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Information session

Organisation of African, Caribbean and Pacific States

09 JUNE 2020



AGENDA OF THE INFORMATION SESSION

1. Opening Remarks - Chair
2. Impact of COVID19 on the agrifood production and supplies sector in ACP countries
3. Update on the EU Organic Regulation (2018/848)
4. Update on the results of the UK Global Tariff (UKGT) consultation and on the consultation process of the EU Generalised System of Preferences (GSP)
5. Next Steps
6. Any other Business

01

OPENING REMARKS

02

IMPACT OF COVID19 ON THE AGRIFOOD PRODUCTION AND SUPPLIES IN ACP COUNTRIES

STRUCTURE OF THE PRESENTATION

- Context
- Feedback from the industry
- Initial effects of COVID-19 on the agrifood sector
- Regional and international responses
- COLEACP Action Plan on COVID-19

Context: Multiplicity of challenges to address



**DIVERSE CHALLENGES (LOCUST
OUTBREAK IN THE HORN OF
AFRICA, DROUGHTS AND
HURRICANE SEASON)**



**LOCKDOWNS, MOVEMENT
RESTRICTIONS & SOCIAL
DISTANCING IMPACTING
PRODUCTION AND TRADE
(LOGISTICS &
WHOLESALE/RETAIL MARKETS
DISRUPTED)**



**FOREIGN FINANCING FLOWS
FROM REMITTANCES AND
FOREIGN DIRECT INVESTMENT
REDUCED**



**LARGE EMPLOYMENT LOSSES
PREDICTED, INCLUDING IN
AGRICULTURE**



**IMPORT OVER-RELIANCE ON
IMPORTS IMPACTED BY THE
CLOSURE & SHORTAGE OF
LABOR**



**DEPENDENCY FROM SIDS ON
TOURISM, REMITTANCES &
FOOD IMPORTS**



**ABILITY OF GOVERNMENTS TO
RESPOND CONSTRAINED BY
FISCAL CRISIS DUE TO COVID-19**

Feedback from industry

- Economic and social **stimulus packages** will be needed (cash payments, wage subsidies, cheap financing to SMEs and smallholders)
- Opportunity for a **paradigm shift** in the way we produce and consume food, see health and safety concerns, support producers
- **Global coordination & investment** from DFIs, donors & investors to most vulnerable
- Policy responses focus on encouraging **self-production & short chains**, local markets
- PPPs to **control domestic prices** of the basic food basket
- Business opportunities for **on-line food delivery**

Initial effects of COVID-19 pandemic on the agrifood sector

- Disruption in production
- Disruptions in logistics & transport
- Labor shortages & unemployment
- Decrease in demand & spending on food
- Use of digital tools
- Business Financial Sustainability at risk
- Health and Safety issues

Disruption in production

Key areas for consideration

- **Cash & loan support** and grants to maintain/restart production
- Trainings on **increasing shelf-life** (e.g. through processing), packaging, storage. Setting up **collection centers** and storage facilities closer to producers
- **Relocating markets** to access fresh food and reduce waste
- Support **storage access** and establish warehouse receipt systems
- Support for **matching local supply and demand** through innovative systems
- Governments support local production via **urban agriculture and short-term crops**
- Post-harvest and **quality standards** trainings via digital platforms

Key areas for consideration

- **Exemption to transporters** of bulk food and food distribution from curfew hours
- Logistical arrangements for distributing food across countries and **common protocols**
- Waiving of curfew restriction for fresh products based on **e-attestations**
- Sharing of **best practices** applied in other regions of the world
- Expanding freight services to ACP countries at pre-COVID-9 **freight rate**
- Financial support to regional airlines freight to avoid competition distortions
- Low cost loans for operation of aircraft for cargo freight services for key routes

Key areas for consideration

- **Health guidelines** on how farmers and traders can protect themselves from the virus to ensure that -level food production and markets operate safely
- Short- and medium-term **trainings to farmer groups and horticultural MSMEs** to guarantee safe food (SPS, conservation techniques, pricing...)
- Classifying food supply chain operators as 'essential workers' in order to guarantee the movement of persons and wage support (some workers not payed for the work done and future markets nor guaranteed)

Decreased food demand and spending

Key areas for consideration

- PPPs for information on the key role of fresh fruits and vegetables for nutrition
- Information on simple **local processing techniques** to avoid losses and use food which cannot supply the traditional markets
- Promote **group purchasing** and consumer-driven platforms
- Innovative and quick ways to **link consumers to producers** and involve youth skilled
- Need to mobilize **cash payments & food relief** to sustain 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
- Support from the food industry (i.e. redistributing fresh food to the vulnerable)

