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Agricultural Trade Adjustments
Lessons from SADC experiences

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The **European Centre for Development Policy Management** (ECDPM) and the **Technical Centre for Agricultural and Rural Cooperation ACP-EU** (CTA) facilitate a series of workshops with ACP and EU stakeholders to analyze the role of trade in agricultural development, with a specific focus on strategic policy directions and support instruments that foster an integrated agricultural transformation in ACP countries. In this context, CTA and ECDPM have launched a new series of discussion papers in order to share the most relevant experiences, success stories and best practices on how Aid for Trade can best support ACP agricultural development.

The **Aid for Trade and Agriculture series** will cover various topics such as experiences from Agricultural Adjustments Programmes and implementation of trade policy reforms, as well as lessons from ACP regions.

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Abbreviations

ACP	Africa Caribbean Pacific (group of states)
ACTESA	Alliance for Commodity Trade in Eastern and Southern Africa
AfT	Aid for Trade
AGOA	African Growth and Opportunity Act
ATF	Namibian Agricultural Trade Forum
CAADP	Comprehensive African Agriculture Development Programme
CAP	Common Agricultural Policy
COMESA	Common Market for Eastern and Southern Africa
CSGS	Cost sharing grant scheme
DDA	Doha Development Round
DRC	Democratic Republic of the Congo
EAC	East African Community
EC	European Commission
EPA	Economic Partnership Agreement
EU	European Union
FTA	Free Trade Area
GDP	Gross Domestic Product
IEPA	Interim Economic Partnership Agreement
LUSIP	Lower Usuthu Smallholder Irrigation Project
MEATCO	Meat Corporation of Namibia
NEPAD	New Partnership for Africa's Development
NIP	National Indicative Programme
NTB	Non-trade barriers to trade
ODI	Oversees Development Institute
Rs	Rupee
SACAU	Southern African Confederations of Agricultural Unions
SACU	Southern African Customs Union
SADC	Southern African Development Community
SIT	Sugar Investment Trust
SPAM	Sugar Protocol Accompanying Measures Programme
SPS	Sanitary and phytosanitary
TDCA	Trade, Development and Cooperation Agreement (between the EU/South Africa)
UNCTAD	United Nations Conference on Trade and Development

USAID	Agency for International Development, USA
USDA	United States Department of Agriculture
WTO	World Trade Organization

Executive Summary

Agriculture remains essential to many Southern African Development Community (SADC) economies in terms of its contribution to Growth Domestic Product (GDP) and employment. Also in the context of SADC-European Union (EU) trade relations, agricultural commodities have traditionally played a key role. However, changing market conditions and preference erosion call for new strategies. Furthermore, new policy developments and the negotiation of bilateral trade agreements such as the Economic Partnership Agreements (EPAs) with the EU are bringing up new policy issues and trade adjustment challenges.

With the international commitments to expand aid for trade support and the momentum under the Comprehensive Africa Agriculture Development Programme (CAADP) framework[1] for increasing budget allocations to agriculture, new opportunities for the development and restructuring of ACP agricultural sectors appear to be opening up.

Depending on the country and product specific circumstances, responses to these challenges may include moving up the value chain, diversification within or outside the agricultural sector as well as developing new export markets. To make this happen, well targeted government policies as well as donor support will be crucial. It is in this context that 'Aid for Trade' (AfT)[2] initiatives have emerged, to assist developing countries in addressing supply-side constraints and adjusting their economies to the new market challenges. While AfT has been extensively discussed in recent years in multilateral fora[3], there have been limited opportunities to look at how best it can support African, Caribbean and Pacific (ACP) countries in the context of evolving market conditions and changing agricultural trade policies.

Against this background, this paper highlights the lessons that can be drawn from aid for trade experiences in agriculture across Southern African countries, focusing on trade challenges and opportunities in the SADC region and the effectiveness of AfT in supporting agricultural transformation. The key messages are ultimately meant to foster debate on how ongoing policy processes such as the CAADP initiative can best shape aid for trade strategies in accordance with the needs of the agriculture sector.

Finding the Way Forward on Policy Harmonisation

A clear regional and sub-regional policy framework is required if the dynamic potential of regional market integration in the agro-food sector is to be fully exploited. However, views differ on how to link well established national processes of policy making with the development and consolidation of harmonised region-wide policies in the SADC region. Some argue for a gradual pragmatic approach, with harmonised policies allowed to emerge from the process of coordination and cooperation; others for the development of regional policies which should take precedence over national policies.

Regardless of differing views, the reality is that processes of national agricultural policy formulation (competition policy included) continue at different levels of intensity within national governments of the

[1] For more information about the Comprehensive African Agriculture Development Programme (CAADP) visit http://www.nepad-caadp.net

[2] The IMF defines Aid for trade (AfT) as a subset of development assistance that is seen as promoting international trade and a number of international initiatives to promote trade-related development assistance. It comprises aid that finances trade-related technical assistance, trade-related infrastructure, and aid to develop productive capacity.

[3] AfT has been an important area of discussion within the Doha Development Agenda (DDA) with the set-up of an international task force and several regional and global meetings held from 2007 onwards.

SADC region, with varying degrees of cooperation and coordination across the region. One way forward currently being operationalised is the establishment of mechanisms for dialogue with agricultural stakeholders. The quality and effectiveness of these dialogue mechanisms at national and regional level are likely to be critical if such initiatives are to generate a basic consensus on the elements which need to underpin any common regional agriculture and agricultural trade policy.

Important issues still to be addressed for getting to grips with policy formulation at national and regional levels include:

- identifying the specific non-tariff barriers which need to be removed to boost agricultural production and trade;
- clearly identifying the trade policy tools which should continue to have a legitimate role in national and sector based agriculture development policies as well as the parameters within which such tools can be used;
- identifying the effective mechanisms and policy tools which can be used to address inequalities in power along supply chains, to the benefit of producers and the development of the national and regional productive base;
- identifying the policy tools which governments should be allowed to use to address national food security concerns in an era of heightened global price instability;
- identifying the balance which needs to be struck between the use of financial and trade policy tools supporting the development of agricultural production (including in relation to supply side constraints);
- ensuring that the interests and needs of smallholder farmers are clearly identified and effectively addressed.

Key general lessons

A number of lessons emerged from broad reflections on regional delivery mechanisms for Aid for Trade which took place in previously held workshops as well as from discussions on Caribbean agricultural trade strategies[4]:

- production and trade adjustments should be 'market led', with a clear identification of the markets to be served in the context of evolving consumer demand and expectations, in ways which deliver commercial advantages to the concerned producers;
- production and trade adjustment strategies need to be largely private sector based, with the private sector's role being clearly defined, including in the design and management of restructuring assistance programmes, which may need to include support to effective market information systems, marketing strategies and product innovation and development, so as to stimulate pro-active responses;
- agriculture development and adjustment instruments need to be flexible, with dedicated financial instruments so as to avoid competition for development aid with other public sector programmes;
- the role of governments needs to be redefined as that of a 'facilitator', within a robust structure for public/private sector dialogue aimed at getting the policy mix right;
- the governments' role needs to be clearly defined in particular in regard to:

[4] CTA-ECDPM workshop on 'Strengthening Agricultural Trade Strategies: Towards a Caribbean agenda, 6-8 November 2008, www.ecdpm.org/cta1108 and ECDPM Informal Workshop on Regional Delivery Mechanisms for Aid for Trade, 9 July 2009, http://www.ecdpm.org/Web_ECDPM/Web/Content/Content.nsf/vwPrint/A9F277202544F1FDC12575CC00355066?Opendocument

    - standard setting & compliance verification;
    - support to market information systems;
    - support to product innovation and development;
    - facilitating access to financing for the adjustment processes;
    - the provision of economic infrastructure;

- difficult policy choices have to be made: is agriculture and rural development policy primarily about providing social safety nets or investing in a sustainable long term future for agricultural and food sector enterprises?
- the establishment and consolidation of effective producer organisations is essential given the particular problems faced in supporting adjustments by smallholder farmers;
- potentially, instruments for risk management could play an important role in insulating rural producers from the adverse effects of price fluctuations arising from both natural and market forces;
- there is a need to clearly define the respective roles of national and regional authorities.

In addition, these workshops gave rise to a multiplicity of important policy questions:

- what legitimate role should public funding play in food and agriculture sector production and trade adjustment processes in ACP countries?
- on what basis should such 'aid for trade' assistance be judged: with reference to poverty eradication objectives or simply structural economic change objectives?
- is there a mis-match between donor programmes and ACP agri-food sector trade and production adjustment needs?
- are ACP agri-food sector needs fully accommodated in current 'aid for trade' strategies?
- are new financing instruments and aid delivery mechanisms needed?
- what specific roles can individual donors play in: facilitating access to finance for adjustment; developing effective market information systems; cost effectively meeting evolving SPS, food safety and quality standards; the development of economic infrastructure?
- which lessons could usefully be drawn from the EU's rural development experience under 'axis 1' which explicitly aims to promote 'quality' production, for differentiated 'luxury purchase' components of the EU and global markets?

Lessons from specific adjustment and development experiences

A critical issue identified from the *Malawian maize case study* was the sustainability of financial support schemes for input supply in the specific fiscal context facing most southern African governments. It would appear important to find ways to strengthen the functioning of the input supply chain by addressing inequalities in power relationships along the input supply chain, so that once the government subsidies have been removed, resource-poor farmers continue to enjoy enhanced access to inputs essential to raising their productivity and net income position. The establishment and strengthening of well managed and accountable farmers organisations would appear to be essential in getting to grips with input supply issues on a financially sustainable basis.

Consideration may also need to be given to the targeted use of trade policy instruments to sustain production improvements by supporting the effective and efficient marketing of expanded production; an essential development to the attainment of the underlying objective of enhancing the net income position of resource-poor farmers. A balance needs to be struck between the use of financial tools and the use of trade policy tools. However, it needs to be recognised that this is one of the most contested areas of agricultural trade policy in regional discussions in southern Africa at the present time.

The *Namibian horticulture sector experience* was felt to hold a number of important lessons for other Southern African ACP countries, namely:

- the central importance of comprehensive and effective consultations with all stakeholders in securing real and substantive ‘buy-in’ to such schemes, a process for which government ‘pump priming’ financial support can be essential;
- the importance of delegating implementation of any such scheme to a representative and accountable industry-led body, so as to ensure responsive development of the programme;
- the important facilitating role which the government can play in getting the process going (via ‘pump priming’ support) and the importance of having an established regulatory framework for the implementation of such initiatives;
- the greater financial sustainability of well managed trade tools, given the fiscal constraints on governments in southern Africa, compared to developed economies such as the EU;
- the often more development and consumer friendly effects of the use of non-tariff tools compared to tariffs;
- the importance of leaving space for the use of traditional trade policy tools in sensitive food and agricultural sectors under free trade agreements (be they intra-regional or inter-regional Free Trade Areas-FTAs)

A number of lessons were also identified reviewing the experience of the *Namibian beef sector* in response to the process of preference erosion, most notably:

- the importance of understanding how market demand is evolving, the nature of the competitive challenges faced, and how, based on the strengths of the local production system, the sector can reposition itself in the light of the new realities;
- the importance of effective ‘product differentiation’ and investing in restructuring marketing and production systems to effectively serve ‘premium priced’ market components ;
- the importance of getting close to the targeted consumers, so as to better understand their needs and better serve those specific needs;
- the importance of never compromising on ‘quality’ once you have taken the decision to differentiate your product on ‘quality’ grounds;
- the need to ensure that producers fully understand the marketing strategies being developed and the centrality of maintaining quality standards to commercial success;
- the importance of ensuring producers' share in the commercial benefits of quality production, with ‘quality’ production being incentivised through the pricing policy;
- the importance of ensuring effective alliances are established with government, so that governments effectively carry out those functions which only government departments can play in the new trading environment, as part of a public/private partnership committed to ensuring the industry re-positions itself in the light of the evolving market conditions.

Overall a number of lessons emerge from *the Mauritian sugar experience:*

- the importance of having in place a clear policy framework for the restructuring of sectors affected by preference erosion, if one is to effectively make use of available ‘aid for trade’ funding;
- the importance of placing national economic considerations at the forefront of any sector restructuring process, with a focus in the case of Mauritius on how sugar sector adjustments should fit in with wider processes of national economic reform, designed to reposition the Mauritian economy in a rapidly evolving global economic context;

- the importance of clearly identifying and understanding the options available in the evolving market context, an issue which is critical to coherent policy formulation;
- the importance of ensuring all stakeholders' interests are taken on board and addressed within the restructuring process, which is essential to ensuring 'legitimacy' for the use of public funds in support of the restructuring process;
- the complexity of the issues faced in getting to grips with revenue distribution issues along value chains, particularly in a rapidly evolving market context;
- the importance of keeping restructuring options open within the strategy for managing the 'transition'[5].

In addition, a number of sectors faced difficulties in identifying market-led trade adjustment strategies and in effectively developing operational programmes to support trade adjustment. Yet this is critical to the whole production and trade adjustment process in response to trade policy changes and evolving food and agricultural product markets. What is clear is that well designed and carefully targeted public sector 'pump priming' support can greatly assist producer organisations in getting to grips with the market-led trade adjustment challenges.

Lessons from the 'Aid for Trade' experiences to date

The first and most basic lesson emerging from the Southern African Confederations of Agricultural Unions (*SACAU)'s aid for trade discussions* amongst farmer organisations in Southern Africa was that 'aid for trade' discussions in the food and agricultural sector have to start with the issues and constraints facing Southern African agricultural producers. This appears a blindingly obvious statement, yet it is one which is commonly overlooked and regularly neglected.

