adjustment and maximise the positive effects, while taking account of the various individual national implementation concerns of member states.

The following is the ESA approach in the EPAs negotiations.

EPAs as instruments of development

ESA want EPAs to directly contribute to the development of ESA countries. They hope it will achieve this by building capacity and enlarging markets through removing barriers to trade at national and regional levels. They also want to improve the predictability and transparency of the regulatory framework for trade, thereby creating the conditions for increasing investment and mobilising private sector initiatives, thus enhancing the supply capacity of the ACP states. To achieve this, EPAs must ensure that the principle of asymmetry (see below) and sequencing is in-built into an ESA EPA, and due account is taken of the specific economic, social, environmental and structural constraints of specific ACP countries and regions, as well as of their capacity to adapt their economies to the EPA process. They further need to take account of the specific development policy objectives of ACP countries and regions and should be economically and socially sustainable.

Regional integration

EPAs must support, rather than undermine, regional integration initiatives within the ACP. In this regard, the ESA EPA should ensure that the process of regional integration (as expounded by the African Union and as outlined in the Lagos Plan of Action is strengthened. The ESA EPA will, therefore, need to be based on the integration objectives of the ESA region. The EPA should also contribute to reinforcing regional integration, in particular by contributing to the regional harmonisation of rules. In this perspective, the ESA EPAs’ first emphasis should be to consolidate ESA markets, and due regard should be given to

⁹ EC Commission Staff Paper: “The Trade and Development Aspects of EPA Negotiations”, October 2005.

strengthening links between ESA and other African regional markets, before fostering trade integration with the EC.

Reciprocity

On the issue of reciprocity, the ESA EPA would like to build on the Lomé Acquis with a view to improving on the current level of preferential market access into the EC, with particular regard to the special and differential treatment of LDCs and preservation of the benefits under the Everything But Arms initiative as well as for landlocked and island states. The ACP and the EU have re-affirmed the importance of commodity protocols and have agreed to review them in conformity with Article 36:4 of the Cotonou Agreement, in particular as regards their compatibility with WTO rules, with a view to safeguarding the benefits derived, bearing in mind the special legal status of the Sugar Protocol.

WTO compatibility

EPA negotiations will be compatible with WTO rules by providing the flexibility and safeguards necessary to meet the developmental objectives of ESA countries, including, in particular, special and differential treatment. ESA countries will therefore seek to maintain, or improve on, the existing flexibilities of the WTO agreement while at the same time improving and clarifying the WTO Rules on Regional Trade Areas so that the legal framework is coherent and consistent and not at the expense of the development objectives of ESA countries. The ESA countries agree that the question of WTO compatibility will be treated at the ACP-wide level.

Special preference treatment

Economic and trade co-operation shall take account of the differential needs and levels of development in ESA countries. Special and differential treatment should be provided to all ESA member states and maintained for ESA LDCs, and due account taken of the vulnerabilities of small, landlocked and island states.

Pre-emptive safeguard mechanism

The ESA group is making use of pre-emptive safeguard provisions¹⁰ based on Article 8 of Annex V of the Cotonou Agreement and associated articles and Protocols (Articles 9, 10, 11 and Protocol 2 to Annex V), allowing ESA countries to take appropriate measures against EU exports where imports into the ESA region:

- cause or threaten to cause serious injury to ESA producers of the same or directly competing products;
- threaten serious disturbances in any sector of the economy; and
- threaten to create difficulties which could bring about serious deterioration in the economic situation of an ESA country or region.

Lack of a common external tariff among ESA member states

Currently, the ESA member states do not have a common external tariff. During the ESA-EC Joint Roadmap developed between the two parties in Mauritius on 7th February 2003, the emphasis was to first build regional markets and to then address trade liberalisation issues with the EU. ESA, as part of COMESA, has agreed to implement a Roadmap leading to the implementation of a common external tariff by 2008. The emphasis for ESA, in terms of market access, is therefore, to build regional markets so the approach to determining an EPA with the EU should to first implement the COMESA Common External Tariff and only then to address opening regional markets to the EU.

The approach to negotiations with the EU should, therefore, be to offer the EU a Common External Tariff, with exemptions on sensitive products, and then, where appropriate, to phase in some sensitive products (back-loading) after a negotiated period.

The principle of asymmetry should apply, meaning that the ESA region will expect the EU to fully open its markets to ESA exports but that the ESA will not allow market access to 100% of EU exports.

¹⁰ These provisions allow for prior consultations where a threat of disruption is emerging and make provision for regular consultations and statistical surveillance in sensitive areas. The aim of the prior consultation is to limit, in the case of sensitive products, the risks of sudden or unforeseen recourse to safeguard measures. These provisions are intended to allow a close monitoring of trends in sensitive sectors in order to detect problems which could arise and encourage voluntary restraint in sensitive areas, thereby reducing the actual use of formal safeguard measures.

Supply-side constraints of ESA member states

Each ESA member state is at a different level of development. In addition, none of the member states can match the development level of the EU. This implies that there can be no equal playing field for reciprocity without first addressing the supply side constraints of the ESA countries.

Mineral dependency

Some countries are dependent on minerals as their main source of GDP. However, these minerals are sold as raw materials to Europe and other places, where they are processed and the finished product re-sold to Africa. Zambia is one such country, whose main mineral is copper. Realising that the fluctuations in the copper prices have had devastating impact on the economy in the past and that copper is a wasting asset, the state is promoting diversification into other economic activities, with a major focus on agriculture and tourism.

In its EPA negotiating position, the ESA proposes that the minerals processing plants be re-located to the ESA mineral producing countries to promote value adding. Further proposals include the provision of technical and financial assistance to:

- raise standards and levels of performance in the mineral sector, including the establishment of a regional post-graduate training centre on mineral law and administration, mineral and resource economies and business management;
- develop training programmes in material science, polymer science, machine building and design, tool design and robotics and industrial electronics;
- establish training programmes in the manufacture of jewellery and in lapidary industries and establish scholarship schemes;
- support small-scale mining by indigenous miners; and
- establish technology demonstration centres.

Agricultural dependency

The agricultural sector is at the heart of the economies of the ESA countries. It accounts for a large share of their GDP, employs a large proportion of the labour force, represents a major source of foreign exchange, supplies basic food requirements and provides

subsistence and other income to the bulk of the population in the ESA region. The agricultural sector is, therefore, probably the most important sector in the ESA region and it is this sector which has the highest potential for growth in terms of exports.

In Zambia out of a total of 2 million households, 74% were involved in agricultural activities in the 2001/2002 agricultural season (CSO, 2003). Of the 3.5 million people employed (in both informal and formal sectors), 72% are employed in agriculture, which is almost equivalent to the percentage of people living in poverty. As a foreign exchange earner, agriculture has proven the most dynamic component of Zambia's export economy over the past decade and a half since economic liberalisation began. In the 1960s and 1970s, agriculture accounted for less than 5% of total exports, while in the first half of the 21st century that share has risen to between 15% and 25%¹¹. Agricultural exports such as cotton, flowers, horticultural products and tobacco have formed the core of Zambia's successful diversification away from dependence on volatile mineral exports. In value terms, these agricultural exports amounted to \$265 million in 2005, and they provided employment to roughly 330,000 smallholders and 140,000 commercial farm workers. Therefore, promoting Zambia's agriculture in the EPAs is as vital as for other ESA countries.

Agricultural trade is already a major source of export earnings for the ESA region, particularly for products covered by the Commodity Protocols. However, despite this, participation of the ESA countries in international trade is severely limited by a number of structural factors as well as unfavourable market access conditions in markets of greatest export interest to them, including the EU.

ESA trade is characterised by a high degree of openness to trade; a high dependence on a narrow range of primary agricultural exports; high vulnerability to instability of demand for commodities and the deterioration of terms of trade; slow and declining growth in agricultural exports (owing to the emergence of other large-scale and more competitive producers and the increasing use of agricultural substitutes); and an extreme vulnerability to natural disasters and climatic change.

It is, therefore, obvious that significant progress in promoting economic growth, reducing poverty, reducing urban drift and enhancing food security cannot be achieved in the ESA region without the full

¹¹ ZNFU (March 2006), Draft Report on the Impact of Kwacha Appreciation and Proposed Tax Provisions of the 2006 Budget Act on Zambian Agriculture

development of the agricultural sector and an increase in agricultural (including processed agricultural products) exports.

The ESA has made proposals with regard to market access; sanitary and phytosanitary measures; technical barriers to trade in terms of standardisation and certification; commodities; development; Special Safeguard Mechanism (SSM) on imports; principle of equitable treatment; and inland fisheries.¹²

A contractual agreement incorporating effective market access preferences guaranteed over a long period will therefore be crucial for the sustained growth and development of the ESA region. This needs to be considered in the EPA negotiations.

In conclusion, the major challenges for ACP governments are many and have far-reaching implications. The establishment of EPAs poses a crucial challenge to regional integration processes among ACP countries. It also requires ACP governments to clearly articulate their long-term trade and development interests. Furthermore, it makes it urgent to identify the likely impact of EPAs on areas and patterns of production and to create policy space and secure sufficient time for economic transformation and poverty reduction measures.

All these challenges have definite gender dimensions that this report seeks to explore in order to devise strategies for engendering EPAs and to promote the development of gender-aware alternatives.

¹² ESA EPA Negotiating Position on Agriculture (Draft) July 2005, Version 2.

4. The Gender Structure of the Zambian Economy

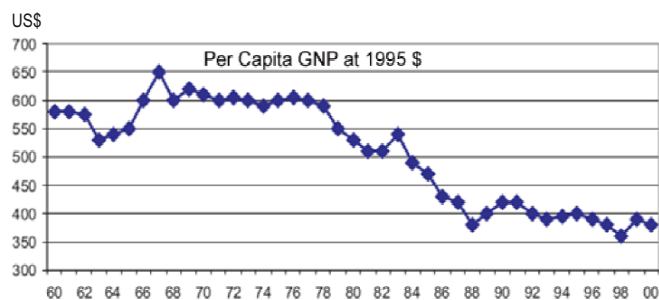
4.1 Economic background

After Zambia's independence in 1964 there was a general downward trend in per capita Gross National Product (GNP) for about 30 years (Table 1). At independence the country had a strong and robust economy based on mining, principally copper. In the 1970s, copper prices on the international commodities markets declined sharply and the oil crisis of 1973/74 exacerbated economic problems for the country. Policies implemented to industrialise the economy through import substitution strategies failed. The scarcity of foreign currency to support the import substitution industries was a major constraint to the success of the policies. Therefore, in the decade 1980 to 1990, the country's economic growth rate, at 1.1%, was the lowest in the Southern African Development Cooperation (SADC) region after Mozambique.

Thus Zambia has moved from being among the middle income countries in Sub-Sahara Africa (with US \$1,200 per capita GDP in 1964) to being one of the poorest countries; her human development rank was 165 out of 174 nations in 2004, down from 153 in 2000 (Milimo et al., 2004).

In 2004 Zambia achieved its fifth consecutive year of solid growth, with GDP growth averaging 4.2% over 2000-2003 and rising to 5.1% in 2004, significantly above a target of 3.5% for that year (AfDB/OECD, 2005). This achievement resulted from good copper prices on the world market, exceptionally good agricultural performance due to favourable climate, and a dynamic tourism sector. However, the economy has still not diversified and therefore remains highly vulnerable to the climate and terms of trade.

Table 1: Per capita GNP at 1995 constant prices in US Dollars



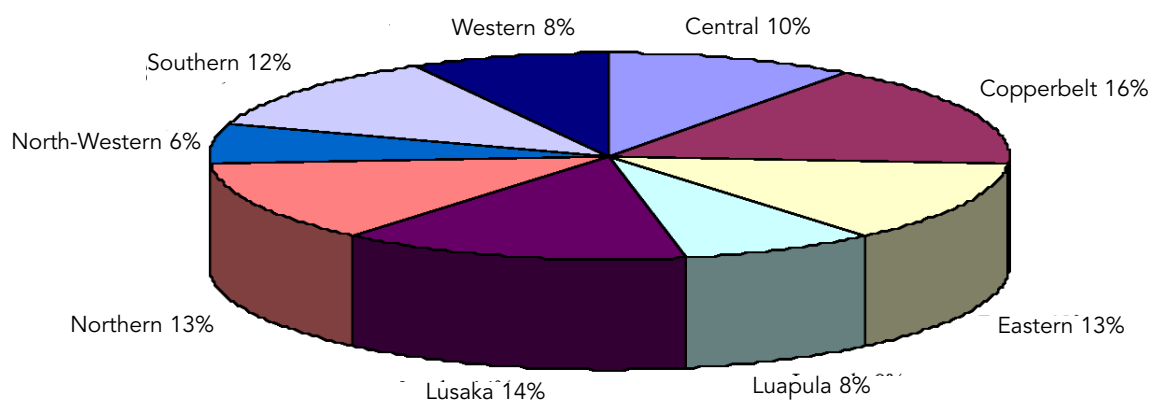
As the economy stagnated, the government adopted the Structural Adjustment Programme (SAP) in 1991 to transform the economy. This had minimal success in that it worsened rather than improved the living situation of most Zambians (Milimo et al., 2004). Enterprises performed badly as capacity utilisation was low. Their contribution to Gross Domestic Product (GDP) stagnated. A number of public enterprises depended on government support to sustain operations "per capita" continued to decline. A policy decision was therefore taken to privatise a number of public sector enterprises as a way to spur economic growth. The agricultural sector, particularly with regard to input and output marketing, was also liberalised in the 1990s. In the decade 1990-2000, Zambia's economic growth rate was below the Sub-Saharan Africa rate of 2.4%. The growth in GDP, which was 6.6% in 1996, dropped to 3.3% in 1997 and dropped again to 1.9% in 1999.

