# INFORMATION SESSION WORKING DOCUMENTS

1. Impact of COVID 19 on the Agrifood production and supplies sector in Members of the OACPS
2. The new EU Organic Regulation (update)
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9 JUNE 2020

COLEACP

COLEACP is a private sector interprofessional not-for-profit association. Its members are producers, processors, exporters, service providers, related operators (carriers, freight forwarders, etc.) and importers, who are committed to the inclusive and sustainable trade of horticultural products (domestic, regional and international) from Africa-Caribbean-Pacific countries.

COLEACP manages development programmes in the agricultural and food sectors, financed by donors. It draws on more than 45 years' experience of partnerships and support to both private and public sectors in 50 countries.

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# CONTENT

# I. IMPACT OF COVID 19 ON THE AGRIFOOD PRODUCTION AND SUPPLIES SECTOR IN MEMBERS OF THE OACPS

*This information note is intended to share a preliminary overview on the initial impacts of the pandemic in the ACP agrifood sector. It is based on literature review and includes feedback from the field.*

*As not much reliable data is available yet, the COLEACP has prepared several surveys for the industry, regularly consults many partners in the ground and reviews daily the available information online.*

*Based on the needs of the ACP group, more detailed market information can be discussed, and regional and country-level support discussed.*

## 1. Context

The COVID-19, or novel coronavirus pandemic, has caused the global economy to come to a complete halt as countries close their borders in attempts to contain the viral outbreak from spreading. There are unprecedented immediate impacts of the COVID-19 pandemic on global, regional and national health systems, economies, trade, and societies globally and across countries. Both the public and private sectors are struggling to respond to the impact of the pandemic due to the complexity of issues at stake and facing a global recession which will majorly disrupt food supply chains.

With the initial epicentre of the COVID-19 pandemic being China and Europe, the first effects were felt in most ACP countries via the trade effects of measures taken to curb the spread of the pandemic in China and Europe. These measures included movement restrictions, social distancing requirements and social and economic lock downs, which dramatically curtailed economic activity, trade, and cross border movements of people. The lockdowns have disrupted air and sea freight operations which have an impact on both exports from and imports to ACP countries. The adverse economic consequences of the COVID-19 pandemic are thus spreading from internationally orientated export sectors to also affect the functioning of domestic and regional markets.

Lockdowns, movement restrictions and social distancing requirements are also impacting ACP agricultural production, input supplies, packaging and processing operations, as internal logistical services and the operation of wholesale and retail markets were disrupted.

**In Africa**, COVID-19 comes at a time when many African countries are struggling to deal with existing diverse challenges such as the locust outbreak in the Horn of Africa "Locust-19", continued climate change challenges, income deficiency and food insecurity.

The World Bank's recent report[1] on the impact of Covid-19 in sub-Saharan Africa, projected that economic growth in sub-Saharan Africa will decline to between -2.1% to -5.1% in 2020, the first recession in the region in 25 years. The analysis shows that COVID-19 will cost the region between $37 billion and $79 billion in output losses for 2020 due to a combination of effects. They include trade and value chain disruption, which impacts commodity exporters and countries with strong value chain participation; reduced foreign financing flows from remittances, tourism, foreign direct investment, foreign aid, combined with capital flight; and through direct impacts on health systems, and disruptions caused by containment measures and the public response. The region's tourism sector is expected to contract sharply due to severe disruption to travel.

The COVID-19 crisis also has the potential to spark a food security crisis[2] in Africa, with agricultural production potentially contracting between 2.6% in an optimistic scenario and up to 7% if there are trade blockages. Food imports would decline substantially (as much as 25% or as little as 13%) due to a combination of higher transaction costs and reduced domestic demand.

In addition to the pressure on already fragile health systems, the main effects of this pandemic

1 Zeufack, Albert G.; Calderon, Cesar; Kambou, Gerard; Djiofack, Calvin Z.; Kubota, Megumi; Korman, Vijdan; Cantu Canales, Catalina. 2020. Africa's Pulse, No. 21, Spring 2020 : An Analysis of Issues Shaping Africa's Economic Future. World Bank, Washington, DC.

2 According to the World Food Programme, one of the biggest impacts will be on food security, seen through limited access to food, restrictions on labour and imports and price fluctuations.

on Africa's agricultural industry that will likely impact food security and supply chains of the continent are: (i) labour and supply shortages as most of sub-Saharan Africa's food production and processing is labour intensive with informal and smallholder farmers making up more than 60% of the population.

(ii) Restrictions on imports and exports as many governments around the world have closed their borders impacting farmers to sell their products. (iii) Disruptions at farm and local food markets level which supply most of the food to Africans. (iv) Price fluctuations due to the disruptions to the agriculture supply chain, reduced imports, and closures of many informal markets[3].

Africa undoubtedly faces many challenges that require significant action if the risk of food shortages is to be mitigated. It is critical that governments across sub-Saharan Africa take action to minimise disruptions in food supply chains, keep logistics open (even with reduced capacities)[4] and reduce trade barriers while applying safe practices. For the last thirty years, Africa has been a net importer of agricultural goods and has an over-reliance on imports driven by increasing urban demand and compounded by weak infrastructure and inefficient farming methods. Critically, it places much of Africa at significant risk of exposure to global economic shocks such as Covid-19. However, Africa contains 25% of the global landscape suitable for crop cultivation[5] which can drive the continent's economic development and feed its own population. Innovation and technology uptake can also enable farmers to use water, pesticides and fertilizers much more efficiently, significantly reducing operating costs whilst also being more environmentally sustainable.

**In the Small Island Developing States** (SIDS), due to a dependence towards tourism and remittances, a significant food import bill[6], problems of malnutrition due to unhealthy food consumption, and droughts and hurricane season, the COVID-19 has a devastating impact.

In the Caribbean, the primary source of foreign exchange, tourism, has temporarily dried up. Travel & Tourism is a key economic driver and foreign exchange earner in the Caribbean 31 million visitors a year). For certain islands, the sector accounts for 58 per cent of all foreign exchange earnings.[7]

In the Pacific[8], the tourism dependent economies of Fiji, Samoa, Cook Islands, Vanuatu and to a lesser extent Tonga will experience a major recession this year. Fiji's tourism earnings totalled FJD2bn (17.2% of GDP) in 2019, Samoa received SAT528m (23%), Vanuatu VUV21bn (19.3%), Cook Islands NZD384m (73.3%) and Tonga TOP135m (10.4%).[9] Large employment losses are also predicted, which includes jobs in agriculture.[10] As in many other countries, economic and social stimulus packages will be needed, cash payments to low and middle income households, wage subsidy to businesses and cheap financing to SMEs and smallholders. Fiji's import bill for fresh fruit stands at $21.4 million annually[11] and $0.33 million of processed fruit. The Ministry of Agriculture is looking at the establishment of fruit tree orchards in strategic locations for the local and the tourism industry and to provide seedlings of the newly introduced fruit varieties.

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3 Ghana has already seen a 7.9% increase on the average cost of food. The cashew nut, a major export crop for several African countries, has dropped in price by 63% between January and March this year as China and India have slashed imports. This has severely reduced the income of farmers and increases the risk of many farms going out of business.

4 Even when harvests have been good, movement restrictions necessary to contain the spread of the virus are disrupting the transport and processing of food and other critical goods, increasing delivery times, and reducing availability of food items. In parts of Africa, supply chain disruptions from South African horticultural exports are already leading to scarcity of some perishable foods in some southern African countries.

5 Africa and the Sustainable Development Goals. Editors: Ramutsindela, Maano, Mickler, David (Eds.). 2020. IFAD. The field Report. 2020. Jayaram, K., J. Riese, and S. Sanghvi. (2010). Agriculture: Abundant opportunities. McKinsey Quarterly, Summer 2010.

6 The Caribbean region spends $5 billion annually on food imports from outside the region to feed its 44 million inhabitants.

7 Caribbean Tourism Organisation (CTO) and Caribbean Development Bank. Daphne Ewing-Chow. Five Ways That COVID-19 Has Changed What Food Insecurity Looks Like In The Caribbean. March 2020.

8 During this global health crisis, four PICs member countries also experienced a disaster with Tropical Cyclone Harold affecting Solomon Islands, Vanuatu, Fiji and Tonga from (April 1st-11th, 2020).

9 Pacific Insight. ANZ Research. March 2020.

10 Ibid. A total of 75 000 jobs (25% of total) could potentially be at risk from the decline in tourism income in Fiji. For Vanuatu and Samoa, the number of jobs impacted are about 21000 and 7000, respectively.

11 Local fruit such as banana, papaya and pineapple are meeting the tourism needs while apples, oranges, pears and grapes are being imported.

For Cape Verde, tourism contributes to 22% of GDP. Parts of the economy of the country are paralized, transport between islands is stopped and markets are almost empty as the country imports 80% of its food and prices have increased. Furthermore, the country had for three consecutive years droughts and big efforts are done by the government to desalinate seawater.

The Caribbean food supply is heavily reliant on imports from the United States. The 15 nations of the Caribbean Community (CARICOM) source up to 94 per cent of their food imports from the US market. 94 per cent of all CARICOM imports of cereals, 90 per cent of edible fruits and nut imports, 90 per cent of imports of edible vegetables and certain roots and tubers.[12] Imports will likely be impacted by the temporary closure of various food operations and the shortage of labour in all areas of the supply chain including production, inputs, transportation, processing and shipping.

In the Caribbean and Pacific, policy responses are focusing on encouraging self-production, distributing seedlings, seeds and other inputs to small farmers and vulnerable families for growing basic products – such as beans, vegetables, and tubers– in their own homes. In addition, some countries have made available public land for the cultivation. Similarly, the state is providing food to quarantined communities and a public-private partnership agreement has been established to control domestic prices of the basic food basket.[13] The private sector is having some business opportunities for on-line food delivery systems. Restaurants also participate in school-feeding programmes.

Additionally, across the ACP, malnutrition caused by eating foods that are nutritionally deficient will further contribute to the problems of chronic non-communicable diseases (NCDs). It is also noteworthy that persons with these NCDs are among the most vulnerable to the effects of the disease. With the closure of school, many students who rely on the school-feeding programme as their source of a healthy nutritious meal of the day will now have to go without food.

The ability of ACP governments to respond to the policy challenges will be also seriously constrained by the fiscal crisis most ACP governments will face because of the increased demands the COVID-19 pandemic. This situation will require the reallocation of existing resources and the mobilisation of additional ones to address immediate urgent needs.

Global Coordination is needed to allow efforts and strategies to tackle Covid-19 to succeed at scale. It is imperative that development finance institutions (DFIs), donors and investors support the most vulnerable ACP food economies.

Cut flower, fruit and vegetables supply chains are particularly affected. The horticulture and floriculture industry are a very labour-intensive and directly generates important employment opportunities, predominantly for women and youth. It also plays an important role in and supporting a transition from subsistence farming to commercial farming across ACP regions. The most vivid example of the role the sector can play in supporting livelihoods is the case of Kenya where floriculture and horticulture sector employs about 6 million people directly and indirectly. Half of those earning a livelihood from the sector are involved directly in production, processing, and marketing activities, with the remainder being occupied in other-related activities along the value and supply chains.

While other ACP countries have a lower overall dependence on the horticulture and floriculture sector, growth in production driven largely by exports has been an important source of formal sector wage employment growth and the commercialisation of small-scale agricultural production across the ACP.

12 International Trade Centre (ITC) 2018.

13 FAO and ECLAC. 2020. Food systems and COVID-19 in Latin America and the Caribbean: How to increase resilience. Bulletin 2. Santiago, FAO.

**Post-COVID-19: Resilience building and new opportunities**

The COVID-19 pandemic represents an opportunity for a paradigm shift in the way people produce and consume food. Health and safety concerns, transparency in the chain and closer relations with producers have become a strong feature in many markets.

The fruits and vegetables sector had a continued growth before the pandemic, and will be even more needed in the post-COVID period. The conditions must be created so that this crisis leads to new opportunities for a regional approach to food security, increased intra-regional trade and the acceleration of investments in logistics and infrastructure. Domestic markets for food could become more diversified through improved technologies and innovations. Food production and distribution channels that are well coordinated are best positioned to adapt to changing patterns in demand and take advantage of new business opportunities (e.g. processing).

In the medium to long term, governments, the private sector, producer organizations and community institutions will need to support sustained recovery and resilience to address future risks. The private sector will need to strengthen key value chain operations, provide new services and develop new products without compromising with food safety standards. Regional markets will offer new opportunities for diversification in production and marketing. The acceleration of uptake in information and communication tools will also be required in support of business opportunities.

## 2. The Initial effects of the COVID-19 pandemic to the agrifood sector

### 2.1. Disruption in production

The COVID-19 pandemic is disrupting agricultural food systems and will impact on expected production levels. Safety measures applied impact farmers' ability to harvest and sell their crops outside of their local areas. Disruptions in supply chains resulting from blockages on transport routes, transport restrictions and quarantine measures are resulting in significant increases in food loss and waste, especially of perishable agricultural produce such as fruits and vegetables, fish, meat and dairy.

In East Africa, the Covid-19 pandemic has coincided with the critical planting season and the need for farmers to access their farms. In other parts in Africa where harvesting is done, produce is accumulating at farms. In West Africa, farmers are preparing their fields in readiness for planting later in the year.

Availability and transportation costs of inputs (more specifically seeds, seedlings and pesticides) have increased threefold and are seriously hampering urgent pest controls measures (e.g. controlling the locust outbreak which is plaguing East Africa). In sereral Caribbean and Pacific islands[14], governments are strengthening local production via national plans for urban and peri-urban agriculture and encourage urban households to plant vegetables and do backyard gardening providing free seeds and planting material. In a number of cases, investments are directed into the production of short-term crops.

Many governments are providing relief to farmers and some have accelerated subsidy programs (i.e. Ethiopia, Ghana, Mali, Malawi, Nigeria), supported by multilateral organizations (input subsidies, grain purchase and relief programs). In several African countries, agricultural products have been classified as essential allowing farmers to procure them even with movement restrictions in place.

14 We have concrete examples in St Vincent and Grenadines, St Lucia, Dominica, Cuba, Trinidad and Tobago, Fiji, Solomon Islands. With the uptake in backyard gardening/farming, key information on pest management, soil health, plant care, tips and tricks to gardening and on what crops are best to grow in a small area such as leafy vegetables and herbs, traditional medicinal plants, and multi-way grafted fruit and nut trees on dwarfed root stocks should be shared online, social media, through training videos (Survey PIFON).

A number of initiatives have been kicked off to introduce stress tolerant crop varieties which will help mitigate the impact of COVID-19, as well as climate related shocks. Some governments are assisting village-based advisors in delivering government subsidised inputs while educating them on COVID-19 safety guidelines (e.g. Kenya). Post-harvest and quality standards trainings are being conducted via digital platforms and through village based organizations.

Positive messages of solidarity with farmers and the role of business during the crisis have been shared. From donations of food products to vulnerable groups, hospitals and social programmes.[15] (i.e. ShopRite, Africa's largest food retailer, with shops across 15 countries in Sub-Saharan Africa; the #FoodHeroes campaign, FoodDrinkEurope[16]) to support to local suppliers (i.e. Kanamoce Fiji, a local business that produces salads and dried fruit snacks with products from New Zealand, sources now locally to Nadi Bay Herbs. From the supply of basil, they make coconut pesto which she sells at $5 per 100 grams. The feedback from customers is very good. Kanamoce Fiji also shared on Kanamoce Fiji facebook page, encouraging customers to support local farmers).[17] The current downturn in business provides opportunities for resort chefs to visit farms, meet with farmers and communicate their needs on the varieties of crops that they will need. This 'farm to table' approach has proven fruitful for farms which have promoted such activities.[18]

Many agricultural activities, such as planting, harvesting and storage are tightly integrated into seasonal timetables. When and where seasonal workers are not available, options to mobilize unemployed or underemployed workers or reallocate workers from other areas with temporary labour surpluses (restaurants) should be considered.

Given the disruptions to and increased costs of inter-continental trade are likely to be a feature of cut flower, fruit, and vegetable market realities for some time to come, this suggests an urgent need to identify and secure new market opportunities and promoting diversification strategies. This will need accompanying measures as for several exported fruits and vegetables, there is little or no immediate local or regional demand, and certainly not at prices paid by export markets.

**Key area for consideration**

- Cash and loan support for poor farmers and grants to maintain/restart production (seedlings).
- Trainings on increasing shelf-life (e.g. through processing), packaging, storage and pooling platforms (e-commerce).
- Relocating markets in rural, (peri) urban areas to access fresh food and reduce waste.
- Support to storage access and capacity and establish warehouse receipt systems for farmers.
- Identify local demand for fruit and vegetables and the investment support needed to meet it.
- Setting up collection centres and storage facilities closer to producers (warehouse receipt systems).
- Support for matching local supply and demand through innovative systems involving professional organisations and young entrepreneurs.

15 ShopRite, Africa's largest food retailer, with shops across 15 countries in Sub-Saharan Africa; the #FoodHeroes campaign, FoodDrinkEurope.

16 #Foodheros campaign https://mailchi.mp/fooddrinkeurope/foodheroes

17 Support SMEs During This Tough Time: It Goes A Long Way. Fiji Sun. April 2020.

18 Survey 'Pacific Farmers Have Their Say' organized by the Pacific Islands Farmers Organisations (PIFON).2020.

## 2.2. Disruptions in logistics and transport

As the pandemic spreads, the initial impacts in the cut flower, fruit and vegetable sector were felt through a sharp fall in demand for cut flowers and logistical problems in the inter-continental shipment of short shelf life fruit and vegetables as airline passenger services on which such freight transport depended were shut down. This has generated two major problems for ACP exporters of short shelf life cut flowers, fruit, and vegetables: an absolute shortage of cargo space and escalating freight charges.

National curfews and cross-border movement restrictions, reduced trade administration services (including SPS controls), and worker health and safety issues have impacted the fresh food sector.

There has been 65% reduction in air cargo capacity from Africa to Europe.[19] This interruption in service leads to big losses for producers of perishable foods. However, the capacity increased slightly from March to April, several airlines are transforming their passenger planes into freighters.[20]

Reduced port handling capacities in some ACP countries[21] and internal logistical challenges in moving food to major consumer markets not only from ports but also from domestic production areas impacts the fresh food sector. Higher freight charges will be but one of the many additional costs which ACP cut flower, fruit and vegetable producers will face for some time to come. This includes dealing with a prolonged global shortage of refrigerated containers as companies seek to hold more stocks on site.