Closely linked to this issue is the over-riding importance of supporting the establishment and strengthening of farmers organisations. Commodity associations at the national level are seen as the essential building blocks of any regional network of farmers' organisations capable of engaging with the donor community on 'aid for trade' in the food and agricultural sector. The importance of establishing effective working relations with national sector associations in implementing aid programme in support of production and trade adjustment processes was clearly highlighted through the Swazi sugar sector case study. To date large volumes of sector support have yet to find their way down to farmers and processors seeking to reduce costs, improve productivity and enhance revenue streams in the face of a 36% reduction in the EU reference price for sugar.

The second basic lesson appears equally obvious, namely that if agricultural development is to be effectively supported through the deployment of 'aid for trade' instruments then agriculture needs to be prioritised in national aid programming discussions. This suggests a need to review ongoing aid programming exercises at both the national and regional levels in southern Africa. Closely linked to this is the importance of establishing new aid delivery mechanisms, which allow the direct involvement of commodity associations, farmers' organisations and private sector bodies, in the design and management of production and trade adjustment and development programmes in the agricultural sector.

Following on from this is the importance of recognising the need for the establishment of new financial instruments to support agricultural stakeholders in undertaking production and trade adjustments, so as

[5] Throughout its dealings with the EU on sugar sector reform issues, the Mauritian authorities sought to hold a given policy line, until it was necessary to abandon this in favour of pre-prepared fall back positions; with at each stage maximum benefits being extracted in terms of support for the underlying 'transition' strategy being pursued.

to avoid any risk of 'competition' with public authorities for scarce donor funding. This is an important issue given the heavy focus within aid deployment processes on attaining social objectives set out in the Millennium Development Goals.
A final issue linked to aid deployment is the importance of sequencing support to transport infrastructure improvement in tandem with the implementation of support programmes for the enhancement of productivity of the smallholder farming sector and assistance programmes aimed at strengthening the position of farmers within supply chains. This is important since transport improvements on their own may simply intensify the competition faced by smallholder farmers on their local markets, if they occur ahead of the 'soft ware' investments in farmer organisation.

Moving away from the purely aid deployment issues, there is a new cluster of issues related to improving the functioning of value chains in Southern Africa. Some experience exists in Southern Africa on the use of trade policy tools to rebalance power relationships along supply chains, but these lessons tend to be specific to particular policy and institutional contexts. However this is an area to which the European Commission (EC) is devoting increased policy attention, and there may well be important lessons which Southern African governments can learn from the EU's approach. This being said Southern African governments generally have far less scope for using financial support instruments in addressing supply chain issues than is the case in the EU. So the lessons to be drawn may be rather limited, and relate more to the possible use of other policy tools such as 'competition policy' and 'guideline contracts'.

In terms of the lessons arising for other ACP countries from *the Caribbean rum programme* experience on 'costs sharing grant scheme', five major issues can be emphasised:

- the importance of sustained advocacy, alliance building and industry leadership in moving from conceptualisation to operationalisation of trade and production adjustment support programmes;
- the importance of dealing with tendering and procurement issues in the design phase through the drawing up of a dedicated manual of procedures jointly agreed with the EC services;
- the importance of ensuring that the EC co-financing contribution under any 'cost sharing grant scheme' is sufficient to incentivise pro-active, market-led production and trade adjustment activities;
- the importance of establishing flanking programmes of administrative support for the implementation of trade and production adjustment programmes and the attainment of wider programme objectives;
- the central importance of trade adjustment and marketing support to the overall process of production adjustment.

Overall, once initial design and establishment problems have been addressed, the 'cost sharing grant scheme' approach can prove to be a relatively quick way of committing and disbursing funds in support of operational improvements targeted at enhancing the competitiveness of ACP production, in ways which are market led and private sector based.

At the more general level one of the over-riding lessons is that 'aid for trade' support can be most effectively deployed where a 'consensus based' restructuring and development strategy is already in place. Where this is the case, and it is complemented by a well established administrative capacity, then 'aid for trade' support (whether channelled through government or directly to a private sector association) can prove extremely valuable in supporting production and trade adjustments in the food and agricultural sector.

1. Introduction

Agriculture remains essential to many Southern African Development Community (SADC) economies in terms of its contribution to Growth Domestic Product (GDP) and employment. In the context of SADC-European Union (EU) trade relations, agricultural commodities have also traditionally played a key role.

However, changing market conditions and preference erosion call for new strategies. Furthermore, new policy developments and the negotiation of bilateral trade agreements such as the Economic Partnership Agreements (EPAs) with the EU are throwing up new policy issues and trade adjustment challenges.

With the international commitments to expand aid for trade support and the momentum under the Comprehensive Africa Agriculture Development Programme (CAADP) framework[6] for increasing budget allocations to agriculture, new opportunities for the development and restructuring of African, Caribbean and Pacific (ACP) agricultural sectors appear to be opening up.

Depending on the country and product specific circumstances, responses to these challenges may include moving up the value chain, diversification within or outside the agricultural sector as well as developing new export markets. For all of this, well targeted government policies as well as donor support will be crucial. It is in this context that 'Aid for Trade' (AfT)[7] initiatives have emerged, to assist developing countries in addressing supply-side constraints and adjusting their economies to the new market challenges. While AfT has been extensively discussed in recent years in multilateral fora[8], there have been limited opportunities to look at how best it can support ACP countries in the context of evolving market conditions and changing agricultural trade policies.

Against this background, this paper highlights the lessons that can be drawn from aid for trade experiences in agriculture across Southern African countries, focusing on trade challenges and opportunities in the SADC region and the effectiveness of AfT in supporting agricultural transformation. The key messages are ultimately meant to foster debate on how ongoing policy processes such as the CAADP initiative can best shape aid for trade strategies in accordance with the needs of the agriculture sector.

2. Background

2.1. The diverse reality of SADC

The SADC region is highly diverse in terms of the size and structure of its member economies, the importance of agriculture in national production and the agro-environmental potential of each country (see Table 1).

Members range from high income countries such Mauritius, South Africa and Botswana, with a GDP per capita of between US$ 5,352 and US $7,694 to low income countries such as Malawi, Mozambique, with

6 For more information about the Comprehensive African Agriculture Development Programme (CAADP) visit http://www.nepad-caadp.net

7 The IMF defines Aid for trade (AfT) as a subset of development assistance that is seen as promoting international trade and a number of international initiatives to promote trade-related development assistance. It comprises aid that finances trade-related technical assistance, trade-related infrastructure, and aid to develop productive capacity.

8 AfT has been an important area of discussion with the Doha Development Agenda (DDA) with the set-up of an international task force and several regional meetings hold in 2007.

a GDP per capita of US $ 264 to US $ 369.

From agriculture dependent economies such as Tanzania, the Democratic Republic of the Congo (DRC) and Malawi (between 34.3% and 45.3% of GDP) to economies such as those of South Africa and Botswana, where agriculture accounts for 1.7% and 2.8% of GDP respectively. They range from a small island economy such as Mauritius, with limited land resources, to land rich Mozambique, Zambia and Angola; from agro-environmentally constrained economies like Namibia and Botswana to sub-tropical, bio-diverse Madagascar, from countries with sophisticated and modern agro-food supply chains such as those in South Africa, to infrastructure constrained Malawi and Tanzania and economically dysfunctional Zimbabwe.

Table 1: Economic Indicators on SADC member states

Country	**GDP (US $ bn)**	**% share SADC GDP**	**% Agriculture in GDP**	**Population**	**GDP/Capital US $**	**Growth Rate %**
South Africa	283	65.5%	2.8%	47.9	5,900	5.1%
Angola	61	14.1%	10.1%	16.3	3,764	21.1%
Tanzania	16	3.7%	45.3%	39.0	415	7.3%
Botswana	12	2.8%	1.7%	1.6	7,694	5.4%
Zambia	11	2.5%	21.2%	12.2	915	5.3%
DRC	10	2.3%	41.1%	61.1	166	6.3%
Mozambique	8	1.9%	28.3%	20.5	369	7.0%
Madagascar	7	1.6%	25.2%	17.0	431	6.3%
Mauritius	7	1.6%	4.5%	1.3	5,354	4.6%
Namibia	7	1.6%	8.0%	2.1	3,524	4.4%
Malawi	4	0.9%	34.3%	13.4	264	7.4%
Swaziland	3	0.7%	8.1%	1.2	2,450	2.4%
Lesotho	2	0.5%	7.2%	2.4	667	4.9%
Zimbabwe	1	0.2%	19.1%	11.7	55	x
TOTAL	432			247.7	1,743	

Source: *SADC Trade and Development Integration, Draft text prepared for the SADC Parliamentary Forum/One World Action, unpublished.*

Another key feature of the SADC region is the overwhelming economic dominance of South Africa, not only in terms of regional GDP but also in terms of regional trade, with more than 2/3rd of total trade within the SADC region involving South Africa. Indeed, outside of the South Africa/Southern Africa Customs Unions (SACU), there are only limited official trade flows between neighbouring SADC Trade Protocol countries. In recent years, the historical predominance of South Africa in the food and agricultural sector, rooted in transport infrastructure and investment management decisions, has been compounded by the market penetration of several South African retailers into the region.

2.2. Opportunities and challenges for regional agricultural trade

Agricultural products are a major component of trade in the region, with 31% of total agricultural imports of SADC countries coming from other SADC countries. Intra-regional trade is seen as being particularly important in sustaining value added processing activities in the agro-food sector in the SADC region.

Boosting agricultural trade in the SADC region can make a major contribution to food security by consolidating 'natural' marketing channels from food surplus to food deficit regions, and a significant contribution to wider economic development by allowing the exploitation of economies of scale, thereby promoting investment and improving competitiveness.

Strengthening regional agricultural trade can also serve building greater regional consensus on policy issues and hence strengthen regional bargaining power in international trade negotiations. Promoting a coordinated regional approach could also serve to strengthen the position of Southern African agricultural producers on the world market.

However, the strengthening of regional agricultural trade is facing impediments in terms of both trade-related and production related problems, essentially of national nature, which need to be addressed through national policies (ranging from low yields to poor post harvest conservation).

Those national constraints also inhibit the willingness of Southern African governments to open up fully to agricultural free trade within the region. Major concerns exist in the region over the impact of regional free trade at the regional level on national producers, particularly given the economic dominance of South African producers and retailers in regional markets[9].

In addition to this, institutional and policy framework issues include:

- the overlapping membership of regional economic communities;
- the lack of policy coordination and harmonisation of regulations;
- the lack of an in-depth understanding of the pros and cons of regional agricultural trade.

Transport and information issues problems include:

- the multiplicity of non-tariff barriers to trade;
- the poor state of transport infrastructure;
- poor post harvest preservation infrastructure;
- the inadequacy of quality assurance infrastructure; and
- the uneven functioning of market information systems across the region.

Non-tariff barriers and constraints on trade have a more pronounced influence in some parts of the SADC region than others. In addition, the different types of non-tariff barriers to trade need to be dealt with differently[10].

As confirmed by the experiences to date in South Africa, 'aid for trade' can potentially play an important role in addressing the constraints faced in strengthening regional agricultural trade and therefore help, in

[9] Responding to those policy challenges could draw on the EU own deliberations on the functioning of the food supply chain, as the EU moves towards price formulation increasingly based on the operation of 'arbitrated' market forces.

[10] For instance, the use of traditional trade policy tools such as import licences, infant industry protection and agricultural safeguard arrangements in sensitive sectors, is quite a different type of non-tariff barrier issue to the existence of inefficient border procedures and the proliferation of road blocks and unofficial charges.

a practical way, to move the policy discussions forward. This is especially true for areas where regional action programmes are being developed: the harmonisation of SPS standards; the regulatory framework for trade in seeds endorsed by SADC Agricultural Ministers at their May 2009 meeting; and the development of cross border value chains and regional development corridors.

2.3. An evolving EU context[11]

New policy developments and the negotiation of bilateral trade agreements such as the Economic Partnership Agreements (EPAs) with the EU bring new policy issues and trade adjustment challenges to the SADC region.

Preference erosion will mean a lesser importance of the EU market for the SADC region. This situation therefore poses new adjustment challenges and points to the real need for investment in supply capacity and infrastructure. With duty-free access on exports to the EU market, food safety, sanitary and phytosanitary (SPS) issues become increasingly important and the compliance with SPS standards require investment.

However, those challenges will differ from country to country given the differences in degrees of trade liberalisation towards the EU across the SADC region. South Africa is in a more advanced stage of tariff elimination on imports from the EU than neighbouring SADC countries given the conclusion of the EU-South Africa TDCA in 1999 and the progressive reduction of tariffs between 2000 and 2007 (see Box 1).

Box 1 : Trends in EU-SADC Agricultural Trade (2004-2007)

- The value of SADC agriculture and food exports (including South Africa) to the EU grew 12.3% with variations from year to year while EU exports of agricultural and food products to SADC countries grew constantly by 66.9%.
- The growth in Southern African agriculture and food exports to the EU were spread evenly between ACP SADC countries and South Africa while the growth in EU exports to SADC countries was concentrated on the South African market (approximately one third larger than growth in value of exports to ACP SADC countries).
- Two factors can account for the more rapid growth in EU agriculture and food product exports :

  - Tariff elimination on imports from the EU to South Africa is in a more advanced stage that in neighbouring SADC countries given the conclusion of the EU-South Africa TDCA in 1999 and the progressive reduction of tariffs between 2000 and 2007.
  - Secondly, South Africa has a stronger demand profile for the value added, quality differentiated products which the EU is increasingly exporting.

  e.g: the category of 'prepared foodstuffs, beverages and tobacco' accounted on average for slightly less than half of EU agriculture and food and drink product exports for ACP-SADC countries while in the case of South Africa this category accounted for just under two thirds of the value of EU agriculture, food and drink exports.