4.2 Population size and distribution

In 2003 Zambia's population was estimated to be nearly 11 million (CSO, 2003). Of the total population, 65% resided in rural areas while 35% resided in urban areas. There were more women than men in both rural and urban areas of Zambia. The population distribution by province is provided in the figure below.

Figure 1: Percentage share of national population by province, 2002-2003

Source: CSO, 2003

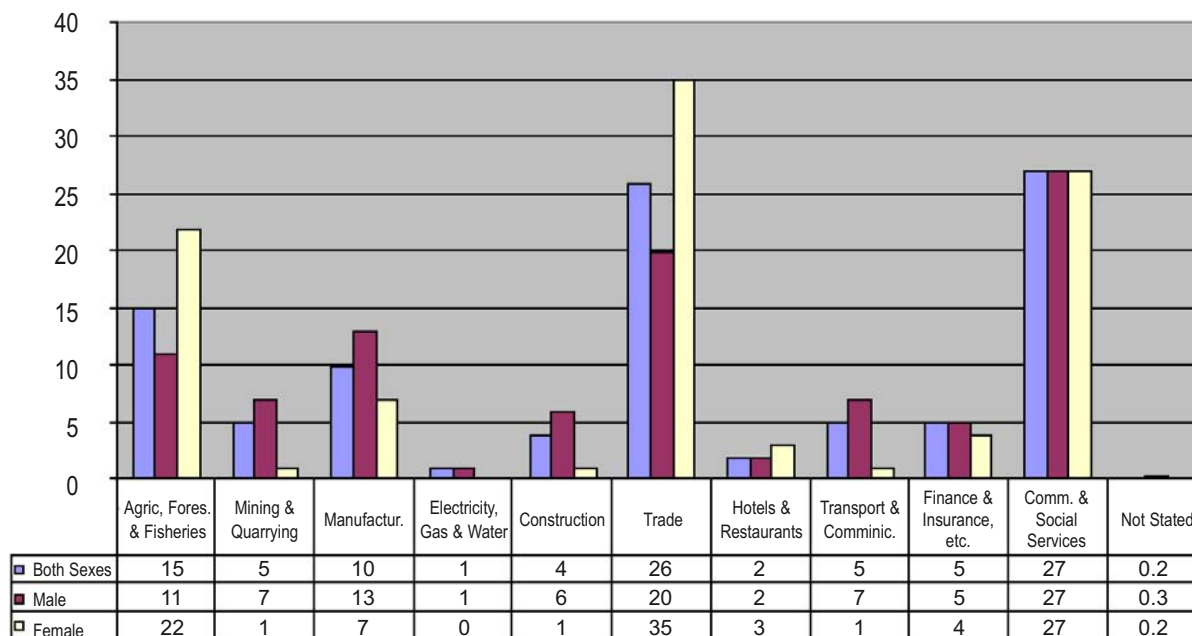


4.3 Formal and informal sector employment by gender

Many formal sector jobs were lost during the structural adjustment reforms. Although some new jobs have been created, they have not been enough. Total formal sector employment fell from 12% to 11% between 1996 and 1999 (Republic of Zambia, 2002), and further fell to 6.9% of the total labour force in 2003 (CSO, 2003). These job losses have created job insecurities and shaken individuals' and families' socio-economic security (Milimo, et al., 2004). The situation has been worse for women. Male employment in the formal sector increased from 80% in 1996 to 88% in 2000, while women's participation decreased sharply from 20% to 12% in 2000 (CSO, 1996; JUDAI, 2002).

In 2003, out of 3.5 million people employed, 83% worked in the informal sector. Of those employed in the formal sector, only 25% were women, while 52% of those employed in the informal sector were women. Figure 3 provides information on the percentage distribution of employed people in urban areas by sex and by sector.

Figure 2: Percentage distribution of employed people aged 12 and over by sector and by sex in Zambia's urban areas



Source: CSO, 2003

4.4 Unemployment levels by gender

Out of the 3.5 million in the labour force aged 12 years and above, 11% were unemployed in 2003 and 12% of men and 10% of women were unemployed (CSO, 2003). Many developing countries lack unemployment support programmes. Consequently, rather than face unemployment, many people engage in any activity merely to survive, even if it does not adequately use their skills or generate sufficient income. Low unemployment rates in developing countries can also be the result of high levels of unpaid family workers in subsistence farming who are taken as employed by surveys. Under such circumstances, a substantial proportion of the labour force in developing countries that are classified as employed tend to work fewer hours than they would choose, earn lower incomes, use their skills less and generally work less productively than they would like to (ILO, 1999).¹³

4.5 Poverty and gender

In 1996, 70% of Zambia's population, 90% of whom were women, were unable to meet their basic needs.¹⁴ Poverty levels have been worsened by job losses due to changes in the government; the SAP which had a negative impact as people were not adequately prepared for it; and the move from a heavily subsidised economy to a liberalised market. The latter implied, among other things, decontrol of prices and privatisation of state-owned enterprises.

Although poverty affects both men and women, women are affected more because it adds to their already great burden of child bearing and nurturing, care-giving for all family members, and finding means of subsisting without adequate education, training and financial resources. Some of these factors are discussed further below.

¹³ Cited in CSO Living Conditions Monitoring Survey Report: 2002-2003.

¹⁴ According to the 1996 Priority Survey II Statistics on Poverty, Republic of Zambia, cited in the National Gender Policy, March 2000.

4.5.1 Access to land, income and other assets

In the 2001/2002 season, 74% of households were engaged in agricultural production. Land is critical to women's and men's participation in agriculture and national development. In Zambia, women play a major role in food production where they make up more than 60% of small-scale farmers and provide about 70% of the workforce in production and processing (Zambia Land Alliance and Dan Church Aid, 2005). Despite their vital contribution to agriculture and food production, women, unlike men, are hindered by their marginalisation in accessing, owning and controlling land. Most policies, practices, traditions and laws relating to land in Zambia are either silent on women's disadvantaged status or are biased against women.¹⁵

However, land ownership is not required to work in the horticulture sector or in the cut flower sector industry, which is why these sectors tend to be more female intensive than men.

Household poverty is also most often closely associated with low incomes or lack of assets or both. Both income and assets contribute to poverty reduction and to the well being of the population. The Living Conditions Monitoring Survey conducted by the Central Statistics Office in 2002-2003 (CSO, 2003) revealed that the mean monthly income for male-headed households (ZK490, 227) was higher than that for female-headed households (ZK333, 275). There was also a positive relationship between educational level of household heads and average monthly household income. Households of heads educated to degree level and above had a mean monthly household income of ZK2 million: much higher than ZK 268,011 for households of heads with no academic education. As discussed, women in Zambia have lower education levels than men, on average, implying that they generally have lower monthly household income.

According to the same survey, households in Zambia derived the largest proportion of their incomes from regular wages and salaries (42%) followed by consumption of own produce (21%) and businesses (18%). Other sources of income, including borrowing, begging, selling assets, etc, accounted for 16% of income.

From the above, it is evident that one of the reasons why women are poor is because they lack access to and control over the productive resources that would enable them to increase their productivity and to

compete on equal terms with men in trade.

4.5.2 Female-headed households

In 2003, 23% of Zambian households were female-headed (CSO, 2003). Female-headed households (FHH) are often severely affected by poverty due to lesser economic opportunities.¹⁶ Studies have also shown that female-headed households experience higher levels of food shortages than male-headed households. As a result, stunting and underweight children are more prevalent in female-headed households (54% compared to 29% in male-headed households) (CSO: 2000, cited in ZARD & NGOCC, 2004).

4.5.3 Women's education and training

Education levels influence an individual's access to employment and earnings, health and nutrition and general vulnerability to poverty. The lower a person's education level, the more vulnerable they are to poverty.

Between 1999 and 2002, net enrolment in schools was declining and female and male literacy were sliding downwards. The National Enrolment Ratio (NER) dropped by 4% between 1990 and 2003 while the gender gap in enrolment remained at 2% between 2000 and 2003 (GRZ and UN, 2003:6, cited in ZARD & NGOCC, 2004).

Factors which cause disparities in female and male education (Table 2) include both generic and gender-specific variables. Generic factors included poverty, insufficient school places, and inadequate government funding. Gender-specific factors include: cultural division of labour at household level, which results in overburdening of girls; pregnancy; parental preference for the education of boys; sex-role stereotyping in classroom interaction; and teachers' negative expectations of girls.

¹⁵ WiLDAF, Elimination of Discrimination against women in Zambia.

¹⁶ However, household members in FHH are not inevitably more malnourished and worse off than in MHH because there is also evidence to the contrary (Cornwall, 2004).

Table 2: Gender disparities in education level

Year	Percentage	Gender	Education characteristic
1996	29	Females	Had no education
1996	24	Males	Had no education
2003	29.7	Females	Had no education
2003	24.6	Males	Had no education
1996	15.6	Male	Completed Grade 10 & above
1996	8.5	Female	Completed Grade 10 & above
2003	14.7	Male	Completed Grade 10 & above
2003	8.7	Female	Completed Grade 10 & above

Source: CSO, 2003.

Thus, another reason why women tend to be poorer is because they lack the education level to allow them to go to college and obtain the skills necessary for increasing their productivity and competing on equal terms with men in trade. Most women therefore engage in the informal economy because this requires lower levels of resources and education, but is characterised by labour and time-intensive economic activities with low wages and precarious jobs.

While the informal sector is the most affected by economic restructuring, especially as regards the number of job losses which is often the highest, it is neglected in economic policy-making and lacks state support and regulation.

4.5.4 Women and health

The main health concerns for women are the high maternal mortality rate (MMR) and HIV/AIDS prevalence rate, which is higher among women than men. The MMR has increased from 649 per 100,000 live births in 1996 to 729 in 2002.¹⁷ This is despite the high antenatal care attendance. It is estimated that urban MMR ranges from 500 per 100,000 births and from 800 per 100,000 births in rural areas (NGOCC: 2000).

Available data on health care, particularly women's reproductive health, reveal a very depressing situation in Zambia. Zambia's fertility rate of 5.9 births per woman remains one of the highest in Sub-Sahara Africa (SSA). It ranks fifth among 16 selected SSA countries with high total fertility rates (TFR). The high

rate of fertility is partly due to the fact that 66% of married women are reported not to be using any contraceptive methods by the Zambia Demographic Health Survey (ZDHS) Report 2001-2002.¹⁸ One of the main reasons for limited contraceptive use is the low level of education among women in Zambia. Better educated women use contraception more than those with little or no education (Milimo et al., 2004).

HIV/AIDS is another serious health concern for women. Statistics indicate that women are more prone to the HIV/AIDS pandemic than men. CSO (2003a) indicates that 17% of women between 15 and 49 years are HIV positive, compared to 13% of men in the same age range. This is mainly due to various factors, which include biology, poverty, and women's subordinate position in sexual relations especially within marriage. Biologically, women are more prone to HIV infection because of lesions during sex. Poverty forces women to trade sex for money. A consequence of declining life expectancy has been the increasing number of orphaned children. In 2003, 20% of all children aged below 19 were orphans (CSO, 2003).

As revenue to the government reduces, there are usually budget cuts to the health sector leading to the de-institutionalization of healthcare provision. This has been the case since the structural adjustment programme (SAP) began (Milimo et al., 2004). The home-based care systems which have been introduced allow for premature discharge of terminally ill patients from health facilities to be cared for by women at home. This puts additional pressure on their already overstretched time. The design of home-based care

¹⁷ CSO (2003a); Zambia Demographic and Health Survey (ZDHS) 2001-2002.

¹⁸ CSO, Zambia Demographic and Health Survey 2001-2002

assumed women's time is elastic and thus can be stretched. Most care givers also end up losing the little income which they would have been generating from the informal sector, as their labour and time would be needed to care for the sick. This would further worsen the women's poverty levels compared to men.

The neglect of the care economy in state policies results in: (1) the imposition of a double burden which hinders women's productive capacity and their participation in the formal economy; (2) the absence of support measures and policy regulations; and (3) budget cuts in the social sectors that are vital to poor women who also have to shoulder the burden of costs for the social services which are no longer provided by the state.

4.6 Gender roles

Although both men and women participate in productive, reproductive and community-linked work, there is division of labour between women and men which is biased against women. Various studies show that women and girls predominate in household chores, especially care-giving and reproductive responsibilities (Milimo et al., 2004).

4.6.1 Gender roles in the household

Milimo et al. (2004) reveal that in a subsistence (rural) socio-economic system, household chores are divided as follows:

Grain processing (for example maize, sorghum, millet, groundnuts): This is extremely time consuming and is predominantly a female activity. Even where labour-saving technology, for example hammer mills, have been introduced, it is usually women and girls who head-load the grain and transport it over long distances to such facilities. Men tend to get involved in transporting grain to hammer mill facilities when bicycles or ox-carts are available.

Transportation: Transportation of harvested crops to homesteads and storing the grain involves both sexes. However, shelling for marketing purposes is also predominantly a female activity, while transportation to markets tends to be mainly a male activity because grain marketing is generally done by male heads of households.

Collecting water and firewood: These are usually collected by women and girls and carried on their heads, sometimes over long distances. Once again, men get involved when bicycles or ox-carts are available.

Cooking: Cooking meals and sharing food among family members is done by women and girls. The process is governed by cultural norms and taboos on food consumption which operate in favour of males.

Cleaning: This is a female responsibility.