In West Africa, because of daytime heat, fresh produce, meat, and other perishable products are usually transported at night, yet curfews make this practice impossible. In East African the movement of short shelf life products to connect with available inter-continental cargo flights have been delayed as a result of the application of curfew restrictions.[22]

**Key areas for consideration**

- Exemption to transporters of bulk food and food distribution from curfew hours to ease the transport of fresh food in the cooler times of day and night to keep quality and reduce food loss.
- Logistical arrangements for distributing food across countries and common protocols to address problems facing the short shelf life fresh produce sector.
- Waiving of curfew restriction should for short shelf life products based on mobile phone-based attestations of freight movement requirements.
- Sharing of best practices applied in other regions of the world (i.e. EU's 'green lane'[23]).
- Linking of the provision of state aid to struggling EU airlines to an expansion of freight services. to developing country partners at pre-COVID-9 freight rates, to overcome freight challenges in delivering fresh produce to the EU market and essential medical and other suppliers to ACP countries.
- Launching of an initiative (supported by donors) to provide financial assistance to regional airlines for the maintenance of freight services (in the form of loans or corporate bond buying measures) so as to avoid competition distortions rising from state aid measures to European airlines.

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19 With Kenya representing around 55% of ACP air freighted floriculture and horticulture cargoes, these immediate employment effects are indicative of a similar scale of effect on direct employment of COVID-19 related air freight disruptions across ACP floriculture and horticulture sectors.

20 Seabury Capacity Tracking database, analysis by Seabury Consulting, April 2020.

21 e.g. South African ports have been operating at only 30% capacity during the lockdown period.

22 Emerging evidence suggests that the number of trucks delivering goods across the border between Uganda and Kenya has fallen by 40 to 50 per cent.

23 Coronavirus: Commission presents practical guidance to ensure continuous flow of goods across EU via green lanes. 23 March 2020.

- Seeking low cost loans for the reconfiguring and operation of idle passenger aircraft for cargo freight services and deploying them along key ACP-European routes for the delivery of horticulture and floriculture products.
- Support for matching local supply and demand in logistics.

## 2.3. Labour shortages and unemployment

Severe labour shortages affect the agrifood sector and will contribute to rising food prices. The horticulture and floriculture being labour intensive are much more negatively impacted. Those employed directly in short shelf life export orientated horticulture and floriculture activities across the ACP are facing either being retrenched or being placed on furlough, as freight services using passenger flights were grounded. Important seasonal workers shortages appeared due to closure of borders and lack of labour mobility. Labour shortages are also due to workers being affected by the virus or not being able to work with the precautionary measures for workplace health and safety.[24]

In some ACP countries where out-growers play an important role in supplying export orientated supply chains, the cancellation of passenger flights where the cargo is shipped, gave rise to immediate problems both in paying out-growers for products already within the export supply chain and in guaranteeing a market for future production.[25]

Already some countries (Kenya, Tanzania, Rwanda and Uganda) have allowed food distribution, especially cross-border movements of food, providing with clear health guidelines for drivers.

Key areas for consideration

- Guidelines on how farmers and traders can protect themselves from the virus to ensure that local-level food production and markets can operate safely and provide them with PPE.
- Short and medium term trainings to farmer groups and horticultural MSMEs to guarantee safe food (sanitary measures in handling food, conservation techniques, pricing…).
- Classifying food supply chain operators as 'essential workers' in order to guarantee the movement of persons.

## 2.4. Decrease in demand and spending on food

Loss of employment and incomes for traders, small transporters, workers, and farmers may significantly reduce their incomes and purchasing power, resulting in demand contraction across a wide range of commodities. Access to food, especially nutrient dense perishable foods, may deteriorate for everyone, particularly among low-income, unemployed, and vulnerable groups, even if retail food prices do not rise much creating long-term consequences in terms of nutrition, food security and increase in poverty.

More than 250 million people on the African continent do not have access to nutritious foods at all, or on a sustainable basis. The pandemic will aggravate the situation. Across Africa, a staggering 56 million African children are missing nutritious school meals and snacks owing to school closures, according to estimates from the World Food Programme. Dietary diversity is needed to fight the virus and other diseases and the lack of access to fresh fruits and vegetables is a factor of malnutrition.

24 While COLEACP is getting figures at country-level, the figures form Kenya indicate that, of the 350,000 people directly involved in horticulture export related activities, some 150,000 seasonal workers are being furloughed and about 80 000 permanent workers are being placed on either paid or unpaid leave.

25 We have evidence that i.e. in Kenya almost immediately 37% of export orientated firms found themselves unable to pay their out-growers for existing supplies. COLEACP Kenya survey.

Information campaigns on the high-value and nutritionally rich content of the fruits and vegetables are needed. Appraisals in Ethiopia show that one of the factors for urban demand for fruits and vegetables declining is driven by misinformation regarding the risk of contracting COVID-19 from produce.[26]

The Caribbean and Pacific region have voiced an urgent short-term and long-term imperative to strengthen consumption of healthy diets consisting of domestically sourced fruits and vegetables and some animal products and the ability of local and regional supply chains to meet these needs.[27] The food industry which was providing hotels (now closed) is redistributing fresh food in support of the most needed.[28]

**Key areas for consideration**

- Public-Private awareness and information sessions on the key role of fresh fruits and vegetables for nutrition and balanced diet.
- Information on simple processing techniques which can be used at local level to avoid losses and use food which cannot supply the traditional markets.
- Promote group purchasing and consumer-driven platforms which inform on food availability.
- Find innovative and quick ways to link consumers to producers and involve youth skilled people.
- Need to mobilise cash payments and food relief aimed at sustaining household food availability.
- Communicate to food enterprises the importance of retaining near-to-normal prices, in order to protect food markets over the long term.

## 2.5. Use of digital tools in support of production and trade

The deployment of digital technologies can support the competitiveness and sustainability of the agrifood sector. Digital transformation has now to be accelerated as social distancing requirements are likely to be a significant feature of the post-COVID-19. There has been a rapid increase in the use of "contactless" technologies for business, health care, and learning but more needs to be done in ACP countries.[29] Significant investments in infrastructure, regulatory frameworks and fiscal incentives will need to be in place as well as education in digital innovation.

This is an opportune moment to equip value chain actors with the right set of digital skills to maintain and increase production and trade.

ACP countries have already a number of successes in linking producers to local retail and wholesale demand through IT-driven tools, e-extension services, e-commerce and e-finance which can be expanded and upscaled. Equally important are the mobile phonebased traceability system to ensure food safety is ensured and can be brought to scale as shown by the many examples

26 Impacts of the COVID-19 crisis on vegetable value chains in Ethiopia. Seneshaw Tamru, Kalle Hirvonen and Bart Minten. IFPRI 2020.

27 Jamaica government recently launched a new campaign, "Say Yes To Fresh" to promote buying local foods from vendors to drive consumption of healthy foods that grow on the island in attempts to remedy the issue. The food items that have been left behind as result in the decrease in tourism include fresh cantaloupes, honeydew, watermelons, pineapples, tomatoes, high-quality yams, squash, eggplant, and bananas, originally intended for the hospitality and tourism industry. The Pacific Islands Farmers Organisations (PIFON) is calling for interventions to invest in re-orienting and developing new, more flexible, and diversified value chains to better cope with future pandemic and other economic, environmental and climate shocks.

28 There are many examples such as Treasure Beach Hydroponic Farmers group in St. Elizabeth (Jamaica), which has been donating thousands of tons of its tomatoes to government quarantine facilities due to the total closure of the hospitality sector.

29 According to Doing Business 2020, in high-income economies, 97 percent of companies use electronic filing or payments, whereas in Sub-Saharan Africa it is only 17 percent.

across Africa.[30] The blockchain technology enhancing traceability and transparency offers also opportunities being tested in export markets (as the recent mango value chain from Côte d'Ivoire supported by COLEACP).[31]

In the Caribbean and the Pacific, the private sector scaled up online ordering systems, while supermarkets have enabled groceries to be ordered via email and WhatsApp.[32]

Namibia's horticulture sector Market Share Promotion Scheme was able to raise national self-sufficiency from 5% of national consumption of fruit and vegetables to nearly 50%, by establishing regulatory framework and IT system which linked producers, wholesaler, and retailers in ways which allowed available supplies to be linked to evolving demand on a 3-month rolling basis.

What is required is accelerating investment in digital infrastructure across the ACP, upscaling current successes and promoting best practices across the ACP.

**Key areas for consideration**

- Increasing the use of ICT's for strengthening information-sharing platforms on food reserves and markets.
- Linking farmers and processors with ICT start ups to implement practical solutions.
- Upscaling ICT-driven successes through increase funding and investment.
- Providing capacity building on ICT tools with direct benefit to production and trade.
- Capacity building in IT and web tools to create simple local marketplaces (online and offline)

## 2.6. Business Financial Sustainability at risk

Addressing the issue of the financial sustainability of businesses in the face of a major loss of income resulting from government mandated measures adopted, is likely to be critical to minimising the adverse long-term economic consequences of the pandemic. While concerted international action to support public finances in ACP countries will be needed to support businesses, some measures can be taken at national level such as reviewing current tax measures to minimise the severe loss of revenues, providing loans at an affordable rate and support for guarantees to avoid lowering credit limits.

Despite many efforts done at national level, most African governments lack the fiscal space to respond adequately to protect businesses, jobs and provide social safety nets to the most vulnerable members in society in the way that developed country governments have been able to.

Given the limited resources of SMEs, and existing obstacles in accessing capital, the period over which SMEs can survive the shock is more restricted than for larger firms.[33]

Smallholder farmers must have access to finance, so that they can continue to produce. Several countries are introducing stimulus packages that lack clear incentives for smallholder farmers.

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30 Examples include: mobile applications for access to inputs and credit such as myAgro in Mali and Senegal or FarmDrive and iProcure in Kenya, mobile payments with M-Pesa in Kenya. Innovations on electronic transport systems such as Transzam from the Zambia National Farmers Union; mobile platforms to connect farmers to consumers and reduce postharvets losses and waste such as Twiga Foods in Kenya or Farmcrowdy in Nigeria.; Namibian start-up E-bikes4africa, has entirely shifted focus towards the home distribution sector. Online platforms like WeFarm have taken advantage of the rapid spread of mobile phones across Africa to create a network of small-scale farmers who can help each other to increase productivity.

31 La mangue ouest-africaine tracée par la blockchain. Commodafrica. 19 May 2020.

32 There re practical examples in Grenada, St Lucia, Trinidad and Tobago, Jamaica, Samoa, Vanuatu, Fiji (i.e. Post Fiji has diversified its services to include 24 groceries purchase online and delivery).

33 Research in the US suggests that 50% of small businesses are operating with fewer than 15 days in buffer cash. OECD. Coronavirus (COVID-19): SME Policy Responses. May 2020

As an example, the calls being made by floriculture and horticulture sector business in East Africa include: (i) The rapid implementation of outstanding VAT refunds so as ease businesses cash flow problems; (ii) substantial reductions of VAT rates to make goods and services more affordable in the face of reduced revenues; (iii) a reduction of individual tax rates for employees in the worst affected sectors; (iv) a reduction or corporate tax rates in the cut flowers, fruit, and vegetable sector where businesses have been heavily impacted by the collapse of passenger airline services, which carry the bulk of high value short shelf life exports and (v) the avoidance of new freight taxes to minimise further cost pressures within the freight sector.

**Key areas for consideration**

- Financial support to meet additional costs to ensure safe food.
- Waiving of local competition rules to allow joint action by producers, freight forwarders and transport companies to allow cost effective use of modes of transport for fresh food.
- Waiving interest payments on trade credits, corporate bonds, lease payments.
- Facilitating business contacts to continue or diversify operations in nearer markets.
- Capacity building of the operators in financial management.

## 2.7. Health and Safety issues

Ensuring a safe working environment throughout the supply chain is essential to motivating and retaining workers in the sector and maintain the trust of the consumers. This will involve significant extra costs to existing health and safety rules.

Given the time sensitive nature of fresh cut flower, fruit and vegetable supply chains health and safety protocols for workers involved in the transportation and cargo handling sectors are essential. This will require the elaboration or stricter implementation of standard best practice workplace safety rules (guidelines) for farming, packhouse, processing plants, haulage, and cargo handling operations.

In many ACP regions where transport hubs are utilised for serving markets (or where new regional markets need to be developed to replace inter-continental markets to which freight movement remain restricted), the treatment of worker safety issues will need to be harmonised at the inter-governmental level: i.e. health certificate, quarantine protocols to be followed for infected transport sector workers, treatment of freight movements to and from infection hot spots, collective procurement of personal protective equipment (PPE).

EAC together with the private sector already implements relay driving (swapping drivers at the borders), mandatory testing of drivers at borders, delivery of cargo to temporary inland container depot (ICDs) at borders. For the development of regional cross border freight transport protocols, the EU approach through its '*green lane*' initiative could be adapted.

Key areas for consideration

- Rapid establishment of safe working conditions across the cut flower, fruit, and vegetable sector
- Support to collective initiatives to secure necessary PPE supplies.
- Private sector to provide clear safety guidelines to workers across the value chain.

## 3. International and regional responses

Due to the nature of the multiple disruptions on imports of food and inputs, distribution systems and access to food, the responses in ACP countries require a combination of policies, actions by the private sector and support from donors and partners. Various efforts have been done at international level to address the impacts of the pandemic. All will also have positive effects on the agrifood sector.

**The G20** agreed on a debt relief included the suspension of interest payments for low income countries through to the end of 2020. Financial resources from multilateral donors have also increased in the last month and now amount to approximately $4.2 billion. **The IMF** doubled its emergency lending capacity, which can be granted without conditionality, raising the available funds to $100bn. **The World Bank** Group announced its emergency operations to fight COVID-19 and $160 billion in grants and financial support over a 15-month period to help developing countries respond to the health, social and economic impacts of COVID-19. The International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA) have also fast-tracked support to businesses in developing countries, including trade finance and working capital to maintain private sectors, jobs and livelihoods. The Bank Group's support will be supplemented by the suspension of bilateral debt service.

**The African Development Bank Group** identified $10BN in resources that can be made available for member countries impacted by COVID-19[34]. The African Export-Import Bank (Afreximbank) has announced a $3-billion facility, named Pandemic Trade Impact Mitigation Facility (PATIMFA).[35]

The Caribbean Development Bank (CDB) approved up to USD 140 million to tackle the fallout of the COVID-19 pandemic and to support economic growth and poverty reduction through policy reforms. It has mobilised USD 67 million in loans to seven Caribbean countries. The CDB has also approved USD 3 million for the purchase of personal protective equipment.

**The Asian Development Bank** (ADB) announced a USD 20 billion response package for Asia and the Pacific enhancing microfinance loan to SMEs.

**The European Union** launched  in April the EU a package of more than €20 billion to help the most vulnerable countries, in particular in Africa and the EU's neighbourhood, in the fight against the pandemic and its consequences. Most of this funding comes from reorienting existing EU funds and programmes.[36]

**The International Fund for Agriculture Development** (IFAD) has just launched the COVID19 Rural Poor Stimulus Facility as a multidonor fund. The objective is to ensure that farmers in the most vulnerable countries have timely access to inputs, information, markets, and liquidity.

**The Organisation of ACP States** (OACPS) is particularly concerned by the state of preparedness of ACP at-risk countries, with low-income and/or weaker health systems.  Addressing health system challenges is the objective of the ongoing ACP Programme to Strengthen Health Systems for Universal Health Coverage (UHC) in ACP States which is funded by the 11th European Development Fund (EDF), with the WHO as the main implementing Agency. In complementing the funds allocated to this Programme the ACP Group of States is collaborating with the European Union (EU) to mobilise a further € 25 million from the appropriate 11th EDF instrument, to be channelled through the WHO to support countries to accelerate the implementation of their National Action Plans for Health Security (NAPHS) and enhance country, regional and global health emergency preparedness beyond COVID-19.

The OACPS is working to release 189,5 million$[37]  to support all members which economies have been impacted. The Secretary General stressed the key role of agricultural growth, high productivity, the skills to address youth employment, the key role of the private sector and the access to ICTs.

34 More information on this facility here.
35 Afreximbank Announces $3-Billion Facility to Cushion Impact of COVID-19. 24/03/2020.
36 Coronavirus: European Union launches "Team Europe" package to support partner countries with more than €20 billion. 08/04/2020.
37 Declaration of the Secretary General of OACPS. H.E. Georges Rebelo Pinto Chikoti. 25th May 2020. UBA Africa Day Conversations 2020: Growth, Jobs and Sustainable Development Amidst A Global

While the immediate responses were very much led by national governments, regional responses emerged giving priority to ease export/import restrictions to facilitate the movement of pharmaceutical and other essential goods as well as free movement of health professionals across the region. **The African Union**[38] reacted quickly establishing an Africa Taskforce for Novel Coronavirus (AFTCOR) to oversee preparedness and response towards the virus and issued a Joint Continental Strategy launching an appeal for intenational support.[39] Regional Economic Communities (RECs) and private sector representative organisations called for coordinated regional responses on both health and trade dimensions (i.e. customs related measures to facilitate cross-border movement, regulation and control of trucks/vehicles as well as aircraft and vessels carrying essential goods and services).

For example, the **Common Market for Eastern and Southern Africa** (COMESA)[40] approved a harmonised set of regional measures and practices which include support for economic operators and households (reduction of customs duties, deferral of tax obligations, reduction in import taxes on food, medicines, and items related to hygiene by 30 percent, a restructuring of commercial loans and freezing of interest rates in some commercial loans). It Is also developing an online platform for exchanging information on the availability of essential products and preparing a socioeconomic study analyzing the impact of COVID in Member States.

**The Economic Community of West African States** (ECOWAS)[41] Ministers in charge of food and they decided to set up a high-level multidisciplinary regional task force piloted by ECOWAS together with UEMOA and CILSS, to co-ordinate and monitor a regional action plan to mitigate the impact of COVID-19 on food and nutrition security with a range of measures (i.e. encourage producers to continue producing short-cycle products and subsidized them; support local suppliers in vegetables, including collective sanitary measures; provide protective equipment at borders not to disrupt cross-border trade, surveillance on pests and diseases of plants).

The six countries that make up the **Central African Economic and Monetary Community** (CEMAC)[42] will mobilize an envelope of 90 billion FCFA to fight against the Covid-19. The Central African States Development Bank (BDEAC), BDEAC, will issue securities in local currency for the rapid financing of governments and private sector companies. Some of the CEMAC members which are oil exporters are already hit by the negative prices. Others, in addition to agriculture have also important tourism sectors which are affected by the lockdown.

**The Economic Community of Central African State** (ECCAS)[43] called for a business strategy taking into account new opportunities for small and medium-sized enterprises (SMEs) in local and regional value chains by removing tariff and non-tariff barriers, in particular as a prelude to implementation of the continental free trade area. At this point, Central African countries could resort to expansionary monetary policies, including quantitative easing (which involves the injection of funds into efficient channels by governments) and other incentives, as a measure in the short term, said Pedro.

**The East African Community** (EAC)[44] Secretariat has developed a COVID-19 pandemic response plan on health, trade, industry, agriculture and food security. Among other interventions, the plan aims at facilitating production and free movement of essential goods including medical and food supplies within and across the EAC Partner States. It announced support to farmers to continue production and inflow of key agricultural inputs and facilitate movement of horticultural produce to access EU and regional markets reducing cargo costs. It alos focuses on post-harvest handling programme to upscale best practices including drying of perishable products and supportinf manufacturing industry workers through heath and safety information. This will include guidelines for sale labour practices in factories.[45]

38 Africa Union COVID-19.
39 Okonjo-Iweala et al. Africa needs debt relief to fight COVID-19. 2020.
40 COMESA COVID-19
41 ECOWAS COVID-19
42 CEMAC
43 EEAC
44 EAC COVID-19
45 East African Community. COVID-19 Impact of Food security and proposed recovery plan in the EAC region. Value chain for fruits and vegetables. May 2020.