Source: *EU Statistics*

[11] This section draws on the points raised by the CTA Advisory Group on Trade, Brussels, 9-11 September 2009. See Final Report from First Meeting of the CTA Trade Advisory Group and Partnership Network, http://www.cta.int/en/About-us/What-we-do/Agricultural-Trade-Programme/1st-meeting-of-the-CTA-Trade-Advisory-Group-and-Partnership-Network-9-11-September-2009-Brussels-Belgium

In addition, EU agricultural policies are changing as a result of the CAP reform, with a shift from trade-policy tools towards systems of financial support to agricultural producers. The fall in EU domestic prices for agricultural products resulting from the CAP reform and the increased product differentiation in Europe mean that within Europe an increased emphasis is being placed on agricultural product quality. In the case of Namibia's beef sector, a key question is how the private sector will be able to lead such a product differentiation strategy where differentiation is working without any support from the government.

3. Policy Debates on agricultural trade in the SADC Region

Circumstances vary considerably from country to country *in the SADC region.* SADC agriculture and food sectors are at very different starting points, have different potential, and individual governments follow very different policy directions on basic agricultural trade policy issues. In this context, what can be the theoretical benefits of boosting regional agricultural trade in Southern Africa and which possible role could 'aid for trade' play?

3.1. The national policy context

Namibia faces several policy issues in trying to get to grips with the new trade challenges facing Southern Africa. On of them is the importance of trade policy being linked to other broader policy objectives (e.g. promoting national agriculture and food sector development objectives). In addition, trade policy formulation processes are still at an early stage across the region[12].

The clear articulation of agricultural trade policies cannot be taken for granted. In some instances agricultural trade policies emerge in an ad hoc and responsive fashion, responding more to the lobbying of particular interest groups or external policy pressures, than the underlying needs of the food and agricultural economy. This can lead to a large gap between trade policy pronouncements and trade policy realities, in turn posing problems both for domestic producers and traders (seeking to expand out of their national markets), and for policy makers (struggling to elaborate coherent regional agricultural trade policies).

One means of closing this gap is the development of strong public-private sector dialogue on agricultural trade policies aimed at establishing a clear and common vision and strategy for the future of various national food and agricultural sectors (see example in Box 2).

In market based economies it is largely private farmers and sector companies which produce and governments focus on 'facilitating' production and trade without directing it. Governments have also an important role as custodians of broader national policy interests (e.g. food security and macro-economic development) and as the managers of the policy and regulatory framework within which private sector production and trade needs to take place. Getting this policy and regulatory framework right, in the diverse economic and agro-environmental realities prevailing in Southern African countries, requires considerable efforts on the part of both public authorities and the private sector.

As the experience of Namibian horticulture sector (see Section 4.2) and the Mauritian experience in the

[12] This is revealed by the staffing and institutional arrangements in many individual SADC governments and by the absence of a 'policy bible' to guide Southern African governments in positioning themselves in their agricultural trade relations with third countries.

sugar sector (see Section 4.4) illustrate, essential foundations for the establishment of effective public-private sector dialogue include: the existence of effective institutions for policy dialogue and action bringing public and private sector bodies together; mutual trust and a clear understanding of the respective roles of public authorities and the private sector. Any debate on the use of public funding in support of agricultural sector production and trade adjustment processes (be it a governments' own funding or 'aid for trade' support) needs to be seen in this context.

Box 2 : Public-Private Sector Dialogue: The case of the Namibian Agricultural Trade Forum

The ATF of Namibia was founded in 1999 as an incorporated 'association not for profit'. Its main objective was to give voice to private sector interests in the plethora of important and complicated trade negotiations which were underway. ATF is staffed by Two Trade Advisors and a Special Trade Advisor.

ATF specific functions:

- it represents the trade interests of the agricultural sector;
- it provides a link between Namibia's diverse agricultural interests and Government;
- it lobbies nationally and internationally for improved trade conditions for the sector;
- it gathers and disseminates information relevant to agricultural trade as well as to interact with similar non-state actors in partner countries with a view to achieving Namibia's agricultural trade objectives.

In many respects the analytical work that the ATF undertakes, in close association with its members, provides the essential foundations for the dialogue with government.

ATF's past and current areas of involvement :

- renegotiation of SACU Agreement;
- participation in SACU Technical Liaison committee meetings;
- closely work on trade negotiations with Ministry of Trade and Ministry of Agriculture and advisory role on SPS related trade policy issues;
- national consultations on agriculture trade, SPS and non-tariff barrier discussions in the SADC context and active defender of the use of certain trade policy tool in support of national agricultural development objectives;
- EPA technical negotiations;
- works on the WTO SPS Committee with emphasis on private standards issues;
- contribution to greater transparency in agricultural trade policy and to greater voice to the private sector in the process of national agricultural trade policy formulation.

Source: Extract from the presentation of Nghipondoka-Robiati, Namibia Trade Forum, at the CTA-ECDPM workshop on 'Aid for Trade and Agriculture', 9-11 November 2009, Windhoek, Namibia: http://www.cta.int/en/About-us/What-we-do/Agricultural-Trade-Programme

The Namibian and Mauritius experiences also highlight: the very different realities faced by Southern African economies; the different policy choices being made; the lack of consensus in the Southern African region around the role of agricultural trade policy in support of food and agricultural sector developments and the legitimacy of using traditional trade policy tools in an era of increasing liberalisation of trade in food and agricultural products.

In Namibia, the policy perspective is clear: agricultural trade policy is the servant of national aspirations for the development of the food and agricultural sector, and those are articulated through a process of public-private sector dialogue and rooted in clear policy objectives. There is an agreed commitment to the promotion of free trade but at the same time a belief in the legitimacy of targeted use of both trade policy tools[13] and financial instruments in support of wider aspirations and policy objectives (increased domestic production and national food security), in a context of increasing fiscal pressures and growing global price instability.

Yet, there is no consensus in the region on Namibia's use of such trade policy tools. The consistency of these measures with policy commitments made in the SACU and SADC context, and with existing provisions of the SACU and SADC agreements, has been increasingly questioned in regional (SADC) and inter-regional fora (e.g. the SADC-EU Interim Economic Partnership Agreements -IEPA negotiations).

Other Namibian stakeholders argue that the vast inequalities in power relationships within Southern African food supply chains means the use of such policy tools could not simply be abandoned in favour of a *laissez faire* approach. Similar concerns over the functioning of food supply chains exist in the EU in the context of moves towards more market based systems of internal price formulation. However, in Namibia, as a result of underlying financial constraints, a far larger role is seen for trade policy tools in addressing issues linked to the functioning of the food supply chain, compared to the EU where financial support instruments or other expensive institutional based solutions (e.g. competition policy) are increasingly favoured.

Mauritian use of trade policy tools has proved less controversial than in the case of Namibia, since in Mauritius, the use of traditional trade regulating policy tools is more limited and less trade restrictive given the very narrow agricultural production base and largely externally orientated production systems in the country.

Mauritius faces very different economic and agro-environmental circumstances, but shares some policy lessons with Namibia. The Mauritian experience also highlights the importance of an effective public-private sector dialogue, with this providing the basis for hammering out a clear vision for the future of the sugar sector, the traditional basis of the Mauritian agricultural economy. It has also provided a basis for reconciling competing national interests and establishing the framework for the deployment of public assistance to the 'pump priming' of the 'market led' production and trade adjustment processes required to achieve the vision for the future of the Mauritian sugar sector.

However, as opposed to the Namibian experience, in Mauritius, sugar sector adjustments formed part of a much more comprehensive macro-economic adjustment process designed to reposition the Mauritius economy within the evolving global economy. For Mauritian policy makers the concept of 'transition' was seen as essential[14]. The critical issue for them was to manage the 'transition', with the mobilisation of public financial resources (both domestic and 'aid for trade') and trade policy tools being determined by the strategy adopted to achieve the 'transition'. A framework was then established for the effective mobilisation and deployment of 'aid for trade' support (e.g. the assistance extended under the EU Sugar Protocol accompanying measures programme).

[13] The trade policy currently in use in Namibia include import licenses to regulate access to the Namibia market in specific sector, infant industry protection provisions and where this is deemed appropriate the use of export restrictions (including export taxes).

[14] Given the evolving nature of market realities to which the 'transition' strategy needs to evolve over an extended period of time, it is essential for the policy-makers that the transition strategy is kept under constant review within the framework of an effective public/private sector dialogue.

3.2. The regional policy context

Major challenges for the elaboration of regional agricultural trade policies include: the diverse economic and agro-environmental realities of SADC member states; the fact that agricultural trade policy formulation is in its infancy; and the lack of any clear policy consensus between SADC governments (and even within SADC government and between SADC government and 'the' private sector) on the use of trade policy tools and the link between trade policy and agricultural policy.

In Southern Africa, this situation is further complicated by the overlapping structures of regional organisations and initiatives, from the more cohesive 5 member groupings of the Southern African Customs Union (SACU) and the East African Community (EAC), through the larger, overlapping SADC and COMESA groupings, to the pan-African aspirations of the NEPAD and associated CAADP initiative.

At the level of the SACU, regional coordination of agricultural and agricultural trade policies is firmly based on national policies. The 2002 Agreement contains no unequivocal commitment to the development of common policies in agriculture (nor by implication of a common agricultural trade policy), but rather a 'best endeavour' commitment to the harmonised elaboration of agricultural and agricultural trade policies[15]. The establishment of common policies would require a consensus on the basic approach to be adopted which simply does not yet exist amongst the governments of the region.

Trying to rebalance regional economic relationships is an ongoing source of tension both in the SACU and the SADC, particularly when it comes to establishing common positions in agricultural trade negotiations with third countries. Considerable effort is nevertheless being deployed to try and reconcile differing national positions and establish constructive ways of moving forward policy discussions and policy programmes. Most recently a commission has been established to draw up a blue print for the overhaul of the SACU so as to '*position it at the centre of the SADC economic integration agenda*'. Although still at an early stage, discussions are ongoing within this Commission on the potential use of a development fund -fed with part of the revenues currently distributed under the SACU revenue sharing arrangement in the form of general budget support- to support industrial and agricultural development programmes and adjustments to agricultural production patterns, linked to traded policy changes.

At the level of the SADC the low degree of economic policy convergence makes it very difficult to establish common policies. In this context, as in the SACU, the question arises: should the objective be to establish common agricultural policies or harmonised agricultural policies?

Within the SADC, there is considerable debate on the role of non-tariff barriers to trade. Despite long-standing regional policy commitments to their abolition, compromises are implicitly enshrined in regional agreements recognising the right to continue to use certain trade policy tools such as import licences, export restrictions and infant industry protection (see Annex 2). Non-policy related barriers to trade (a lack of harmonisation of SPS and food safety standards, bureaucratic customs procedures, corruption and unofficial road blocks) also represent a significant share of non-tariff barriers to trade.

Clearly distinguishing between these different categories of non-tariff barriers to trade would appear to be important if progress is to be made on closing the gap between trade policy commitments and trade policy realities. Considerable progress can be made in getting to grips with these non-policy related non-tariff barriers to trade, without impinging on the policy space for the legitimate use of trade policy tools as part of national agricultural development policies. The establishment of a reporting and monitoring

[15] This coordinated approach, rather than a common approach is reflected in the exceptions to the general principle of the free movement of food and agricultural products enshrined in articles 29 and 26 respectively of the 2002 SACU Agreement (see Annex 1).

mechanism on non-tariff barriers to trade could potentially lay solid foundations for greater policy harmonisation, particularly if the mechanisms being established at national and regional levels for dialogue with agricultural stakeholders prove effective.

Looking beyond the SACU and the SADC, other regional processes impinge on agricultural and food sector development at the COMESA level and pan African level. Beyond the basic trade integration objectives of COMESA, specific operational programmes have been set up to promote production of and trade in basic agricultural commodities.

Most notably in this regard is the Alliance for Commodity Trade in Eastern and Southern Africa (ACTESA), a specialised agency of COMESA recently established (2008) under the initiative of COMESA Ministers of Agriculture in response to the 2007/08 food price shock (see Box 3).

Box 3 : ACTESA Agricultural Markets Programme

With a secured funding for the first year of its operations and a three year 'Africa Agricultural Markets Programme', this initiative has been jointly elaborated by COMESA and the World Bank.

The aim of this programme is to enhance the capacity to implement regional programmes and enhance policy dialogue and coordination between public and private sector bodies.

In the context of the CAADP initiative, it effectively seeks to operationalise its objectives with regard to:

- the development of regional trade in key agricultural commodities with significant growth potential;
- the alignment of investment and trade policies so as to unlock production potential;
- ensuring emergency responses which promote agricultural growth and reduce chronic hunger.

The focus of the ACTESA programme is on maize, sorghum, rice, beans, cassava and bananas, livestock and livestock products and selected food products in marginal agro-ecological zones.

The activities currently under elaboration include:

- evaluations of the current business environment for staple food production and trade;
- promotion and harmonisation of policies and policy dialogue on policy reforms;
- the establishment of service forums to share information on best practices and identify impediments to the production and distribution across supply chains;
- activities to strengthen farmer organisations and improve the linkage between research and extension work.

Source: Extract from the presentation of Lutangu Fredrick Mukuti, ACTESA, at the CTA-ECDPM workshop on 'Aid for Trade and Agriculture', 9-11 November 2009, Windhoek, Namibia: http://www.cta.int/en/About-us/What-we-do/Agricultural-Trade-Programme

The main aims are to increase farmer productivity and incomes through trade in staple crops. Its specific objectives are to:

- improve competitiveness and integration of staple food markets in COMESA through improved micro and macro-economic policies;
- improve and expand market facilities and services for staple food commercialisation;

- increase commercial integration of staple food producers into national and regional markets.