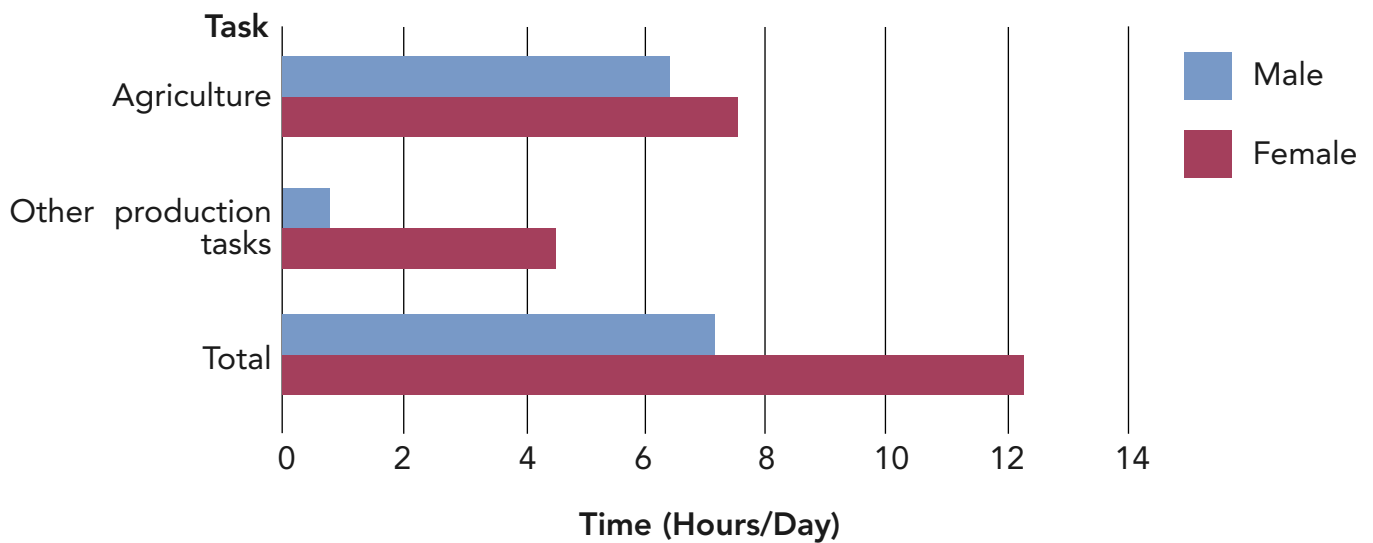
Care-giving: This includes child care (minding, growth monitoring at under-five clinic), education (moral education, providing survival skills), caring for sick family members (within the home, bedside nursing, preparing patients' food and feeding them) and is also predominantly a female responsibility.

Urbanisation does not radically alter the dominant division of labour within the household. Household chores are predominantly performed by women, who also participate in some income generating activities to support their families. In urban households, chores that men tend to be involved in include buying foodstuffs from stores, buying children's clothes, buying school requirements.

4.6.2 Time allocation and gender

Women tend to work substantially longer hours than men, once agricultural and non-agricultural tasks are added up (Figure 4; Due and Mudenda, 1983). The agricultural tasks referred to here are both for domestic agriculture, where individuals worked on their own smallholdings, as well as for commercial export agriculture where individuals worked on commercial farms.

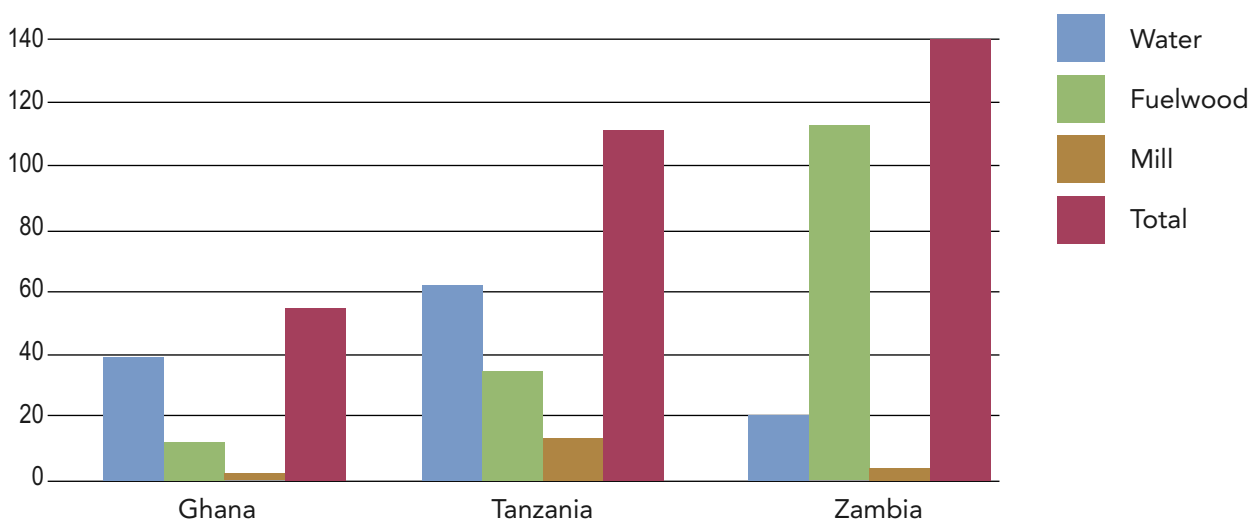
Figure 3: Zambia: time allocation and gender



Source: Due and Mudenda, 1983, cited in Milimo et al., 2004.

Zambian women seem to spend substantial amounts of time on domestic tasks compared with other countries (Figure 5).

Figure 4: Comparison of time allocation on domestic tasks for Zambia, Ghana and Tanzania



Source: Malmberg-Calvo 1994, cited in Milimo et al. 2004, p.35.

Women’s invisible and unpaid reproductive work makes a substantial contribution to the economy, but remains largely unaccounted for.

5. The Cut Flower Sector

5.1 Historical background and evolution of the sector

Cut flower and fresh vegetable production started in the 1980s by a few farmers who were producing for sale to the European market. They became organised to install infrastructure, like the cold chain system, and to create economies of scale for freight purposes. The cold chain system maintains the quality of the produce by keeping it cold and controlling moisture. These farmers formed the Zambia Export Growers Association (ZEGA) in 1984 to look into those issues.

Because of this, the horticulture (fresh vegetables and fruit) and floriculture (cut flowers) sub-sectors in Zambia are combined into one sector for data reporting purposes. This is the case in this report too. However, where specific data are available on the cut flower sub-sector only, those figures will be used.

The farms for both cut flowers and fresh vegetables are located within a 60-kilometre radius of the international airport in Lusaka Province. In May 2005, 31 farms were direct exporters in the sector, of whom 24 (77%) were exporting cut flowers (roses and sunflowers). One of these farms was exporting both roses and vegetables. The remaining seven farms were exporting fresh vegetables and one was also exporting fruit (bananas).

Of the 31 farms, six were managed by women (three with their spouses). The rest of the farms were managed by men. Farm ownership is mixed: some are owned by individuals, some by families, and some by companies. Of the two farms we visited, one was owned by the family while the other was owned by a number of companies.

5.2 Employment and conditions

5.2.1 Employment

The horticulture and floriculture sector is of great importance to the Zambian economy, employing over 12,000 people in 2004, 50% of whom were women (Export Board of Zambia, 2004). This represents about 2% of the total number of people in formal employment in 2003 (CSO, 2003b). Based on an average household size of 5.5 in Lusaka Province in 2003 (CSO, 2003a), approximately 66,000 people directly depended on the sector for a living in 2004.

Furthermore, some horticultural farms engage vegetable out-growers, both individual farmers and cooperatives. This is also another way of economically empowering low-income groups in the country, including women. The firms assist with provision of seeds, chemicals, fertilisers, training and other forms of technical support and strictly supervise the growing of vegetables to ensure that European Union phytosanitary standards are met.

While the cut flower sub-sector may have a ratio of 50:50 or 60:40 of women and men employed respectively, in the horticulture sector the ratios are higher in favour of women. One farm we visited had more than 3,000 employees, about 80% of whom were women.

5.2.2 Employment conditions

In the horticulture and floriculture sector, most women are employed on a casual or seasonal basis, while most men are employed on a permanent basis. Table 3 lists the different stages in the cut flower production process for a cut flower producer, along with men and women's roles in the process.

Table 3: Women and men’s involvement in cut flower production

Production Stage	Employees involved
Construction of greenhouses	Men
Land preparation (fumigation of soil & bed making)	Men
Planting	Mostly men, but women also
Weeding & removing suckers	Women
Spraying	Men only
Harvesting	Men/women
Grading and packaging	Women

Source: Interviews with farmers and women

According to the two farm managers and women employees we interviewed, the first three activities are predominantly done by men. They are relatively skilled tasks and therefore these employees are mostly permanent. The rest of the activities are largely done by women, mainly on a seasonal and casual basis. The salaries of permanent employees are always higher than those of casual and seasonal workers, implying men generally get higher salaries than women.

This was confirmed at one of the farms we visited. During a focus group discussion we interviewed 10 women, seven of whom were married. Of the seven who were married, five of their husbands were also employed by the same farm and were getting ZK 350,000 per month while the salaries of the 10 women ranged from ZK 100,000 to ZK 350,000 (the latter only earned by one woman).

Different farms have different practices. On one farm we visited, there were about 3,000 workers, of whom 80% (2,400) were women. Only 22% of all workers were permanent – the rest were employed on a casual or seasonal basis. However, the farm was paying the casual and seasonal workers a daily wage of about ZK 6,800, which was higher than the minimum monthly wage.

Those workers employed on a permanent basis enjoy good employment conditions, including a monthly salary, a monthly contribution towards a statutory pension scheme, paid leave, sometimes a health scheme on a cost sharing basis between employees and the company, sometimes a housing allowance, sometimes a transport allowance, a ZK 20,000

statutory lunch allowance per month and gratuity for those on long term contracts.

On the other hand, the casual and seasonal workers are given contracts of between three and six months. According to the Minimum Wages and Conditions of Employment Act, casual and seasonal workers are supposed to be paid a monthly minimum wage of ZK 95,000 (\$30), plus two days’ leave if a worker works for six months continuously, and ZK 20,000 lunch allowance per month. This Act requires anyone who has worked for six months consecutively to be considered a permanent employee. To reduce their costs, farm employers lay off casual and seasonal workers for about two weeks after they complete their contracts before being given fresh contracts. This mostly affects the women casual and seasonal workers and is one area of gender imbalance which needs to be addressed.

Box 1. Long working hours

Employees in the cut flower and horticulture farms come from nearby residential areas. Most farms do not provide transport for employees and salaries are not high enough to cover bus fares so most people walk to work. One woman we interviewed said that she walked a total of four hours each day to and from work. With a starting time of 7am, this means she starts walking from home at 5am, and reaches home around 7pm after knocking off at 5pm. Many women are thus forced to start their day at about 3 or 4am to do domestic tasks before going to work. After work they still have to prepare supper and clean the dishes before going to bed. Therefore, some women in the cut flower sector work a total of about 8 hours on the farms and 9 hours attending to household chores, bringing total working hours to about 17 a day.

While salaries are reviewed almost annually and increased by a certain percentage due to the high inflation rates in Zambia, the rest of the conditions of services are not regularly reviewed.

This is an example of how the growth of the formal economy often occurs through export-oriented production which is based on the exploitation of cheap female labour. This is implicitly considered as a 'comparative advantage' in international trade.

5.2.3 Unions

Where a company employs at least 100 workers, it is legally required to have employees represented by a union. The union for agricultural workers in Zambia is called the National Union for Plantations and Agricultural Workers (NUPAW). This handles workers' issues in the agricultural sector and it usually has branches on specific farms, depending on the number of employees. The union negotiates conditions of service centrally.

Zambia National Farmers' Union (ZNFU) is an apex farmers' union which has various associations as members, including the Zambia Farm Employer Association (ZFEA) which represents employers' interests. ZFEA and NUPAW meet to review the conditions of service once every three years. The negotiations between the two parties are arbitrated by a neutral and independent person who knows labour laws and his fees are met by both parties. The last collective

agreement between ZFEA and NUPAW was signed on 21st July 2004 and it will be reviewed in 2007.

5.3 Production

5.3.1 Inputs

Growers of cut flowers import most of their inputs from South Africa. These include seed, fertiliser, chemicals, plastic materials for greenhouses and packaging materials. Sometimes, plastics are imported from as far afield as the Netherlands. The ZEGA sources the inputs on behalf of most rose flower growers on credit and knocks off the cost from the sales of the produce. This is done reliably according to the Export Board of Zambia. However, the consistent appreciation of the South African Rand has meant that the Zambian importer has been paying more for these inputs at the expense of their profits.

Vegetable growers also import most of their inputs, which include seed, fertiliser, chemicals, packaging materials and machinery, from South Africa and Zimbabwe. On arrangement, ZEGA can procure inputs for member growers.

5.3.2 Technology

Vegetables are mainly grown in the open air. However, cut flowers are grown in greenhouses, which make the production venture more costly. Additionally, more and more cut flower growers are switching from growing roses in soil to growing them in cocoa peas. Instead of planting the rose bushes in the ground, they are put in sacks containing cocoa peas. These plants are watered electronically once moisture runs out. The advantages of using cocoa pea growing medium include¹⁹:

- reduced use of chemicals and fertilisers;
- reduced water use (up to 30% less); and
- improved quality and increased yields (by as much as 15%).

5.3.3 Marketing

Zambia exports 98% of its fresh vegetables and cut flowers. The main market for most Zambian cut flowers is the Netherlands where there is the world's largest flower auction floor. In 2004, over 91%²⁰ of Zambia's cut flower exports went to the Netherlands. The fees

¹⁹ EBZ Horticulture/Floriculture Sector report for 2004

²⁰ EBZ Horticulture/Floriculture Sector Report for 2004.

²¹ Zambia DTIS, July 2005

and the commissions that are involved in the auctioning process constitute the second largest component of total costs (15%)²¹ for cut flowers in Zambia after freight costs (see below). Other markets were Great Britain, South Africa, Norway, Germany, Sweden, Ukraine, Angola and Democratic Republic of Congo, Kenya and Zimbabwe.

Zambia's main competitors are Brazil, Colombia, Kenya, and Zimbabwe. These flood the EU market with their supplies of cut flowers, thus adversely affecting prices.