Key areas for consideration

- The deployment of **digital technologies** can support the competitiveness and sustainability of the agrifood sector
- Significant investments in infrastructure, regulatory frameworks and fiscal incentives will need to be in place as well as education in digital innovation
- Equip value chain actors with the right set of **digital skills for production & trade**
- **Share successes** in linking producers to local retail and wholesale demand through IT-driven tools, mobile phone-based traceability system, e-extension services, e-commerce and e-finance which can be expanded
- Linking farmers and processors with ICT start ups to implement practical solutions

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 for cost effective modes of transport
- **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
- International action to support public finances in ACP countries is needed & national measures need to be applied (tax schemes, affordable loans, guarantees)
- Urgent support to SMEs/farmers in capital & markets as they might disappear

Key areas for consideration

- Ensuring a **safe working environment** throughout the supply chain essential to retaining workers & maintaining trust of the consumers. This will involve extra costs
- **Health and safety protocols** for workers involved in the transportation and cargo handling sectors are essential and stricter safety rules needed
- In transport hubs, **harmonization of safety issues at inter-governmental level** (health certificate, quarantine protocols, freight movements, collective PPE procurement)
- RECS already implement relay driving (swapping drivers at the borders), mandatory testing of drivers at borders, delivery of cargo to temporary inland container depot (ICDs) at borders. EU approach through its 'green lane' initiative could be adapted

International & regional responses

- Due to the nature of the multiple disruptions on imports of food and inputs, distribution systems and access to food, responses require a combination of policies and actions by the private sector and support from donors and partners
- Responses from G20, WB, IMF, EU, AFDB, IFAD, bilateral organisations, ...
- The Organisation of ACP States (OACPS)
- African Union, RECs
- Private sector
- Farmers

- 1/ COVID-19 health and safety in ACP countries
- 2/ Mitigating potential socio-economic impacts of COVID-19 in ACP countries
- 3/ Mitigating negative impacts of COVID-19 on food security and nutrition in ACP countries

The specific objective is to enable smallholders, farmer groups, and MSMEs to sustainably produce and sell horticultural produces and improve their access to domestic, regional and international markets while implementing the preventive COVID-19 health and safety recommendations.

Workstream 1: Information and communication

The ACP and EU agri-food industry is continuously informed about rapidly evolving market access conditions and trade dynamics in the horticultural sector, or even in other key agrifood value chains.

Workstream 2: Health and safety

Smallholders, farmer groups and horticultural MSMEs have the capacity to implement preventive health and safety COVID-19 related measures.

Workstream 3: Business support

Smallholders, farmer groups and horticultural MSMEs have the business skills and tools to pursue their production, processing and trading operations in an efficient, profitable and inclusive way.

Workstream 4: Market access and food security

The access to national, regional and international markets for ACP horticultural production is preserved.

Workstream 5: Advocacy

The interests of the ACP horticultural sector are internationally represented and defended towards decision makers (governments, donors, international institutions, financial services, etc.).

03

UPDATE ON THE NEW EU ORGANIC REGULATION

2018/848

- Regulation 2018/848 on organic production and labelling of organic products set to apply from 1st January 2021
- Detailed requirements still being finalised through a series of delegated and implementing regulations (IR)
- Draft Commission IR on controls and other measures ensuring traceability and compliance in organic production is under discussion. COLEACP participated in the consultation process to highlight potential changes that will affect ACP countries
- A second Draft Commission IR on the authorisation of products and substances for use in organic production is under discussion. COLEACP will participate in the consultation process
- Challenges with the Certificate of Organic Inspection (COI)

On controls and other measures ensuring traceability and compliance in organic production. Specific concerns for ACP countries

- **Proposed changes to group certification :**
 - Number of farmers allowed in each group limited to 1 000
 - Each group must have its own legal entity, not affiliated to an export company
 - Mixed cooperatives will have to split their organic and non-organic members, so organic members can form a new legal entity
 - Minimum 5% of farmers in a group will be inspected by an independent third-party

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.