A key issue arising across all those initiatives and the regional initiatives in SACU and SADC is the interface between these regional initiatives and national agricultural trade policy formulation and implementation, in a context where the target group for programme activities are 'high level government officials' and private sector opinion leaders.

4. Trade Challenges and Policy Responses: lessons from Southern African Experiences

The following case studies seek to explore the trade challenges faced on domestic markets in the evolving regional context and trade challenges on export markets in the context of evolving agriculture and agricultural trade policies in the EU.

4.1. Addressing supply side constraints: The case of Malawi maize

The Malawi case study focuses on input supply problems of the smallholder farming sector producing maize. In Malawi, smallholder agricultural production faces a number of constraints including: limited access to credit and high interest rates; limited access to inputs (in particular certified quality seeds) and unaffordable prices; insufficient access to technology, equipment and knowledge; weak institutional linkages and extension structures; lack of access to markets; weak bargaining power; and low product prices.

In 2005/06 a Farm Input Subsidy programme was launched, which targeted resource poor smallholder farmers. Under this programme beneficiaries received a voucher to purchase inputs at a subsidised price. In the maize sector this saw an average 50% increase in yields (from 0.8 MT/ha to 1.2 MT/ha), improved the knowledge of farmers on appropriate input use, enhanced agronomic practices, and in its revised form, has begun to contribute to the establishment of an expanded network of registered agro-input dealers and distributors[16]. Following the introduction of the programme a 173% increase in maize production occurred over one season, dramatically changing Malawi's maize supply situation (from a deficit of 855,985 tonnes in 2005 to a surplus of 1,189,606 tonnes in 2007) (see Table 2)[17].

[16] The improvements brought about were not immediate, initial problems existed in the implementation of the scheme which required some adjustments in its design and management (e.g. the introduction of the flexi-coupon scheme).
[17] This dramatic increase was in part attributable to favourable weather conditions, with production projections for 2008 showing a 16% decline in overall production, reducing the surplus to 400,000 tonnes.

Table 2 : Trends in Malawi's maize Production and National Requirements

Year	National Requirements (MT*)	Production (MT)	Surplus/Deficit (MT)
2004	2,039,291	1,733,125	(306,166)
2005	2,115,317	1,259,332	(855,985)
2006	2,183,506	2,611,486	**427,980**
2007	2,255,049	3,444,655[18]	**1,189,606[19]**
2008	2,500,000	2,900,000	**400,000**

* Metric tonnes

Source: Extract from the presentation of Beatrice Makwenda, National Smallholder Farmers Association of Malawi, at the CTA-ECDPM-GTZ-SACAU-NTF workshop on "Aid for Trade Strategies and Agriculture: Towards a SADC agenda", 24-25 March 2010, Nairobi, Kenya: http: www.fara-africa.org/library/browse/

In this context the scheme yielded some **important lessons** (see also Box 4):

- The importance of ***setting clear policy objectives***, based on a thorough analysis of the issues and challenges faced, directly engaging with relevant stakeholders. When attempts are made to operationalise this straight forward statement, the capacity of farmer organisations is a critical constraint influencing the ability to dialogue effectively with smallholder farmers.

- The importance of ***putting in place a balanced programme***, involving both support to input supply and addressing other agricultural investment priorities at the local level (improving local transport infrastructure, storage facilities at household level, irrigation and water management, crop production extension and extending the use of organic manure and soil conservation techniques).

- The difficulties of ***effectively targeting the intended beneficiaries***. Some social groups, e.g the landless and the very old, could not be effectively assisted through such a programme. Targeted social safety nets would have constituted a more effective response to poverty alleviation policy priorities.

This point raises questions on the fundamental purpose of agricultural development programmes. Is the aim to promote sustainable and competitive forms of agricultural production (including smallholder agricultural production) or are such programmes a form of social welfare, designed primarily to extend support to the rural poor? Discussions in previous workshops have suggested that the donor community is at times highly ambiguous on this point, with often a marked reluctance towards supporting competitive and sustainable forms of agricultural restructuring.

- A fourth lesson relates to ***reconciling the needs of smallholder farmers with the functioning of commercial networks*** in rural areas. How to ensure that the intended beneficiaries (resource poor smallholder farmers) retain the benefits of input subsidy programmes, given the unequal distribution of power along input supply chains? Strengthening farmers' organisations is clearly

[18] A US study has raised question Marks about this production data (see http://brightsonani.wordpress.com/2009/01/13/malawi-sexed-up-the-maize-estimates%E2%80%94us-study-maize-supplies-may-be-depleted-before-harvest-time-point-at-inaccurate-crop-estimates-as-the-main-cause/), a view confirmed by an ODI analysis which suggest that the higher maize prices in Malawi following the 2006/07 harvest would 'suggest that maize production was over-estimated.

[19] Subsequent analysis from the USDA suggested the actual production expansion may well have been over-estimated given price trends on local markets.

one vehicle for addressing this issue. However in addressing this issue, the functioning of the local input supply markets in each country needs to be fully taken into account. Locally workable solutions need to be found, as direct government action may undermine existing supply chains and weaken input availability over the long term.

Box 4 : The Malawi Input Subsidy Programme

Coverage and Cost

Year	No. of Beneficiaries	Amount (MK* billion)	Subsidized Costs (MK)	Normal (average) Costs (MK)
2005/2006	1.4 million	10	950 ~$7	3,000 ~$21
2007/2008	1.7 million	17	900 ~US$6.4	4,000 ~US$29
2008/2009	1.7 million	29	800 ~US$5.7	10,000 ~US$71.4

** Malawian Kwacha: Malawi's national currency*

Policy Lessons for other countries

- It can become 'an unsustainable drain on resources' if explicit actions to improve effectiveness and control its costs are not taken.
- Clearly identify programme objectives and benefits (with potential positive or negative interactions between them).
- Assess the potential for achieving these objectives taking into account the extent and nature of household vulnerability, food and input markets, and potential agronomic benefits of increased input use.
- Identify critical features of the subsidy programme design that are needed for effective and efficient achievement of objectives.
- Programme design and implementation should pay special attention to weighting potential benefits against the opportunity cost of resources allocated to the programme, particularly investments in long term food staple productivity growth, and the risks of failure (involving, for example, difficulties in controlling costs, dangers of fraud and/or subsidy capture, displacement, high fertilizer costs, and bad weather).

- Input subsidies should not be seen as a quick fix for dealing with high food prices. Important and over-riding principles in their design and implementation should be that: they lead to incremental access to and productive use of inputs by smallholder farmers; they build sustainable smallholder input demand and private sector input supply; and there be careful consideration of the management of incremental production to provide rural people with reliable improvements in food access and real incomes'.

Source: 'Towards 'smart' subsidies in agriculture? Lessons from recent experience in Malawi', Natural Resource Perspectives 116, ODI September 2008: http://www.odi.org.uk/resources/download/2464.pdf

In the context of the rapid escalation of the costs of the Malawian input supply programme a question arose as to the impact of the programme on local prices of fertilisers. A review of global fertiliser price trends showed the unit cost of the subsidy broadly rising in line with world market price developments[20].

Nevertheless questions were raised in the discussions about the sustainability of such programmes in a context where a substantial proportion of programme financing is derived from donor sources. Clearly the hope is that improvements in yields and farmers' incomes, along with an extension of the private sector based marketing network for input supply[21], will create a situation where farmers can progressively afford to bear the real costs of input supplies, and government subsidies can be phased out. However, it is far too early to tell how the situation will evolve in Malawi.

The financial constraints on Southern African governments are such that in the long term the scope for the use of such publicly funded financial support instruments would appear to be limited[22]. This has an important bearing on *the balance to be struck in the utilisation of financial support instruments and trade policy tools in Southern African efforts to promote long term food and agricultural development*. This is currently one of the most contested areas in agricultural policy discussions both within Southern Africa and between Southern African governments, agricultural stakeholders and international cooperating partners.

4.2. Linking producers to local markets: The case of Namibian horticulture sector

The Namibian Horticulture Sector Development Initiative[23], a programme aimed at increasing local horticultural production for the local market in the particular regional context of Southern Africa, provides an example of the use of trade policy tools alongside public sector 'pump priming'.

4.2.1. The reform

In Namibia, 95% of horticultural products consumed are imported, largely from South Africa[24]. In 2000, the Namibian Agronomic Board organised, with the government's financial support, a well publicised and attended 'road show' to seven major horticultural production areas to explore the constraints to the expansion of horticulture production and to identify solutions.

The message which emerged from producers was clear '*we can produce more but we are scared to produce more because we are not sure that somebody will buy it in the end*'. The message from retailers and traders was equally clear '*it is more efficient for us to be part of the mother company's central*

[20] See 'Continuously High Food Prices', Christopher L. Gilbert, at the UNCTAD Multi-year Expert Meeting on 'Commodities and Development', (http://www.unctad.org/sections/wcmu/docs/CIMEM2_p9Gilbert_en.pdf.), which showed that a period of relative price stability between 2000 and 2006, world fertiliser prices escalating dramatically in 2007 to peak in September/October 2008 at levels approximately four times higher than mid 2006 level.

[21] In should be noted that the initial design of the programme saw input distribution largely taking place through parastatals and it was only in the course of implementation that efforts were made to work more through private sector distribution networks. However, this is an area of programme implementation which needs to be substantially strengthened.

[22] According to the ODI analysis the programme accounted for 40% of the Ministry of Agriculture budget and over 5% of the national budget, see 'Towards 'smart' subsidies in agriculture? Lessons from recent experience in Malawi', Natural Resource Perspectives 116, ODI September 2008. http://www.odi.org.uk/resources/download/2464.pdf

[23] See Presentation made by Christof Brock, Namibian Agricultural Trade Forum, at the joint SADC- Namibian workshop held on 9-11 November 2009 in Windhoek, Namibia, http://www.ecdpm.org/Web_ECDPM/Web/Content/Download.nsf/0/B0DF88AC6EC82D9EC125767200520BD3/$FILE/Brock.pptx.pdf

[24] Study on the horticulture supply situation in Namibia commissioned by the Namibian Ministry of Agriculture in 2000, and which constitutes the basis of the Namibian Horticulture Sector Development Initiative.

purchasing system in South Africa'. However they all expressed their willingness to '*look into ways of buying more Namibian products*'. As part of this 'road show' process, representatives were elected from each of the major production areas, who together with nominated representatives from the traders, took part in a government sponsored workshop to explore what could be done to improve local production of horticulture products for the local market. From this workshop a National Horticulture Task Team was established, with this subsequently becoming a formal sub-committee of the Agronomic Board.

The operational programme for the promotion of local horticultural production for local markets developed afterwards by the horticulture sub-committee of the Agronomic Board consisted of:

- the establishment of a production data base outlining all horticultural products currently under cultivation (updated every four months), with expected marketable yields, which is open to all traders by an Agronomic Board designated password;
- initially the appointment of three Area Horticulture Officers to support producers in developing production and linking up with traders[25];
- the establishment of easy access to daily price data based on South African market prices, which provide the import parity price guideline;
- the establishment of the Namibian Market Share Promotion scheme (following a variable response from traders), which established a requirement for local purchases of horticulture products (targets have subsequently been progressively raised by 2.5% per quarter, to a current level of 32.5%).

This latter component of the scheme was made possible through the use of import licenses to regulate trade in gazetted crops. Companies not meeting local purchasing target requirements have their import licences reduced. Currently around 80% of companies meet local purchasing targets, with only 20% of companies facing limitations on their access to import licences.

4.2.2. Outcomes and lessons from the reform

The initiative in the horticulture sector sought to involve all stakeholders, within the framework of a clear policy commitment to expanding horticulture production for local markets, within the commercial and agro-environmental constraints facing Namibia. This **consensus-based participatory approach,** implemented in a clear and transparent legal and policy framework, greatly facilitated the establishment of Area Producer Associations (eventually forming a National Union of Horticulture Producers) and a horticulture traders association.

Significantly the **existing regulatory framework** for the promotion of the agronomic sector under the 1992 Agronomic Industry Act, facilitated this process in providing a specific status for the operation of sector specific sub-committees of the Agronomic Board. This was complemented by the existence of a strong institutional structure for the consensus based management of the agronomic sector which dealt both with decision making and the financing of activities undertaken within the framework of the sub-committees (with government gazetting the required measures once a consensus emerged).

The traditional policy tool of **import licences** has in the Namibian case been used to address the issue of the unequal distribution of power along the horticultural supply chain[26], in a context where South African based retailers dominate the distribution chain for horticultural products.

[25] This was later discontinued with reversion to a single Windhoek based horticulture officer.
[26] This contrasts with the EU's use of extensive financial support to fruit and vegetable producer organisations in the EU, as the principal means of addressing inequality in power relationships along the horticulture supply chain. However, it should be noted that EU horticulture producers increasingly see current measures as inadequate and are pushing for an expansion of EU financial aid and support for specific measures to re-balance the power relationships within the horticulture supply chain.

In practice, despite the criticism raised among some South African traders and the controversy it caused in the EU-SADC IEPA negotiations[27], the impact of this package of policy initiatives and measures has been dramatic. Local horticultural production now supplies 25% of local consumption. While initially some multiple retailers were reluctant to purchase locally, these companies are now enthusiastic purchases and marketers of locally produced horticultural products, using it as a strong market positioning tool. The scheme has not generated cost increases for consumers, with indeed, consumers occasionally benefiting from lower prices. The policies pursued resulted in minimal trade distorting effects[28].