The main markets for fresh vegetables in 2004 were the UK, South Africa, Germany, the Netherlands, Spain and Australia.

Marketing approaches

All growers of cut flowers mainly market their produce through ZEGA, which advises on which carriers to use and which markets to sell fresh flowers to. ZEGA contracts cargo airlines to fly flowers from Lusaka International Airport to Europe on behalf of its members. The main cargo airlines used by ZEGA are

MK Airlines, DAS, and Carglux. British Airways Cargo Flight discontinued its operations in Zambia in August 2005 due to high Zambia fuel costs.

Other growers engage in online marketing whilst others employ agents who get a commission of not less than 10% of total returns. Big growers like Khal Amazi and Best Value carry out direct marketing since they are already established in Europe. Others, like Esquire Roses, attend the Floriculture Fair in Amsterdam in the first week of November each year to make marketing arrangements.

5.3.4 Freight costs

Airfreight constitutes the largest percentage (35%)²² of total costs for floriculture. On average, it costs about 30 euros to transport a 17 kg box of cut flowers (containing about 650 stems of flowers) to Amsterdam. This translates into 0.06 euros per stem, or US\$ 1.9 per kg. On the other hand, it costs about US\$ 1.10 per kg to transport roses from Kenya to the Netherlands, since the flight is three hours' shorter and aviation fuel is cheaper in Kenya (Table 4):

Table 4: Jet fuel prices compared

Location	Jet fuel price (US\$ per gallon)	Difference with Lusaka
Lusaka	2.32	0.0
Nairobi	1.50	(0.82)
Johannesburg	1.48	(0.84)
Entebbe	1.73	(0.59)
London	1.44	(0.88)
Harare	1.80	(0.52)
Dar-es-salaam	1.99	(0.34)
Arusha	2.17	(0.15)

Source: ZEGA. Prices as at 16/2/2005

²² Zambia DTIS, July 2005

Virtually all fresh and cut flowers are transported to international markets by airfreight. There is lack of guaranteed and reliable air cargo capacity. The volume of air cargo handled through Lusaka airport has been stagnant at around 15,000 tonnes per annum since 1997. ZEGA charters air cargo planes for the shipment to Europe, and major farms reserve space on these planes. There is a concern that existing service providers occasionally divert capacity at short notice to transport more lucrative cargo. Airfreight exports at 250 metric tonnes a week are five times the size of imports. This imbalance results in exports incurring a higher charge in order to cover the unused space. This is one of the other reasons why airfreights costs are high, in addition to high jet fuel costs.

For one of the farms (Borassus), the freight rate for vegetables represents 43% of the free on board value landed in the UK.²³ Obtaining the services of a dedicated air carrier with higher frequency and reduced air freight costs requires much larger volumes of cargo than what the sector is currently producing.

5.3.5 Local diesel costs

The high cost of production is also caused by the high diesel prices in US dollar terms (Table 5). Since this sector exports almost all its produce, it means all its income is foreign currency. Therefore, high diesel costs in US dollar terms mean increased costs for the sector.

Table 5: Diesel prices in Zambia from June 2005 to January 2006

Date	ZK price per litre	US\$ Mid rate (Stanbic Bank)	US\$ Cost per litre
1 June 2005	4,820	4,700	1.03
15 June 2005	4,643	4,650	1.00
30 June 2005	4,735	4,670	1.01
15 July 2005	5,000	4,610	1.08
27 July 2005	4,975	4,625	1.08
13 August 2005	5,551	4,435	1.25
26 August 2005	5,493	4,290	1.28
6 September 2005	5,493	4,512	1.22
26 September 2005	5,352	4,325	1.24
4 October 2005	5,352	4,400	1.22
25 October 2005	5,352	4,235	1.26
1 November 2005	5,352	4,055	1.32
28 November 2005	5,352	3,930	1.36
7 December 2005	5,352	3,575	1.50
19 December 2005	4,748	3,350	1.42
6 January 2006	4,748	3,405	1.39
23 January 2006	4,748	3,300	1.34

Source: ZEGA

²³ Zambia DTIS, July 2005

5.3.6 Quality requirements

Exporters of 'high standard' fresh vegetables and cut flowers rely on relatively high-priced quality testing regimes in Europe, with inspection fees attached to them. Zambia's roses are also subjected to inspection fees. From 1st April 2005, Zambia was being subjected to 100% inspection under EU regulations which increased costs by about 300%. Prior to that, the EU required that 80% of flower imports should be inspected at EU borders as part of concerted efforts to clamp down on pests and diseases.

To mitigate the effects of loss/destruction of fresh flowers at EU borders, the ZEGA, in collaboration with officials from the Plant and Quarantine Unit (PQU) at Mount Makulu, conducted an extensive examination of each consignment of fresh flowers at Lusaka International Airport. As a result of the consistency of the results, ZEGA negotiated for reduced inspection fees, which fell to 10% from 1st January 2006.

Since November 2002, exporters of organic products have been required to provide proof of their main production processes, control and labelling standards and certification as recognised by the EU (together with other original documents like invoices, bill of lading, weight list, etc.). These details are checked by the EU customs officials in all EU member countries.

Quality and safety standards in Zambia

While exporters of 'high standard' fresh vegetables and cut flowers rely on relatively high-priced quality testing regimes in Europe, the absence of suitably accredited testing services in Zambia is a constraint to augmenting and diversifying agricultural exports.

Three bottlenecks in testing and conformity certification services have the potential to constrain export growth:

1. The quantity of testing services is insufficient to support a major increase in volume.
2. The quality and range of testing services is too narrow.
3. The prices of testing services are relatively high by international standards (although this still remains a minor cost item) and, owing to the lack of international certification, it is necessary for the tests to be redone in the country of export.

These will become important issues as exports diversify further. The standards infrastructure in Zambia continues to be driven largely by state intervention and public sector control. While the Zambia Bureau of Standards (ZBS) is the main government body responsible for setting, reviewing, monitoring and implementing technical standards for all industries including agriculture, the Food and Drug Agency and the Ministry of Agriculture also set standards, and they are not required to notify the ZBS. Regulatory fragmentation, in conjunction with a dearth of clearly defined boundaries between the three standard setting bodies, needs to be addressed. The ZBS does not retain a comprehensive database of existing standards scattered across a wide range of legal instruments.

There is a need to commercialise the public laboratories and to begin to establish a fully commercial market for testing and assessment services. The government should:

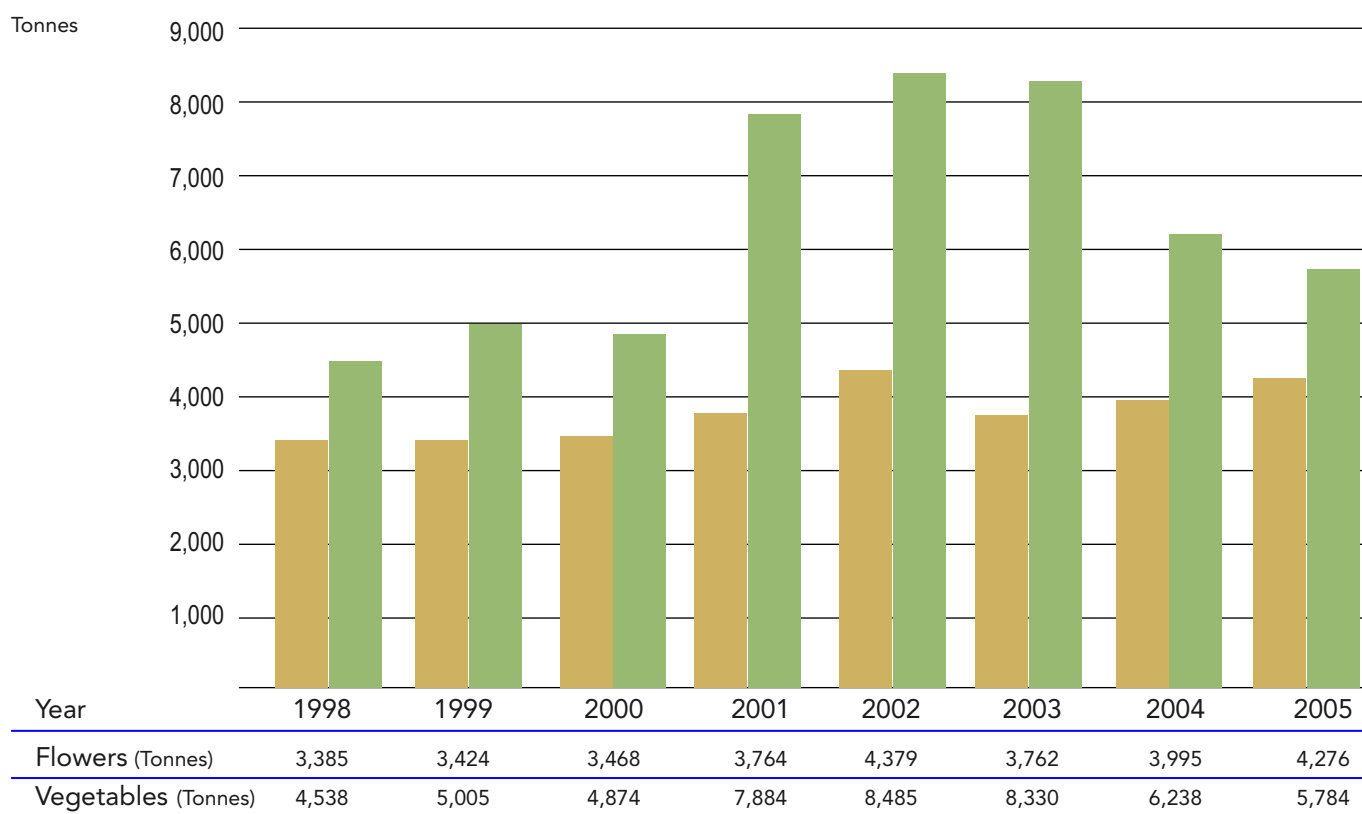
- Clearly separate the roles of the public and private sectors in setting standards and providing quality control, conformity assessment, and certification services;
- Strengthen the capacities for setting and enforcing standards for domestic markets that converge with regional and international standards;
- Commercialise the public laboratories by ensuring transparent and arms length relations with the public sector;
- Establish a regulatory framework for private testing and certification services.

5.4 Exports

5.4.1 Quantities exported

The quantities of flowers and vegetables exported between 1998 and 2005 are shown in Figure 5.

Figure 5: Quantities of flowers and vegetables exported from 1998 to 2005



Source: Zambia Export Growers Association (ZEGA)

Since 1998 there has been little increase in the quantities of flowers exported, despite the fact that this period spans the pre-Cotonou trade agreement right through to after the Cotonou trade agreement was signed in 2000. This is because the EU, which is a major market for flowers from Zambia, does not have a comparative advantage in the production of flowers. As a result, even before the Cotonou trade agreement, there were no trade tariffs imposed on flowers into that market. Today the situation remains the same. Thus EPAs will not, directly, have a negative impact on Zambia's cut flower sector.

5.4.2 Export earnings

Export earnings from the sector accounted for nearly 13% of all non-traditional exports (NTEs) in 2004, with the cut flower sub-sector only contributing 5.5%, as shown in Table 6.²⁴ The difference between total exports and NTEs is one item only, the metal exports.

²⁴ Apart from horticulture and floriculture, other NTEs include animal products, building materials, chemical & pharmaceutical products, engineering products, garments, gemstones, handicrafts & curios, leather & leather products, non-metallic minerals, other manufactures, petroleum oils, primary agriculture, processed & refined foods, textiles, wood products, scrap metal, mining, and electricity.

Table 6: Value of floriculture and horticulture exports

Year	2000	2001	2002	2003	2004
Horticulture (US\$' M)	27.4	35.9	44.9	46	35.9
Floriculture (US\$' M)	33.9	34.1	30.3	22.4	26.8
Floriculture exports (tonnes) ²⁵	3,468	3,764	4,379	3,762	3,995
Floriculture: Price per tonne (US\$)	9,775	9,060	6,919	5,954	6,708
Total NTEs (US\$' M)	263.6	311.8	368.3	415.2	484.9
Horticulture as a % of total NTEs	10.39%	11.51%	12.19%	11.08%	7.40%
Floriculture as a % of total NTEs	12.86%	10.94%	8.23%	5.39%	5.53%
Total contribution to NTEs (%)	23.25%	22.45%	20.42%	16.47%	12.93%
Total exports	784.7	901.8	928	1,084.40	1,587.90

Source: Export Board of Zambia Horticulture/Floriculture Sector Report 2004

The Export Board of Zambia reports that there has been a steady decline of an average of 23.3% in the sector's earnings since 1999 (EBZ, 2005). The decline in floriculture growth from 2003 and the marginal increase in horticulture in the same year was a result of the bankruptcy of Agriflora.

The price per tonne for cut flowers has generally been declining since 2000, although there was a slight increase in 2004. In 2004, the floriculture sub-sector recorded export earnings of US\$ 26.8 million, indicating a growth of 19.6% from 2003. This was mainly because of the increase in the price and the slight increase in the quantity of flowers produced.

5.5 Challenges for floriculture

The floriculture sub-sector is facing a number of challenges to its competitiveness:

- Declining average prices per stem on the Aalsmeer Auction Floor in the Netherlands. The average price per stem was 0.16 euros, but in 2004 that dropped to 0.08 euros
- Exchange rate fluctuations between the Euro and the US dollar. Inputs are bought in US dollars while

payments for flowers are made in euros

- Lack of medium and long term capital
- High cost of money estimated at 60% interest rate per annum²⁶
- Management deficiencies, leading to poor yields
- High fixed costs: even the smallest farm needs to invest in a pump house for irrigation, a cold room, a pack house, a truck with a cold room and a manager
- Relatively small domestic and regional markets
- Less competitive fresh flowers, which are sold at less than the market average price. This arises from: (1) growing the wrong varieties, (2) from prolonged use of the same rose bushes and (3) using outdated growing techniques. For instance, one woman producer we interviewed was still harvesting flowers from bushes planted in 1998
- High airfreight costs due to the long distance to major markets
- Limited bargaining power because of small amounts exported each time

²⁵ This information on quantities exported is from ZEGA not the Export Board of Zambia.