The following recommendations have been made to DG AGRI:

- Cooperatives, federations of cooperatives, and processors/exporters with affiliated farms should continue to be recognised as certifiable legal group entities
 - Should be permitted to create sub-groups with no need for separate legal entity
- No maximum group size limits
 - Larger groups could be required to have a sub-groups operating under one Internal Control System, which is closely supervised
 - Size limits could be applied to the sub-groups, which are certified separately
- Square root approach should be maintained, with an additional minimum control rate of 3-5%

Concessions due to Covid-19 :

- Probable 1-year postponement in application of Regulation 2018/848 following a request by industry, recognizing disruption of the regulatory process
- Flexibility on issuance date of COI achieved; guidance on auditing awaited

Next Steps

- Draft Regulation on controls and other measures: await outcome of Expert Group Meeting (EU MS) 15 June. Further opportunity to influence during public consultation
- Draft Regulation concerning the authorisation of products: COLEACP to request a clarification regarding applicable provisions under EU law

04

UPDATE ON THE BREXIT PROCESS : OUTCOME OF THE UK GLOBAL TARIFF CONSULTATION

BACKGROUND ON THE UK GLOBAL TARIFF REGIME (UKGT)

- UK Department for International Trade launched a **consultation process in February 2020**
- **Intense debate in the UK** regarding the *zero production-zero tariff approach*
- **Estimation that at least 36%** of the total value of ACP horticultural exports to the UK (i.e. EUR 1 117 million in 2019) could have been adversely affected by such approach due to **loss of tariff preferences *vis-à-vis* competing origins**
- The final UKGT was published mid-May 2020, to be **effective as from 1st January 2021**

REMINDER OF COLEACP WORK ON BREXIT-RELATED AREAS

- Setup of a [Brexit Readiness Assessment Platform](#)
- **Participate** to the **UKGT consultation** on behalf of its constituency
- **Facilitate ACP business associations and competent authorities' participation** to the **UKGT consultation**, in close collaboration with the OACPS (i.e. series of working sessions, preparation of an information note, preparation of specific country memos, sourcing of trade flow data, etc.)
- **Monitor** ongoing/upcoming **developments** on the UK policy-making processes
- **Proactive engagement** with targeted UK officials
- Participate to the *COVID-19 Pandemic and International Trade* consultation following enquiry from the **International Trade Committee of the House of Commons**

MAIN OUTCOMES OF THE UKGT CONSULTATION

- **Most concerns from ACP suppliers have been accommodated** 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
 - **Tariffs in some major areas maintained and simply converted** (e.g. bananas, sweet potatoes, etc.)
 - **Slightly lower duties and removal of some seasonal tariff variations** (e.g. cut flowers, peas, raspberries, onions and shallots, lemons, watermelons, eggplants, pineapples, etc.)
 - **Elimination of tariffs lower than 2.4%** (e.g. grapefruit) and **continuation of zero tariffs** on some products (e.g. mango, papaya)
- **However**, one major change is introduced following the **shift from minimum import price (MIP) or standard import value (SIV) requirements to ad valorem tariffs** for some products (e.g. fresh beans, table grapes, broccoli, etc.)

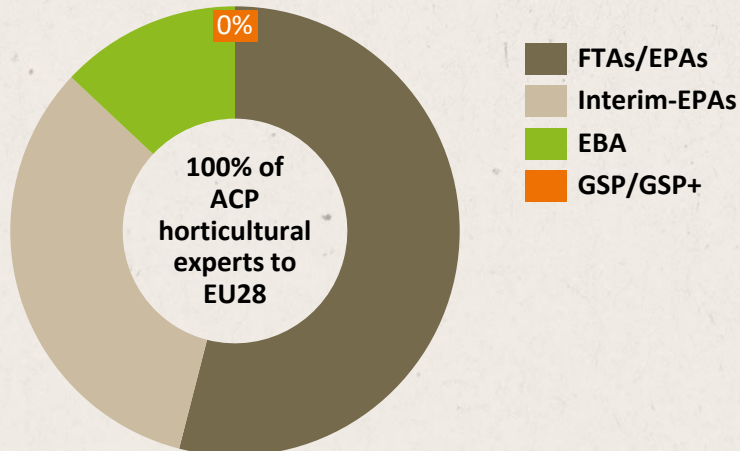
- **Complexity in assessing the impact** of the shift from MIP and SIV requirements to *ad valorem* tariffs :
 - MIP removal likely to negatively impact ACP suppliers who recently entered the EU market while not expected to have a significant impact on well-established exporters of high-quality products
 - SIV removal 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
 - SIV removal could negatively impact small-scale ACP exporters depending on how this is translated into reductions in the UK's autonomous Standard GSP/GSP+ import duties

- Additional details available on the following documents (English only):
 - [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](#)

04

REVISION PROCESS OF THE EU GENERALISED SYSTEM OF PREFERENCES

- Current **GSP** scheme expires on **31/12/2023** (EU 978/2012)
- EU launched a **public consultation open until 15/07/2020** to inform the revision of the GSP scheme
- **4 countries directly impacted** : Gabon, Nigeria and Republic of Congo exporting under standard GSP terms and Cabo Verde under GSP+ terms
- **Structure of export terms to EU28 end 2019**