While the greatest production gains have been in ‘easy’ products such as cabbages and tomatoes (where 100% of local consumption is now met by local production), the challenge now is to move into ‘not so easy’ products, where commercial possibilities nevertheless exist (e.g. potatoes). Overall the potential for local supply is estimated at 60% of local consumption, with some products simply not being commercially or agro-environmentally viable (e.g. apples). As part of the further development of this programme, the government is looking to establish ‘collection hub infrastructure’ to further improve farmers’ access to local markets.

As in Malawi, the core scheme needed to be complemented by broader public sector investments[29] and widespread private sector investments. The scheme had a number of important influences on private investment activities: by linking local farmers to local markets in a more predictable way farmers could more easily raise capital for new investment in the horticulture sector (with around N$100 million having been made in the past five years).

4.3. Responding to market differentiation and moving up the value chain: The case of Namibian beef production

The Namibian beef sector provides an example of private sector led strategies with government support, which have been adopted in response to preference erosion and to the evolution of market demand in major third country markets.

4.3.1. The reform

With the granting of a quota for Namibian de-boned beef exports under the Lomé Convention, the Namibian beef industry began to export prepared beef carcasses to the EU. This proved highly profitable while the EU maintained high domestic beef prices. However, with the shift over from price support to direct aid payments, EU beef prices for undifferentiated beef carcasses began to progressively fall[30], eroding the value of traditional beef sector preferences. As income from exports to the EU declined this began to have an impact on the volume of Namibian beef exported to the EU. This was compounded at certain times by the strength of the South African Rand against the Euro, which made the EU market unattractive for certain types of traditional beef exports (frozen beef). How should the Namibian beef industry respond to this erosion of the value of traditional beef sector preferences on the EU market?[31]

[27] The EC has sought to terminate the use of import licences from the entry into force of the EU-SADC IEPA. However, the Namibian authorities have successfully defended their use of import licences and other trade policy tools in support of food and agriculture sector development in the SACU and SADC agreements and have even secured reluctant EC acceptance of the their right to continue to use such policy tools in support of clearly defined policy objectives (although this has yet to be formally incorporated unto the text of the agreement to be signed).
[28] 2008 Report commissioned by the Agronomic Board.
[29] The governments Green Scheme irrigation development programme.
[30] Thus between 2000 and July 2002 EU beef prices fell 36% following the implementation of the Agenda 2000 round of CAP reforms.
[31] This problem is compounded by the prospect of the granting of new beef sector trade preferences to Mersocur exporters under any EU-Mercosur FTA.

It was recognised that given the economies of scale advantages enjoyed by advanced developing country exporters like Brazil and Argentina, Namibia would never be able to compete on prices in the EU market[32]. Rather Namibia should concentrate on investing in 'quality' production of specific beef products for specific markets. A conscious decision was thus made to shift Namibian beef production towards competing on 'quality' grounds in the 'luxury purchase' components of the EU and other third country markets.

The ambitious new marketing strategy from 2006 onwards involved:

- a clear identification of the quality differentiated 'luxury purchase' market components to be served, not only in traditional EU markets but beyond;
- the appointment of overseas representatives tasked with getting to know in depth final consumer needs and requirements;
- the development of a distinct brand identity (the 'Natures Reserve' brand launched in September 2008), to facilitate product identification by discerning 'quality' conscious consumers;
- investment in new packing equipment (e.g. vacuum packing equipment) to ensure customers' requirements are more effectively met.

4.3.2. Outcomes and lessons from the reform

For Namibian producers and exporters to 'bite the bullet' and rise to the challenge faced, the industry had first to face a virtual collapse[33]. It was possible to sell an aggressive marketing and production restructuring strategy as the appropriate response to the process of preference erosion, only in the face of acute financial distress. Had a more coherent framework been in place for 'pump priming' pro-active production and trade adjustment processes, the required adjustment might well have been stimulated earlier.

This targeted marketing approach and associated investments (in production to effectively service the needs of particular market components) enabled Namibian exporters to secure a larger share of the premium prices available from the sale of 'quality' differentiated Namibian beef cuts. This in turn has enabled MEATCO to pay Namibian beef farmers price premiums of N$ 183 million per annum above the prices received by comparable South African farmers (see Table 3)[34]. It has also enabled the Namibian beef industry to diversify away from its exclusive dependence on overseas EU markets for prepared meat products (most notably by serving the 'quality' end of the South African and Norwegian markets). Overall this has served to stabilise the number of cattle being offered for slaughter at MEATCO facilities and has even begun to prompt a small increase in the number of cattle placed for slaughter (+ 9% in the last marketing season compared to the previous year).

The ***foundations for the new 'quality' based approach existed*** both within the basic beef production system (which was based on extensive cattle raising within a 'natural' production system), and in the institutional initiatives taken as early as 1999 to establish the 'Food Assurance Namibia' (FAN) scheme. This quality assurance scheme which included, over time, a fully computerised traceability system, not only sought to promote compliance with existing statutory standards, but also provided the basis for promoting compliance with anticipated future consumer expectations and market requirements[35].

[32] This is the same conclusion reached by EU policy makers with regard to EU beef producers
[33] With cattle offered for slaughter falling to a post independence low of 110,000 head, down from a peak of 215,000.
[34] A development aided by the conversion of MEATCO into a cooperative.
[35] The most contemporary example being the evolving EU debate on animal welfare labelling standards, where Namibian producers have in recent years sought to situate themselves 'well ahead of the game'.

This new approach to 'quality' production and marketing required ***considerable investment not only by farmers and meat processors, but also by the Namibian government***, in order to ensure both the maintenance of effective animal disease control programmes, and the establishment of an effective verification and certification service to provide the necessary paper trail to demonstrate compliance with all relevant food safety and SPS standards.

Table 3 : MEATCO Beef Exports: % Sales Value by Country

Destination	% Sales Value
Europe	39.6%
South Africa	29.5%
Namibia	12.8%
Africa	0.9%
Norway	13.5%
Switzerland	1.4%
Reunion	2.3%

Source: Extract from the presentation of Kobus Du Plessis, MEATCO, at the CTA-ECDPM-GTZ-SACAU-NTF workshop on 'Aid for Trade Strategies and Agriculture: Towards a SADC agenda', 24-25 March 2010, Nairobi, Kenya: http://www.fara-africa.org/library/browse/

4.4. Responding to preference erosion in the sugar sector: The Mauritian experience of managing the transition

The case study of the Mauritian sugar sector reviews a government facilitated response to preference erosion, in the context of strong public-private sector dialogue and cooperation.

4.4.1. The reform

The Mauritian response to the imminent prospect of preference erosion in the sugar sector was part of a wider process of economic reform affecting other economic sectors. It aimed at dealing with multiple challenges facing the national economy resulting from global economic trade changes: the ending of the multi-fibre agreement; impending EU sugar sector reforms; and oil price rises. It was also essentially seen as a problem of managing the 'transition' from a past practice (based the substantial price premiums obtainable on the EU sugar market and the quota based regulation of ACP access to the EU sugar market)[36], towards a new approach based on new markets and wider economic realities.

The plan for the restructuring of the sugar sector developed in 2001 (the Sugar Sector Strategic Plan 2001-2005) identified key constraints on the Mauritian sugar industry and developed a specific set of measures designed to address them. These measures built on an ongoing restructuring process underway since 1984 to try and reduce costs, improve efficiency and diversify revenue streams, where the impending EU reforms served to focus attention on its effective operationalisation and included:

- developing specific operational programmes to fully exploit all the commercial opportunities arising from sugar cane production[37];

[36] While the specific policy measures bringing about these reforms were not formally adopted in the EU until 2005 and 2007 respectively, policy discussions over the elimination of the difference between EU and world market prices were an integral part of the CAP reform process launched in 1992, with the first discussions on the extension of this approach to the sugar sector taking place in 1993, and this issue being revisited in 2000. The adoption of the EBA initiative in 2001 was seen in Mauritius as a clear indication of imminent EU policy initiatives in these areas.

[37] The product mix was re-defined to include: raw sugar; special sugars; rum (rhum agricole); other rum production

- developing marketing strategies to move away from dependence on raw sugar exports to the export of value added sugar products;
- a rationalisation of production at the field level, involving large scale retrenchments, land consolidation and mechanisation;
- a rationalisation of production at the mill level with the number of mills being reduced to four, producing between 100,000 and 150,000 tonnes of sugar.

In addition, the government sought to apply to new revenue streams the same regulation existing in the sugar sector in terms of the division of proceeds from sugar sales (particularly sales to the high priced EU market). This was achieved through the operations of the Sugar Investment Trust (SIT) which effectively gives farmers a stake in all new activities aimed at opening up new revenue streams and enhancing the value of existing ones (see Box 5).

Box 5 : The Sugar Investment Trust

The Sugar Investment Trust (SIT) is a body corporate established under a 1994 Act of Parliament, which operates as a company under the Companies Act 2001 and is the largest shareholder based public company in Mauritius with more than 40,000 members. It is administered by a Board of Directors consisting of nine persons, six out of which are democratically elected by shareholders (three planters and three employees).

The SIT was set up initially as a participation scheme in the sugar industry and since then has become a model of economic democratisation in the country. It provides a forum for participation of planters and workers at corporate decision making level of sugar milling companies as well as equity participation and therefore a share of profit which ensures a fair rate of return on investment to all shareholders.

SIT has known spectacular growth: with its net assets worth Rs 296 million in its first year of operation, they now exceed Rs 2 billion. While its investments were originally limited to all sugar milling companies, SIT now has a portfolio of private equity in sugar cane cultivation, sugar milling, energy, leisure, banking and property development[38].

Source: Sugar Investment Trust website: http://www.sit.intnet.mu/about.htm

In terms of revenue diversification, at a very early stage the Mauritian sugar sector recognised that in due course there would be no future based primarily on raw sugar sales to the EU since it was in this market component that the largest price declines were likely to fall. A conscious decision was therefore made to seek out partners in Europe which would work with Mauritius in developing direct consumption sugar sales in the EU, both of conventional white sugars and a variety of specialty sugars (Demerara, fair trade sugar and organic sugar). A commercial partner was identified (Suedzucker), which in the increasingly competitive EU market would work with the Mauritian sugar industry in marketing direct consumption sugars in Europe. It was hoped this would serve to insulate the Mauritian sugar industry from some of the worst effects of EU price reductions and in future open up scope for market diversification beyond the EU.

from molasses; electricity generation from bagasse; direct consumption sugars; ethanol from molasses and use of vinasse; optimisation of bagasse potential for electricity; ethanol from sugar cane juice; use of furnace ash, gasification of bagasse.

[38] The establishment of property and land development arms of major sugar companies has been a feature of corporate development in the southern African sugar sector for many years, as the sugar industry restructures and former sugar lands are devoted to other economic activities.

4.4.2. Lessons from the reform

This strategy involved getting a firm grip on operational cost reduction and expanding and diversifying the revenue base. Critically it sought to undertake this process while ***ensuring that the interests of all stakeholders were respected*** and stakeholders retained a stake in the restructured sugar sector. This ranged from generous retrenchment and retraining packages for former workers in the sugar industry[39], through restructuring of labour recruitment practices, to debt relief and assistance with farm consolidation and land improvements.

The process of ***identifying mechanisms for the distribution of benefits*** from publicly supported restructuring processes, proved particularly ***difficult***, with long and difficult negotiations between the concerned stakeholders and public authorities. This is an important consideration when considering the replication of this Mauritian model for managing sector based restructuring processes. However where public funding is being used to support restructuring, the national government can be seen to have a clear responsibility to ensure an equitable distribution of the benefits derived from restructuring[40].

Opening up new revenue streams was seen as extremely important, whether this be rum production, electricity co-generation, ethanol production or non-sugar sector investments, using former sugar sector assets. The SIT came to play an important role in this process. However, the difficulties which were faced in identifying new routes to the EU market which offer improved revenue opportunities in a rapidly evolving market context, should not be under-estimated. Indeed, bringing about these market based trade adjustments is probably one of the greatest challenges facing southern Africa agricultural and food exporters as they seek to respond to the challenge of preference erosion. It is an area, where some level of 'pump priming' public sector financed assistance can potentially play an important role, particularly where smaller scale enterprises are involved, which have not enjoyed the financial benefits of long standing trade preferences.

The development of ***a clear industry restructuring plan***, to which all concerned stakeholders were committed, greatly facilitated the subsequent mobilisation of EU sugar protocol accompanying measures (SPAM). Given the mechanisms set in place for implementing sugar sector restructuring activities, it was possible to deploy the planned €127 million of EU assistance through the government budget. This enabled the Ministry of Finance to provide 'bridging financing' to facilitate the early implementation of planned activities. It also ensured a very high rate of disbursement of EU funding under the SPAM programme and enabled the Mauritian government to pick up any re-allocated funding from other less successful SPAM programmes.

[39] Some 1,200 factory employees and 6,000 employees in the sugar growing sector accepted voluntary redundancy packages.

[40] Indeed, this can be seen as providing an important economic and political justification for the use of public funding in support of what are essentially market led, private sector based restructuring processes.

5. The Role of Aid for Trade

Taking into account the agricultural trade challenges and the policy responses within Southern Africa, the question arises: how does the EU approach to ‘aid for trade’ dovetail with the ‘aid for trade’ aspirations and expectations of Southern African actors in the food and agricultural sector?

5.1. The Global Donor Approach to Aid for Trade

The ‘aid for trade’ initiative is firmly located in the WTO process launched at the December 2005 WTO Ministerial Conference in Hong Kong. Under the definition of the WTO[41], ‘aid for trade’ contributes to: strengthening trade governance; building the physical infrastructure required to trade; developing the institutional structure to promote trade; addressing investment needs linked to production and trade adjustments; and responding to a general catch all category of other trade related needs.