²⁶ Interview with ZEGA.

- Low technical and managerial skills in this relatively young industry
- Banned chemicals, but no alternative options
- SPS measures
- Overly small farms. Most of the farms are two hectares, which most growers say is not viable. According to ZEGA, a viable cut flower project requires a minimum of 5 hectares of flowers, plus all the fixed assets listed earlier.

A number of black Zambians (about 15) who had two hectares planted with cut flowers have since left the sector.

5.6 Institutional support to the sector

Activities in floriculture/fresh vegetables are overseen and monitored by a network of public and private, domestic and foreign agencies.

5.6.1 Government and private sector partnership

Government/private sector partnership assistance is provided by:

- The Zambia Export Growers Association (ZEGA), which promotes sector interests (e.g., attracting foreign investment) through publicity and seminars; by lobbying the government; securing air freight services, inputs and technical assistance; and providing information about financing and markets.
- The National ZEGA Training Trust (NZTT) established at Zambia's Natural Resources Development College, which provides special skills training for greenhouse and packing facility managers.
- The Zambia Investment Centre (ZIC), which promotes, facilitates and monitors domestic and foreign investment targeting economic growth projects.
- The Export Board of Zambia (EBZ), a government statutory organisation tasked with promoting NTEs in foreign markets, publishing and disseminating brochures about Zambia's fresh produce to Zambian foreign missions and providing

promotional services at international trade fairs (some of these activities are financed by the EU Export Development Programme—see below).

Specific interest groups also active in sector activities include the Organic Producers' and Processors' Association (OPPA), Zambia Agribusiness Technical Assistance Centre (ZATAC), and the Smallholder Enterprise and Marketing Programme (SHEMP).

5.6.2 Benefits from Export Development Programme

ZEGA members benefited from the first phase of the EU funded Export Development Programme (EDP I). Most of the assistance was channelled to flower growers, most of who had two-hectare rose farms. However, most rose growers became bankrupt after a few years in operation, mostly due to financial mismanagement, poor economies of scale, poor management and lack of technical skills. The project, which lasted from 1993 to 1999, helped 30²⁷ small-scale rose growers.

The EU has since reviewed and improved on EDP I. The Export Development Programme II (EDP II) aims to benefit horticulture and floriculture growers through:

- increased access to cheap credit for development of non-traditional exports;
- strengthened management, organisational and technical capacities in the exports sectors concerned; and
- creation of awareness of Zambian non-traditional exports (NTEs) in major export markets.

5.6.3 International institutional support to the sector

Public and private international organisations involved in the sector principally promote implementation of codes of sanitation and other standards. Such groups include the World Trade Organisation (WTO), the Europe/Africa-Caribbean-Pacific Liaison Committee (COLEACP), and the European Retailers Protocol for Good Agricultural Practice (EUREP-GAP). The latter represents the specific codes of 17 European supermarkets. Beyond sanitation and quality control, most of these codes also address issues of worker welfare and working environment.

Additionally, the UK's Department for International Development (DFID) is working through its Crop Post

²⁷ EBZ Horticulture/Floriculture Sector Report for 2004.

Harvest Programme at the Natural Resources Institute (NRI) to address the issue of farm audits in Zambia. EUREP-GAP, for example, requires certified farm audits of their growers. The costs of such audits are particularly prohibitive and, in most cases, compliance with expected standards (e.g., ISO 9000) is not feasible for small growers with a half to two hectares of land. NRI's work in Africa is focused on developing an auditing system that is both appropriate to the needs of small-scale growers and acceptable to buyers. Export companies in Zambia are working closely with NRI on the project, as is the government through its community health workers.

5.7 Potential of the cut flower sector

The cut flower sector has some potential for growth. Zambia is abundantly endowed with the resources needed for agricultural development—a good climate, plenty of arable land and abundant water resources:

- 12% of the country's total landmass is suitable for arable use, but only 14% of that suitable land is currently used. There are an estimated 1,740, 380 million cubic metres of groundwater available for use.
- Land capable of being irrigated is around 423,000 hectares (Table 7), but currently only 9% of that (40,000 hectares) is actually irrigated, mostly by commercial farmers growing sugar, wheat and plantation crops.

Table 7: Irrigation potential by region

Area	Existing irrigation (ha)	Additional potential (ha)	Total potential (ha)	Area as % of national potential
Upper Zambezi Basin	2,000	110,000	112,000	26
Kafue Basin	13,000	152,000	165,000	39
Luangwa Basin	–	14,000	14,000	< 1
Luapula and Tanganyika Basin	2,000	62,000	64,000	15
Commercial farms in different basins	8,000	–	8,000	< 1
Ground water irrigation	N/a	60,000	60,000	< 1
TOTAL	25,000	298,000	423,000	100

Source: World Bank Agricultural Sector Strategy, cited in Republic of Zambia (2002)

Zambia has 50% of the SADC freshwater resources and 30% of the African continent's freshwater resources. Since the cut flower sector has been identified as one of the sectors with highest potential for export growth, it should be promoted.

6. The Policy Framework

To address poverty and unemployment, Zambia has had to put a number of policies in place. These include the Trade Policy, the Country Strategy Paper, the National Agricultural Policy, the Transport Policy, the draft Environment Policy, and the National Gender Policy. Highlights of these documents are outlined below.

6.1 National Agricultural Policy, 2004-2015 (NAP)

6.1.1 Historical perspective

In the first and second republics (1964-1990), agricultural policies were restrictive, distortional and counterproductive due to strong government intervention. In addition, the strategies pursued were not sustainable because of their heavy reliance on subsidies. Consequently, these policies and strategies failed to stimulate sustained growth in the sector. Up to the early 1990s, the sector was poorly developed and dominated by a single crop – maize. The sector also lacked private sector participation in the areas of agricultural marketing, input supply and processing.

In the third republic, the government embarked on agricultural sector policy reforms, which were part of the overall economic reforms pursued under the Structural Adjustment Programme. The main policy thrust of the reforms was liberalisation of the agricultural sector and promotion of private sector participation in production, marketing, input supply, processing and credit provision. The agricultural sector implemented a number of programmes such as the Agricultural Sector Investment Programme (ASIP), Poverty Reduction Strategy Programme 2002-2004 (PRSP), and the Transitional National Development Plan 2002-2005 (TNDP). However, performance of these programmes was not up to expectation due to a number of constraints, especially limited resources.

6.1.2 Current agricultural policy

The vision of the Ministry of Agriculture and Cooperatives is *“to promote development of an efficient, competitive and sustainable agricultural sector, which assures food security and increased income.”*

Generally, it is agreed that the liberalisation policy on pricing and marketing of agricultural produce is the best way forward. But these policy reforms have failed

to provide sufficient incentives to farmers to increase output. In the policies for the period 2004 – 2015, the focus will continue to be on:

- Creating a conducive environment to consolidate agricultural markets;
- Strengthening and liberalising trade and pricing policy; and
- Strengthening the land tenure system to make it receptive to the policy of liberalisation.

Zambia’s trade arrangements provide ample export opportunities for many agricultural and agro-processing products in regional and international markets. Therefore, demand is not a constraint to the rapid expansion of agricultural production. The main constraints are on the supply side and include: (a) lack of access to water, fertiliser, high yielding variety (HYV) seeds, extension services and markets; (b) a customary land tenure system that does not allow secure land rights and long term investment in land development; and (c) inadequate infrastructure (rural roads, storage facilities, marketing infrastructure, power and telecommunication services). In addition to these cross-cutting constraints, each agricultural product has its own set of constraints which the Ministry of Agriculture and other stakeholders should address and focus on in the EPA negotiations if agriculture is to flourish.

In the past, the Ministry of Agriculture has concentrated on promoting and providing support mostly for food crops at the expense of other crops which have better export potential. It is hoped that the Ministry will take a lead role in promoting all forms of agriculture and removing the sector’s specific constraints, especially those that employ more women than men, like the cut flower sector, due to poverty and unemployment imbalances discussed above.

6.2 The Transport Policy, 2002

The role of transport in national development is critical in stimulating production, development and growth of the economy by linking production to demand. As a land-locked country surrounded by eight neighbours, Zambia depends heavily on road and rail to transport inputs and outputs to markets within and outside the country. However, there are also certain export sectors, such as the cut flower sector, which depend solely on airfreight for transporting their products to European

markets. In 2002, Zambia came up with a transport policy which seeks to clarify the role of government and the private sector in the provision of transport services.

After a decade of liberalisation, the private sector is responsible for delivering road and air transport services, with the government establishing the enabling environment. The Transport Policy recognises the need for further regulatory reform for air transport, specifically liberalising the procedures for permitting foreign owned air carriers to have landing rights.

Reliable and cost effective transport requires Zambia to engage in international transport agreements. Zambia is an active participant in international agreements in the transport sector. The most important are the SADC Protocol on Transport, Communications and Meteorology, and Chapter 11 of the COMESA Treaty on Cooperation in the Development of Transport and Communications. Zambia is also a signatory to bilateral Road Transport Agreements with South Africa, Zimbabwe, Malawi, Tanzania and Namibia, which deal with market access.

Key for the export sectors, and the main constraint for the cut flower sector, is the effect of high transport costs on competitiveness. Therefore, the government and the other stakeholders need to devise ways to reduce both local and international transport costs (already discussed in Chapter 4). These issues include upgrading transport infrastructure, strengthening the public-private dialogue and improving the transport policy.

The reform of transport policy should address the following:

- Transpose international transport and trade agreements (COMESA/SADC) to national legislation;
- Ensuring mechanism and resources (staffing) are in place to implement and enforce the rules and regulations;
- Establish a transport information system to monitor developments in the transport sector;
- Develop a strategic plan for the implementation of the transport policy.

6.3 National Gender Policy 2000 and its Strategic Plan (2004-2008)

The government's vision for gender is to achieve full participation of both women and men in the development process at all levels in order to ensure sustainable development and attainment of equality and equity between the sexes.

To realise this vision, the Gender in Development Department (GIDD) of the Cabinet Office (which is in charge of the development and implementation of the policy) came up with a Strategic Plan for the National Gender Policy in December 2002 for the period 2004-2008. Areas related to this research, which are addressed in the policy and the strategic plan, are discussed below.

6.3.1 Poverty

Recognising that poverty affects women more than men, the policy aims at promoting programmes which will reduce the burden of poverty on women at the household, community and national levels, and to provide women with equal access to and control of opportunities in economic structures, policies and factors of production. This will be achieved by:

- Devising appropriate poverty alleviation and reduction programmes, according to area-specific needs, and streamlining and simplifying procedures for accessing these services;
- Ensuring that adequate food supply is available at household level and that the quality is stable throughout and between years;
- Empowering women on the use and control of their earnings;
- Ensuring crop diversification.

6.3.2 Labour, employment and social security

To redress gender imbalances in labour, employment and social security at all levels, the policy recognises the need to review labour laws and social security systems in order to make them gender responsive.

6.3.3 Agriculture

Women contribute about 70% of their labour to agricultural production, yet have no control over their labour and are disadvantaged by their poorer access to agricultural resources such as information, credit, inputs, land, technology and decision-making than their male counterparts. The policy aims at ensuring food security and balanced nutrition for women, men and children through sustainable agriculture; ensuring women's increased access to and control over agricultural inputs and markets; reducing women's labour burden and drudgery in agriculture; and enhancing women's participation in cooperatives.

To realise the above, the GIDD should become involved in monitoring and addressing issues which discriminate against women in the workplace, especially in sectors like floriculture which employ more women than men and where men have better conditions of employment.

Since poverty is much higher in rural areas than in urban areas, accelerating exports, particularly of agricultural products, will help induce growth and reduce poverty. In rural areas, trade opportunities can affect household income through two main channels: (a) households can switch from subsistence farming to cash crop farming, and (b) household members may earn a wage on other farms. The gains from international trade are calculated using a model that estimates the incremental income from planting an additional hectare of a cash crop. The results show that switching to cash crops and earning a wage on farms helps to reduce poverty. If households reduced their subsistence production and switched to tobacco, they could increase their income by between 71 and 104%. Switching to hybrid maize has the potential to increase income by between 55 and 100%.

6.3.4 Commerce, trade and industry

Women's participation in trade, commerce and industry continues to be hampered by limited access to commercial credit and loans from banks and financial institutions due to lack of collateral. This has been exacerbated by women's insufficient participation in various relevant decision-making bodies. This situation forces women to engage in petty trading which is unprofitable. In addition to these constraints, women also have limited entrepreneurship development skills, face problems in accessing markets and often do not own the means of production.

The policy aims to remove the above barriers through activities which include:

- Engendering commerce, trade and industry policy
- Sensitising women and young people to participate in commerce, trade and industry ventures
- Conducting entrepreneurship training programmes in commerce and technical colleges for women, men and young people
- Facilitating the amendment and/or repeal of commerce, trade and industry laws which discriminate against women and young people, especially in accessing commercial credit and bank loans
- Creating affordable credit funds for women entrepreneurs

Although one of the planned activities is to engender the commerce, trade and commerce policy, it was expected that the GIDD would actively participate in the on-going EPA negotiations. However, they have had no involvement at all. The GIDD should devise a monitoring system to allow them to review the implementation of their planned strategies and activities. If not, most of these will remain paper exercises only.