However ... other ACP countries potentially indirectly impacted as GSP/GSP+ import tariffs influence the value of current margins of preferences over competing or potentially competing GSP suppliers from non-ACP origins

SCOPE OF THE REVISION

- **Input is sought on the following matters:**
 - Structure of the scheme
 - GSP+ compliance requirements
 - Withdrawal of benefits
 - Beneficiary countries
 - Product coverage
 - Product graduation
 - Country graduation

5 MAIN POSSIBLE OUTCOMES

Continuation

- Baseline scenario
- Positive mid-term evaluation (2017)

Revision

- Limited expansion of product coverage (i.e. graduation thresholds)
- Revision of the safeguard mechanism
- Role of civil society (i.e. monitoring and implementation of international conventions)

Extension

- Significant extension of product coverage (i.e. graduation thresholds and products not covered so far)
- Product graduation extended to GSP+ and EBA arrangements
- Additional international conventions to be respected (i.e. environment protection measures)

Merging GSP and GSP+ regimes

- Mandatory compliance with the 27 GSP+ international conventions on human- and labour rights, environmental protection and good governance

Discontinuation

- Discontinuation of the GSP regime
- Discontinuation of the GSP+ regime
- EBA arrangements would continue (i.e. open-ended and bound by WTO)

MAIN AREAS OF CONCERN FOR ACP SUPPLIERS

Primary areas of concern

- **extent** to which the revision of the GSP scheme results in a **lowering of import duties on competing products** from current Standard GSP or GSP+ beneficiaries
- **extent** to which the **EU maintains** its long-standing policy of focusing **unilateral tariff preferences** on the most vulnerable countries and **increasingly establishes EPAs** as the main framework for EU preferential trade relations with developing countries

Secondary areas of concern

- **changes in implementation modalities**, especially on product coverage/graduation and country graduation
- **new requirements** regarding compliance with **international conventions**, especially if additional compliance requirements are introduced *vis-à-vis* **environmental protection and climate change**
- **implementation modalities of rules of origin at regional level** (e.g. if derogation to LDCs is lifted and/or application if EBA beneficiaries source inputs from non-LDCs)

MAIN COLEACP RECOMMENDATIONS

- **Retain** the existing **distinction** between Standard GSP and GSP+ regimes
- **Retain** the **existing country classification** for eligibility under Standard GSP and GSP+ regime
- **Maintain current Standard GSP tariffs** on a series of products (e.g. fresh bananas, cut roses, other cut flowers and ornamental plants, table grapes, fresh beans, fresh peas, broccoli, etc.)
- **Establish temporary special trade arrangements** to preserve DFQF access for ACP countries graduating out of LDC status (e.g. Angola foreseen 2021)
- **Allow full cumulation of origin for EBAs** under simplified procedures where the sourcing of inputs from neighbouring non-LDCs is essential

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NEXT STEPS

- Monitor and communicate continuously on the impacted areas as more information is available every day
- Monitor and communicate continuously on international and regional responses (and operation coordination when relevant)
- Prepare detailed country and regional assessments on demand with clear policy recommendations for the horticultural sector, with public and private sector endorsement
- Strengthen implementation of COLEACP action plan at country and regional levels, on demand

Concessions due to Covid-19 :

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Next Steps

- Draft Regulation on controls and other measures: await outcome of Expert Group Meeting (EU MS) 15 June. Further opportunity to influence during public consultation
- Draft Regulation concerning the authorisation of products: COLEACP to request a clarification regarding applicable provisions under EU law
- Information, technical assistance and training for operators in the horticultural industry

- **Monitor and communicate the ongoing UK-EU negotiations**, given the potential for trade disruptions due to EU/UK customs and SPS controls (i.e. triangular supply chains)
- **Monitor and communicate on the transitional protection mechanism** for Kenya, Ghana, Cameroon and Cote d'Ivoire to preserve current DFQF access. **Support** by providing relevant data and recommendations on request.
- **Monitor and communicate** on the future UK SPS Framework

Next Steps — GSP Consultation

- **Participate in the public consultation** on behalf of COLEACP's constituency
- **On-demand : support to industry stakeholders and competent authorities** (i.e. provide specific data on potentially impacted horticulture value chains, assist with individual set of recommendations for submissions, etc.)
- **Monitor and communication** on the outcome of the GSP scheme revision consultation

06

ANY OTHER BUSINESS



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