

# Ex-Post Evaluation of the Economic Partnership Agreement (EPA) between the EU and its Member States and the Southern African Development Community (SADC) EPA States

(TRADE2022/C1/C12 - 2022/OP/0007)

## Preliminary findings on the non-economic sustainable development impact of the EPA

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# Preliminary findings on the non-economic impact of the EPA - overview



Social effects



Environmental effects



Effects on human rights

# Social effects

# Context / baseline

## ■ Key social issues in SADC EPA States (and links with trade)

- The economy and export structure of some SADC EPA States are focused on capital-intensive sectors (like mining) which do not create many jobs. Others have high employment shares in subsistence agriculture, with high informality levels and low incomes preserving poverty.
- High unemployment rates persist in the region, one of the reasons being that the private sector is not able to create enough jobs to absorb the people who enter the labour market, incl. youth.
- Diversification of the economy and exports may create jobs for men and women (in agriculture, industry and services) helping to reduce high unemployment rates, poverty and job vulnerability (applies less to South Africa).
- SADC EPA States would also benefit from improvement of education quality, including vocational training, to increase people's employability, also in jobs created by trade and investment.
- There are challenges to effectively implement ratified ILO fundamental conventions, but progress has been made. SADC EPA States have prepared new or revised existing laws (and some of them have been adopted), developed Action Plans (e.g., on the elimination of child labour or human trafficking), provided financial support to poor families with children or have taken other steps.

# Findings – Eswatini

- **Prior preferential access to the EU market (under GSP) means limited EPA effects**
  - A limited job creation is estimated in coal mining, wood products, chemicals, iron and steel, metal products, and commercial services. Sugar sector is also important (potential for poverty reduction).
  - The model also shows a fall in production and a move of workers out of the textile and apparel sectors. It explains it with increased imports from the EU and a fall of Eswatini's exports to other SADC EPA States. However, this requires further checks.
- **Examples of other labour-related developments (not clear if EPA played a role)**
  - The new Employment Bill with provisions related to elimination of child labour and forced labour has been prepared.
  - The Labour Advisory Board provides one of the tripartite forums for social dialogue, e.g., to discuss wages in important sectors (like apparel) and legislative reforms (e.g., related to social security and type of contracts).

# Findings – Lesotho

- **Prior preferential access to the EU market (under EBA) means limited EPA effects**
  - Limited employment creation has been estimated for sectors including textiles, related to increased exports to other SADC EPA States and production for the domestic market. This means potential for limited poverty reduction.
  - There may have been negative effects on jobs in sectors incl. apparel and leather. The model explains this with increased imports from the EU and a fall in Lesotho's exports to other SADC EPA States (this requires further analysis).
- **Examples of other labour-related developments (not clear if EPA played a role)**
  - Benefits programmes for vulnerable families, work on 2<sup>nd</sup> National Action Plan on the Elimination of Child Labour, amendments to the Labour Code.
  - Adoption of the Government's National Anti-Trafficking in Persons Strategic Framework and Action Plans for 2018-2023 and 2021-2026, with funds allocated for implementation.
  - The National Advisory Committee on Labour provides framework for tripartite social dialogue (e.g., discussed plans for ratification of the ILO fundamental Convention No. 187).
  - Ratification of ILO fundamental Convention No. 187 (Occupational Safety and Health), No. 151 (Labour Relations), No. 190 (Violence and Harassment) and 2014 Protocol to No. 29 (Forced Labour).

# Findings – South Africa

- **Prior preferential access to the EU market (under TDCA) means limited EPA effects**
  - Employment creation has been estimated for sectors including wheat, other grains, vegetables, fruits, and nuts, cattle, sugar, beverages and tobacco, motor vehicles, and other transport equipment (potential for limited poverty reduction).
  - Increased imports from the EU may have had a negative effect on employment in sectors including textiles, apparel, leather, and rubber and plastics (further analysis required).
- **Examples of other labour-related developments (not clear if EPA played a role)**
  - Implementation of the 4<sup>th</sup> National Child Labour Programme of Action (2017-2021) and other initiatives supporting children and youth.
  - Launch of the Prevention and Combating of Trafficking in Persons National Policy Framework and the establishment of the National Inter-Sectorial Committee on trafficking in persons.
  - Ratification of ILO Convention No. 190 (Violence and Harassment).