6.4 Trade policy

6.4.1 Historical background

The Zambian economy experienced significant institutional and policy reforms in the early to mid-1990s. These included the abolition of foreign exchange controls, the deregulation of interest and foreign exchange rates, removal of price controls and consumer subsidies, reform of land tenure, reduction of tariffs and embargoes to open up domestic markets to promote exports, privatisation of many state-owned enterprises, and the strengthening of financial markets through merchant banking and the stock exchange.

These structural reforms were aimed at replacing the planned, state-centred economy with one with more market-based institutions and policies in order to improve economic growth and reduce poverty. In 1994 the Commercial, Trade and Industrial Policy was introduced, which spelled out the government's long term vision for the industrial sectors, domestic trading

activities and Zambia's participation in international trade arrangements.

There were significant initial gains following these reforms, such as improved fiscal, monetary and financial management, a strengthened private sector, diversification of agricultural production, reduction in inflation, and one of the most open trade regimes in Africa. The reforms also led to the establishment of the Export Board of Zambia (EBZ), which encouraged the expansion of non-traditional exports (NTEs). As a result, the share of the NTEs in total exports increased from 8% in 1990 to 38% in 2003 (GRZ, 2005).

However, the initial gains from the reforms were not sustained. Despite the modest economic growth rates, the incidence of poverty increased and various macroeconomic indicators lagged behind projected targets. Moreover, increasing integration of the economy into the southern African region implied that the direction and pattern of Zambia's trade also changed significantly. In general, there had been a contraction in industrial output in the decade following liberalisation. In international trade, the country's export supply capacity was inadequate to take full advantage of available preferential schemes such as the Africa Growth and Opportunity Act (AGOA), and the EU EBA. Consequently in 2004, the government launched a comprehensive Private Sector Development Program (PSDP) to reduce various administrative barriers to commerce and provide an enabling environment for investments.

By 2005, it became necessary to provide a new Commercial, Trade and Industrial Policy which reflected the progress and challenges of the past decade, and also discussed the future direction of government activities to support private sector enterprise in Zambia. This is discussed further below.

6.4.2 The Draft Commerce, Trade and Industry Policy, 2005

In Zambia, more than two-thirds of the population subsist on less than \$1 a day. The domestic market is too small to support the growth in production and employment needed to reduce poverty in a sustainable way. Therefore, expanding exports will be a key driver of economic growth and poverty reduction. Export promotion and private sector development thus take central place in the government's current trade policy. Its objectives include:

- To stimulate and encourage value-addition activities on primary exports as a means of increasing national export earnings and creating employment opportunities;
- To transform the Zambian economy into a diversified and competitive economy which is well integrated into the international trading environment;
- To stimulate investment flows into export-oriented areas in which Zambia has comparative advantages as a strategy for inducing innovation and technology transfer in the national economy;
- To support the effective development and use of domestic productive capacities as a means to increasing output and expanding employment opportunities;
- To facilitate the acquisition of modern technology to support value-adding, industrial processes by domestic firms;
- To facilitate public and private investments in testing infrastructure to support improvements in the quality and standards of Zambian products;
- To assist domestic firms to increase their levels of efficiency and competitiveness, and therefore withstand increasing competition in domestic and international markets.
- To formalise, monitor and regulate domestic trade activities with a view to promoting and stimulating a vibrant domestic trading sector; particularly by ensuring fair competition in the domestic market, and also protecting the welfare of consumers.

The Zambian economy has the potential to diversify more widely and achieve faster export growth. The International Trade Centre (ITC)²⁸ identified and categorised priority sectors for export promotion in Zambia as follows:

- Highest potential sectors: these included horticulture, tobacco, paprika, cotton, cotton yarn, leather products, fresh flowers, sugar, and oil cakes.
- Medium potential sectors: including honey, maize and wheat bran, gemstones, groundnuts, handicrafts, wheat flour, soya beans, maize meal, beef, wood products, sorghum, processed fruits, cheese, roasted coffee, milk, blankets and towelling, and protein foods.

²⁸ ITC (February 2005), Identification of Priority Sectors for Export Promotion in Zambia, under the Joint Integrated Technical Assistance Programme (JIPAT).

- Low potential sectors: cotton fabrics, tea, acrylic yarn, maize.

To accelerate export growth, the government and other stakeholders should consider and prioritise the sectors according to their potential for export growth and put in place horizontal policies which address cross-cutting and sector specific constraints. Three major cross-cutting constraints for export sectors have been identified as follows:²⁹

- Volume: Insufficient production capacity mainly due to lack of available capital, leading to limited bargaining power due to small amounts of exports per time.
- Value added: In many raw material sectors such as gemstones, cotton and leather, one of the major obstacles to export and export earnings growth is the inability to process commodities, and accordingly add value and diversity products. This also has been due to lack of capital and a shortage of skilled workers.
- Cost competitiveness: Zambia's exports are hindered by high production costs. The government and other stakeholders need to pay attention to two major cost factors compromising Zambia's competitiveness: labour cost vis-à-vis productivity and transportation costs.

Even within priority sectors, if poverty and unemployment are to be addressed faster, there should be a bias towards the promotion of export sectors which employ more women than men, like horticulture, fresh flowers, sugar, etc...

6.4.3 Policies directly affecting imports

Currently, imports in Zambia face the following taxes:

Customs Duty: This is a tax charged on imported goods and it is chargeable on customs value (CIF). The ad valorem (according to the value) tariffs are in four bands: 0, 5, 15 and 25. Table 8 shows the distribution of the 6,106 tariff lines, imports and customs revenue in each of the four bands.

Almost all the cut flower sub-sector's inputs (chemicals, pesticides, seeds, packaging materials, and materials for building greenhouses) are imported from South Africa. Since they are raw materials, their contribution to customs revenue is zero.

Import duty: This is a value added tax (VAT) charged on eligible imports. It is charged on the taxable value at the current rate of 17.5%. In the 2006 budget, all agricultural products have been standard rated, except baby cereals, maize and maize meals and flours produced from it. The move is meant to enable farmers to claim input VAT on their expenses as well as make exports competitive under the 'Duty Drawback System'.

Under this system, exporters are reimbursed for the customs duties and other taxes paid on imported inputs, thus giving the producer access to inputs at world prices. This means that even the cut flower sector is eligible for being reimbursed tax expenses on imported inputs. However, the government, through the Zambia Revenue Authority, needs to address the problem of late reimbursement of those claims.

Table 8: Main indicators of imports tariffs, 2003³⁰

	Tariff Band	Share of tariff line (%)	Share of imports (%)	Share of customs revenue (%)
Raw materials	0-5	21	30	0
Capital goods	0-5	14	24	15
Intermediate goods	15	33	26	36
Finished goods	25	32	21	48

Source: CSO, Tariff data submitted to UNCTAD, as cited in GRZ, 2005

²⁹ The specific cut flower sector constraints were discussed in Chapter 4 of this report.

³⁰ Note that the tariff bands remained the same in 2006, according to the Zambia Revenue Authority (ZRA) which administers tariffs. However updated data could not be found for import shares and shares of customs revenue for the whole table to be updated.

If this scenario continues, the EPAs will have no direct impact on the cut flower sector from the inputs import side in that there will be no tariff revenue loss from imports.

While trade policies are necessary for accelerating export growth, these are not enough. There is a need to ensure macroeconomic stability, improvement of the business climate, and delivery of infrastructure services (a more effective supply-side response to trade policies) to encourage private sector investment in export-oriented sectors. This is further reason why EPA negotiations should, among other things; focus on the removal of the supply-side constraints for ACP countries.

6.4.4 Existing bilateral and regional trade agreements

Zambia currently has only one bilateral trade agreement—with Rwanda—but that will soon become redundant since Rwanda is also a member of COMESA, whose member states have agreed to a Customs Union (CU) by December 2008. Negotiations are on-going for bilateral trade agreements with the following countries: Mozambique, Nigeria, Democratic Republic of Congo (DRC), Zimbabwe and Iran.

Zambia is party to regional trade agreements under ESA and SADC (which are discussed below). This has put Zambia in a predicament in the EPA negotiations: which grouping should Zambia negotiate from: ESA or SADC? Currently, she is negotiating under the ESA umbrella, whose Secretariat is COMESA. The two regional trade agreements have different emphases. COMESA (ESA) emphasises trade, although it recently introduced a development component. On the other hand, SADC emphasises development as well as trade.

A study is currently being undertaken on behalf of Zambia to assess the impact of belonging to ESA. Once that is completed, a decision will then be made on the way forward for Zambia in terms of whether to negotiate under ESA or SADC.

6.5 Key requirements for implementing Zambia's trade strategy

How can an export-oriented trade strategy to help reduce poverty and create more opportunities for women's involvement in the economy, be implemented effectively? We suggest the need for the following:

High level political commitment: Achieving export-oriented growth requires political commitment at the highest level.

Mainstreaming trade policy: Export promotion should be placed at the centre of Zambia's development and poverty reduction strategy and be reflected in the government's main policy documents of the government which contain specific development strategies.

Coordinated government: Currently each ministry deals with a different aspect of trade policy.

Effective public-private partnership: This is essential for an enabling environment for the planned re-orientation of the economy. Until recently, there has been no high-level mechanism for consultation between government and the private sector.

Coordination of export promotion and private sector development programmes: It is essential that trade (export promotion) and private sector development programmes are closely coordinated because of overlap and strong complementarities. The responsibility for dealing with the private sector and trade issues should be given to the same implementing agencies to ensure consistency.

Enhanced trade capacity: Perhaps the greatest challenge is to increase the capacity of the government and other stakeholders to cope with the growing set of trade policy issues and negotiations. This will require institutional knowledge of the WTO, EPA and regional arrangements, analytical capacity to conduct the necessary economic work, and the experience that can only be gained over time.

Donor coordination: Zambia receives donor assistance for trade from a variety of unilateral and multilateral sources. With a new wave of donor projects now starting or underway (EU, USAID, DFID, World Bank, JITAP, IF, etc.) there is an urgent need to improve donor coordination to avoid overlap and direct resources towards Zambia's priorities.

EPA negotiations which address development

issues: Within the global economy there are now only two major assets which government policy can have a bearing on:

- the stock of physical infrastructure and capital
- the stock of human capital.

In both of these areas, ACP countries face major constraints to their ability to produce competitively against a background of free trade with the EU. These constraints account for a large part of their status as developing countries. They include:

- the unreliable provision of public utilities (electricity and water supply);
- poor public infrastructure (run-down roads and railways);
- weak institutional and policy frameworks (leading to fluctuating exchange rates and high inflation and interest rates);
- low labour productivity (arising from poor education, health and housing provisions).

The HIV/AIDS pandemic has had a profound impact on capital in Africa in recent years, with serious implications for the labour productivity and competitiveness of ACP economies and their ability to adjust to and manage change. This needs to be taken into consideration in the process of trade policy formulation and in the negotiation of future trade arrangements, including an EPA.

7. Impact of the Proposed EU EPAs

7.1 Impact of EPAs on the cut flower sector

7.1.1 Effect of output and input tariffs

Zambia does not import flowers, and there is no domestic demand for flowers. Therefore, there is no market in Zambia for flowers produced in the EU and thus no need for reciprocal arrangements. Furthermore, the cut flower sector already enjoys a duty free, tariff free access to the EU market and this situation will remain the same once EPAs are in place. Thus the EPAs will not have a direct impact on the cut flower sector in terms of tariff revenue loss on the output; neither will it have any impact on the consumers of flowers in Zambia.

Zambia imports all the inputs from South Africa. Imports are subject to two taxes: customs duty and import duty. However, inputs for the cut flower sector are considered to be raw materials and hence exempt from customs duty. Some exporters in the agricultural sector (which includes the cut flower sector) are currently reimbursed for taxes they pay on imported inputs, thus giving the producer access to inputs at world prices. Therefore, the EPAs will have no direct impact on the cut flower sector from the inputs import

side in that there will be no tariff revenue loss from imports.

7.1.2 Exchange rate effects

The major threat to all labour-intensive sectors of the economy is the appreciation of the Zambian Kwacha (ZK). The Zambia National Farmers Union (ZNFU), the apex organisation for the whole agricultural sector, has assessed the implications of the appreciation of the Kwacha for each agricultural export sector based on three exchange rates ZK4,500 (previous rate), ZK 3,500 (current rate) and ZK 2,500 (assumed further decline). Floriculture is highly capital intensive, requiring greenhouses and cold rooms, the development of plant material and the training of staff. As a result, the ratio of variable costs to turnover must be low in order for the capital costs to be recovered. The enterprise is therefore sensitive to long term interest rates and requires prolonged sustainability to be viable. Fluctuations in exchange rates can therefore be severely damaging to sustained production (Table 9).

The table below shows the change in dollar based costs due to appreciation. The resulting decline in net profit as a percentage of turnover (from 14% at K4500 per \$ to 7% at K3500/\$ and -5% at K2500/\$) illustrates a dramatic fall in profitability.

Table 9: Impact of appreciation on floricultural exports

Exchange rate	Responsiveness	<i>Floriculture</i>		
		4500	3500	2500
Exporter Profitability				
Revenue (\$)				
yield		3,500,000	3,500,000	3,500,000
price		\$0.12	\$0.12	\$0.12
revenue		\$420,000	\$420,000	\$420,000
Costs (\$)				
imported inputs	25%	\$185,940	\$199,221	\$219,144
local inputs (paid in Kwacha)	100%	\$10,244	\$13,171	\$18,439
labor costs (paid in Kwacha)	100%	\$16,275	\$20,925	\$29,295
interest costs (@ 15%)	100%	\$31,869	\$40,974	\$57,364
total variable costs		\$244,328	\$274,292	\$324,242
capital costs		\$115,588	\$115,588	\$115,588
total costs		\$359,915	\$389,879	\$439,829
Profit Margin				
gross margin (revenue-variable costs)		\$175,672	\$145,708	\$95,758
as % of turnover		42%	35%	23%
net profit (gross margin - capital costs)		\$60,085	\$30,121	-\$19,829
as % of turnover		14%	7%	-5%

Source: Derived from ZNFU budgets

Growers indicate that at a ZK 3,500 exchange rate they will halt further investment, and at higher values they will begin disinvesting. Some anticipate a reorientation of production towards the small domestic market although they acknowledge that this is likely to be challenged by imports under the new exchange rates. All correspondents indicate the need for reduction in employment and observe that increases in wages cannot be accommodated. They are worried that there will be a loss of export market opportunities to competitors in Kenya, Uganda, Tanzania and Zimbabwe with parallel losses of job opportunities for Zambians. They also anticipate an increase in freight costs as economies of scale are lost with the recent reduction in horticultural exports and the declining number of air freight carriers serving Zambia. Zambia Export Growers' Association (ZEGA) foresees the defeat of the crop diversification strategy and consequently, greater reliance on copper.