**The Southern African Development Community** (SADC) Member States have instituted a number of socio-economic policies and measures to minimize the impact of COVID-19 to the economy. These policies and measures include suspension of non-essential economic activities; increased spending in health sector and in social safety nets; accommodative tax measures; economic stimulus packages, accommodative monetary policies and establishment of emergency/solidarity funds. These policies and measures have far-reaching implications on Member States scal positions and debt sustainability.[46]

In a joint declaration, **25 Latin American and Caribbean countries** agreed to coordinate support to ensure that food systems function effectively during the COVID-19 crisis. This will involve technical and financial assistance to small and medium-sized producers and agro-industrial producers, as well as support to local, regional and national wholesale markets, by ensuring their liquidity, access to products and workers, and coordinated actions with private sector food importers and distributors.

**The Caribbean Community and Common Market** (CARICOM)[47] prepared a COVID19 Agri-food Risk Management Framework to guide risk planning and management at the regional level.

The Healthy Caribbean Coalition (HCC) launched a COVID-19 Communication Strategy to promote access to, and consumption of, healthy foods. The Organisation of the Eastern Caribbean States (OECS) and OECS Member States have been mobilised to develop their National Agriculture Sector COVID-19 Response Strategies and facilitate the intra-regional trade of the excess supply of fresh produce generated from intensive production over the foreseeable future.

**Key areas for consideration**

- Simplified cross border trade arrangements for short shelf life products (i.e. phone-based attestations for expedited movement through government check points, electronic systems of trade administration and remote conduct of SPS controls with no or lower fees).
- Harmonised port sanitation protocols on the handling of fruit and vegetables under the auspices of the International Maritime Convention and operational application in key regional port hubs.
- Waiving container handling surcharges where onward movements of cargoes are inhibited by COVID-19 related disruptions.
- Supporting the establishment of a codes of conduct for the non-discriminatory handling of cargoes by airport authorities and national airlines and freight access and pricing for freight forwarding companies and airlines.
- Waiving of local competition policy requirement to facilitate the most efficient and cost-effective use of available modes of transport for fresh cut flowers, fruit, and vegetables.

46 SADC report. Impact of COVID-19 pandemic on SADC economy. 2020.
47 CARICOM COVID-19

## 4. The way forward

Given the unprecedented nature of the COVID-19 crisis, the most immediate policy actions are to direct resources and focus responses on ensuring public health and safety. Special efforts should support  private sector operations. The massive contraction in economic activity not only across the globe but also in ACP regions will have a major impact on high-value commodities (such as cut flowers, fruit and vegetables) which require a large amount of labor to produce and are more affected in complying with the social distancing requirements. Logistical barriers that disrupt the food supply chains affect the high-value commodities even more because of their perishability.

While detailed assessments will have to be done by product and market, we know that some disruptions and  air freight challenges faced by ACP exporters of short shelf life cut flowers, fruit and vegetable products are likely to remain in play for some considerable time to come.

Small island developing states (SIDS) are particularly vulnerable to logistics disruptions and customs delays, as they specialize in exporting perishable labour-intensive foods but are also importers of agricultural imports from three areas heavily affected by COVID-19: the United States of America, the European Union and China.

The implementation of free trade agreements such as the African Continental Free Trade Area (AfCFTA) and regional integration processes across the ACP might suffer delays and additional problems. But the impact of COVID-19 has made clear that regions need to strengthen regional policies to support the recovery of the economies and trade more amongst themselves. COVID-19 might bring structural changes, accelerate investment in critical infrastructure to optimise production, accelerate trade and scale up support for food processing, transport and diversification to ensure the continuous functioning of this critical food supply chain. A priority should be given to the standardisation of food safety rules and regulations and to digitilise the processes.

Preparing for post-pandemic also requires strengthening the productive capacity of local private sector to supply and process locally to meet domestic and continental consumption and accelerate advances in technology and innovation.[48]

Finally, it is essential to collect, analyse and share reliable data on the availability of products and inputs, prices, information on storage and cold storage availability, logistical bottlenecks, causes of waste... to be able to provide better advice to the farmers and take informed decisions.

48 The Digital Transformation for Africa initiative, a coalition led by the African Union, involves increased funding commitments of $100 billion over the next decade to close Africa's digital divide.

## Action Plan COLEACP-COVID 19 – May 2020

Over the past two months COLEACP has been orienting its programme activities towards helping to mitigate the negative impacts of COVID-19 on the agricultural and food economy of ACP countries. This takes the form of a five-point action plan, based on a set of clear principles:

- Workstream 1: Information and communication
- Workstream 2: Health and safety
- Workstream 3: Business support
- Workstream 4: Market access and food security
- Workstream 5: Advocacy

The objective is to enable smallholders, farmer groups and MSMEs to produce and sell horticultural products sustainably and improve their access to national, regional and international markets while implementing COVID-19 preventive health and safety measures.

### 1. Information and Communication

COLEACP aims to keep its programme stakeholders in ACP and EU countries continually informed about rapidly changing market access conditions and trade dynamics in the horticultural sector and even in other key agri-food value chains. In the short term, the information will also be disseminated through the Pan African Farmers Organisation (PAFO) member network in a format tailored to the target audience. In the longer term, and post-COVID 19, we will evolve towards a news blog disseminated via COLEACP's websites, including country websites, the first 20 of which are now online:

https://angola.coleacp.org
https://benin.coleacp.org
https://burkina-faso.coleacp.org
https://cameroun.coleacp.org
https://cote-divoire.coleacp.org
https://ethiopia.coleacp.org
https://gambia.coleacp.org
https://ghana.coleacp.org
https://guinee-cky.coleacp.org
https://kenya.coleacp.org
https://madagascar.coleacp.org
https://mali.coleacp.org
https://mauritius.coleacp.org
https://nigeria.coleacp.org
https://rdc.coleacp.org
https://rwanda.coleacp.org
https://senegal.coleacp.org
https://togo.coleacp.org
https://uganda.coleacp.org
https://zimbabwe.coleacp.org

Other country websites will soon be online, including Caribbean and Pacific regional websites.

### 2. Health and safety

COLEACP aims to ensure that smallholders, farmer groups and horticultural MSMEs have the capacity to implement preventive health and safety measures related to COVID-19. COLEACP is helping to raise public awareness of the coronavirus, how it is spread, the barrier actions to apply, the principles to employ and, most importantly, the new behaviours to adopt to avoid contaminating colleagues, families and communities.

The first step in this process has been to develop content with scientists, on the basis of WHO and FAO recommendations, to develop a distance learning course. This course is primarily aimed at experts – trainers working with the horticultural sector in ACP countries – who have the capacity to assimilate the key messages and to disseminate them widely to target audiences.

The first sections of this training are now online. More than 40 experts from different ACP countries are being trained, not only in basic knowledge on coronavirus and COVID-19, but also in good practices horticultural companies should adopt to continue their activities while fighting the pandemic, as well as how to disseminate barrier gestures within communities. The training also provides the necessary tools to support horticultural companies to apply these measures. Following this training, coaching will be organised by COLEACP in partnership with the experts who have successfully completed the training.

The second step will be to extend the dissemination of key messages to stakeholders (public and private) and rural populations through PAFO members and other rural networks, in particular family farms exposed to COVID-19 risks. A cascading system is established, from the person acting as first relay, to successive layers of dissemination among the populations of workers, producers and members of their respective communities.

## 3. Business support

COLEACP aims to ensure that smallholders, farmer groups and horticultural MSMEs have the necessary skills and business tools to carry out their production, processing and marketing operations in an efficient, cost-effective and inclusive manner. Activities include training of local experts, business survival bootcamps, comprehensive support through e-coaching sessions, and individual support (such as tailor-made business support), to be carried out remotely. These activities cover the following areas: cashflow management, cost management, HR management, operations management, and access to financing.

- A strategic partnership is being formalised with the African Management Institute to facilitate Business Survival Bootcamps. The first bootcamps are scheduled for the first week of June. COLEACP's partner companies and experts have been made aware of these training opportunities to collect their expressions of interest and estimate the number of sessions needed.
- A pilot has been launched in Côte d'Ivoire for e-coaching sessions in the West African mango sector. These sessions will be spread over several weeks and aim to support the company in the development and implementation of its contingency and recovery plan.

## 4. Market access and food security

In the context of COVID-19 disruptions, COLEACP aims to provide ACP producers/exporters and their professional organisations with continually updated information on developments in logistics and national, regional, international and European fruit and vegetable markets; and to facilitate the marketing of ACP fruit and vegetable production at local, regional and international levels. Activities include:

Logistics

- permanent relations with transport companies
- a weekly report on the availability of air, sea and road freight
- a search for collective solutions to ensure the maintenance of trade corridors for food products in ACP countries and between the ACP and main markets, including the EU.

Trade and market access

- identification and validation of existing market places (national and regional) for promotion to producers to facilitate the sale of their fruit and vegetables
- mapping of the main local buyers of horticultural products (including processing plants)
- a simple online interface allowing producers to inform on the availability of horticultural products for sale and to promote this offer to marketplaces and local buyers

- identification and promotion of simple and affordable solutions for processing fresh fruit and vegetables in order to avoid losses due to lack of freight and customers.

The new web interface is now in testing, in close collaboration with horticultural professional associations in seven pilot countries: Cameroon, Côte d'Ivoire, Ghana, Guinea, Kenya, Nigeria and Senegal. Local COLEACP experts are developing lists of buyers at national level, online and offline (including markets, supermarkets, catering chains, wholesalers etc.).

## 5. Advocacy

COLEACP aims to represent and defend the interests of the ACP horticultural sector at the international level and with decision-makers (governments, donors, international institutions, financial services, etc.). Current activities include:

- Design and implementation of surveys for horticultural operators in all ACP countries to identify priority areas regarding short-, medium- and long-term impact of the COVID-19 pandemic. A general survey and two country surveys (Kenya and Cameroon) have been conducted among COLEACP's programme stakeholders. This has informed the prioritisation of advocacy activities, for example in the area of air freight. Other country surveys are under development.
- Establishment of business-led COVID-19 national working groups, drawing on COLEACP's network of professional associations and farmers' organisations. Ongoing relations are maintained with professional associations representing MSMEs in the horticultural trade and with those representing producers, notably through PAFO and its regional member organisations.
- Drafting and promotion of policy recommendations to governments, international institutions, donors and financial services. This involves designing contingency and recovery plans for the ACP horticultural sector and identifying the means and resources needed for their implementation. COLEACP is working closely with the Organisation of ACP States (OACPS) and the Regional Economic Communities in ACP countries to define priority activities both during and after the pandemic. On request, specific emergency situations are being dealt with on a country-by-country basis within the framework of COLEACP's programme activities.

## COVID-19 is affecting the cut flower, fruit, and vegetables supply chains

In addition to providing a quick response in terms of information and alerts COVID-19, the COLEACP launched a survey49 to the ACP industry, producers and exporters of fruits and vegetables, to get their feedbak on their most pressing needs due to the COVID-19 to be able to design specific support packages.

The most pressing needs expressed by the operators include: (i) access to finance especially to mitigate loss in revenues and employment; (ii) clear information (including videos) on the good hygiene and food safety practices to share within the company as well as with the other operators (packaging centers, outgrowers...). There is a shortage of PPE (disinfectant for workers and small farmers, infrared thermometers for daily temperature verification; masks, gloves, sanitizing gel and dispensers); (iii) on logistics, most respondents are interested in information about local transportation, air freight and sea freight; (iv) on management processes, theres is a great need for advice on crisis management and communication and enforcement of measures recommended (workspace reorganization; emergency planning, stress management); (v) on processing and storage of fresh products, the respondents had particular interets on mangoes, pineapples, leafy vegetables, salads, tomatoes, herbs and spices (turmeric, cinnamon, ginger, moringa), in addition to a wide range of fruits and vegetables.

Across the different types and sizes of businesses, respondents converge on the immediate need for investment in the sector for market diversification50 and assistance in local and regional markets identification. Refrigeration equipment (cold rooms, pre-cooling and refrigerated transport, mobile cold stores, refrigerated trucks) is high on demand, equipment for the production of juice and wine as well as aluminum bags for herbs and spices and smoking equipment. On the production side seeds, phytosanitary products and fertilizers. Finally, there is a shortage of equipment to control levels of water, organoleptic, vitamins using portable devices.

49 Survey here. The feedback analysis is based on a response from 87 companies.

50 Reflecting a range of different types and sizes of businesses, respondents' estimates of the immediate need for investment to improve storage / processing vary. The majority (35.8%) indicated that they would need an investment of 10,000 to 50,000 euros; 11.9% were in the range of 50,000 to 100,000 euros; and 26.9% above 100,000 euros. 25.4% believe that an investment of less than 10,000 euros would be useful to them.

## Impact of COVID-19 on Kenyan Horticultural SMEs. Report of COLEACP survey. April 2020

This short report presents the preliminary findings of a questionnaire on the impacts of the COVID-19 crisis on the companies' operations for the month of April 2020 that was shared with the 65 horticultural companies in Kenya that benefit from COLEACP's technical assistance programmes. So far, 26 companies (40%) have responded to the call. The survey is repeated at the end of each month in order to measure the evolution of the impact of the COVID-19 crisis over time.

The survey is the 2nd in a row and follows up on the earlier survey of April 2020 that looked at impact of Covid-19 on March operations. Response rate of Kenyan horticultural producing and exporting companies was 29% for the first survey, while feedback was appreciated within the global and Kenyan fresh produce network to help in communication, advocacy and lobbying and define and prioritize additional support activities for the companies. You can find the aggregated results of the first survey here.

The results of this survey complement the information that Kenyan exporters' associations (FPEAK and FPC-Kenya for fruit and vegetables, and KFC for flowers) are gathering and sharing with external partners, as well as testimonies provided by individual companies.

The objective of the survey was to gather first-hand information on the impact of the COVID-19 crisis on Kenyan operators of horticultural businesses, and assess how support from COLEACP and other partners could best be redirected as a response.

This report has three sections:

1. Impact on trade
2. Impact on outgrowers and employees
3. Impact on financial management

# 1. IMPACT ON TRADE

## Commodities

The majority of respondents report that fine vegetables (French beans, snow peas, sugar snaps, baby corn) are affected by the COVID-19 crisis, with French beans as the most cited crop (69%). Avocado is mentioned by half of the respondents, and to a lesser extent passion fruit (although still by 27% of respondents) and fresh herbs (23%). The results are in line with the main crops produced and exported by the respondents.

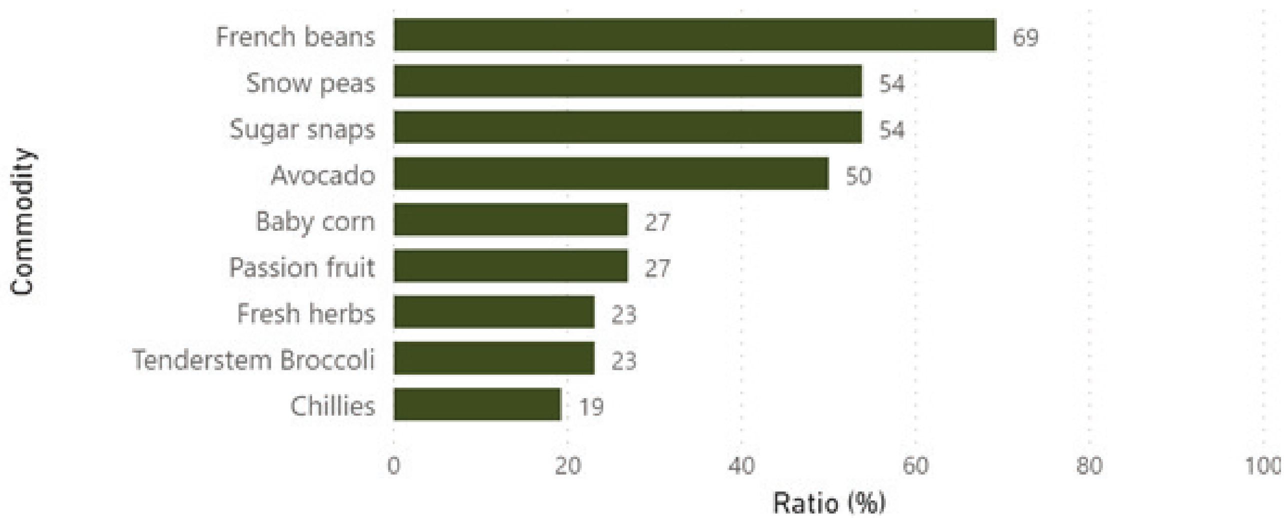


Figure 1: Percentage of survey respondents citing each crop as affected by COVID-19 (26 companies)

## Geographical markets

The majority of negatively impacted markets are situated in Europe, traditionally a major export destination for Kenyan produce. The countries with a relative high impact are those with an established trade relationship. The Netherlands, United Kingdom and France are amongst the top importing countries for Kenyan fresh fruits and vegetables. The main trends are similar to the results of the March survey, though Netherlands has passed UK as most negatively impacted market. This could be due to reduced logistical routes between Kenya and the Netherlands, or the importance of avocado exports for which the Netherlands are a hub for Kenyan imports (Rotterdam port) and further distribution across the EU market.


Figure 2: Percentage of survey respondents citing each market as negatively impacted by COVID-19 (26 companies)

## Business operations

While in March, the majority of respondents (79%) stated that they have not been able to honour existing contracts due to logistical challenges directly linked to the COVID-19 crisis, this response has reduced to 46 % for the month of April. We notice an increase in respondents that highlight that prospective clients are reducing requested volumes (77%) and that existing customers have reduced orders (69%).


Figure 3: Percentage of survey respondents citing each cause of impact on trade (26 companies)

Logistics, and particularly airfreight, have been a major bottleneck for fresh fruit and vegetable operators in Kenya. The results below suggest that sea freight is less impacted for the company's operations, though 92% of respondents mention that high cargo costs have an impact on their operations. Indeed, cargo cost have increased significantly for airfreight, while there are less logistical routes available to exporters and hence transit times for shipments to reach the final destination market have increased.

Eighty-nine percent (89%) further mention that disturbed domestic logistics, e.g. due to curfew or checkpoints, have a medium to high impact on the business. Indeed, since the end of March Kenya has put in place and maintained a countrywide curfew between 7 pm and 5 am, and transport of produce and activities via airports and ports is heavily affected by this. Limited demand and supply further disrupt business as usual.