However, in aid for trade initiatives predating the WTO initiative, donors and recipients have placed a different emphasis on where the focus of ‘aid for trade’ support should be. On the recipients’ side, for instance, the regional Southern African Confederation of Agricultural Unions (SACAU) is putting forward a very specific agenda for ‘aid for trade’ support, which has quite a different focus from the current programming of EU ‘aid for trade’ under regional and national indicative programmes.

On the donors’ side, the EC for example does not see ‘aid for trade’ as ‘a new global development fund for trade’ but as an initiative ‘to expand financial resources devoted to trade as part of existing development strategies’. From the EC perspective ‘aid for trade’ consists of both ‘aid directly helping beneficiaries formulate and implement trade policies and practice (‘trade-related assistance’) and aid supporting developing beneficiaries’ wider economic capacity to trade, e.g. invest in infrastructure and productive sectors (wider ‘aid for trade’)’[42] (see Box 6). Other bilateral donors may adopt different types of multi-sectoral programmes linked to their specific bilateral trade context and policy (see Box 7).

[41] The WTO’s aid for trade task force identified six categories of aid for trade: trade policy and regulation; trade development; trade related infrastructure; building productive capacity (including private sector development); trade related adjustment (including adjustment support linked to changes in international trade regimes);other trade related needs.

[42] Within this broad EU framework individual EU member states have a varying focus. In the agriculture sector, for example, GTZ’s focus at the regional level is on support to trade policy regulation, trade development and economic infrastructure.

Box 6 : The EU and Aid for Trade

EU 'aid for trade' support between 2004 and 2007 reached a cumulative total of €7.2 billion, with the combined EC and EU member states' contribution in 2007 reaching €1.98 billion. The EU thus already largely attends its target for 2010, whereby EU member states and the EC would both contribute annually €1 billion to 'aid for trade' activities.

These 'aid for trade' activities were financed both from the European Development Fund (the main financial envelop for assistance to ACP economies) and the EU budget (the main instrument for support to sector specific trade related adjustment initiatives).

The EU Aid for Trade Strategy consists of five elements:

- scaling up total EU 'aid for trade' to reach €2 billion annually by 2010, with a focus on 'specific funding of trade-related assistance';
- 'enhancing the impact and pro-poor focus of EU aid for trade';
- increasing the effectiveness of 'aid for trade' support;
- 'supporting the ACP regional integration process';
- ensuring effective monitoring and reporting to sustain implementation of the 'aid for trade' initiative

EU 'aid for trade' support was delivered in the same way as other EU aid, via the process of 'policy dialogue, needs assessments, inclusion of priorities into national and regional development strategies and formulation of response strategies'.

The geographical breakdown of support to 95 trade facilitation projects worth of €1.01 billion, highlights that ACP countries, and in particular Southern African ACP countries, are only one amongst the potential recipients of 'aid for trade' support: 37% deployed in non-EU European countries (including Balkans and Commonwealth of Independent States); 21% deployed in Asian countries;18% deployed to the countries of Latin America and the Caribbean; 18% deployed in African countries (but including North African countries); 4% to Middle-Eastern countries and 2% to Oceania.

Source: EC Fact sheet on Aid for trade, September 2009:
http://trade.ec.europa.eu/doclib/docs/2008/october/tradoc_140837.pdf

Box 7 : The experience of a multi-sector policy and enterprise-focussed Aid for Trade : USAID Southern Africa Global Competitiveness Hub Programme

Launched in 2003 as part of the wider African Global Competitiveness Initiative, the aim of the programme was to improve the competitiveness of Southern African products and services. The principal beneficiaries were seen as being national governments, regional organisations, business associations and individual enterprises. The programme has four major components: trade and investment; enabling environment; financial services; agricultural services.

Specific programmes benefiting the agriculture and food sector include:

- support to food an agricultural enterprises seeking to exploit trade opportunities under the AGOA initiative (including through participation in trade shows);
- support to SADC countries seeking to access the South African market (particularly in the area of SPS compliance and certification requirements);
- contributions to multi-donor initiatives to foster agricultural productivity and job creation in Mozambique;

At the policy level support extended includes assistance in the following areas:

- support to the SADC process for the harmonisation of SPS requirements in line with international standards;
- harmonisation of regional standards for trade in seeds;
- training on SPS standards and standards development;
- support to public/private sector dialogue in the Botswana beef sector;
- support to the formulation of regional trade negotiating positions in the beef sector;

support to regional agricultural policy harmonisation in the SADC.

Source: Extract from the presentation of Paulina Elago, USAID Southern Africa Global Competitiveness Hub, at the CTA-ECDPM-GTZ workshop on 'Aid for Trade and Agriculture', 9-11 November 2009, Windhoek, Namibia: : http://www.cta.int/en/About-us/What-we-do/Agricultural-Trade-Programme

5.2. Aid for Trade aspirations in the Southern African Agricultural Sector

The extensive 'aid for trade' discussions and debates held in the framework of the regional Southern African Confederation of Agricultural Unions (SACAU) give a precise idea of the aspirations and expectations of Southern African actors in the agriculture and food sector. Overall, in the SACAU perspective, any discussions of 'aid for trade' in the agricultural sector need to start with the issues and constraints facing Southern African agricultural producers. They further need to embrace well structured consultations with farmers' organisations at both national and regional level and be sustained by an intensive programme of capacity building support to enhance the capacity of farmers' representatives to engage effectively on the multiplicity of policy issues faced.

Five main areas of 'aid for trade' needs have been identified within the scope of this dialogue (see Box 8). Some of these are long standing issues of concern in Southern Africa (e.g. land issues), others have been given increasing priority, given the ongoing evolution of global agricultural trade relations (e.g. standards and value chain issues) and wider developments (e.g. getting to grips with the HIV/AIDS pandemic). Those issues need to be addressed if farmer based agriculture development strategies are to be developed in the region.

Box 8: Aid for Trade Needs identified by SACAU

Production Constraints

- Land Policy (Security of Tenure);
- Technology R&D and Transfer ;
- Sustainable natural resource management;
- Input supply – finance, seed quality, fertilizer, pesticides, insurance against natural disasters;
- Health (HIV and AIDS)

Value Chain Issues

- Value Addition;
- Value Chain Analysis;
- Participation of farmers in the value chain;

Trade Facilitation Regulation and infrastructure

- Standards (Private standards, Global GAP, ISO, certification and accreditation);
- Commodity brokering;

Physical infrastructure

- Feeder roads;
- Irrigation;
- Storage;
- Port infrastructure;
- Transport infrastructure;
- Communications infrastructure

Institutional Support

- Capacity Building (Trade negotiations, Implement WTO Agreements);
- Information and Education;
- Policy skills development (investment, trade, data modelling, macro economy, interest rates, exchange rates);

Monitoring and Evaluation of AfT programmes.

Source: Extract from the presentation of Ishmaël Sunga, SACAU, at the CTA-ECDPM-GTZ workshop on 'Aid for Trade and Agriculture', 9-11 November 2009, Windhoek, Namibia: http://www.cta.int/en/About-us/What-we-do/Agricultural-Trade-Programme

In addition, the SACAU dialogue on 'aid for trade' raised **five key messages** (See box 9). Firstly, ***prioritising the agricultural sector and agricultural issues*** within national aid for trade discussions is vital given the profound trade changes underway in the agriculture and food sector, in terms of preference erosion, moves towards trade liberalisation and the increasing importance of standards for effective participation of farmers in value chains. Without an effective assistance to Southern Africa farmers in getting to grips with production constraints and improving their participation in agricultural value chains, the long term future of the sector will look bleak.

Secondly Southern African farmers also need to ***see physical infrastructure constraints addressed*** (notably transport infrastructure). Properly sequenced initiatives to get to grips with production constraints and strengthen the position of farmers within value chains should accompany the transport infrastructure improvements to prevent the latter from merely weakening of vulnerable farmers' market position (by intensifying the price competition they face).

Thirdly, although in an EU-Southern African context aid resources have been programmed and deployed through governments, for a large part, it is the private sector which produces and trades not governments. Consequently, there is a need to review aid delivery mechanisms to ***give a greater role to farmers' organizations and other private sector bodies*** in the design and management of 'aid for trade' resources. Thus if the objective is to strengthen production and trade through the deployment of 'aid for trade' resources, this will increasingly need to involve the development of mechanisms for the direct deployment of 'aid for trade' funds in support of private sector-based restructuring and development initiatives in the agriculture and food sector (including farmer organisations).

Fourthly, it is recognized within the SACAU that given the traditional donor preference for working through governments (and the current EC focus on deploying aid in the form of budget support), if farmers associations and private sector bodies are not to ***get into 'competition' with national and regional authorities for scarce donor resources*** then 'aid for trade' funds will need to be additional to conventional development assistance packages (and not simply be a re-packaging of existing aid commitments).

This position potentially poses a problem in the EU context, where the EU 'aid for trade' initiative is not 'a new global development fund for trade' but an initiative 'to expand financial resources devoted to trade as part of existing development strategies'. This could also potentially lead to conflicts between governments in Southern Africa and farmers associations and other private sector bodies. However, as can be seen from the Mauritian experience in the sugar sector, deploying aid funding through government structures can provide an efficient vehicle for extending 'aid for trade' support to production and trade adjustments where a clear market-led transition is in place and developed by government in close consultation with the affected private sector stakeholders transition.

The fifth major priority area for Southern African farmers[43] relates to the functioning of the value chain and how to ***strengthen the position of farmers within existing and emerging agricultural value chains***. A number of critical areas of concerns for the EU clearly have relevance in the context of intra-southern African and EU-Southern Africa agricultural trade relations, particularly when viewed from a farmer's perspective[44]. They include: the existence of significant tensions in contractual relations between actors in food supply chains stemming from their diversity and differences in bargaining power; the overall lack of transparency of prices along the food chain'; and the dangers posed by increased volatility of commodity prices in a context of 'sticky price' transmission along food supply chains. However, as the Mauritian sugar sector experience illustrates, it is unclear to what extent 'aid for trade' instruments can address these issues outside of the framework of sector specific programmes. On the contrary, within sector specific programmes, public sector policies designed to rebalance power relationships within supply chains can be developed, through publicly financed programmes of assistance (be they financed by 'aid for trade' support or nationally financed) providing financial leverage to this rebalancing process.

In addition to those five key messages, ***institutional capacity building*** in support to agricultural development and restructuring challenges, and to get to grips with the substantial agenda of 'aid for trade' needs identified[45], will need to be extended to farmers' organization to enhance the level of

[43] This is a relatively new, potentially controversial area, for the donor community.
[44] Commission communication entitled 'a better functioning of the food chain in Europe', October 2009, http://ec.europa.eu/economy_finance/publications/publication16061_en.pdf
[45] The agenda of 'aid for trade' needs could relate to multiple issues such as : relieving constraints on production; rebalancing power relationships along agricultural supply chains to the benefit of farmers; getting to grips with trade facilitation issues; identifying farmers' infrastructure investment priorities; or getting to grips with emerging

organization within the sector. In some instances this support will need to be delivered at the national level and in other instances it can best be provided to regional associations such as SACAU.

The SACAU discussions have also made clear that ***'aid for trade' debates need to be linked to policy discussions***, most notably discussions over the continued use of trade distorting agricultural policy instruments in advanced developing countries and their consequences for markets of interest to Southern African agricultural producers[46]. Policy discussions were also felt to be necessary with regard to the coordination and deployment of 'aid for trade' support and the enforcement of rights under existing trade agreements.

Finally, in the SACAU dialogue, it was recognised that ***commodity associations*** at national level would provide the backbone of farmer's organisations in Southern Africa, and hence ***should be a focus for 'aid for trade' support***. However, regional commodity associations were also equally recognised to be needed to deal with the regional and inter-regional dimensions of agricultural trade policy. In terms of the role of SACAU itself, it was felt that an important complementary role existed for the handling of cross sector issues, with these needing to be carefully defined.

Box 9 : Key Functions SACAU is prepared to perform in 'Aid for Trade' Discussions

SACAU can see itself playing a role in **six main areas**:

- monitoring global developments in aid for trade discussions as these relate to the agricultural sector and providing regular briefings to national farmers organizations on the most important developments;
- facilitating stakeholder consultations at the regional level;
- coordinating policy advocacy at regional and global levels;
- management of regional aid for trade projects established in support of farmers organizations;
- provision of technical backstopping support to national farmers' organisations (including with regard to project development);
- general information support activities in the field of 'aid for trade' to the agricultural sector.

Source: Extract from the presentation of Ishmaël Sunga, SACAU, at the CTA-ECDPM-GTZ workshop on 'Aid for Trade and Agriculture', 9- 11 November 2009, Windhoek, Namibia: http://www.cta.int/en/About-us/What-we-do/Agricultural-Trade-Programme

policy issues in the agriculture and food sector, including the establishment of frameworks for the effective deployment of 'aid for trade' financing in support of agricultural sector development and restructuring.

[46] While wishing to launch a debate at this level, SACAU is opposed to policy 'conditionalities' being linked to 'aid for trade' support in the agricultural sector.

5.3. Aid for Trade Experiences: Lessons from the Southern African Sugar Sector

Southern African beneficiaries [47] have encountered similar problems in effectively mobilising and utilising EU assistance to sugar sector adjustment processes (see Annex 3 for details), with the Mauritius sugar sector restructuring being considered as a notable exception.

5.3.1. The experience of the Swaziland Sugar Association[48]

The Swaziland Sugar Association has benefited from 'aid for trade' under the EU's Sugar Protocol Accompanying Measures Programme, an EU financed multi-annual programme established to assist former ACP sugar protocol beneficiaries in adjusting to the reform of the EU sugar regime and the abrogation of the ACP-EU Sugar Protocol (See box 10).