A similar analysis was done for the vegetable sector (Table 10), which has over 10,500 employees and 2,500 out-growers. The sector is more dependent on

labour than the flower sector, amounting to 22.5% of variable costs in vegetables compared with 4.5% in floriculture (at the K4,500/\$ rate). While less capital intensive per unit of output than floriculture, it is nonetheless intensive due to the need for irrigation, cold-rooms and agricultural machinery. Capital costs for existing operations have been calculated at \$8,000 per ha or \$1,300 per tonne of capacity,³¹ which implies the need for a margin of 8% to cover capital financing costs alone. It is not possible to achieve this at K3,500 per \$. Successful marketing is also built on considerable investment in gaining access and training of staff, which further increases costs of entry into the market.

There is a wide variety of crops in the sector with similar but varied cost structures. Analysis of the industry as a whole has been explored here to demonstrate the effects of appreciation of the Kwacha in principle. This assessment indicates that positive returns at K 4,500/US\$ become strongly negative at K3,500/US\$.

Table 10: Impact on vegetable exports in principle

Exchange rate	Responsiveness	<i>Imported</i>			
		<i>Inputs at old rate. Sales at 4500</i>	<i>Inputs and sales at 3500</i>	<i>Inputs and sales at 3500</i>	<i>Inputs and sales at 2500</i>
<i>Horticulture Exporters</i>					
Revenue					
export revenues	0%	\$25	\$25	\$25	\$25
domestic sales					
Kwacha		11,250	11,250	11,250	11,250
\$	100%	\$2.50	\$3	\$3	\$5
revenue		\$28	\$28	\$28	\$30
Costs (\$)					
imported inputs (fertilizer, seed)	25%	\$10	\$10	\$11	\$11
local inputs (labor, transport, interest)	100%	\$13	\$15	\$15	\$18
total variable costs		\$23	\$26	\$26	\$30
capital costs	0%	\$4	\$4	\$4	\$4
total costs		\$27	\$30	\$30	\$34
Profit Margin					
gross margin (revenue-variable costs)		\$5	\$3	\$2	\$0
as % of turnover		17%	9%	7%	0%
net profit (gross margin - capital costs)		\$1	-\$1	-\$2	-\$4
as % of turnover		3%	-5%	-7%	-14%

In the light of these indications, growers point out the need to improve productivity of labour by introducing more piecework tasks and mechanisation. However, they point out that they have already rigorously searched for ways to improve productive efficiency in the face of the challenge posed by increases in airfreight costs. There are, therefore, no more options for belt-tightening. Appreciation has favoured mechanisation by effectively increasing the cost of labour and, at the same time, decreasing the cost of imported machinery. However, the nature of horticulture provides very limited options for mechanisation; drastic cuts in the labour force are inevitable. Every job in the sector is at stake. Financial efficiencies, such as sidestepping local service providers and traders in favour of direct imports, will be sought. They will also look at supplying the domestic market rather than exporting, but concede that the scope is limited to only 1% of the value of exports and that the labour required to serve only the domestic market is numbered in tens rather than thousands. One company says this would imply reducing its labour demand from 3,500 to 85.³² Clearly the challenge for competitiveness has been increased to the point where any relaxation of management efficiency or frustrations such as power cuts, fuel shortages or labour disputes will seriously threaten the sustainability of export operations that have taken many years to establish.

Once the export markets are lost, they will not be regained. They have taken years to secure and can be diverted to other sources with ease. The global market place is highly competitive and ruthless in its selectivity, such that non-performance for any reason brings an end to a supplier's access to the market. Companies are attempting to operate on a breakeven basis in anticipation of the return of a more favourable economic environment.

One of the largest horticulture farms visited during the study, employing a total of 3,000 employees of whom 80% are women, has an average wage of ZK13,500/day per employee. Six months ago this was an equivalent of US\$2.94 when the exchange rate was ZK4,600 per US\$1. Currently, at the exchange rate of ZK3,200 per US\$1, that same average wage of K13,500/day is equivalent to US\$4.22. This implies that labour costs have increased by US\$1.28 per person per day. This development has affected the farm so badly that it has not been making any margin at all. The company plans to switch to soya bean production, which is much more mechanised. This implies that some of the workers will have to be laid off—mostly

women since men are more suitable for soya production.

7.1.3 Impact of employment loss

Although there may not be direct job losses resulting from EPAs in the floriculture and horticulture sector, other trade-related issues may bring about job losses which will affect women livelihoods. The appreciation of the Kwacha discussed in the previous section will and has already started leading to losses of employment.

When anyone loses a job, he loses job security and a source of income. This will affect his/her standard of living and worsen his/her poverty level, nutrition, access to health, and access to education, etc. Most women employed in the cut flower sector who were interviewed revealed the following:

Nutrition

Even when they are employed, they are unable to afford decent meals, and cannot afford to shop in supermarkets. Instead, they buy their food and second hand clothes from common markets. Their loss of jobs would worsen their nutrition situation. If anything, life in Lusaka would be impossible without a job.

Education and health

If they lost their jobs, they would not be able to afford to send their children to schools. Almost all the women interviewed indicated that despite being employed, they cannot pay the government health scheme contributions of ZK 6,500 (US\$2.03) per person per quarter. If they get sick, they would rather look around for the ZK 2,500 (US\$0.78) fee to visit the clinic for those not in a health scheme.

Housing, electricity, clean water and sanitation

None of the women interviewed owned a house. Most of them were not even in a position to rent a house with electricity, despite being employed. If they were to lose their jobs, the situation would be even worse.

Most of the women we interviewed already live in informal shanty compounds within Lusaka where water supply and sanitation facilities are makeshift and haphazard. Unsurprisingly, diseases like cholera and dysentery break out in such places year after year.

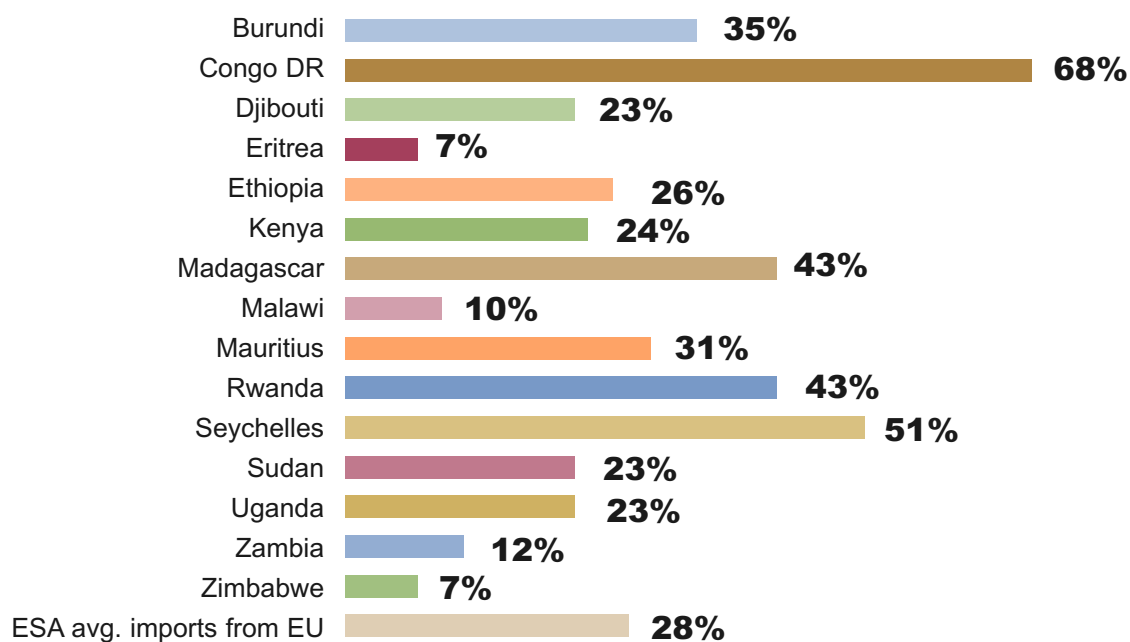
³¹ Variable costs per ha differ considerably from crop to crop and range from \$1500 to \$12,000 per ha in addition to the capital cost requirement.

7.2 Economy-wide effects

7.2.1 Loss of tariff revenue

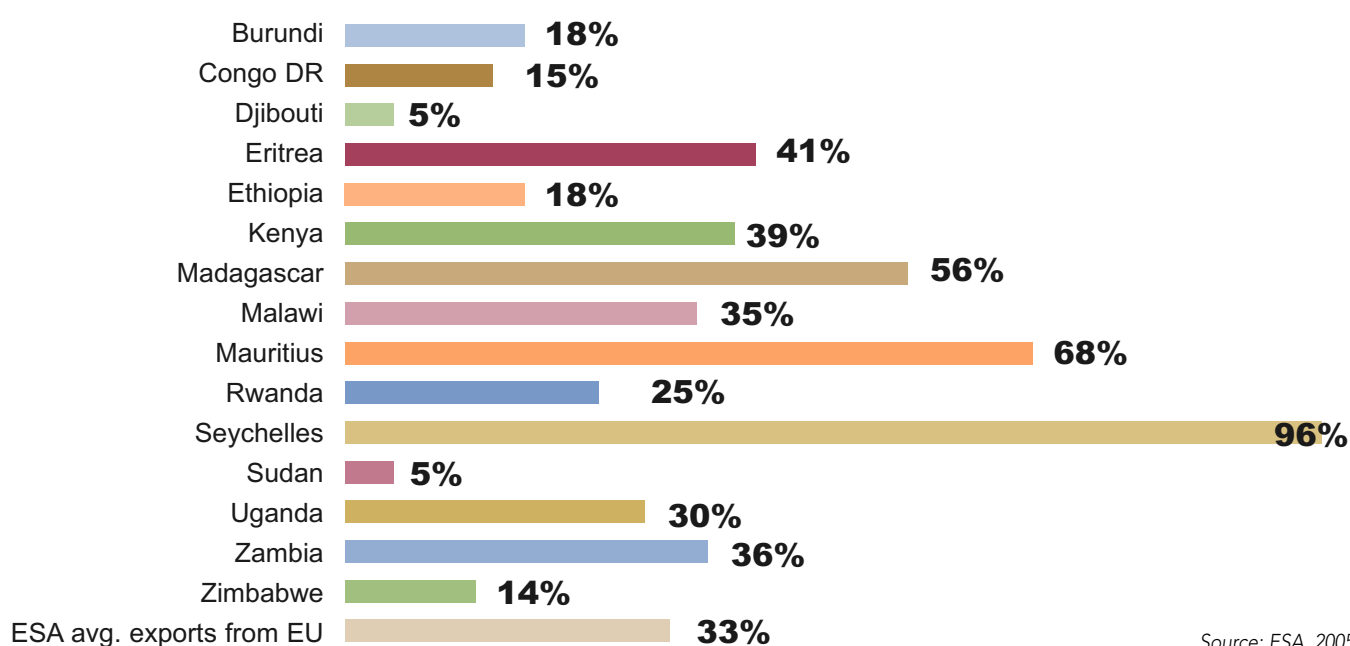
The percentages of imports from and exports to the European Union by ESA member states for the year 2003 are provided in the figures below:

Figure 6: Imports from the European Union by ESA Member Countries in 2003



Source: ESA, 2005

Figure 7: Exports to the European Union by ESA Member Countries in 2003



Source: ESA, 2005

³² ZNFU (March 2006), Draft Report on the Impact of Kwacha Appreciation and Proposed Tax Provisions of the 2006 Budget Act on Zambian Agriculture.

Four ESA countries (Malawi, Zambia, Zimbabwe and Mauritius) recorded significant positive net export positions with the EU in 2003 (with trade surpluses ranging from US\$104 million to US\$432 million) and Seychelles recorded a marginal positive balance of US\$2 million in the same year. The other 11 ESA countries had negative trade balances ranging from moderate (i.e. deficits of less than US\$100 million: for Burundi, Kenya, Eritrea, Madagascar, Rwanda and Uganda) to significant (i.e. deficits of between US\$136 million and US\$499 million: for Djibouti, DR Congo, Ethiopia and Sudan in increasing order) in the same year. The regional average net export position was a moderate trade deficit with the EU of about US\$35 million.