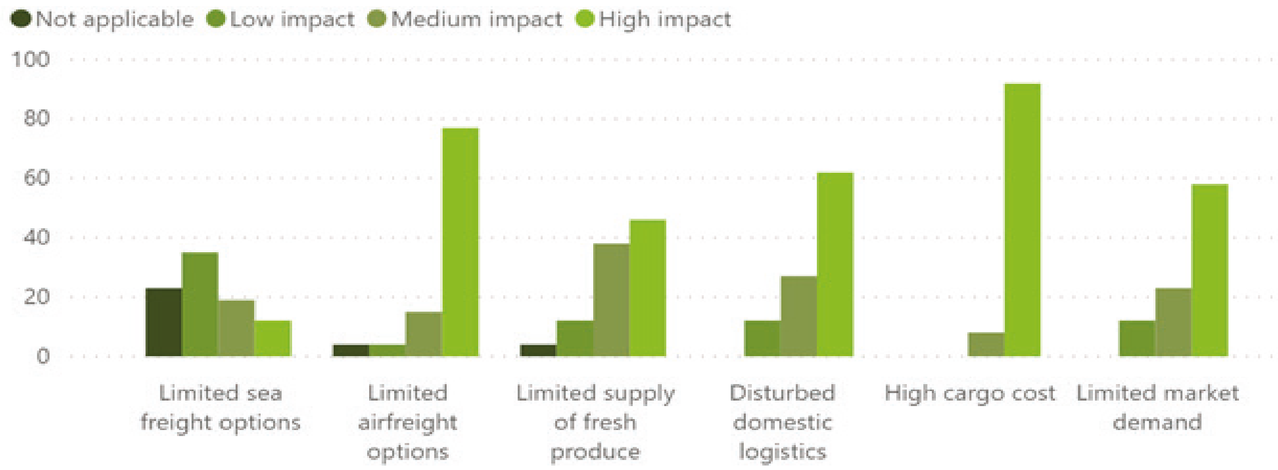


Figure 4: Percentage of survey respondents citing each impact on business (26 companies)

A key characteristic of the fresh produce industry is the asset specificity and perishability of the produce. Planting needs to be done several weeks in advance, while the produce has to be harvested, sold, and consumed withing a short timeframe and has a limited shelf-life, especially fine vegetables that are shipped by air.

Companies that have reduced orders have to act in a short timeframe to find alternative market channels, as it is impossible to stock fresh produce. Almost half of the respondents suggest that non-exported produce goes to waste (including dumping and composting). One third highlights they are not buying from their suppliers as a result, hence pushing the losses down the value chain. Only a minority of SMEs is able to valorise excess produce through domestic market sales (24%), other international markets (8 %) or value addition through processing (5 respondents).


Figure 5: Final use of produce that was not exported (25 companies)

The total lost revenue due to the crisis for April 2020, for the 26 companies, is estimated at 217,130,000 KES (1.9 million EUR). Average estimated losses for respondents were around 9.4 million KES (73,000 EUR). However, given the variance in company size, from large companies with high turnover to medium-sized companies with more modest turnover, the median value (losses of 5 million KES or 43,518 EUR) may provide a more accurate representation of the average lost revenue due to the crisis for April 2020 for a Kenyan horticultural SME.

Compared to the responses on the March 2020 survey, total and average estimated losses are lower for April 2020, though the median value only differs 0.5 million KES. Total combined losses for March (19 respondents) and April (26 respondents) add up to 507 million KES (4,45 million EUR).

| Estimated loss of revenues in April 2020 (EUR) | Estimated loss of revenues in April 2020 (KES) |
|---|---|
| -1,89M | -217M |

Similar as for the March 2020 survey, for two-thirds of respondents, the current crisis means a loss of more than 50% of initial projected revenue for April 2020.

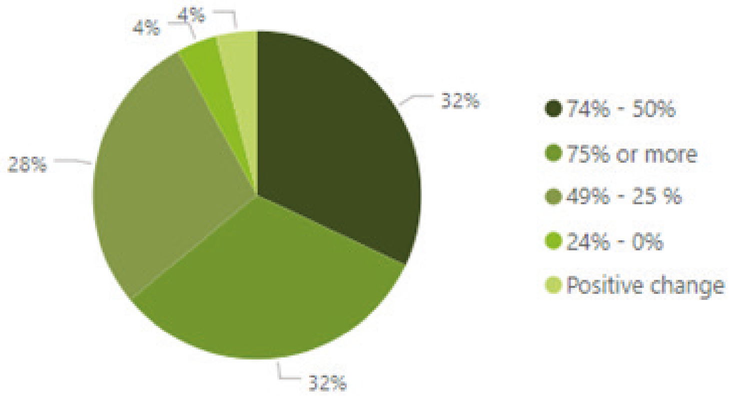


Figure 6: Percentage of survey respondents citing levels of revenue lost in April 2020 (26 responses)

While most SMEs (67%) considered the prices in March 2020 to be comparable to those in March 2019, half of the respondents now mention a change in prices for April 2020 as compared with the year before.

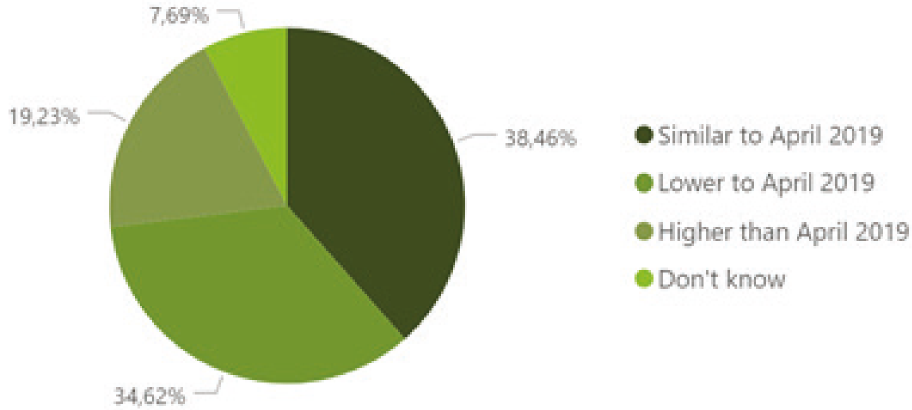


Figure 7: Percentage of survey respondents perceiving price change April 2019–April 2020 (26 responses)

Regarding whether SMEs are receiving any support from their buyers to ease the impact of the crisis, most respondents mention this is not the case. Some companies mention to receive better payment terms (e.g. quicker payment turnaround), while only 2 out of 26 companies mention that clients are participating in the increased cargo cost. This means that the big majority of exporting companies has to deal with lower client demand, less cargo options and higher freight costs.

On the certification side, respondents mention that some clients and certification bodies are taking measures to extend the certification period.

Importantly, only a small proportion of respondents have been able to develop alternative market channels for their produce. This response is similar to the March 2020 survey results.

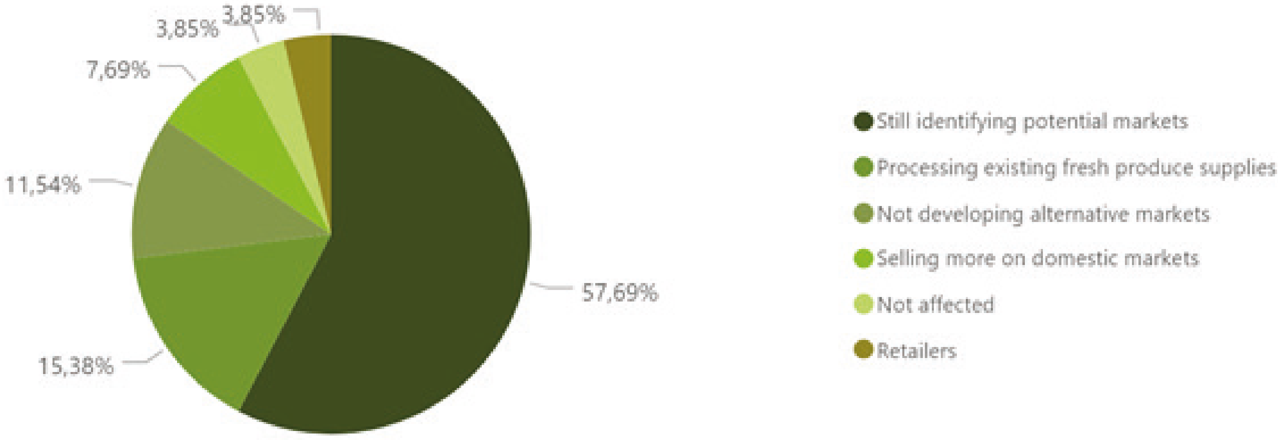


Figure 8: Percentage of survey respondents developing alternative markets (26 responses)

Respondents estimate the trade impact for May 2020 to remain high. Orders are expected to follow the same trends as for April 2020, though SMEs are hopeful that the airfreight costs will be more reasonable due to increased capacity. Some companies mention to foresee challenges with supply, others point to climate related risks on quality due to heavy rains end of April – beginning of May.

Compared to the initial projections for May 2020, half of respondents estimate a loss of 50% or higher. This is more optimistic compared to the results of the March survey when two-thirds highlighted losses of more than 50%.

Nevertheless, total estimated losses for May (from 24 respondents) would add up to 324 million KES (2.82 million EUR). **For the median SME/respondent,** this translates into an estimated loss of turnover of 5 million KES (39,000 EUR) for April, or an **accumulated direct loss of turnover of 15,5 million KES (135,000 EUR) over three months,** not taking into account higher transaction costs or cargo costs. These estimates for May will be informed by the next round of the survey.

| Estimated loss of revenues in May 2020 (EUR) | Estimated loss of revenues in May 2020 (KES) |
|---|---|
| -2,82M | -325M |

For existing orders/clients, the lack of affordable logistics remains a challenge and has a major impact on operations.

## 2. IMPACT ON OUTGROWERS AND EMPLOYEES

### Outgrowers

Based on the exporting SMEs' sales projections, Kenyan operators translate sales orders back into planting schemes for their suppliers. These are often small-scale farmers (outgrowers) who are grouped by location and grow a specific crop variety for an exporter.

Eighteen respondents had planned to source from a total of 8738 outgrowers (median value of 200) in April 2020. Actual sourcing in April was done from only 2520 outgrowers (median value of 50), a reduction of 6218 outgrowers (71% decrease), which indicates the significant negative impact the crisis has on small scale growers livelihoods, export crops being an important source of income.

Figure 10 shows that most companies are not able to guarantee a market for their small-scale suppliers (80%). More than half of the respondents are already scaling down on new planting schedules (56%), which will have an impact on future supply and missed revenue and livelihoods for outgrowers in the coming weeks/months.

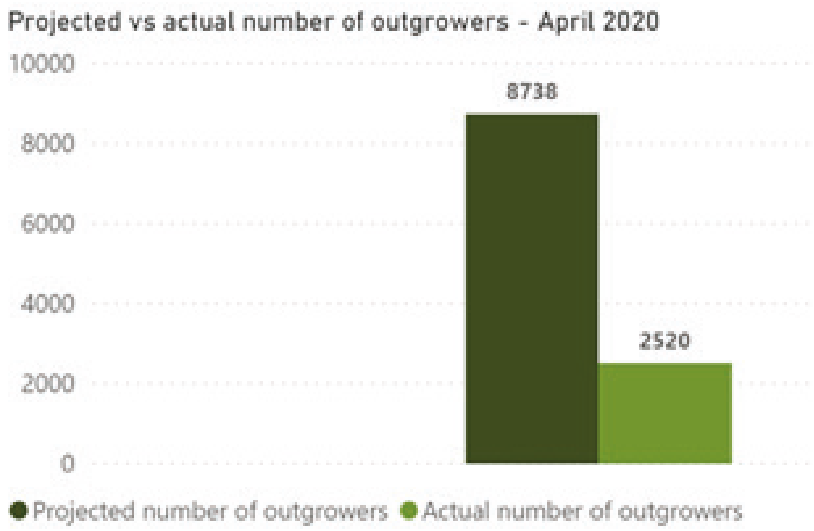


Figure 9: Respondents' projected versus actual number of outgrowers – April 2020

While some SMEs are able to respect their contracts and pay their suppliers for fresh produce delivered, around 40% of respondents report that they are unable to pay their outgrowers, and that outgrowers have no other options for selling their fresh produce. Due to the market collapse, some growers have neglected the fields as they refused to further invest in the crops if they are not paid for it. Other exporting companies also face an oversupply, and the local market is very slow to absorb these volumes. In addition, some crops that are traditionally grown for the export market are not part of the traditional Kenyan diet.

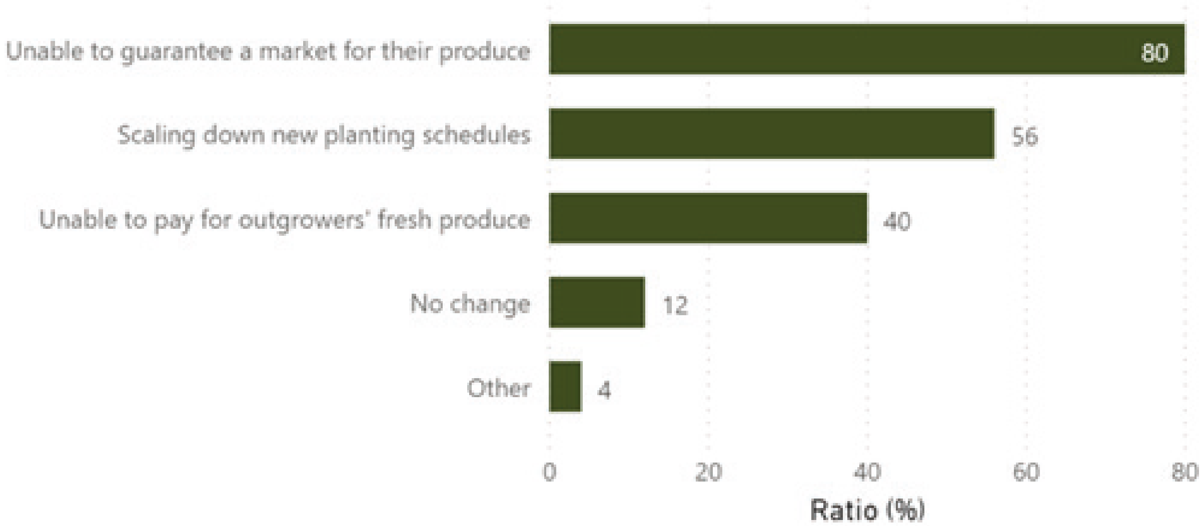


Figure 10: Percentage of survey respondents reporting impacts on outgrowers (25 responses)

Most companies mention to have implemented adequate measures that allow them to continue operations, mainly at packhouse level (79%) and in the farms (67%). Less responses hint to the outgrower level, while 5 respondents (21 %) highlight they have suspended all operations in April 2020.

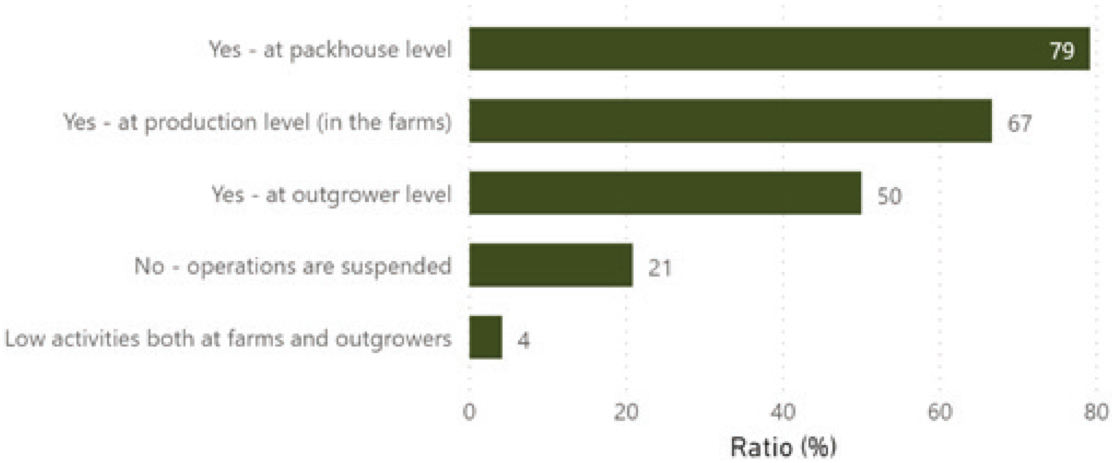


Figure 11: Respondents' ability to implement coping measures to continue operations (24 responses)

## Employees

Many exporting companies employ casual workers at their own farm(s) and packhouses. These workers are daily wage earners and are only called upon when there is harvesting and packing activity.

In April 2020, 25 respondents had planned to provide employment for a total of 2722 casual workers (median value of 60); actual employment was provided to 1473 casual workers (median value of 30), a reduction of 46%. The survey in March 2020 only showed a reduction of 40% in casual workforce employment. Again, these figures indicate the significant negative impact on the livelihoods of the casual workforce.


Figure 12: Respondents' projected versus actual number of casual workers - April 2020

The permanent workforce totalled across 24 respondents amounts to 2646 employees. As half of the respondents are small companies, the median value is seven permanent employees. Forty percent of respondents mention to still have all of its permanent employees onboard, though SMEs are encouraging workers to take paid leave (23%), and unpaid leave (33%). Unpaid leave rates are higher compared to March, as potentially legal paid leave days of some staff are depleted. 3 companies mention to cut wages as cost reduction option.

Five companies (19%) have had to lay off permanent staff in April, and this figure is expected to rise as the crisis continues. Options for homeworking are limited in the fresh produce sector.

In addition to the employment measures, various companies mention to have also taken initiatives to support its workers or the local community with Covid-19 sensitization, the distribution of food, hand sanitizers, face masks and/or clean water, clearly underlining the important corporate social responsibility role private sector companies fulfil towards the communities of their employees and outgrowers.

## 3. FINANCIAL MANAGEMENT

The fresh produce sector in Kenya is a seasonal activity with its peak season around the Christmas holidays and during the European winter – especially for fine vegetables such as French beans. However, many Kenyan companies are producing and operating all year round, serving various markets. The avocado season (second to French beans in export volumes) starts in February and runs until September.

Figure 13 shows that for one out of three respondents the current period (April-May-June, Q2) represents over 40% of annual turnover. 37.5% percent of respondents, the percentage of annual turnover is within a normal range (20 – 39%).