Box 10 : The EU's Sugar Protocol Accompanying Measures Programme

With an allocation for the period 2007-2013 of €1,284 million, this programme is the single largest EU 'aid for trade' programme. In the SADC region there are eight beneficiaries, in total benefiting from €255.912 million in restructuring assistance over the period from 2007-2010 (for details see annex 3).

Its explicit aims are:

- To enhance the competitiveness of ACP sugar sectors (including through diversifying the revenue streams generated form cane production), where this is financially and environmentally sustainable;
- Promoting economic diversification where the sugar sector is no longer financially viable
- Assisting in addressing broader impacts of the adaptation process, including sustaining social service provision and environmental protection.

Source: 'EC Accompanying Measures: Experience and Lessons from the Swazi Sugar Industry', Mike Matsebula, Background paper presented at the CTA-ECDPM-GTZ workshop on 'Aid for Trade and Agriculture', 9-11 November 2009, Windhoek, Namibia: http://www.cta.int/en/About-us/What-we-do/Agricultural-Trade-Programme

In order to establish a programme which reflects local needs and priorities, the utilisation of resources under the EC sugar protocol accompanying measures programme (SPAM) is based on an extensive process of consultations with sugar sector stakeholders and the national governments. In practice, in Swaziland, while there was a consensus on broad priorities, when it came to decisions relating to the funding of specific activities, a divergence of views emerged.

The sugar industry felt that the emphasis should be on operational measures with a direct and immediate impact in terms of reducing underlying costs of vulnerable sectors in a context of pending EU price reductions. On the other hand, the EC and Swazi government favoured the financing of longer term investment projects,. Some of these were an extension of existing areas of intervention under Swaziland's NIP (support to the further development of the LUSIP scheme); others picked up ready-to-

[47] Although of course somewhat less acute, given the smaller levels of funding deployed under these other programmes.

[48] See 'EC Accompanying Measures: Experience and Lessons from the Swazi Sugar Industry', Dr.Mike Matsebula, November 2009: http://www.cta.int/en/content/download/4240/46437/file/EC%20Accompanying%20meaures%20experiences%20and%20lessons%20from%20the%20Swazi%20Sugar%20Industry_Matsebula.pdf

go, off-the-shelf road infrastructure projects for which the government had been seeking funding for a number of years. Thus in the early years of the Swaziland SPAM programme, funding has been devoted to activities which were not necessarily the immediate priority for the sugar industry as whole.
As a consequence of this divergence of perspectives on funding priorities, a situation has arisen where despite the allocation of €37.6 million in SPAM funding to Swaziland for the 2006-2008 period, there has been 'no tangible delivery of assistance on the ground' to sugar farmers or sugar millers. To date no EU funding has been 'disbursed to operational programmes to mitigate the impact of EU price cuts'[49]. As a consequence 'the burden of adjustment related to EU price cuts has been carried by the sugar industry', although the Swazi government has intervened with a programme of direct assistance to relief new smallholder farmers of the financial burden of infrastructure investments made up to the farm gate.

The cause of this disappointing performance is seen by the Swaziland Sugar Association as lying in the divergence in operational prioritisation which emerged. This divergence can be seen to have emerged largely in response to the administrative challenges faced in deploying funds within the time frames established under EU annual budget regulations. However, concerns over the basis on which public funds could legitimately be used to support essentially private sector based adjustment processes also appears to have played a role.

Moving forward, from the Swazi sugar industry perspective, the main priority is to close this gap between sugar industry priorities and the actual use of EU funding. This, it is felt, can be achieved by making more use of existing sugar industry structures in the design and implementation of operational programmes to reduce costs and enhance competitiveness. This way, available EU assistance would be more efficiently and effectively used in support of essential sugar sector restructuring. However it is recognised that this will require substantial strengthening of the institutional capacity of the representative and accountable multi-stakeholder body, the Swaziland Sugar Association, if it is to effectively play a role in reconciling competing industry demands and carrying forward a targeted dialogue with government on priorities.

5.3.2. Lessons from Mauritius

As seen in section 4.4 above, Mauritius implemented a market led, private sector based, government coordinated restructuring strategy and an operational programme was in place before the launching of the EC SPAM programme.

The main lesson from the Mauritian experience seems to be the ***importance of adopting of pro-active approach beforehand***, so that a consensus based framework for the utilisation of external aid for trade support is firmly set in place before the funding becomes available. In Mauritius, work on the sugar restructuring strategy had been set in place five years before the announcement of the specific EU reforms, and a clear 'transition' strategy to assist the restructuring of the sugar sector was in place by the time the EU funding came on stream.

As a consequence, when it came to the implementation of operational programmes the ***Mauritian government was better placed to get to grips with new policy issues***, such as ensuring an equitable distribution of the benefits of restructuring along the supply chain. It was also in a position both to set in place and finance investment programmes which gave both millers and growers a share in the new revenue streams being opened up from the production of sugar cane.

[49] Indeed, of the €37.6 million allocated only €1.8 million had been disbursed by April 2009 (4.8% of the Total allocation mobilised), with this exclusively being used for programme management and programme preparation activities. This is despite the fact that the full effects of the EU price cuts were be felt from October 1st 2009.

5.4. Aid for Trade Experiences: Lessons from the Caribbean Rum Sector

A good cross regional comparison of the sugar sector, complementary to the Swazi experience, is provided by the experience of 'aid for trade' support in the Caribbean Rum sector, under the cost sharing grant scheme (CSGS), a programme explicitly established to address the consequences of preference erosion.

A number of **important lessons** in terms of programme design and implementation were drawn from this highly successful programme established in support of trade and production adjustment processes:

- the importance of clearly defining specific objectives to be attained via the CSGS;
- the need for well conceived and managed accompanying measures to support CSGS implementation in pursuit of the overall programme objectives;
- the importance of providing EC co-financing at a level which provides an incentive for the adoption of pro-active trade and production adjustment responses;
- the importance of addressing tendering and procurement issues in the design phase so as to avoid any disruption of normal commercial 'best practice' procurement;
- the need to build flexibility into the budget process, so aid utilisation can follow the actual demand of recipients for funds under the different windows established, thereby being effectively recipient driven;
- the importance of establishing efficient and transparent decision making systems, which take into account issues of commercial confidentiality.

In terms of programme implementation **three major issues** were stressed:

- the importance of providing effective support to the administration of the reimbursement process under cost sharing grant schemes, where eligible companies have to first pre-finance the approved investments before seeking reimbursement of a proportion of the costs;
- the need for an ongoing review process so problems in the management of implementation can be identified at an early stage and remedial measures can rapidly be set in place;
- the difficulties faced in using CSGS to support certain types of activities and hence the need to carefully define what should and should not be eligible for support (particularly in the marketing and distribution area).

6. Moving Forward the Policy Debates and Policy Response

6.1. Finding the Way Forward on Policy Harmonisation

A clear regional and sub-regional policy framework is required if the dynamic potential of regional market integration in the agro-food sector is to be fully exploited. However, views differ on how to link well established national processes of policy making with the development and consolidation of harmonised region wide policies in the SADC region. Some argue for a gradual pragmatic approach, with harmonised policies being allowed to emerge from the process of coordination and cooperation; others for the development of regional policies which should take precedence over national policies.

Regardless of differing views, the reality is that processes of national agricultural policy formulation (competition policy included), continue at different levels of intensity within national governments of the SADC region, with varying degrees of cooperation and coordination taking place across the region. One way forward currently being operationalised is the establishment of mechanisms for dialogue with agricultural stakeholders. The quality and effectiveness of these dialogue mechanisms at national and regional level are likely to be critical if such initiatives are to generate a basic consensus on the elements which would need to underpin any common regional agriculture and agricultural trade policy.

Important issues still to be addressed for getting to grips with policy formulation at national and regional levels include:

- identifying the specific non-tariff barriers which need to be removed to boost agricultural production and trade;
- clearly identifying the trade policy tools which should continue to have a legitimate role in national and sector based agriculture development policies as well as the parameters within which such tools can be used;
- identifying the effective mechanisms and policy tools which can be used to address inequalities in power along supply chains, to the benefit of producers and the development of the national and regional productive base;
- identifying the policy tools which governments should be allowed to use to address national food security concerns in an era of heightened global price instability;
- identifying the balance which needs to be struck between the use of financial and trade policy tools supporting the development of agricultural production (including addressing supply side constraints);
- ensuring that the interests and needs of smallholder farmers are clearly identified and effectively addressed.

6.2. Key general lessons

A number of lessons emerged from broad reflections on regional delivery mechanisms for Aid for Trade which took place in previously held workshops as well as from discussions on Caribbean agricultural trade strategies[50]:

- production and trade adjustments should be 'market led', with a clear identification of the markets to be served in the context of evolving consumer demand and expectations in ways which deliver commercial advantages to the concerned producers;
- production and trade adjustment strategies need to be largely private sector based, with the private sector's role being clearly defined, including in the design and management of restructuring assistance programmes, which may need to include support to effective market information systems, marketing strategies and product innovation and development, so as to stimulate pro-active responses;
- agriculture development and adjustment instruments need to be flexible, with dedicated financial instruments so as to avoid competition for development aid with other public sector programmes;
- the role of governments needs to be redefined as that of a 'facilitator', within a robust structure for public/private sector dialogue aimed at getting the policy mix right;
- the governments' role needs to be clearly defined in particular with regards to standard setting & compliance verification; support to market information systems; support to product innovation and

[50] CTA-ECDPM workshop on 'Strengthening Agricultural Trade Strategies: Towards a Caribbean agenda, 6-8 November 2008, www.ecdpm.org/cta1108 and ECDPM Informal Workshop on Regional Delivery Mechanisms for Aid for Trade, 9 July 2009, http://www.ecdpm.org/Web_ECDPM/Web/Content/Content.nsf/vwPrint/A9F277202544F1FDC12575CC00355066?Opendocument

development; facilitating access to financing for the adjustment processes; the provision of economic infrastructure;

- difficult policy choices have to be made on whether agriculture and rural development policy are primarily about providing social safety nets or about investing in a sustainable long term future for agricultural and food sector enterprises;
- the establishment and consolidation of effective producer organisations is essential where particular problems are faced in supporting adjustments by smallholder farmers ;
- potentially instruments for risk management could play an important role in insulating rural producers from the adverse effects of price fluctuations arising from both natural and market forces;
- there is a need to clearly define the respective roles of national and regional authorities.

In addition, these workshops gave rise to a multiplicity of important policy questions:

- what legitimate role should public funding play in food and agriculture sector production and trade adjustment processes in ACP countries?
- on what basis should such 'aid for trade' assistance be judged: with reference to poverty eradication objectives or simply structural economic change objectives?
- is there a mis-match between donor programmes and ACP agri-food sector trade and production adjustment needs,?
- are ACP agri-food sector needs fully accommodated in current 'aid for trade' strategies?
- are new financing instruments and aid delivery mechanisms needed?
- what specific roles can individual donors play in: facilitating access to finance for adjustment; in developing effective market information systems; cost effectively meeting evolving SPS, food safety and quality standards; the development of economic infrastructure?
- what lessons could usefully be drawn from the EU's rural development experience under axis 1 which explicitly aims to promote 'quality' production, for differentiate, 'luxury purchase' components of the EU and global markets?

6.3. Lessons from Specific Adjustment and Development Experiences

A critical issue identified from the **Malawian maize case study** is the sustainability of financial support schemes for input supply in the specific fiscal context facing most southern African governments. It would appear to be important to find ways to strengthen the functioning of the input supply chain by addressing inequalities in power relationships along the input supply chain, so that once the government subsidies have been removed, resource-poor farmers continue to enjoy enhanced access to inputs essential to raising their productivity and net income position. The establishment and strengthening of well managed and accountable farmers organisations would appear to be essential in getting to grips with input supply issues on a financially sustainable basis.

Consideration may also need to be given to the targeted use of trade policy instruments to sustain production improvements by supporting the effective and efficient marketing of expanded production -a development essential to the attainment of the underlying objective of enhancing the net income position of resource-poor farmers. A balance needs to be struck between the use of financial tools and the use of trade policy tools. However, it needs to be recognised that this is one of the most contested areas of agricultural trade policy in regional discussions in southern Africa at the present time.
The **Namibian horticulture sector experience** was felt to hold a number of important lessons for other Southern African ACP countries, namely:

- the central importance of comprehensive and effective consultations with all stakeholders in securing real and substantive ‘buy-in’ to such schemes, a process for which government ‘pump priming’ financial support can be essential;
- the importance of delegating implementation of any such scheme to a representative and accountable industry led body, so as to ensure responsive development of the programme;
- the important facilitating role which the government can play in getting the process going (via ‘pump priming’ support) and the importance of having an established regulatory framework for the implementation of such initiatives;
- the greater financial sustainability of well managed trade tools, given the fiscal constraints on governments in southern Africa, compared to developed economies such as the EU;
- the often more development and consumer friendly effects of the use of non-tariff tools compared to tariffs;
- the importance of leaving space for the use of traditional trade policy tools in sensitive food and agricultural sectors under free trade agreements (be they intra-regional or inter-regional FTAs)

A number of lessons were also identified reviewing the experience of the **Namibian beef sector** in response to the process of preference erosion, most notably:

- the importance of understanding how market demand is evolving, the nature of the competitive challenges faced, and how, based on the strengths of the local production system, the sector can reposition itself in the light of the new realities;
- the importance of effective ‘product differentiation’ and investing in restructuring marketing and production systems to effectively serve ‘premium priced’ market components ;
- the importance of getting close to the targeted consumers, so as to better understand their needs and better serve those specific needs;
- the importance of never compromising on ‘quality’ once you have taken the decision to differentiate your product on ‘quality’ grounds;
- the need to ensure that producers fully understand the marketing strategies being developed and the centrality of maintaining quality standards to commercial success;
- the importance of ensuring producers share in the commercial benefits of quality production, with ‘quality’ production being incentivised through the pricing policy;
- the importance of ensuring effective alliances are established with government, so that governments effectively carry out those functions which only government departments can play in the new trading environment, as part of a public/private partnership committed to ensuring the industry re-positions itself in the light of the evolving market conditions.