# Environmental effects



# Context / baseline

- **Key environmental issues in SADC EPA states (and links with trade)**
  - SADC countries share many characteristics including high climate vulnerability
  - Low but rising greenhouse gas (GHG) emissions in all countries, except South Africa where emissions already high
  - Strong environmental concerns linked to mining
- **Key environmental issues in South Africa/Lesotho/Eswatini**
  - High vulnerability to climate change, high impact from flooding and drought
  - National activities significant contributor to climate change >> main cause is high use of coal in SA; land use change in Lesotho and Eswatini.
  - Shared characteristics: high biodiversity, high natural resources that provide a significant share of GDP, poor quality of waste management, low air quality
  - Main difference: SA has high water stress, Lesotho and Eswatini are self-sufficient. Yet quality of water management is insufficient in all 3 countries.

# Findings – SADC EPA States

- **Economic analysis indicates relatively limited trade effects of the EPA**
  - No major structural effects identified in relation to a diversification of exports
  - Levels of increase of exports from the SADC countries to the EU as a result of the EPA fairly limited
  - GHG emission increase can also only be attributed to the EPA in a limited manner
- **Environmental developments show no clear causal relation with the EPA**
  - All states have ambitions to reduce GHG emissions compared to business-as-usual developments in their (updated) Nationally Determined Contributions (NDCs) to Paris Agreement
  - Larger part of targeted GHG reductions in all countries subject to multilateral support

# Findings – Eswatini

- **No scale effect of EPA**
  - Eswatini benefitted from preferential access to the EU market before EPA
  - Trade between the EU27 and Eswatini has declined from 2016 to 2022. Average annual growth rate of Eswatini exports to EU in 2016-2022 were -5.4%
  - But GHG emissions 2016-2022 increased by 8.0%. Low absolute level: GHG/cap in 2022 ~28% of EU level
- **No link between environmental developments and EPA**
  - *Policy developments:* National Drought Plan adopted (2020), nt , updated NDC and initial adaptation communication published (2021) and implementation plan for the adaptation and mitigation strategies published (2023)
  - No evidence that these policy actions are linked to EPA
  - Literature review rather suggests that policy actions for climate change and biodiversity are a response to significant impacts experienced, such as major losses in the agriculture, wildlife, and forestry sectors as a result of temperature increase and droughts

# Findings – Lesotho

## ■ No scale effect of EPA

- Rapid increase of non-diamond exports from Lesotho to EU since signing of the EPA. Average annual growth rate increased from 6.9% in 2011-2016 to 11.5% in 2016-2022.
- Total GHG emissions decreased 1.9% in 2011-2016, but increased in 2016-2022 with 5.6%.
- Absolute level is low: GHG/cap in 2022 in Lesotho was ~16% of EU level

## ■ No link between environmental developments and EPA

- *Policy developments:* series of key policy documents and strategies adopted in 2017. National Adaptation Plan published in 2021.
- No evidence that these policy actions are linked to EPA
- Literature review rather suggests that the process of developing key policies and strategies had started well before the signing of the EPA.
- With 80% of population depending on natural resources Lesotho is highly exposed to environmental shocks. Donor support aims to support a transition of smallholder farming as to increase value production. This may in the future result in technology effects in GHG emissions.

# Findings – South Africa

- **No scale effect of EPA**
  - Exports from SA to EU steadily increased since 2013 (exception 2020)
  - Average annual growth rate was -0.7% in 2011-2016 and +12.7% in 2016-2022
  - GHG emissions increased 3.7% in 2011-2016 and decreased 9.5% in 2016-2022
  - Absolute level GHG emissions is high: GHG/cap in 2022 was ~8.9 tCO<sub>2</sub>eq while in EU 8.1/global 6.8
- **Potential, limited link between environmental developments and EPA**
  - Structure of imports changed, but developments do not seem to be sufficiently significant to conclude a clear link with the EPA.
  - Significant new policies since start EPA, including updated NDC (2021), submission first National Adaptation Plan (2021) and new 15 GW bid window in RE auction program (2023).
  - No evidence that these policy actions are linked to EPA. Literature suggests energy crisis and climate change rather spurred these developments.
  - Adoption of the Climate Change Bill on 24 October 2023 is a major milestone
  - Electricity production main source of emissions. Good potential from product effects given many inefficient coal production facilities and non-compliance to emission standards