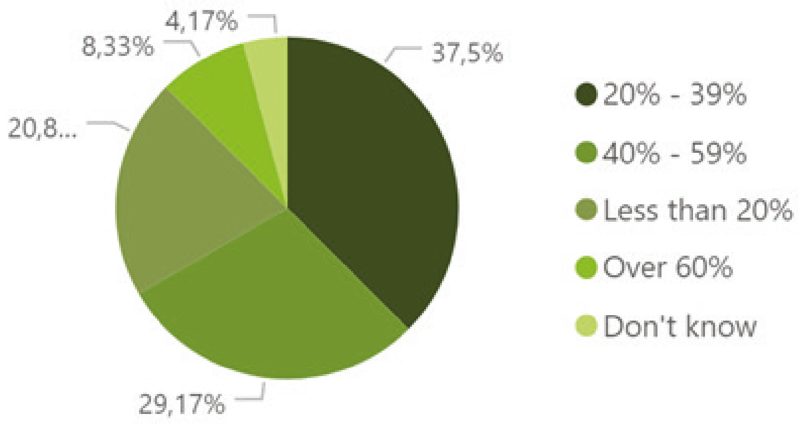


Figure 13 : Percentage of survey respondents citing relative weight of Q2 sales on annual turnover

Most respondents mention to have taken measures to protect its workforce (77 %), while 58% also had to change daily operations to adapt to Covid-19 measures (such as logistics). Almost one third of respondents mention to have implemented a business continuity plan, sought financial assistance, halted the supply of specific crops, or implemented virtual systems to address restrictions due to the crisis. One out of five responding companies mention to do staff retrenchments or have temporarily ceased all of its operations.

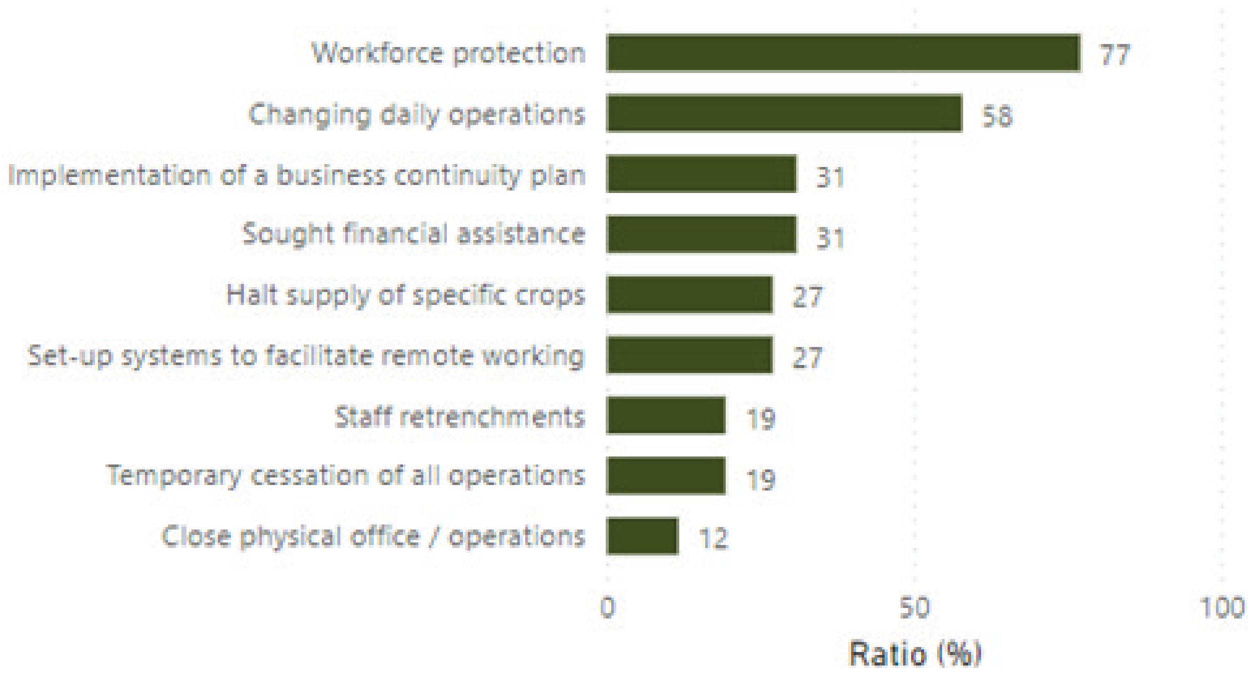


Figure 14: Percentage of companies reporting measures taken on business operations (26 responses)

Most respondents highlight that cashflow management and the lack of working capital is one of the key financial challenges. In general, sales have plummeted while production costs have increased, leaving companies with limited cashflow to manage daily operations. Transport costs (both exports as domestic transportation of staff and produce) has increased, while curfew and Covid-19 measures reduce the working hours and productivity of staff.

This has an impact on meeting financial obligations to cover overhead costs (including staff), pay small-scale suppliers and buy inputs for new production cycles. Challenges in covering commitments (repayments) to financial institutions are faced by 73% of respondents, while this was 42% in the March survey.

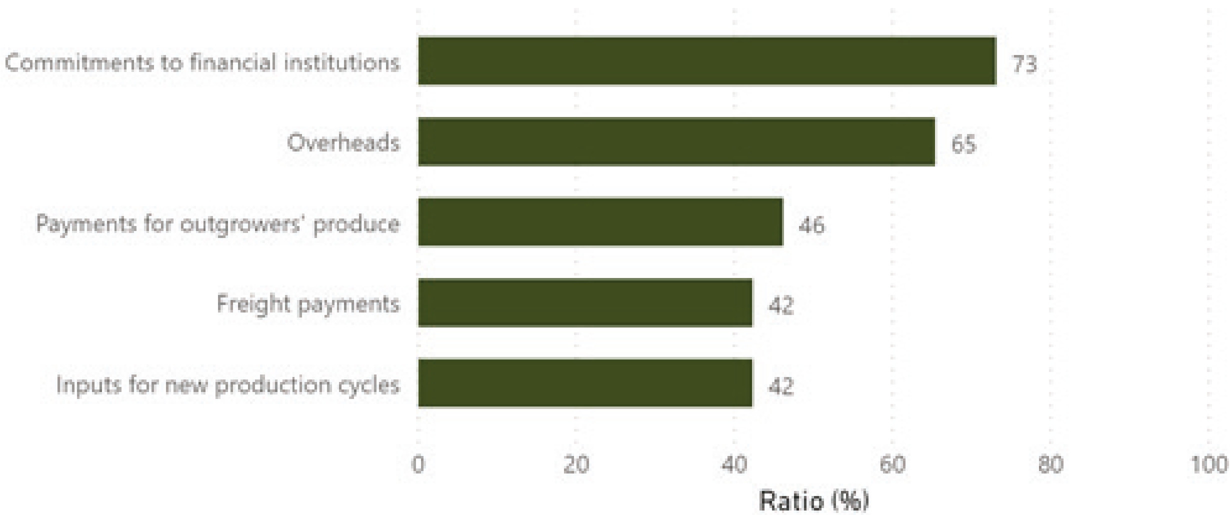


Figure 15: Percentage of survey respondents reporting operational challenges due to cashflow issues (26 responses)

*SMEs mention to cope with the crisis is various ways. Some respondents have stopped all capital expenditure, only carrying out essential/critical repair and maintenance work and reducing casual labour. Some are looking to diversify its business model, investigating local sales or value addition, to look for (financial) partnerships, financial planning, implementing cost reduction measures, increase negotiations with clients and securing orders in countries that are still operational.*

Fifteen respondents mention to be able to benefit from financial arrangements to extend a grace period/moratorium for the repayment of loans. A minority mentions to have improved payment terms with clients (6), delayed payment of taxes (5) or temporary suspension of the lease costs for infrastructure such as a packing facility (4). Overall response rate on this section is lower, probably due to the fact that the survey was mostly filled out by technical staff of the companies and not by financial management.

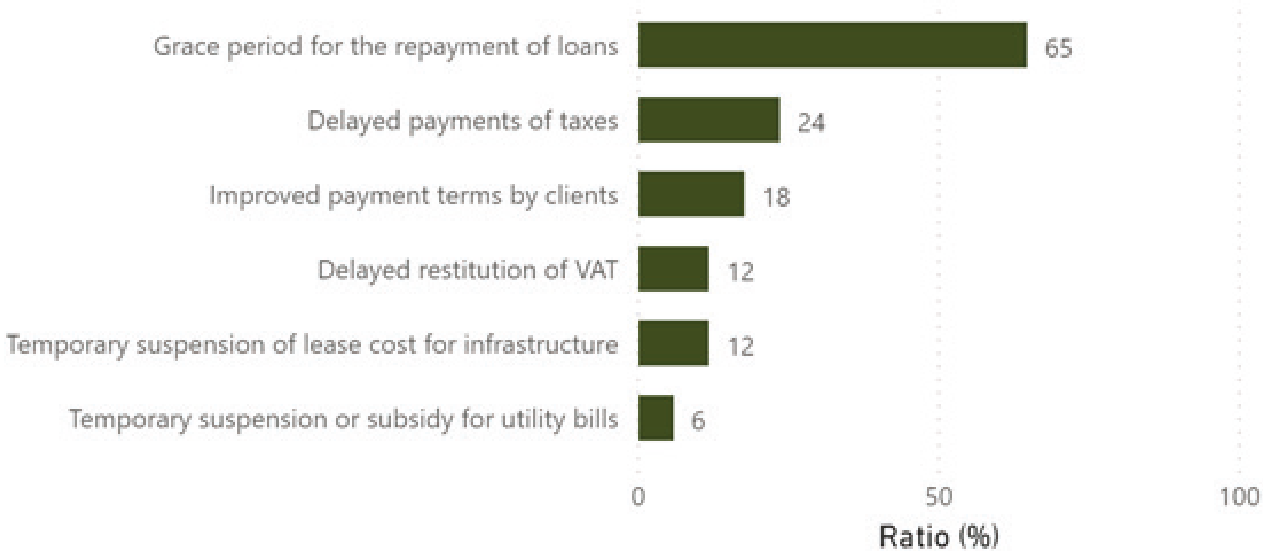


Figure 16: Percentage of companies reporting availability of external measures (17 responses)

Despite all the measures taken to cut down on costs and to secure revenues, almost seventy percent of respondents mention that their company was not financially break even in April 2020, which indicates that many companies will struggle to survive if this situation persists in time.

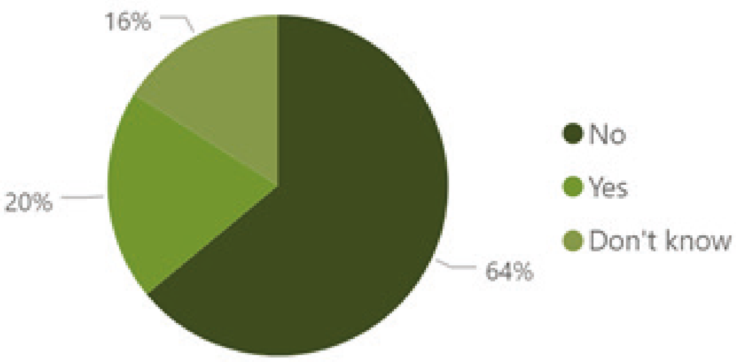


Figure 17: Overview of companies that operated financially break-even April 2020

### Mid-term impact

Respondents were also asked about commercial and financial impacts on the mid-term (Q3 2020 to Q2 2021). Assuming the virus is under control and border/logistics have resumed 'normal' operations, respondents stated the following concerns.

- Current limitations on extension services as some companies have had to advise field staff to take (un)paid leave will ultimately affect the quality and quantity of produce in the mid-term and affect the overall turnover.
- Companies and growers have reduced plantings or even uprooted crops, which will have an impact on businesses well into 2021.
- Impacts of the current crisis will continue throughout 2021 (and even beyond) as a result of accumulated debt, payment challenges to suppliers, and continuous deferral of payments.
- Loss of talent, both for high-level staff and for frequently employed casual workers, who may leave to seek other sources of revenue or jobs.
- High losses of revenue for 2020 will result in low investments and general layoff of staff.
- Companies mention that they are facing serious challenges to continue operations if there is not external support. This may ultimately lead to bankruptcy of various SMEs.
- Loss of traditional supply bases as many outgrowers are ceasing to grow fresh produce due to the lack of markets. In the medium term, perception of risk may increase, further limiting investment or attractiveness to young people.
- Loss of clients due to loss of confidence as a result of undersupply.
- Depressed economic situation threatening various companies' growth plans, including recent investments that may not pay off as planned.

# IMPACTS OF COVID19 ON THE HORTICULTURAL SECTOR IN CAMEROON

## SURVEY RESULTS

## 1. CONTEXT

RHORTICAM (Réseau des opérateurs horticoles du Cameroun), in collaboration with COLEACP, has carried out a survey for companies and cooperatives in the horticultural sector in Cameroon. The survey will help to assess the impact of the health and economic crisis that is currently affecting the world.

The companies' contributions will also help to identify support needs and will enable COLEACP and RHORTICAM to support these companies, as far as possible, at this time of crisis.

This survey was released between 12 and 24 May 2020.

## 2. REPORT METHODS

The individual responses received to the survey are treated confidentially. This report compiles the aggregated qualitative and quantitative results of the companies. In each section (see point 3), the questions asked are given at the beginning of the section, followed by the answers obtained.

The conclusion covers the main impacts of the health crisis on companies, as well as their main needs to overcome the economic crisis linked to this pandemic.

# 3. SURVEY RESULTS

## 3.1. Participating companies

Ten companies participated in the survey. These companies are mainly active simultaneously in several production chains, with pineapple being mentioned by most (seven companies are active in this chain), followed by processed products (dried fruits, juices, peppercorns).

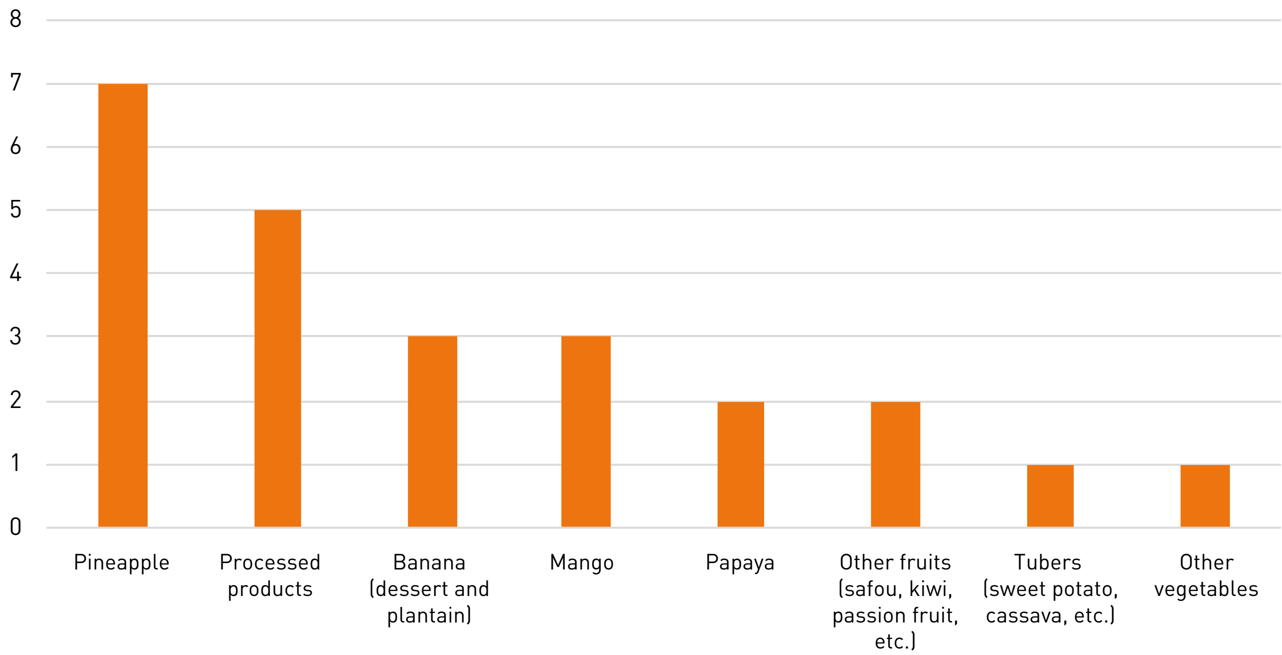


Figure 1: Sectors represented by the responding companies

The majority of respondents to the survey sell their products on the European market (70%); the remaining 30% are active on the local market.

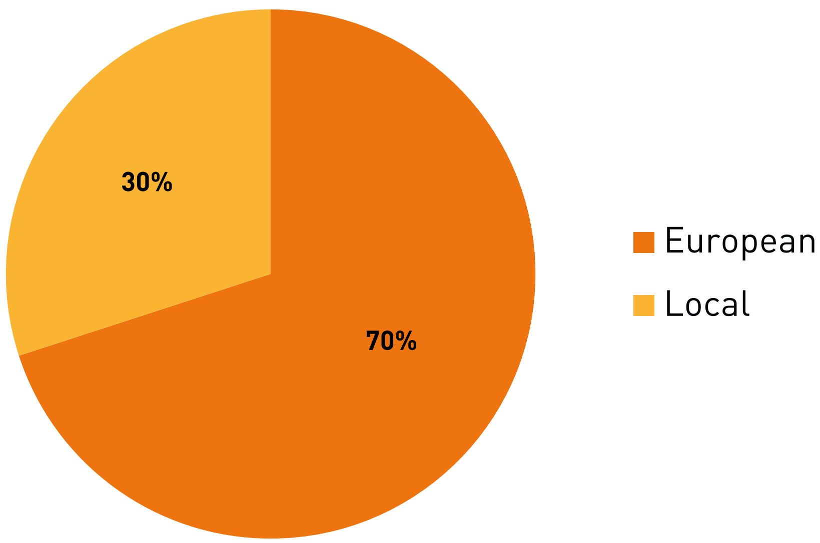


Figure 2: Distribution of companies by market

### 3.2. Impacts on business and sales

Questions asked:

- Are you impacted by the measures taken against coronavirus? (yes/no)
- How does coronavirus impact your business? (multiple choice)
- Do the measures taken against coronavirus have an impact on your turnover? (yes/no)
- How do you estimate the impact of this decline in turnover? (multiple choice)

Not surprisingly, 100% of participating companies say they are impacted by the measures taken nationally and internationally to combat the spread of the virus. The most frequent impacts are a drop in orders from their customers, as well as problems related to the suspension of travel. The list is given below:

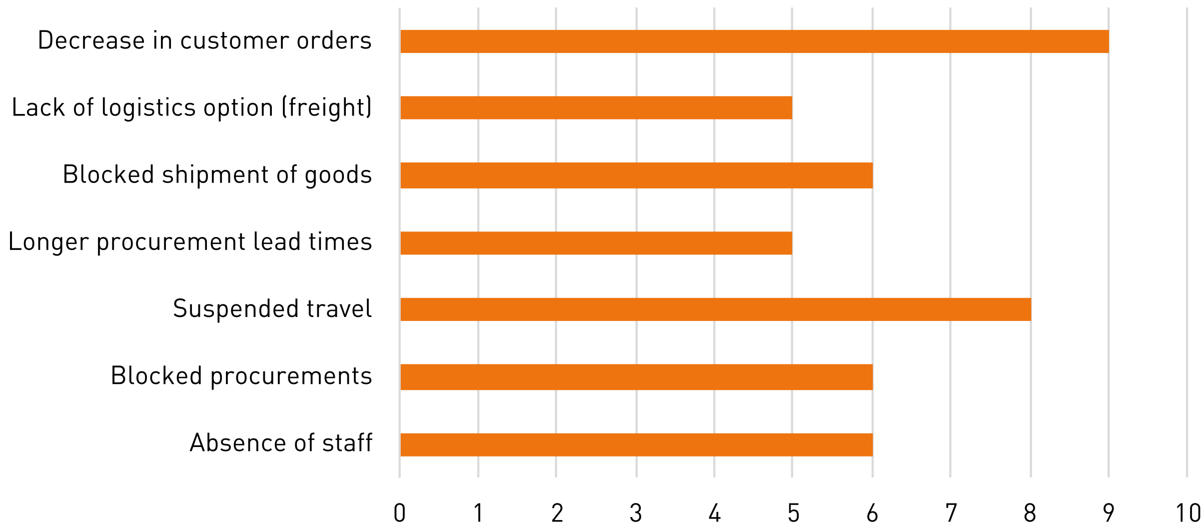


Figure 3: Impacts of COVID-19

The impact on turnover currently reported by companies is a decrease of 30% to 70%, with an average of 50%.