Overall a number of lessons emerge from **the Mauritian sugar experience**:

- the importance of having in place a clear policy framework for the restructuring of sectors affected by preference erosion, if one is to effectively make use of available ‘aid for trade’ funding;
- the importance of placing national economic considerations at the forefront of any sector restructuring process, with in the case of Mauritius a focus on how sugar sector adjustments should fit in with wider processes of national economic reform, designed to reposition the Mauritian economy in a rapidly evolving global economic context;
- the importance of clearly identifying and understanding the options available in the evolving market context, an issue which is critical to coherent policy formulation;
- the importance of ensuring all stakeholder interests are taken on board and addressed within the restructuring process, which is essential to ensuring ‘legitimacy’ for the use of public funds in support of the restructuring process;

- the complexity of the issues faced in getting to grips with revenue distribution issues along value chains, particularly in a rapidly evolving market context;
- the importance of keeping restructuring options open within the strategy for managing the 'transition'[51].

In addition, a number of sectors faced difficulties in identifying market-led trade adjustment strategies and in effectively developing operational programmes to support trade adjustment. Yet this is critical to the whole production and trade adjustment process in response to trade policy changes and evolving food and agricultural product markets. What is clear is that well designed and carefully targeted public sector 'pump priming' support can greatly assist producer organisations in getting to grips with the market-led trade adjustment challenges.

6.4. Lessons from the 'Aid for Trade' experiences to date

The first and most basic lesson emerging from **SACAU aid for trade discussions** amongst farmer organisations in Southern Africa was that 'aid for trade' discussions in the food and agricultural sector have to ***start with the issues and constraints facing Southern African agricultural producers***. This appears a blindingly obvious statement, yet it is one which is commonly overlooked and regularly neglected.

Closely linked to this issue is the over-riding importance of ***supporting the establishment and strengthening of farmers organisations***. Commodity associations at the national level are seen as the essential building blocks of any regional network of farmers' organisations capable of engaging with the donor community on 'aid for trade' in the food and agricultural sector. The importance of establishing effective working relations with national sector associations in implementing aid programme in support of production and trade adjustment processes was clearly highlighted through the Swazi sugar sector case study. To date large volumes of sector support have yet to find their way down to farmers and processors seeking to reduce costs, improve productivity and enhance revenue streams in the face of a 36% reduction in the EU reference price for sugar.

The second basic lesson appears equally obvious, namely that if agricultural development is to be effectively supported through the deployment of 'aid for trade' instruments then ***agriculture needs to be prioritised in national aid programming discussions***. This suggests a need to review ongoing aid programming exercises at both the national and regional levels in southern Africa. Closely linked to this is the importance of establishing new aid delivery mechanisms, which allow the direct involvement of commodity associations, farmers' organisations and private sector bodies, in the design and management of production and trade adjustment and development programmes in the agricultural sector.

Following on from this is the importance of recognising the need for the ***establishment of new financial instruments*** to support agricultural stakeholders in undertaking production and trade adjustments, so as to avoid any risk of 'competition' with public authorities for scarce donor funding. This is an important issue given the heavy focus within aid deployment processes on attaining social objectives set out in the Millennium Development Goals.

A final issue linked to aid deployment is the importance of sequencing ***support to transport***

[51] Throughout its dealings with the EU on sugar sector reform issues, the Mauritian authorities sought to hold a given policy line, until it was necessary to abandon this in favour of pre-prepared fall back positions; with at each stage maximum benefits being extracted in terms of support for the underlying 'transition' strategy being pursued.

infrastructure improvement in tandem with the implementation of support programmes for the enhancement of productivity of the smallholder farming sector and assistance programmes aimed at strengthening the position of farmers within supply chains. This is important since transport improvements on their own may simply intensify the competition faced by smallholder farmers on their local markets, if they occur ahead of the 'soft ware' investments in farmer organisation.

Moving away from the purely aid deployment issues, there is a new cluster of issues related to ***improving the functioning of value chains in Southern Africa***. Some experience exists in Southern Africa on the use of trade policy tools to rebalance power relationships along supply chains, but these lessons tend to be specific to particular policy and institutional contexts. However this is an area to which the EC is devoting increased policy attention, and there may well be important lessons which Southern African governments can learn from the EU's approach. This being said southern African governments generally have far less scope for using financial support instruments in addressing supply chain issues than is the case in the EU. So the lessons to be drawn may be rather limited, and relate more to the possible use of other policy tools such as 'competition policy' and 'guideline contracts'.

In terms of the lessons arising from **the Caribbean rum programme** costs sharing grant scheme experience for other ACP countries, five major issues can be emphasised:

- the importance of sustained advocacy, alliance building and industry leadership in moving from conceptualisation to operationalisation of trade and production adjustment support programmes;
- the importance of dealing with tendering and procurement issues in the design phase through the drawing up of a dedicated manual of procedures jointly agreed with the EC services;
- the importance of ensuring that the EC co-financing contribution under any cost sharing grant scheme is sufficient to incentivise pro-active, market led production and trade adjustment activities;
- the importance of establishing flanking programmes of administrative support for the implementation of trade and production adjustment programmes and the attainment of wider programme objectives;
- the central importance of trade adjustment and marketing support to the overall process of production adjustment.

Overall, once initial design and establishment problems have been addressed the cost sharing grant scheme approach can prove to be a relatively quick way of committing and disbursing funds in support of operational improvements targeted at enhancing the competitiveness of ACP production, in ways which are market led and private sector based.

At the more general level one of the over-riding lessons to emerge is that 'aid for trade' support can be most effectively deployed where a consensus based restructuring and development strategy is already in place. Where this is the case, and it is complemented by a well established administrative capacity, then 'aid for trade' (support whether channelled through government or directly to a private sector association) can prove extremely valuable in supporting production and trade adjustments in the food and agricultural sector.

Annex 1: The 2002 SACU Agreement Provisions

These provisions provide the SACU policy context within which the debate on the use of trade policy tools in agriculture within the SACU needs to be seen.

The fundamental principle of free circulation of goods within the five territories which make up the SACU is enshrined in Article 18.1. However, this is qualified by a number of specific exceptions. Article 29: 'Arrangement for Regulating the Marketing and Agricultural Products' states:
'*3.Notwithstanding paragraph 1, each Member State may impose marketing regulations for agricultural products within its borders, provided such marketing regulations shall not restrict the free trade of agricultural products between the Member States, except as defined below:*
a) emergent agriculture and elated agro-industries as agreed upon by Member States; or
(b) any other purposes as agreed upon between Member States.
4. Each measure shall be subject to a negotiated sunset clause outlining its conditions and period'.

Similarly article 26, 'Protection of Infant Industries' states:
'*1.The Government of Botswana, Lesotho, Namibia or Swaziland may as a temporary measure levy additional duties on goods imported into its area to enable infant industries in its area to meet competition from other producers or manufacturers in the Common Customs Area, provided that such duties are levied equally on goods grown, produced or manufactured in other parts of the Common Customs Area and like products imported from outside that area, irrespective of whether the latter goods are imported directly or from the area of another Member State and subject to payment of the customs duties applicable to such goods on importation into the Common Customs Area.*
2. Infant industry means an industry which has been established in the area of a Member State for not more than eight (8) years.
3. Protection afforded to an infant industry in terms of paragraph 1 shall be for a period of eight (8) years unless otherwise determined by the Council.
4. The Council may impose such further terms and conditions as it may deem appropriate.'

The right to establish these special arrangements, subject to mutual agreement by member states, is recognised in article 25.2, which includes a specific 'grandfather' clause which states:
'*the provisions of this Agreement shall not be deemed to suspend or supersede the provisions of any law within any part of the Common Customs Area which prohibits or restricts the importation or exportation of goods'*.

These special exceptions are allowed despite the fact that article 25.3 which deals with 'import and export prohibitions and restrictions', explicitly states that the continued rights given to member states to restrict imports and exports for economic, social or cultural reasons
"shall not be so construed as to permit the prohibition or restriction of the importation by any Member State into its area of goods grown, produced or manufactured in other areas of the Common Customs Area for the purpose of protecting its own industries producing such goods".

In terms of common policy development agriculture is dealt with under article 39, which states simply
'*1. Member States recognize the importance of the agricultural sector to their economics.*
2. Member States agree to co-operate on agricultural policies in order to ensure the co-ordinated development of the agricultural sector within the Common Customs Area'

The provisions on competition policy and unfair trade practices are also relevant in the food and agriculture sector. Article 40 competition policy states:
'1. Member States agree that there shall be competition policies in each Member State.

2. Member States shall co-operate with each other with respect to the enforcement of competition laws and regulations'

Article 41 'unfair trade practices' states:
'*The Council shall, on the advice of the Commission, develop policies and instruments to address unfair trade practices between Member States. These policies and measures shall be annexed to this Agreement'.*

Annex 2: SADC Trade Protocol Provisions on NTB to trade

Under the SADC Trade Protocol a pragmatic approach to addressing the issue of non-tariff barriers to trade was adopted. While the SADC Trade Protocol includes commitments on the elimination of non-tariff barriers such as import quotas, customs procedures and export subsidies, it excluded such non tariff measures as local content requirements, levies and other border charges and import and export licensing arrangements, from the process of removal of non-tariff barriers, providing the trade distorting effects are minimal. This left the most sensitive issues related to the removal of non-tariff barriers on intra-SADC trade to be dealt with pragmatically in the context of the work of the SADC Trade Negotiations Forum.

Such pragmatism is needed since to varying degrees "*all the SADC member states apply some kind of restrictive trade barriers in relation to their staple agricultural commodities*". Thus we find "*Malawi, South Africa and Tanzania seem to have the most liberalised trade environment in terms of agricultural commodities, but still apply strict SPS, rules of origin and licensing requirements, which could result in similarly severe trade distortions as the quantitative import restrictions which Botswana, Zambia and Namibia impose through generally applied restrictions and which Zimbabwe and Mauritius apply through the sole importation rights vested in the specific country's marketing boards*[52]". These complex issues, which need to be seen in the context of wider agricultural development policy priorities and food security policy objectives, require careful assessment before taking any decisions on what needs to happen with regard to individual non-tariff measures used by particular SADC governments in pursuit of often commonly agreed policy objectives.

However it needs to be borne in mind that the existence of this multiplicity of non-tariff barriers to trade may be a significant contributing factor to the relatively poor performance of the SADC Trade Protocol in terms of promoting intra-regional trade flows. Thus we find the 2007 audit of the implementation of the SADC Trade Protocol concluding that, after eight years of implementation, the SADC Trade Protocol '*has not had a significant impact on intra-regional trade flows and the ease of exporting within SADC, and thus may have not had a significant impact on job creation and poverty alleviation within SADC'*.

[52] See "Evaluation into the Potential Effects of the Abolishment of the Current Reference Price and Import Measures within the Namibian Agronomic Sector"

Annex 3: SPAM Programmes in Eastern and Southern Africa

In all across the 8 SADC countries which were beneficiaries under the EC accompanying measures programme, between 2006-2008 €142.761 million was allocated in support of for restructuring and adjustment activities. Of this total slightly over €47.220 million had been disbursed by April 2009. However it should be noted that fully 52% of this funding was allocated to Mauritius, which accounted for 84% of disbursements. Outside of Mauritius, only slightly under 11% of allocated funding had been disbursed four years after the launch of the EC accompanying measures programme.

Table A.1: Initial SPAM allocation 2007-2010

Country	Initial SPAM allocation 2007-2010 (€)
Mauritius	127,541,000
Swaziland	69,895,000
Malawi	9,911,000
Mozambique	6,000,000
Madagascar	8,428,000
Tanzania	6,000,000
Zambia	6,000,000
Zimbabwe	22,137,000
Sub-Total	**255,912,000**

Table A.2: Commitment and Disbursement Rates under EC Accompanying Measures Programme 2006-08*: Situation Southern and Eastern African Beneficiaries April 2009

	Global Allocation	Secondary Commitments	Disbursements	Disbursements % of allocation 2006-2008
Swaziland	37,598,000	7,333,942	1,799,955	4.787%
Mauritius	74,866,000	42,500,000	39,800,000	53.162%
Malawi	10,578,000	2,812,580	1,075,291	10.165%
Mozambique	6,562,000	6,350,000	550,000	8.382%
Tanzania	6,562,000	2,694,514	2,283,043	34.792%
Zambia	6,562,000	469,943	327,168	4.986%
Madagascar	3,895,000	753,554	628,390	16.133%
Zimbabwe	2,700,000	2,359,962	753,127	27.894%
Total	**142,761,000**	**69,499,066**	**47,219,974**	**33.07%**

**Note:* The global allocation in column 1 refers to funds allocated in 2006,2007,2008 and excludes the allocations made for 2009 and 2010, for which no commitments and payments could have been made by April 2009. The total allocations for 2006-10 for each country are larger than indicated in this table.

Source: 'EC Accompanying Measures: Experience and Lessons from the Swazi Sugar Industry', Mike Matsebula, Background paper presented at CTA-ECDPM-GTZ 'Aid for Trade and Agriculture' workshop, 9-11 November 2009, Windhoek, Namibia, CTA website.

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