# Human rights effects

# Context / baseline

- **Key human rights issues (and links with trade)**
  - SADC EPA States share several issues regarding human rights:
    - High level of poverty/inequality
    - High vulnerability to droughts > food security
    - Insufficient protection of informal workers
    - Discrimination
    - Child labour
    - Human trafficking
  - Strong human rights concerns in some economic sectors, e.g. land & labour rights violations in the extractive sector & agribusiness, child labour (esp. in agriculture)

# Context / baseline – Eswatini / Lesotho / South Africa

## Key human rights issues in Eswatini

- Restrictions on **fundamental freedoms**
- One of 10 worst countries for **workers** – ITUC Global Rights Index
- High level of **poverty**, esp. in Lubombo & Shiselweni
- High vulnerability to droughts > **food security** / chronic malnutrition
- **Land disputes** between businesses & local communities
- **Child labour** (e.g. herding & farming)

## Key human rights issues in Lesotho

- Restrictions on **fundamental freedoms**
- **GBV**
- Vulnerable to climate change (e.g. droughts) > **food security**
- High level of **poverty & HIV**
- High level of **unemployment** (24-28%)
- ITUC Global Rights Index – systematic violations of **labour rights**
- **Child labour** in some sectors (e.g. cattle sector and farming)

## Key human rights issues in South Africa

- High level of **unemployment**
- Violations of the rights of **indigenous peoples** as a result of business activities
- Vulnerability to multiple weather-related hazards (droughts & floods)
- **Water** pollution, water scarcity in some regions
- **Labour rights** violations (informal workers)
- Isolated incidences of trafficking of children/**child labour** in some sectors



# Findings – SADC EPA States

- **Economic analysis indicates relatively limited trade effects of the EPA**
  - No major effects identified regarding GDP, welfare and wages
  - Modest increase in employment in all SADC EPA States except South Africa (and Namibia)
  - Increase in exports and production due to the EPA is limited in all SADC EPA States except South Africa
- **Some human rights issues indicate causal relation with the EPA**
  - Limited employment changes in all SADC EPA States, more significant in South Africa – mixed impact of the EPA on the right to an adequate standard of living
  - Sectoral effects related to pre-existing vulnerabilities are investigated further

# Findings – Eswatini

- **Limited effect of the EPA on human rights**
  - Employment changes – limited mixed impact on the right to an adequate standard of living at sector level (e.g. coal, chemicals, metal products / textile, wearing & apparel)
  - Women jobs in textile and wearing & apparel sectors – minor negative impact
  - Increase in production of coal (by 0.73%) – minor impact on the right to water/health
  - No significant changes in production in agriculture (right to food)
  - No causal link to the EPA regarding child labour in herding (production increase in cattle sector – 0.01%)
  - No change regarding labour rights – one of 10 worst countries (ITUC)
- **No link between human rights developments and EPA**
  - Challenging political and security situation
  - Access to water improved for urban areas but no evidence of link to the EPA

# Findings – Lesotho

- **Limited effect of the EPA on human rights**
  - Employment changes – limited mixed impact on the right to an adequate standard of living at sector level (e.g. textile / wearing & apparel, leather)
  - Women jobs in textile and wearing & apparel sectors – mixed impact
  - Mixed impact on production of textile (by 1%) and wearing and apparel & leather (-1.5% & -1.9%) – minor impact on the right to water/health
  - No significant changes in production in agriculture (right to food)
  - No causal link to the EPA regarding child labour in herding & farming (employment changes =/ $<0.5\%$ )
  - No change regarding labour rights – systematic violations of labour rights (ITUC)
- **No link between human rights developments and EPA**
  - Brutality by police & security forces and gender-based violence persist
  - Ratified the ILO Convention 187 but no evidence of link to the EPA

# Findings – South Africa

- **Limited effect of the EPA on human rights**
  - Employment changes – limited mixed impact on the right to an adequate standard of living at sector level (e.g. wheat, other grains, VFN, sugar, cattle, motor vehicles & parts / textile, wearing & apparel, leather, rubber & plastics products)
  - Women jobs in textile and wearing & apparel sectors – minor negative impact
  - Increase in production of corn & fruit (1% & 2.4%) – possibility of presence of causal link regarding child labour to be investigated
  - No change regarding labour rights
  - Impact on indigenous communities is investigated further (no causal link between the EPA & mining)
- **No link between human rights developments and EPA**
  - Ratified the Optional Protocol to the Torture Convention in 2019, other developments
  - No evidence of link to the EPA

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