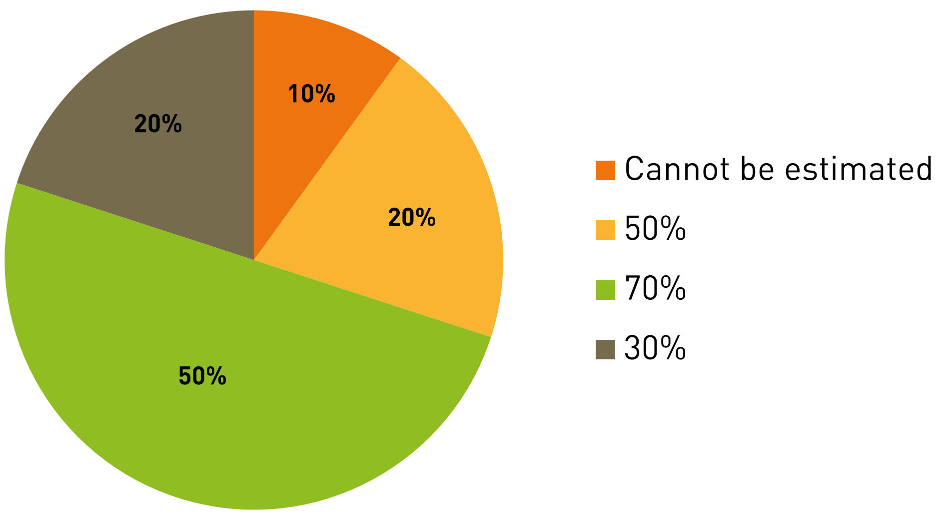


Figure 4: Share of respondents citing a decrease in company turnover

## 3.3. OPERATIONAL DIFFICULTIES ENCOUNTERED DURING THE HEALTH CRISIS

Questions asked:

- Are you experiencing cash flow difficulties following the COVID-19 health crisis, to pay (...)? (multiple choice)
- Are you experiencing organisational problems as a result of the COVID-19 health crisis? (multiple choice)

The main difficulties encountered by companies are paying suppliers (100%) and employees (80%). The list is shown in the graph below. Some companies also mentioned that, as suppliers to ancillary businesses, they too were experiencing problems of non-payment as a result of the crisis.

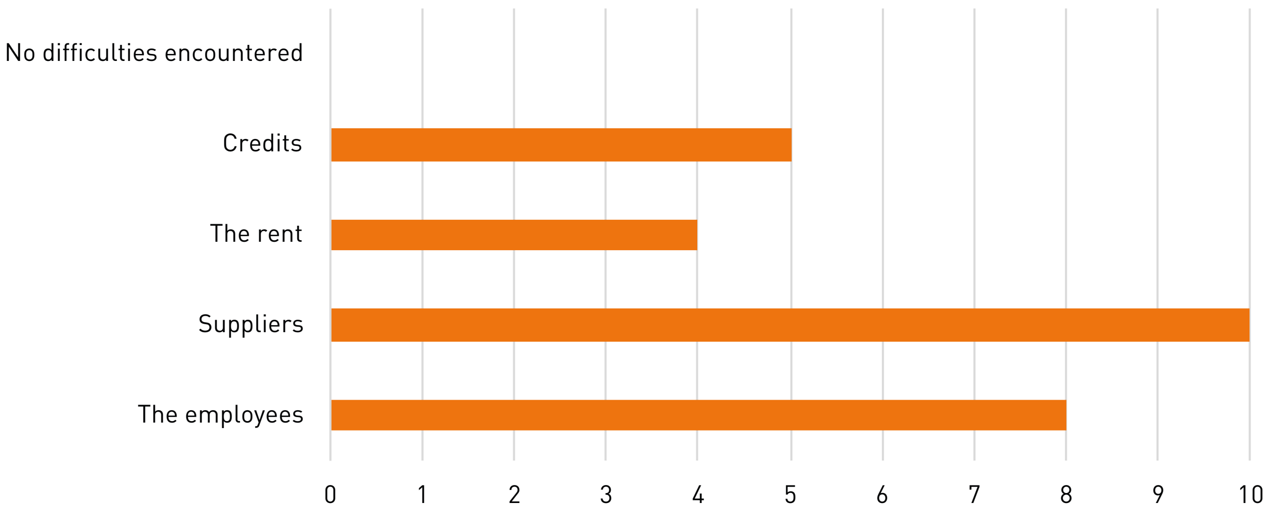


Figure 5: Cash flow difficulties in paying

The main organisational difficulties encountered are related to transport and supply to businesses (80% of businesses impacted).

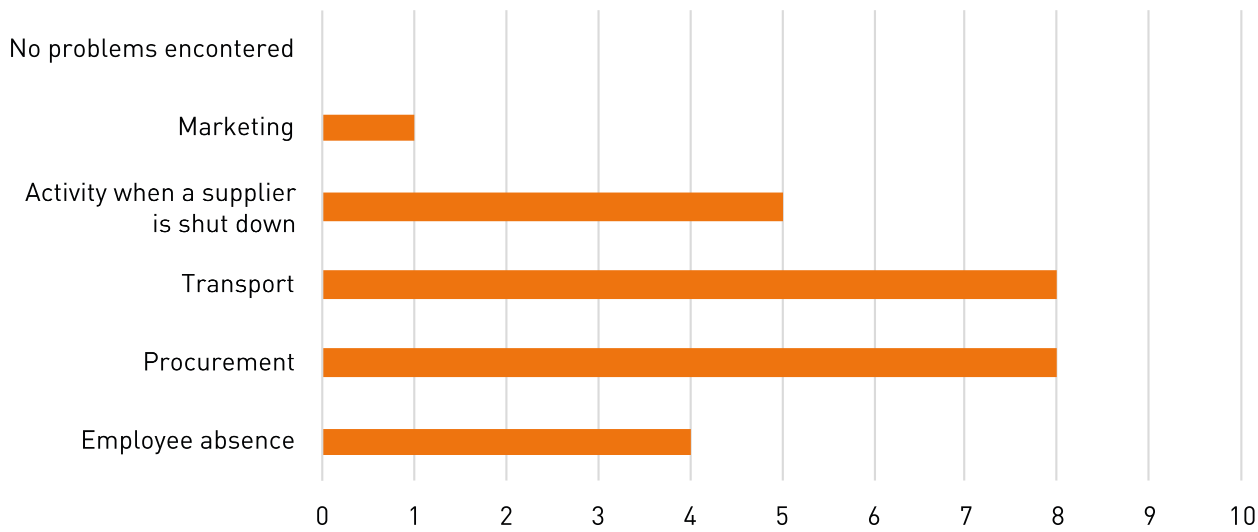


Figure 6: Organisational problems

### 3.4. Impacts on trade and product marketing

Questions asked:

- What is the average weekly unsold volume following difficulties arising from the health crisis? (open question)
- Have you found a marketing solution for this unsold volume? (yes/no)
- If so, what is it? (open question)

Of the 10 participating companies, seven (7) were able to quantify the impact on weekly volume (between 4 tonnes and 22 tonnes per week), two (2) confirmed a decrease in volume (but were unable to quantify it), and one company did not mention a decrease in volume. Some companies also mentioned difficulties in disposing of their pineapple suckers or other plants.

| | Weekly volume (in tonnes) |
|---|---|
| Average | 12.5 |
| Minimum | 4 |
| Maximum | 22 |

The companies mentioned, in response to an open-ended question in the survey, their reasons for the decrease in volume. The main reason for the decrease in volume is the decrease in the logistical offer.

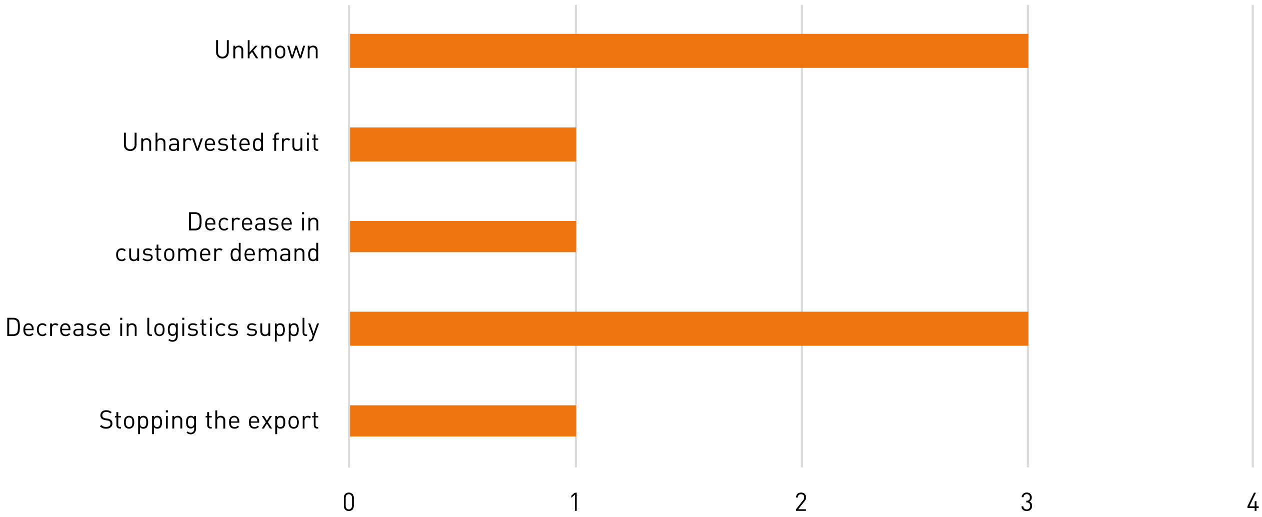


Figure 7: Reasons for decrease in volume

Among the nine (9) companies experiencing a decrease in weekly volume marketed, three (3) companies found alternative solutions: two (2) sold their products on the local market (instead of the European market) and one company processed its fruit into juice for the local market.

## 3.5. Government measures

Questions asked:

- Are you aware of the aid deployed by the government and local authorities? (yes/no)
- If so, which ones do you know? (open question)
- If so, have you already applied for help? (yes/no)
- If so, for what government assistance? (open question)

100% of participating companies replied that they were not aware of the aid deployed by the government and local authorities to alleviate the impact of the crisis on their activities.

## 3.6. Implementation of World Health Organization recommendations to fight the pandemic

Questions asked:

- Which of these WHO recommendations are known and understood by the majority of your employees? (multiple choice)
- What guidelines have you put in place at your station? (multiple choice)
- What instructions did you put in place at harvest time? (multiple choice)
- What instructions have you given to your subcontractors? (multiple choice)
- What additional measures, if any, have been put in place? (open question)
- What are the potential difficulties that prevent you from implementing certain measures and why? (open question)

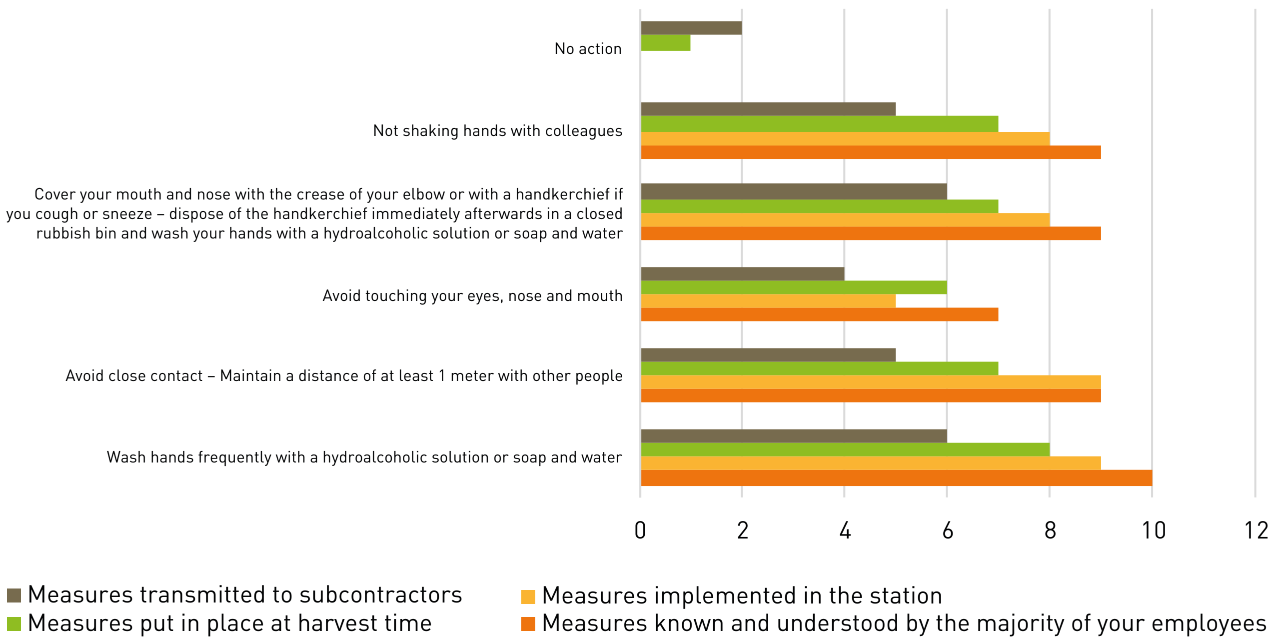


Figure 8: WHO recommendations implemented along the supply chain

The majority of the recommendations are known and understood by companies and their workers (73% of respondents for all measures combined). However, some measures are not applied in day-to-day activities: in the station, on average, measures are applied by an average of 65% of respondents, compared to 60% of respondents applying measures at harvest time, and fewer than 50% of respondents passing on the measures to subcontractors (producers, etc.).

Some companies have put in place additional measures to limit the spread of the virus, including:

- Prohibition of visits within the station
- Limitation of means of transport by motorcycles and tractors
- Regular sensitisation of staff on compliance with the measures
- Disinfection of furniture and packaging materials after each use

The main difficulties mentioned that prevent companies from implementing these recommendations are as follows:

- Lack of financial resources
- Difficulties in accessing community health workers
- Lack of installation of water points on the production site
- Lack of real support for businesses in complying with the government's measures
- Lack of sanction by the authorities for those violating the measures
- Difficulties in controlling the transport of workers

### 3.7. Support desired from COLEACP

Questions asked:

- In your opinion, during the health crisis, what actions can COLEACP take to best support you? (open question)
- In your opinion, when the health crisis is over, what actions will COLEACP be able to put in place to best support you? (open question)

The desired support can be classified into categories, shown in the graph below. During the health crisis, the needs of companies are mainly located at the level of provision of protective equipment, financial support and market access, followed closely by assistance in identifying logistical solutions and raising awareness on barrier gestures.

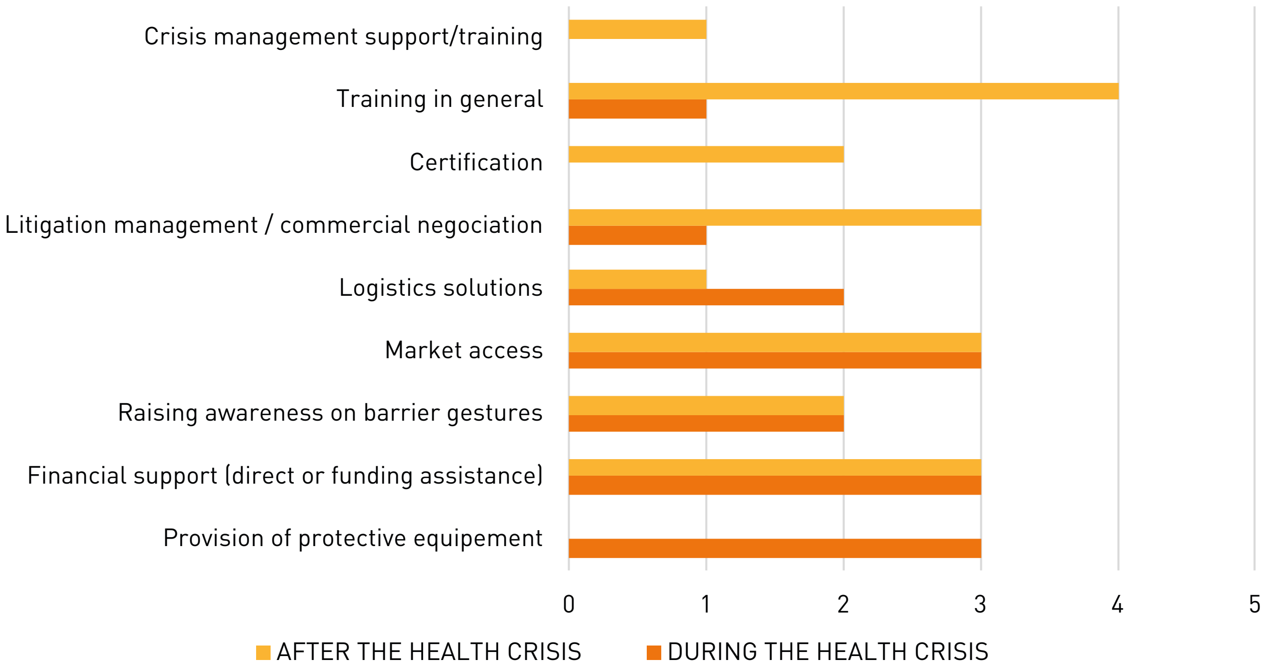


Figure 9: Support desired from COLEACP

Once the health crisis is over, companies would like support in terms of capacity building, particularly in the areas of trade negotiation, dispute management and crisis management. Requests for support during and after the crisis include financial support (direct or indirect) and market access.