The COMESA Member States have agreed to work towards the harmonisation of a 4-band Common External Tariff as follows:

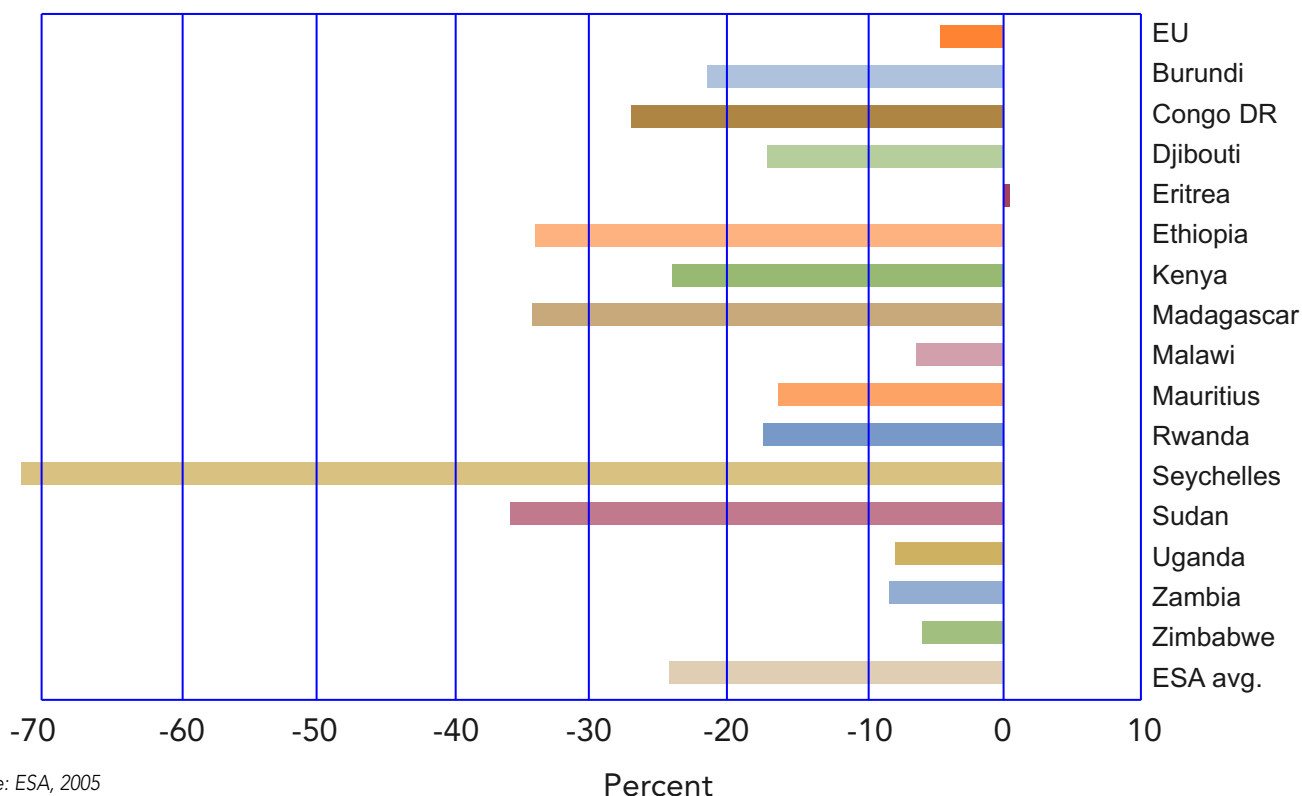
- Capital Goods 0%
- Raw Materials between 0% and 5%
- Intermediate Goods between 10% and 15%
- Finished Goods between 20% and 40%

However, to give an indication of the potential impact of an immediate tariff reduction of 100% on all goods imported from the EU, we assume that an FTA is established under an EU-ESA EPA based purely on the 2003 trade situation. This simulation assumes that:

1. trade took place at 2003 levels with Djibouti, Kenya, Madagascar, Malawi, Mauritius, Sudan, Zambia and Zimbabwe under the COMESA FTA (i.e. the 2003 status) and therefore already applied zero tariffs on originating goods traded amongst themselves; and
2. all tariffs applied to EU imports are set to zero.

In this scenario the ESA region's average revenue loss is estimated to be about 24% of total tariff revenue collected in 2003. Overall, with the exception of Eritrea, which would stand to make marginal revenue gains of 0.3% of its total tariff revenue, all ESA countries are estimated to lose tariff revenue (Figure 7).

Figure 8: Potential tariff revenue loss to ESA member countries assuming an ESA EU EPA FTA based on 2003 import and export trade



Source: ESA, 2005

7.2.2 Influence of EU's Common Agricultural Policy (CAP)

Before 1991, the EU's Common Agricultural Policy (CAP) had a twofold effect in the region:

1. it qualified and limited the duty free access granted to ACP countries for agricultural products; and
2. it increased the value of the preferential access ACP countries were granted, since it sustained high internal EU prices, from which ACP exporters could directly benefit.

In 1991 the EU started a fundamental reform of its agricultural policy from a system of incentive pricing towards various systems of direct aid payments to farmers. This process has evolved through a number of stages. Initially, compensation payments were based on the volume of production. This was subsequently shifted to area based payments, with regional-specific multipliers being used to take account of variations in yields. The final stage of this process is the shifting over to a single farm payment scheme, which covers a large number of products and which is "decoupled" from production, meaning that payments are no longer linked to the production of specific products or the areas planted. However, it should be recognised that "decoupled" payments are based on historical eligibility for support payments, which were based on area and, before that, the level of production.

The aim of this reform is to allow EU prices to fall towards world market price levels, without undermining farm incomes and production patterns. This is possible since EU farmers are, in large part, compensated for price reductions by direct aid payments. This has allowed a fundamental shift to occur in the focus of EU agricultural policy. Whereas during the period of the Cold War, the CAP was focused on ensuring European food security, it is now focused on promoting more price competitive production of EU food and agricultural products for both domestic and international markets.

CAP reform is having the following general effects:

- substantially lower prices for affected agricultural products on the EU market, which reduces the value of ACP trade preferences;
- lowering the raw material costs of EU food and drink manufacturers, leading to an expansion of simple value food product exports from the EU to

the ACP in product chains linked to these basic agricultural raw materials; and

- a reduction in the need for EU export refunds and high levels of tariff protection, which then brings the EU's agricultural policy more into line with the WTO provisions.

The impact of CAP reform on ESA countries can be divided into four main areas:

1. the reduction of the value of preferential access to the EU market, as a result of the reduction in EU prices arising from the shift from price support to direct aid payments;
2. the enhanced price competitiveness of EU agricultural and value added food products on both domestic and overseas markets;
3. the increased costs and difficulties in securing market access as a result of the EU's strengthened food safety policy; and
4. the growing product differentiation within the EU market and associated divergent price trends, which will require ACP importers to shift from simply "trading" goods on to the general EU market to "marketing" goods into particular differentiated components of that market.

In terms of beef, ESA exporters into the UK have seen prices paid for their beef decline by between 28% (chilled steak cuts) and 30% (forequarter frozen cuts) between 1999 and 2002.³³

7.2.3 Loss of corporate tax revenue

Zambia would also lose revenue from corporate tax if companies closed down or had their profits reduced by EPAs. Corporate tax is computed after the profit and loss account of a business entity has been prepared.

The study on the impact of the EU Sugar Reforms on the sugar industry in Zambia (Nakaponda et al., 2006) revealed that assuming a pro-rata relationship between production and profits, and based on the 2004/5 Annual Report for ZS, the projected losses in government corporate tax revenue would be a cumulative figure of ZK 37,327 million or US\$ 11, 665 million from 2006 to 2015.

7.2.4 Impact on public service provision

The losses of tariff revenue arising from elimination of import duties and losses of corporate tax revenue could lead to several setbacks in the state's public expenditure at a time when the country is struggling to combat HIV/AIDS, literacy and food security, amongst other problems. This would be inconsistent with the currently global consensus that increased public expenditure in poor countries is necessary to meet development objectives, a fact recognised by the Secretary-General of the United Nations, Kofi Annan (Ochieng and Sharman, 2005).

7.3 Gender dimensions

7.3.1 Fiscal issues

The gender analysis of fiscal issues should focus not only on the specific trade issues (tariffs, etc.), but also on the different contextual factors that influence whether women and small producers can take advantage of opportunities opened up by freer trade. Among such contextual factors are the existing domestic macroeconomic policies, notably fiscal policies, and national budgets.

Within the budget, two categories are vital to women and small producers and should therefore be protected from further cuts:

- **Social services:** including education, health, housing and water. These could be summarised as services for realising social rights.
- **Economic services:** including agriculture, infrastructure, feeder roads, financial policies, and land policies. These could be summarised as assets and services for realising the right to access to and control over resources. In general, budget allocation to economic services is quite small when it comes to the protection of domestic markets or support for addressing supply side constraints.

7.3.2 Market access issues

The starting point for a gender analysis of market access issues is the definition of women's location in the different sectors and markets, so as to identify those which are important to them and require

protection. The type of sectors serving both domestic and regional markets should be examined, along with their level of tariff protection and the nature of competitive threat posed by free trade with the EU, especially the likely impact of the CAP reform on these sectors.

The specific trade issues related to SPS and rules of origin in sectors of greatest importance to women in the different countries should be clearly identified to ensure that they will benefit from the assistance programmes that have been planned for addressing these issues, and that rules of origin will take account of the production constraints facing them. These rules of origin should be designed to enable women in LDCs to take advantage of the duty free access granted under the EBA.

CAP reform

Given women's central role in agriculture in Zambia, they are likely to be the most affected by increased competition from EU exports on local and regional markets as a result of the CAP reform. Therefore, it is critically important to evaluate the likely impact of the CAP reform on the income earned by women involved in the different stages of agricultural production, processing, marketing and distribution.

In parallel, there is also a need to identify the sectors and areas of production of importance to women in which it will be necessary (1) to introduce simple and effective safeguard measures; and (2) to exclude such products from any moves towards free trade.

Development issues

The gender analysis of the development issues raised by EPAs should identify the areas in which women face particular disadvantages in accessing productive resources, along with the steps that should be taken to improve women's access to productive resources, so that they are better placed to respond to the challenge of free trade with the EU. This analysis should also assess the extent to which women are already benefiting from the EU and government programmes to improve their access to resources. This will also allow defining the types of assistance needed as a matter of priority in order to better equip women in Zambia in the face of free trade.

8. Conclusion and Recommendations

An EPA will not have any direct negative impact on the cut flower sector in terms of output tariffs and input tariffs. As a Least Developed Country (LDC), Zambia does not need to enter into an EPA to maintain access to the EU market. But tariffs are not the only barriers to exports. In order for the EU to make an EPA interesting to Zambia (both generally and from a gender perspective) it would need to be able to provide support to enhance the country's supply capacity that would not be available through EBA, which covers tariffs only. Unless an EPA offers this level of support, in a plausibly predictable and guaranteed form, there is nothing in it for Zambia.

8.1 Recommendations

8.1.1 Sector level

The supply-chain regulating the production and sales of Zambia's cut flowers and fresh vegetables is functional and impressive. The chain extends from buyers in Europe to producers in Zambia, and it is supported at critical junctures by international donor agencies as well as the Zambian government. There remains work to be done, however, to overcome the recent downturn in revenue from floriculture and to achieve more of the sector's potential. Improvements and needs to be considered by the government and stakeholders in their negotiations for an EPA are:

- establishing a grower's cooperative, or consortium, that unifies smaller producers to be able to better leverage terms of sale/profits in exports;
- solving the critical problem of high cost air freight by negotiating with carriers not as individual businesses but as a block;
- expanding production so as to achieve economies of scale;
- securing long-term financing at competitive rates for all levels of production (capital goods, skilled labour and competent managers/supervisors). Because operations in this sector are very capital intensive, the availability of external financing is critical to boosting sector capacity;
- obtaining public assistance to improve and expand road networks (to allow smaller growers to participate regularly in sector production and marketing); sector capacity cannot be augmented without growth in exporter critical mass;

- obtaining public assistance to increase water supply and expand irrigation facilities;
- arranging technical assistance for identifying and targeting comparative advantage for Zambia's flowers (and vegetables) in international markets; seed trials to promote diversification and improved strains; soil improvement methodologies; fertilisation methods; pest control; produce grading; post harvest handling; cold storage; processing/in-plant training; packing and specialty packaging.

8.1.2 National and regional level

The following specific policy actions should be taken at the national and regional level. They should also be part of the EPA negotiations:

- Address the physical and policy constraints to women producers' ability to produce competitively tradable goods with higher value added.
- Support enterprises and sectors where women are dominant, through appropriate regulation and investment in appropriate technologies and infrastructure.
- Shift patterns of production towards products with stronger demand growth and more favourable price trends.
- Promote the production of more value added goods in order to trade competitively on local, regional and international markets.
- Protect expenditures of greatest importance to poor women and men from budget cuts.
- Design and implement programmes in ways that enable women to take full advantage of the opportunities opened up through new trade arrangements.
- Democratise trade and investment policy and decision-making processes by ensuring women's participation in economic governance.
- Ensure democratic social regulation of markets, investment and operations of foreign investors, including through the enforcement of the ILO conventions and legally binding codes of conduct for corporations.

³³ ESA EPA Negotiating Position on Agriculture (Draft) July 2005, Version 2.

8.1.3 EU level

The EU needs to take account of the effects of a reformed CAP on the competitiveness of EU exports of both basic agricultural raw materials and value added food products. This is necessary to maintain or increase women's involvement and expansion in the food production and food processing sectors. With the CAP reform in 1992, the shift from price support to direct aid to farmers has progressively reduced the internal price of EU agricultural products and will facilitate the expansion of EU agricultural production and its competitiveness.

Most importantly, the EU is fully committed to supporting developing countries towards achieving the Millennium Development Goal of halving the number of people living in extreme poverty in developing countries by 2015. Future trade regimes involving the EU will have to be evaluated against this objective.

8.1.4 International level

The following more general actions are needed at the international level:

- A comprehensive review of the impact of trade reform processes to address the imbalances that affect African countries and the women and disadvantaged social groups within them. Such a review should incorporate the links between the different provisions and existing international conventions on human rights, including the United Nations Convention on the Elimination of all forms of Discrimination Against Women (CEDAW) and the Beijing Platform for Action, so as to protect governments' abilities to invest in social development. This could also assist in identifying some of the effects of intended adjustments and the required pre-emptive actions to mitigate and avoid negative fallout.
- The transformation of international financial and trade institutions and processes of global economic governance to make them more democratic and accountable to women's rights.

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