## 3.8. Support desired from RHORTICAM

Questions asked:

- In your opinion, during the health crisis, what actions can RHORTICAM take to best support you? (open question)
- In your opinion, when the health crisis is over, what actions will RHORTICAM be able to put in place to best support you? (open question)

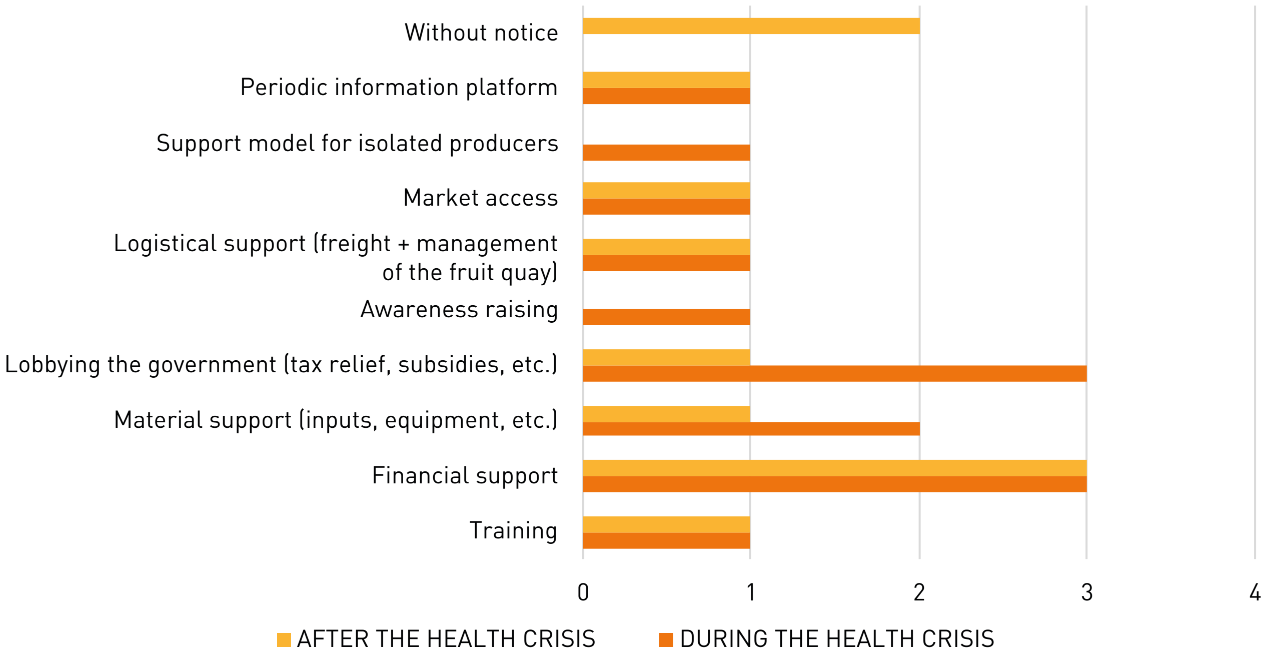


Figure 10: Support desired from RHORTICAM

The support requested on several occasions to help businesses during the crisis includes lobbying the government (tax relief, subsidies for the purchase of inputs, etc.), followed by financial support, and finally support for the acquisition of equipment (group purchase of inputs, equipment, etc.).

After the crisis, the main desired support is financial support.

## 4. CONCLUSION ON THE IMPACTS OF THE HEALTH CRISIS AND THE NEEDS IDENTIFIED FOR THE CAMEROONIAN HORTICULTURAL SECTOR

Overall, all participating companies are impacted by the current crisis, whether they are active on the local or the European market.

The main impacts are at the level of customer demand (90% of companies are experiencing a drop in demand), as well as from a logistical point of view (in the broadest sense) on supply chains: from the supply of products (50% of companies mention blocked supplies), to export (50% lack freight capacity to export their products).

The financial impact is an average 50% decrease in turnover for participating companies. The companies are losing on average 12.5 tonnes of product per week as a result of these problems, and only one-third of the companies have found an alternative market (generally local markets). The identification of alternative markets would relieve the companies in this period of crisis.

From an operational point of view, all participating companies are experiencing liquidity problems and are therefore unable to pay suppliers (100% of respondents) or employees (80%). The main obstacles to operations are related to supply (80% of respondents), transport (80%) and to a lesser extent the absence of employees (40%).

Companies are not informed about the government aid available to them. Support from RHORTICAM (information about, and assistance in applying for and obtaining, financial aid) is requested from the companies.

The majority of WHO recommendations (barrier actions) are known and understood by companies and their workers (73% of respondents for all measures combined). However, some measures are not applied in day-to-day activities: in the station, measures are applied by an average of 65% of respondents, compared to 60% at harvest time, and less than 50% of respondents transmit measures to subcontractors (producers, etc.). It seems appropriate to accompany harvesting staff and producers in these measures.

The results of the survey, together with the desires mentioned by the companies, make it possible to identify the following priorities for support:

- **Support from COLEACP:**
  - **Market access:** identifying alternative markets for companies to sell their products.
  - **Commercial negotiation:** the identification of markets must be accompanied by training in commercial negotiation for companies, so that once a market has been identified, company managers can defend their products and the interests of their company.
  - **Crisis management support:** the priorities here are to help companies manage their cash flow and secure their supply chain.
  - **Support for raising awareness on barrier gestures:** those responsible for disseminating good hygiene practices should urgently be trained in good hygiene practices and the dissemination of these messages. COLEACP's online training platform offers a very good tool for this purpose.
  - **Access to finance:** for companies that seek access to finance and have an investment plan, COLEACP regularly identifies financing structures that may be able to respond favourably to their request for financing.

- **Support from RHORTICAM :**
  - **Market access:** identifying alternative markets for companies to sell their products.
  - **Information and communication:** information on barrier gestures, reminders of the instructions to limit the spread of the virus, and also on the aid measures put in place for the government; if possible, RHORTICAM may accompany companies in applying for government aid.
  - **Advocating to the government:** RHORTICAM is invited to approach the Cameroonian government to defend horticultural companies and promote the obtaining of subsidies or tax relief in times of crisis.

# II. THE NEW EU ORGANIC REGULATION (UPDATE)

## Brief on the Potential impacts of the new EU organic regulation on the ACP industry

### Background

- COLEACP in collaboration with IFOAM, CTA, Fair Trade Advocacy Office alerted the ACP Group on the potential impacts of the new EU organic regulation for ACP small farmers who produce and export organic products to the European Union countries.
- IFOAM and other stakeholders, including Freshfel, have written to the EC to ask for a postponement of the application of the new regulation in the light of the COVID-19 crisis.
- While the basic rules have been adopted in 2018, the detailed requirements are still being finalized and issued through a series of delegated and implementing regulations.
- The consultation process for the Draft Commission Implementing Regulation laying down detailed rules for implementation of Regulation (EU) 2018/848 is nearing completion. Feedback has been provided to the Commission on the changes that will affect the ACP.

### Key issues

Organic production and trade are a growing sector providing economic opportunities to millions of farmers and operators in ACP countries, supplying cocoa, coffee, tropical fruits, tea, nuts & oil, sugar, spices mainly to the EU and US markets.

The EU published a New Organic Regulation (EU) 2018/848 on organic production and labelling of organic products in June 2018. This is set to apply from 1 January 2021, but following a request from industry stakeholders, discussions are in progress for a possible one-year postponement. This recognizes that the Covid-19 crisis is affecting the required consultation process. The new Regulation will apply to EU and non-EU producers, with transitional rules to adapt to the new requirements of up to 3 years. It contains significant regulatory changes that will affect ACP suppliers, particularly small-scale farmers, who produce and export organic products to the EU.

Draft Commission Implementing Regulation, laying down detailed rules for implementation of Regulation (EU) 2018/848 of the European Parliament and of the Council on controls and other measures ensuring traceability and compliance in organic production, is under discussion. Specific concerns for ACP countries include the following proposed changes to group certification:

- The number of farmers allowed in each group will be limited to 1000
- Each group will need to have its own legal entity
- For cooperatives that currently have organic and non-organic members, the organic members will have to form a new legal entity, separate from the cooperative COLEACP

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A minimum of 5% of farmers in a group will have to be inspected by an independent third party, and the third party will need to sample and analyse products/soil/leaves from 5% of farmers in a group.

These changes could create unnecessary burdens for the ACP organic sector, where sourcing involves many small-scale farmers working through organised groups or cooperatives, and may not address the main concerns about the current quality of group certification. Farmer groups will face increased costs to cover legal registrations, administration processes and certification costs. Feedback has been provided to DG Agri suggesting the following amendments:

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Cooperatives, federations of cooperatives, and processors/exporters with affiliated farms should continue to be recognised as certifiable legal group entities. These entities should be permitted to create sub-groups of their members for the purposes of organic certification, without the need to form new separate legal entities just for the organic members. Note also that recognition of "processor/exporter managed groups" should continue as under rules.

There should be no maximum group size. Instead, large groups could be required to have a clustered structure that ensures close management and supervision of their Internal Control System. If there is a limit to group size, then it should only be for the purposes of certification.

In terms of third-party inspections, to avoid disadvantaging the many groups over 400 members, the square root approach should be maintained, with an additional minimum control rate of 3-5%.

A second Draft Commission Implementing Regulation, concerning the authorisation of products and substances for use in organic production, is under discussion. It will be important here also for feedback to be provided during the consultation process on potential impacts for ACP suppliers.

# III. BREXIT: OUTCOME OF THE UK GLOBAL TARIFF CONSULTATION

## Executive Summary

### Background

In February 2020, the UK Department for International Trade launched an online consultation process to inform the UK's future most favoured nation (MFN) tariff schedule (i.e. UK Global Tariff, UKGT) following the effective UK's withdrawal from the EU customs union and single market. The UKGT will be effective as from 1st January 2021.

There was an intense debate in the UKGT regime between free market liberalises and trade policy pragmatists, with a specific emphasis on the *zero production-zero tariff* approach. This approach was a source of considerable concern to COLEACP horticultural exporters . Given the structure of the currently applied MFN tariffs, any move over to such an approach could have led to a severe erosion of existing margins of tariff preferences for ACP exporters.

Indeed, this initially foreseen approach would not only have impacted on trade with MFN suppliers to the UK market but would also have carried implications for Standard GSP suppliers, and even in some instances, where only reduced tariff-quota restricted access is granted, free trade agreement (FTA)-based exporters.

It was estimated that out of the total value of ACP horticultural exports to the UK (i.e. EUR 1 117 million in 2019), at least 36% could have been adversely affected by the adoption of a *zero production-zero tariff approach*. For most ACP countries, this would have had a severe negative impact, given the predominant weight the affected products play in total exports to the UK and the criticality of these products to employment and rural development.

Against this background, COLEACP supported, throughout January, February and beginning of March 2020, an active process of engagement with ACP business associations and competent authorities (including ACP embassies in Brussels – in close collaboration with the ACP Group of States Secretariat – and in the UK) in order to facilitate their active participation to the UKGT consultation process. This engagement process resulted in a number of private business associations, ACP governments and regional bodies, engaging in informational and representational work with UK officials, parliamentarians and Ministers on areas of concern to ACP exporters.

### Main outcomes of the consultation

The UK government publicly announced its UKGT on the 19th May 2020. The announcement explicitly mentioned that the new MFN scheduled maintained in place some existing tariffs where this supports *imports from the world's poorest countries that benefit from preferential access to the UK market while preserving the UK's commitment to deepening trade with developing countries in order to reduce poverty and improve prosperity*.

This has seen many of the concerns raised by COLEACP's constituency have been fully accommodated within the UKGT as many import tariffs on major horticulture export products of interest to ACP exporters remain unchanged or will be only slightly reduced for suppliers subject to the MFN schedule.

Significantly, this leaves unaffected the trade taking place under FTAs where reduced tariff import quotas are applied (most notably for bananas). For example, any move over to a *zero production-zero tariff* policy would have profoundly impacted on the basis for the majority of UK imports of bananas, since exporters subject to reduced tariff quota restricted access under rolled-over UK-only FTAs would simply have exported under standard zero tariff MFN conditions which such a profound policy shift would have entailed.

The principal area of concern arising from the UKGT relates to those products which are currently covered by EU minimum entry price or standard import value requirements. The UK proposal removes these requirements, replacing them with *ad valorem* tariffs.

A critical question now faced relates to the knock-on effects of this UK policy change on tariffs charged under the UK's future Standard GSP and GSP+ schemes, for products currently covered by such minimum entry price or standard import value requirements.

Links:

- Public consultation: MFN Tariff Policy (The UK Global Tariff) – Government response & policy*
- Detailed guide to UK tariffs from 1 January 2021
- The UK Global Tariff Tool

## Appendix

### Tariffs in some major areas maintained and simply converted

In a number of areas, the existing MFN tariff has been retained with only the currency in which the tariff is denominated being changed to GBP (£) rather than EUR. For bananas, accounting for over EUR 200 million of ACP export to the UK in 2019, the new UK tariff will be £95/tonne rather than €114/tonne (based on an exchange rate of €1 = £0.83687). Similarly, for ethnic roots and tubers (accounting for EUR 6.8 million of ACP exports to the UK in 2019) where the tariff will be changed to £79/tonne from €95/tonne, while for sweet potatoes for human consumption the tariff is changed to £5.3/100kg from €6.4/100kg.

Tariffs Maintained and Simply Converted (Direct Exports to UK - Value € millions 2019)

| Commodity | Description/Value 2019 | EU CET | UK Global Tariff | Change |
|---|---|---|---|---|
| **Bananas** | **€200 million** | | | |
| 08039010 | Bananas, fresh (excl. plantains) | €114.00 | £95.00/ tonne | Currency conversion |
| 08039090 | Bananas, dried (excl. plantains) | €114.00 | £95.00/ tonne | Currency conversion |
| **Root & Tuber** | **€6.8 million** | | | |
| 07149020 | Arrowroot, salep and similar roots and tubers with high starch content, fresh, chilled, frozen, or dried, whether or not sliced (excl. manioc "cassava", sweet potatoes, yams, taro and yautia) | €9.50/100kg | £ 7.90/100kg | Currency conversion |
| **Sweet Potatoes** | **€3.6 million** | | | |
| 07142090 | Sweet potatoes, fresh, chilled, frozen, or dried, whether or not sliced (excl. use for human consumption) | €6.40/100kg | £5.3/100kg | Currency conversion |

### Slightly lower duties and removal of seasonal variations

In other major areas, seasonal variations in the MFN import duties applied have been removed and the overall duty has been lowered slightly from the lowest existing seasonal duty. This affects products such as cut flowers, peas, raspberries, onions and shallots, lemons watermelons, pimento, aubergines. With only a marginal reduction in the MFN tariff having been introduced, the knock-on effects on Standard GSP tariffs shall also be marginal. This change is not expected to have a major impact on ACP trade flows to the UK in the affected products.

Slightly Lower Duties and Removal of Seasonal Variations (Direct Exports to UK - Value € millions in 2019)

| Commodity | Description/Value 2019 | EU CET | UK Global Tariff | Change |
|---|---|---|---|---|
| **Cut Flowers** | **€85 million** | | | |
| 06031100 to 06031970 | Fresh cut roses and buds, of a kind suitable for bouquets and other cut flowers | · 8.50% (01 JAN-31 MAY, 1 NOV-31 DEC<br>· 12% (01 Jun-31 Oct) | 8% | Simplified |
| **Peas** | **€15.5 million** | | | |
| 07081000 | Fresh or chilled peas «Pisum sativum shelled and unshelled | · 8.00% (1 JAN-31 MAY, 1 Sep-31 Dec)<br>· 13.60% (01 Jun-31 Aug) | 12% (01 Jun-31 Aug)<br>8% (01 Sep-31 May | Simplified |
| **Raspberries** | **€13.3 million** | | | |
| 08102010 | Fresh raspberries | 8.8% | 8% | Simplified |
| 08102090 | Blackberries, mulberries & loganberries | 9.6% | 8% | Simplified |
| **Onions & shallots** | **€9.4 million** | | | |
| 07031011 | Onion sets fresh/chilled | 9.6% | 8% | Simplified |
| 07031019 | Onions, fresh/chilled (excl. sets) | 9.6% | 8% | Simplified |
| 07031090 | Shallots, fresh/chilled | 9.6% | 8% | Simplified |
| **Melons/Watermelons** | **€9 million** | | | |
| 08071900<br>08071100 | Fresh Melons<br>Watermelons | 8.8%<br>8.8% | 8%<br>8% | Simplified |
| **Pimenta** | **€8.4 million** | | | |
| 07096099 | Fresh or chilled fruits of genus Capsicum or Pimenta | 6.4% | 6% | Simplified |
| **Avocadoes** | **€38 million** | | | |
| 08044000 | Fresh or dried avocados | · 4.00% (1 JAN-31 MAR, 1-31 DEC)<br>· 5.10% (1 JUN-30 NOV) | | Simplified |
| **Aubergines** | **€4.1 million** | | | |
| 07093000 | Fresh or chilled aubergines «eggplants» | 12.8% | 12% | Simplified |
| **Pineapples** | **€6.8 million** | | | |
| 08043000 | Fresh or dried pineapples | 5.8% | 4% | Simplified |
| **Carrot/Turnips** | **€3 million** | | | |
| 07061000 | Fresh or chilled carrots and turnips | 13.6% | 12% | Simplified |
| **Sweet Potato** | **(€3.6 million)** | | | |
| 07142010 | Sweet potatoes, fresh, whole, for human consumption | 3% | 2% | Simplified |
| **Dates** | **(€2 million)** | | | |
| 08041000 | Fresh or dried dates | 7.7% | 6% | Simplified |

However, in the cut flower sector a major issue will arise if the UK were to leave the EU customs union and single market at the end of 2020 without an alternative trade arrangement in place. This has the potential to create significant disruptions to the functioning of ACP triangular supply chains which serve the UK market via the flower auctions in the Netherlands. These triangular supply chains account for the bulk of ACP cut flower exports to the UK.

Specific measures will need to be set in place to prevent a disruption of these supply chains. Any such disruptions which would profoundly set back the process of post-COVID-19 recovery in the ACP cut flower sector which is only likely to get underway in 2021.

The relatively small tariff reductions introduced for a range of agri-food products with relatively low export values but where ACP countries have an export interest (cumulatively valued at more than EUR 120 million in 2019) would appear unlikely to have any major impact on trade flows to the UK market.

### Tariffs with minimum import price and standard import value requirements abolished

In other product areas not only have seasonal variations in tariffs been removed but also minimum import price (MIP) requirements have been abolished. For these products, only a straight ad valorem tariff is to be applied. Products such as fresh beans, broccoli, fresh plums, table grapes, pears peaches, and nectarines are affected. Collectively, the value of these ACP exports to the UK in 2019 was around EUR 283 million.

Products Where Minimum Import Price or Standard Import Value Requirements Abolished and a Tariff Established (Direct Exports to UK - Value € millions in 2019)

| Commodity | Description/Value 2019 | EU CET | UK Global Tariff | Change |
|---|---|---|---|---|
| **Fresh Beans** | **€53.0 million** | | | |
| 07082000 | Fresh or chilled beans «Vigna spp., Phaseolus spp.», shelled or unshelled | · 10.4% MIN €1.6/100kg/net (01 JAN-30 JUNE, 01 OCT-31 DEC)<br>· 13.60% MIN €1.6/100kg/net (01 JUL-30 SEP) | 10% | Simplified |
| **Broccoli** | **€18.4 million** | | | |
| 07041000 | Fresh or chilled cauliflowers and headed broccoli | · 9.60% MIN €1.1/100 kg/net (01 JAN-14 APR, 1 DEC-31 DEC)<br>· 13.60% MIN 1.6€/100kg/net | 8% | Simplified |
| **Fresh Plums** | **€15.3 million** | | | |
| 08094005 | Fresh plums | Entry Price (UP) | · 6.00% (01 OCT - 30 JUN)<br>· 12.00% (01 JUL - 30 SEP) | Simplified |
| 08094090 | Fresh Sloes | 12% | 12% | Simplified |
| **Table Grapes** | **€167.8 million** | | | |
| 08061010 | Fresh table grapes | Entry Price (UP) | 8% | Simplified |

| | | | | |
|---|---|---|---|---|
| **Peaches/Necta-rines** | **€20.8 million** | | | |
| 08093010 | Fresh nectarines | Entry Price (UP) | 16% | Simplified |
| 08093090 | Fresh peaches (excl. necta-rines) | Entry Price (UP) | 16% | Simplified |
| **Pears** | **€8.3 million** | | | |
| 08083090 | Fresh pears (excl. perry pears in bulk from 1 Aug to 31 December) | Entry Price (UP) | · 8.00% (1 JAN-31 JAN)<br>· 4.00% (1 FEB-31 MAR)<br>· 0.00% (1 APR-31 JUL)<br>· 10.00% (1 AUG-31 DEC) | Simplified |
| **Apricots** | **€2 million** | | | |
| 08091000 | Fresh Apricots | Entry Price (UP) | 20% | Simplified |
| **Oranges** | **€125.3 million** | | | |
| 08051022 | Fresh navel oranges | Entry Price (SIV) | · 10.00% (01 NOV-30 APR)<br>· 2.00% (01 MAY-31 OCT) | Simplified |
| 08051024 | Fresh white oranges | Entry Price (SIV) | · 10.00% (01 NOV-30 APR)<br>· 2.00% (01 MAY-31 OCT) | Simplified |
| 08051028 | Fresh sweet oranges (excl. navel and white oranges) | Entry Price (SIV) | · 10.00% (01 NOV-30 APR)<br>· 2.00% (01 MAY-31 OCT) | Simplified |
| 08051080 | Fresh or dried oranges (excl sweet oranges | · 16.00% (1JAN-31 MAR, 16 OCT-31 DEC)<br>· 12.00% (1 APR-15 OCT) | 12% | Simplified |
| 08052110 | Fresh or dried satsumas | Entry Price (UP) | 16% | Simplified |
| 08052190 | Fresh or dried mandarins incl. tangerines | Entry Price (UP) | 16% | Simplified |
| 08052200 | Fresh or dried clementines incl. monreales | Entry Price (UP) | 16% | Simplified |
| 08052900 | Fresh or dried wilkings and similar citrus hybrids | Entry Price (UP) | 16% | Simplified |
| **Lemons and Limes** | **€24.0 million** | | | |
| 08055010 | Fresh or dried lemons | Entry Price (SIV) | 6% | Simplified |
| 08055090 | Fresh or dried limes | 12.8% | 12% | Simplified |

| | | | | |
|---|---|---|---|---|
| **Apples** | **€65.5 million** | | | |
| 08081010 | Fresh cider apples, in bulk, from 16 September to 15 December | 7.2 MIN €0.36 EUR/100 kg (SIV) | 6% | Simplified |
| 08081080 | Fresh apples (excl. cider apples, in bulk, from 16 September to 15 December) | Entry Price (SIV) | · 4.00% (1 JAN-31 MAR)<br>· 0.00% (1 APR-31 JUL)<br>· 8.00% (0 AUG-31 DEC) | Simplified |
| **Tomatoes** | **€0.8 million** | | | |
| 070200 | Tomatoes, fresh or chilled | Entry Price (SIV) | · 8.00% (1 NOV-31 MAY)<br>· 14.00% (1 JUN-31 OCT) | Simplified |

For other products subject to standard import value (SIV) requirements, these requirements have been abolished and replaced by a straight *ad valorem* tariff.  This largely affects products such as citrus fruit and deciduous fruit, although a variety of other fruit and vegetables are also affected. However, some citrus fruits currently face unit price (UP) requirements rather than SIV requirements. Collectively, the value of ACP exports of these products to the UK market in 2019 was around EUR 216 million.

The effects of removing MIP and SIV requirements is difficult to assess precisely. The removal of MIP requirements will *de facto* the import floor price from which new ACP entrants to the EU market have benefitted across a variety of products. In the past, this *floor price* effect of the entry price system has facilitated the establishment to ACP exporters on EU markets. However, for well-established exporters of high-end quality products, the shift from minimum entry price requirements to ad valorem MFN import tariffs is not expected to have any severe consequences on trade flows.

Equally, the shift from SIV requirement to *ad valorem* tariffs, while potentially impacting on EUR 216 million worth of ACP exports to the UK market (2019), is not expected to have particularly serious effects in most areas (notably citrus and deciduous fruits) given exports from ACP countries to the UK are dominated by South Africa (around EUR 196 million). However, the impact on smaller scale ACP exporters could be more severe, depending on how this shift in tariff is then translated into reductions in Standard GSP import duties and the UK's autonomous GSP+ scheme.

### Elimination of nuisance tariffs and continuation of zero tariffs

For some products, so-called *nuisance tariffs* have been fully removed. Given the low level of these tariffs, such elimination is not expected to have any impact on ACP trade flows.

For products like papayas, mangoes, and guavas where ACP exports to the UK market were valued at EUR 43.8 million (2019), since the EU MFN duty was already zero, this zero MFN duty has simply been replicated.

Removal of Nuisance Tariffs and Continuation of Zero Tariffs (Direct Exports to UK - Value € millions in 2019)

| Commodity | Description/Value 2019 | EU CET | UK Global Tariff | Change |
|---|---|---|---|---|
| **Grapefruit** | **(€9.7 million)** | | | |
| 08054000 | Fresh or dried grapefruit | 1.50% (01 JAN-30 APR, 01 NOV-31 DEC), 2.40% (01 MAY-31 OCT) | 0% | Liberalised |
| **Mangoes & Guavas** | **(€42.5 million)** | | | |
| 08045000 | Fresh or dried guavas, mangoes and mangosteens | 0% | 0% | No charge |
| **Papayas** | **(€0.8 million)** | | | |
| 08072000 | Fresh papayas | 0% | 0% | No Change |

# IV. NOTE ON THE EU GENERALISED SYSTEM OF PREFERENCES REVISION PROCESS

# EXECUTIVE SUMMARY

## Background

The EU has launched the public consultation phase in the process of review of is generalised system of preferences (GSP). The EU regulation governing the current GSP scheme expires on 31 December 2023. This initiative launches the preparatory work needed to allow the EU to decide on the future of the scheme. The public consultation process is open until 15 July 2020.

Only 3 ACP countries actually export under standard GSP terms (Nigeria, Republic of Congo and Gabon) while only 1 ACP country trades into the EU market under GSP+ arrangements (Cape Verde, but currently has marginal exports of horticultural products[51] to the EU28). Collectively, in 2019, these countries exported EUR 4.5 million worth in horticultural products to the EU28 (i.e. representing 0.1% of total ACP horticulture exports to the EU28).

The EU's current review of its GSP scheme needs to be seen in a context where the bulk of exports from ACP countries take place under one of the following trade arrangements:

- **Reciprocal preferential trade agreements (FTAs) concluded with the EU**, which involve the progressive introduction of preferential access for EU exports in exchange for full duty free-quota free (DFQF) access to the EU market (known as Economic Partnership Agreements, EPAs). These countries accounted for about 54% of total ACP horticultural exports to the EU28 in 2019. The tariffs applied under these FTAs will not be directly affected by the current GSP review.
- **Interim-EPAs**, which have been established bilaterally in the face of stalled regional trade agreement negotiation processes. While these countries nominally remain eligible for GSP preferences, they currently enjoy DFQF access under these interim arrangements, and hence trade under the terms and conditions of the interim-EPAs. This is particularly important for products such as bananas and fresh beans where no or only limited GSP tariff preferences are extended. This group of ACP countries accounted for about 33% of total ACP horticultural exports to the EU28 in 2019.
- **The Everything But Arms (EBA) initiative,** established in 2001 to progressively provide, on a unilateral basis, full DFQF access to the EU market for all exports (except arms and ammunition) from least developed countries (LDCs, as classified by the World Bank). This group of ACP countries accounted for about 13% of total ACP horticultural exports to the EU28 in 2019.

The GSP import tariffs applied might seem of limited direct importance to the vast majority of ACP exporters of horticultural products (although potentially of importance to Nigeria in some sectors). However, the EU GSP scheme is of primary interest of ACP exporters in light of the indirect influence GSP import tariffs have on the value of the current margins of preference enjoyed over competing or potentially competing GSP suppliers. Nevertheless, for many horticultural products of export interest to ACP suppliers, the GSP+ tariff is already nil, with the major potential area of change being in regard to the Standard GSP tariffs and the scope for graduating countries from Standard GSP to GSP+.

## Scope of the GSP scheme review and potential outcomes

The EU Regulation 978/2012 governing the current GSP scheme expires on 31 December 2023. With this public consultation, the EC is seeking input from stakeholders by 15 July 2020 and launches the preparatory work needed to prepare an informed formal proposal that shall allow the EU Council and the European Parliament to co-decide the next regime. Inputs is sought on matters including:

51 Fruit, vegetable, cut flower and ornamental plant products, referred to as horticultural products in this document.

- **Structure** *i.e.* is the structure of three separate regimes (Standard GSP, GSP+, and EBA) effectively working or should it be revised?
- **Expansion of GSP+ compliance requirements** *i.e.* expansion to require compliance with additional international conventions.
- **Withdrawal of benefits** *i.e.* modus operandi to withdraw GSP benefits in case of violations of certain international conventions related to environment protection (including on climate change) or good governance?
- **GSP beneficiary countries** *i.e.* potential revision to the list of GSP beneficiary countries to have an even tighter focus on the most vulnerable ones or extension to developing countries which currently do not benefit from the EU's GSP scheme
- **GSP product coverage** *i.e.* should the product scope be widened or narrowed?
- **Product graduation**[52] *i.e.* potential amendments to the graduation mechanism to apply to individual products as opposed to broad product categories, potential extension of this mechanism to the GSP+ and EBA regimes, etc.
- **Country graduation**[53] *i.e.* potential different transition period foreseen

A number of options for restructuring the scheme have been highlighted in EC communications (i.e. inception impact assessment) as background context to the scheme review:

- **Continuation of the current GSP scheme.** This option is the baseline as the mid-term evaluation of the effectiveness of the GSP scheme concluded that the policy is effective.
- **Discontinuation of the current GSP scheme** while maintaining EBA preferences as a unilateral tariff preference regime for LDCs (i.e. open-ended regime). Indeed, while this EBA scheme is part of the EU's GSP regime, the EBA regime is bound at the World Trade Organisation (WTO) and hence is not subject to the current review.
- **Improving the current GSP regime** through a limited expansion of product coverage via a review of graduation thresholds, a review of the safeguard mechanism, an analysis of the consistency between GSP and EU FTAs and EPAs, revising the list of international conventions with which compliance is required to secure GSP+ treatment, the role of civil society in beneficiary countries in the implementation of international conventions, etc.
- **Extending the GSP scheme** through a more significant expansion of product coverage, introducing positive conditionality related to ratification of international conventions, expanding product graduation to other GSP programmes.
- **Merging the Standard GSP and GSP+ regimes**, with the aim of promoting greater compliance with international human rights, labour rights, and environmental standards, has also been raised.

In addition, in several important sectors (e.g. citrus), the EU applies a system of seasonally-adjusted *Standard Import Values* or *Minimum Import Price* requirements in place of or alongside import tariffs which have important bearing on seasonal trade flows. Since this system is integrally embedded in the EU Common Agricultural Policy (CAP) trade regime, it is unlikely these arrangements will be amended as part of the GSP scheme review.

52 Under the product graduation mechanism, preferences for of particular groups of products originating in a given GSP beneficiary country lose GSP preferences when imports have reached a certain level while imports of the other groups of products from that country keep the preferential treatment. Product graduation does not currently apply to GSP+ and EBA arrangements.

53 Under the country graduation mechanism, a country that is no longer classified by the World Bank as a LDC in 3 consecutive years loses its status as GSP beneficiary country after a transition period of 3 years.

## Main areas of concern

For ACP suppliers, the main areas of concerns are :

- the extent to which any of these possible outcomes result in a lowering of import duties on competing products from current Standard GSP or GSP+ beneficiaries;
- the extent to which the EU maintains its long-standing policy of focussing unilateral tariff preferences on the most vulnerable countries and increasingly establishes FTAs as the main framework for EU preferential trade relations with developing countries.

Analysis suggests favouring FTAs as the main framework for EU preferential trade relations is likely to limit the EU's inclination to reduce Standard GSP/GSP+ tariffs or broaden the existing product coverage, where the principal beneficiary would be a country with which the EU is seeking to conclude an FTA.

Secondary areas of concern arising from the GSP scheme review relate to the modalities for the implementation of the GSP tariff preference system. This is potentially of greatest interest to EBA countries who could be facing graduation to Standard GSP status (most notably Angola, where a rehabilitation of the agricultural export sector is underway).

Issues could also arise in regard to respect for principles laid down in international conventions on human rights and labour rights, with the EU having recently initiated proceedings which carry trade preference implications (i.e. Cambodia and Myanmar). It is still unclear at this stage whether as part of the current GSP review, compliance with minimum environmental and climate change related standards will be added to the GSP regime, even though there is a high likelihood this could happen in light of the EU's New Green Deal policy.

Issues could also arise regarding the application of regional cumulation of origin arrangements where EBA beneficiaries are involved in regional trade integration initiatives with neighbouring non-LDCs. GSP countries can, under certain conditions and only for industrial products and processed agricultural products, ask the EU for authorisation to cumulate with countries with which the EU has a FTA.

## Main considerations and COLEACP recommendations

COLEACP recognises there are a range of export-oriented products of significant interest for ACP suppliers where GSP tariffs are either zero or relatively low (e.g. mangoes, pineapples, etc.), any reforms would be unlikely to have a significant detrimental impact on structural investment and trade flows into ACP countries. EU investment (both private and through the EU/EU member states initiatives) has historically been an important contributor, complementing determined and sustained efforts by national governments and the private sector in the respective countries.

COLEACP also recognises that, in a range of other areas where its constituency have significant interests in exporting to the EU market (most notably but not solely for citrus and deciduous fruit), the trade regime applied is intimately linked to the EU's Common Agricultural Policy (CAP) and is thus unlikely to be subject to revision as part of the current GSP review.

It is worth pointing out that, while the situation varies from country to country, COLEACP's constituency has been severely affected by trade disruptions resulting from the COVID-19 pandemic. COLEACP is of the view that any alteration to the EU GSP trade regime which adversely impact on the context for investment in the recovery of existing patterns of ACP exports of horticultural products to the EU in the post-COVID-19 period, need to be avoided.

On the basis of the EU's commitments to increasingly focussing its unilateral trade preference regime on the poorest and most vulnerable countries, the trajectory of EU trade policy towards establishing reciprocal preferential trade agreements as the principal framework for trade relations with developing countries, the current severe disruptions to freight horticultural products (especially by air) from ACP suppliers to the EU arising as a result of the COVID-19 pandemic and the structure of current imports from Standard GSP and GSP+ beneficiary countries in the horticultural sector, COLEACP suggests the following recommendations, on behalf of its constituency:

- **Retain the existing distinction between the Standard GSP and GSP+ tariff regimes.**
- **Retain existing country classifications** used in determining eligibility under both the Standard GSP and GSP+ tariff regimes.
- **Maintain the current Standard GSP tariff regime on fresh bananas,** given the critical role tariff reductions have played in the changing pattern of EU banana imports over recent years and the value of the materiality of ACP banana export trade to the EU (EUR 823 million in 2019, representing 18% of the total value of exports of horticultural products to the EU28 from ACP countries).
- **Maintain the current Standard GSP tariff on cut roses,** in recognition of the competitive challenge which would arise for ACP suppliers if the existing tariff were removed from suppliers in Standard GSP beneficiary countries where extensive state supported investment is underway to promote cut rose exports to Europe. This needs to be seen in a context where the COVID-19 pandemic which led to a major increase of air freight rates for ACP cut flowers suppliers has remove the freight advantage which had previously acted as a deterrent against increased competition from the Standard GSP beneficiary in question (i.e. India). In 2019, ACP cut rose exports were valued at EUR 573 million (representing about 13% of the total value of horticultural exports to the EU28 from ACP countries).
- **Maintain the current Standard GSP tariff on other cut flowers and ornamental plants** on the basis of similar concerns, in a context where in 2019 other cut flowers and ornamental plants from ACP countries were valued at EUR 280 million (representing 6% of the total value of horticultural exports to the EU28 from ACP countries).
- **Maintain the current Standard GSP tariff on table grapes,** in a context where a Standard GSP beneficiary (i.e. Namibia) is already the second largest table grape supplier to the EU (after South Africa) and total ACP exports were valued at EUR 526 million in 2019 (representing 12% of the total value of horticultural exports to the EU28 from ACP countries).
- **Maintain the current Standard GSP tariff on fresh beans,** in the context of COVID-19 related air freight disruptions and the potential for increased competition from Standard GSP suppliers should the existing tariff be removed. In 2019, ACP exports of fresh beans were valued at EUR 130 million, representing 3% of the total value of horticultural exports to the EU28 from ACP countries.
- **Maintain the current Standard GSP tariffs and the existing country classifications used under the EU's GSP system for fresh peas,** in a context where the removal of the Standard GSP tariff could intensify competition from Standard GSP beneficiaries whose size and location would enable them to more easily overcome the freight rate challenges which the COVID-19 pandemic has generated for leading ACP fresh pea exporters (i.e. Kenya and Zimbabwe).
- **Maintain the current Standard GSP duty on fresh broccoli** imports to the EU given the high margin of tariff preference this generates for ACP suppliers, and the potential competitive threat from Standard GSP suppliers in the absence of current tariff arrangements.
- **Maintain the current Standard GSP tariffs for other fruit and vegetable products** where a wide variety of tariffs are currently applied given ACP exports of a range of these products are only now getting underway (collectively worth EUR 70 million in ACP exports to the EU28 in 2019).

- **Establish temporary special trade dispensations** where an alternative trade framework preserving existing duty-free access is not readily available for ACP countries graduate out of LDC status (i.e. automatically lose EBA DFQF access), until such an alternative trade framework is in place.
- **Establish arrangements to allow full cumulation under simplified procedures**, where the sourcing of inputs from neighbouring non-LDCs is essential to ensuring competitive year-round production of value-added pre-packaged products for the EU market. Indeed, COLEACP's constituency are constantly seeking to move up the value chain in their export trade with Europe, with in some areas cumulation issues arising under the rules of origin applied to EBA beneficiaries.

COLEACP

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